



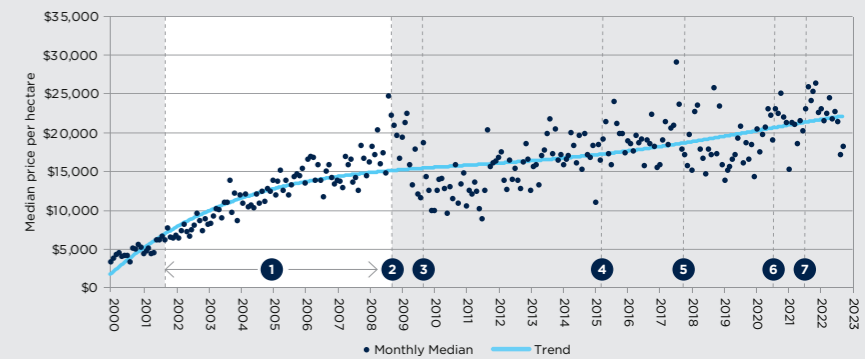
BAYLEYS PASTORAL MARKET UPDATE

NEW ZEALAND PASTORAL MARKET TRENDS

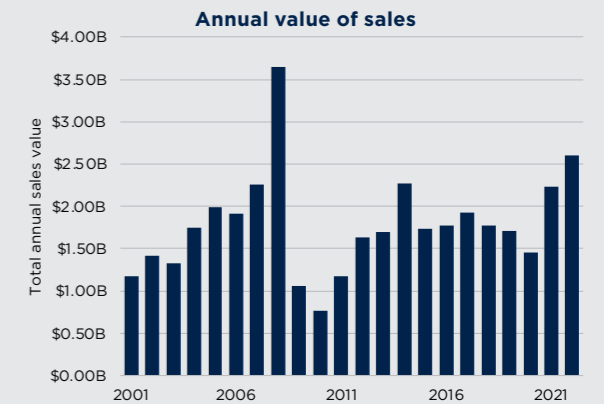
Data: Bayleys Insights & Data, REINZ 1 October 2021 to 30 September 2022

\$2.60b | **168,034ha** | **902**

Land value sold (up 17% from \$2.22b) | Land sold (up 10% from 152,383ha) | Farms sold (down 14% from 1,048)



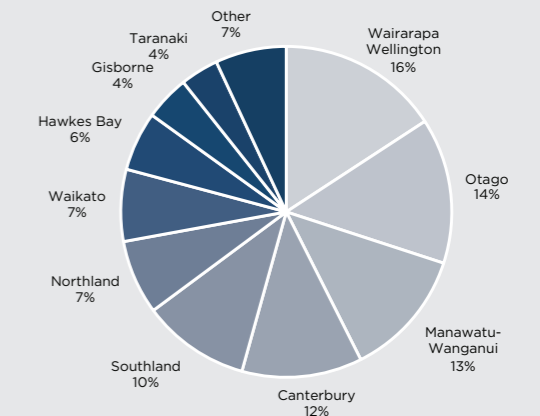
- 1 Pre-GFC Dairy Deregulation period
- 2 Emissions Trading Scheme (ETS) introduced and GFC Lehman Brothers collapse (2008)
- 3 ETS Fixed Price Option "price cap" for NZ Units (NZUs/carbon credits) of \$25 per unit introduced
- 4 Only NZUs recognised in the ETS
- 5 Emissions Trading Scheme (ETS) introduced and GFC Lehman Brothers collapse (2008)
- 6 Overseas Investment Office increases restrictions on foreign investment in farmland (2017)
- 7 ETS Fixed Price Option "price cap" of \$35 per NZU introduced
- 8 ETS Fixed Price Option no longer applies



Average price per hectare by region (2022)

Northland	\$22,973
Auckland	\$85,615
Waikato	\$62,964
Bay of Plenty	\$32,657
Gisborne	\$21,191
Hawkes Bay	\$26,741
Taranaki	\$41,739
Manawatu-Wanganui	\$27,446
Wairarapa Wellington	\$25,989
Tasman Nelson Marlborough	\$32,995
West Coast	\$13,228
Canterbury	\$37,384
Otago	\$20,189
Southland	\$22,512
New Zealand	\$34,291

Total land area sold by region (2022)



Biggest trends

Elevated land prices
Low interest rates, sound commodity prices and a strong carbon market have been the drivers to transactional activity and recent value growth. With increases to interest rates and cost inflation impacting margins on farm, investments decisions are more considered. The carbon market continues to underpin growth in hill country.

Competing land use
Fattening and dairy support buyers have continued to compete for the more productive land classes in order to future proof operations with scale, as regulation threatens stocking rates. Ability for pastoral operators to compete with carbon forestry for hill and breeding country continues to reduce as carbon prices increase.

Environmental standards add due diligence
Pastoral buyers are placing increased attention towards compliance with environmental standards. Clarity is required regarding He Waka Eke Noa to understand impact on viability of stocking rates and carrying capacities.

Outlook for the next 12 months

Transaction risks for overseas investors
Changes to the Overseas Investment Act requiring the benefit test to be met for bare land conversion to forestry has introduced uncertainty into the market for these transactions. In the short-term vendors will likely be confronted with a trade-off between higher value and greater risk associated with approvals, versus more modest but lower risk offers made by local buyers. An initial round of transactions is needed to get a better understanding of any approval risk and/or price premiums.

Land prices expected to stabilise
Land prices at the lower end of the market are expected to stabilise should foreign investment of bare land become more restricted. Recent pressure on prices for the better land classes (fattening and dairy support) are also expected to stabilise given tightening margins behind the farm gate.

Interest rate uncertainty
With increasing cost of debt (rather than access to debt) activity is expected to soften relative to last spring. Principal repayments across the rural sector should continue to provide availability of debt to support transactions flow.



BAYLEYS PASTORAL SALES

\$815,308,723
Land value sold

42,496ha
Land area sold

228
Farms sold

Bayleys Pastoral Unconditional Sales (1 October 2021 to 30 September 2022)