

# RURALINSIGHT

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APRIL 2016



## WINE COUNTRY OFFERS OPTIONS FOR LAND INVESTMENT.

As the New Zealand wine industry goes from strength to strength, the property sector is reporting strong interest from investors keen to participate in the sector's continuing good fortune.

**N**ew Zealand wine exports reached a new high last year, with Wine New Zealand reporting a 14% lift over 2014 earnings, taking the industry's total export income to \$1.54 billion, making it the country's sixth largest income earner.

Bayleys NZ country manager Simon Anderson said the interest his company is receiving in properties listed in key wine growing regions of Marlborough and Hawke's Bay is reflective of a growing confidence in the general horticultural and viticultural sectors.

In Marlborough, Bayleys viticulture specialist Andy Poswillo said the region had weathered the downturn in wine sales that hit the world after the global financial crisis. There was now a sense of well-founded optimism with the latest export sales figures.

He was receiving regular enquiry from investors locally, nationally and internationally who wanted to invest in a sector that offered them the opportunity to participate in New Zealand's growing winemaking reputation, as part of their investment portfolio.

"The Marlborough region is experiencing vineyard plantings the same way Southland and Canterbury witnessed a switch to dairying in the past 10 years.

"We are experiencing very strong enquiry for land that is increasingly becoming more limited in supply for grape growing,

as limits come in on what is available subject to suitable contour, location or water supply."

The region now has 24,000ha of land in grapes, with 80% Sauvignon Blanc grapes planted and processing capacity underpinned by major multi-national wine companies including Constellation Brands and Pernod Ricard.

The presence of major international players in regions like Marlborough and Hawke's Bay have opened up opportunities for investors at a land based level to participate in the sector.

"Investors are interested in buying bare land, developing it into vineyards and leasing it out to those big corporate wine companies that are actively seeking grapes for security of on-going supply," says Poswillo.

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The impact of specific localities on wine's characteristics mean some areas can be of interest to multiple companies seeking that grape's characteristics for wine making.

"Typically the opportunity involves setting up a vineyard and leasing it back to a company. Often these companies will seek a 25-year lease period, with review periods for that lease built in. Returns to investors can typically be about 7-8% of the land value."

He said companies will typically seek leases from larger blocks of about 20ha plus, and the security of the lease makes them an appealing investment option.

For pastoral farmers with suitable areas for grapes on their properties, grapes are also offering some land use options.

"We have a number of clients who have subdivided off 15-20ha of land which they can offer on the market, freeing up some cash for succession or retirement. For others the opportunity to plant grapes on part of the farm provides a valuable alternative income source."

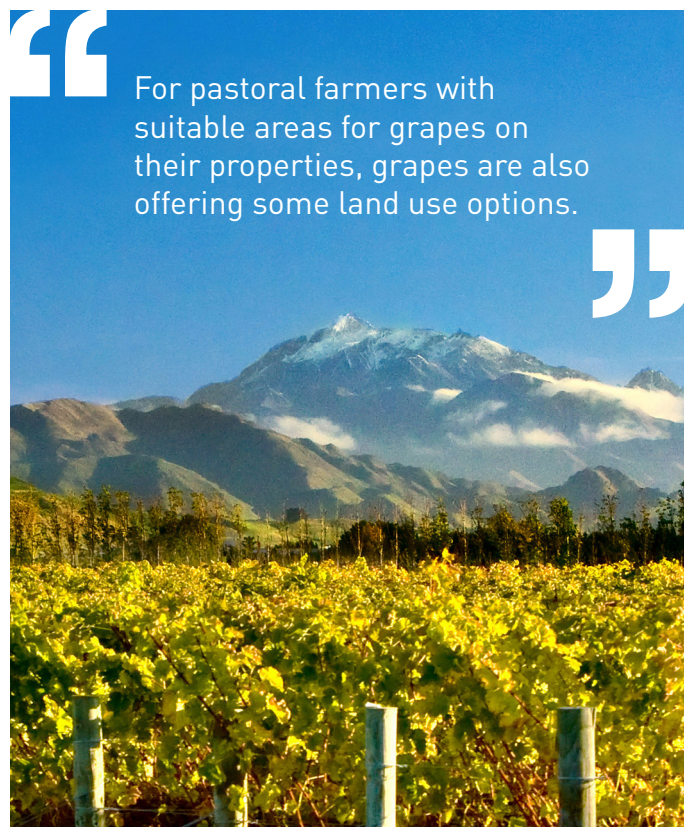
To the north, despite being only a fifth of the area of Marlborough in grapes, the Hawke's Bay is also enjoying wine's positive prospects. Bayleys Hawke's Bay viticultural manager

Glyn Rees-Jones says faith in the region's multi-variety potential has been especially boosted by the massive \$29.3 million purchase by Delegats Group of Hopkins Farming Group's 838ha Crownthrope Dairy properties.

The deal is to be settled in May and marks the single largest viticultural development ever done in the region. It comes as Delegats also invest in a major winery development on Everton Road, due to open later this year. Villa Maria is also expanding its Te Awa Estate Winery adding an extra boost to the Bay's wine industry.

He said development opportunities in Hawke's Bay remain promising with bare land and vineyards offering lower entry prices than Marlborough.

"We have enquiry from both national and international investors looking to capitalise on the wonderful reputation of the Bay's world acclaimed red wine, and award winning Chardonnays."



For pastoral farmers with suitable areas for grapes on their properties, grapes are also offering some land use options.

"There is also the potential for further development in Central Hawke's Bay if the Ruataniwha dam goes ahead. We are also seeing more interest in growing Sauvignon Blanc in the Bay, further broadening the region's reputation for its ability to cover the spectrum of all grape varieties," he says.

Simon Anderson said wine makers have welcomed the recent decision to protect NZ regional wine names, known as "geographical indications".

"Along with the industry's respected sustainability policy, this move will add to NZ wines being true exemplars of the "New Zealand story", and a good investment opportunity."

