



BAYLEYS PASTORAL MARKET UPDATE

Biggest trends



Margin compression slows activity

With red meat commodity prices coming off their peak, together with accretive costs incurred on farm, margins are being compressed. Affordability is now heavily influenced by the accelerated increase in the cost of debt seen in the past 12 months.



Environmental standards add due diligence

While more acute in the dairy sector, pastoral buyers remain alert to compliance of environmental standards, despite recent regulatory indecision. Vendors should have quality documentation available to assist saleability, particularly for the higher value of properties that may attract more scrutiny.



Less competing land use pressure

Competing land use amongst the sub-sectors remains, but at a lesser amount of intensity than in recent periods. Dairy farmers seeking additional support land as part of their strategy to meet environmental standards remain active, with competition from fattening operators reducing. Conversion of hill country to forestry has been dampened due to regulation and volatility in the NZU carbon price.

Outlook for the next 12 months



Pressure on forestry conversion

Buyer activity for hill country conversion to forestry started to slow spring 2022, initially influenced by conversion restrictions on offshore buyers. Forestry conversion activity is expected to continue, but less aggressively given the recent forestry slash review (albeit focused primarily on the North Island East Coast). The recommendations are expected to have a more controlling influence on land use.



Motivation to transact will be tested

Vendors who do not have motivating factors to transact are expected to remain resilient to price adjustment pressure. The anticipated reduction in competing land use from forestry would provide opportunity for buyers of hill country for breeding operations after having been arguably priced out of this market in more recent times.



Thinner buyer pool with increased options

Buyer willingness will continue to be heavily influenced by their capacity and affordability assessment. Market activity is therefore expected to continue to soften with activity likely to be associated with better quality properties, strategic acquisitions or where there is a perceived value gain as a result of more immediate motivating factors of vendors (such as age, energy, debt or up/downsize plans).



BAYLEYS PASTORAL SALES

845,046,040
Land value sold

45,104ha
Land area sold

230
Farms sold

Bayleys Pastoral Unconditional sales (1 April 2022 to 31 March 2023)

NEW ZEALAND PASTORAL MARKET TRENDS

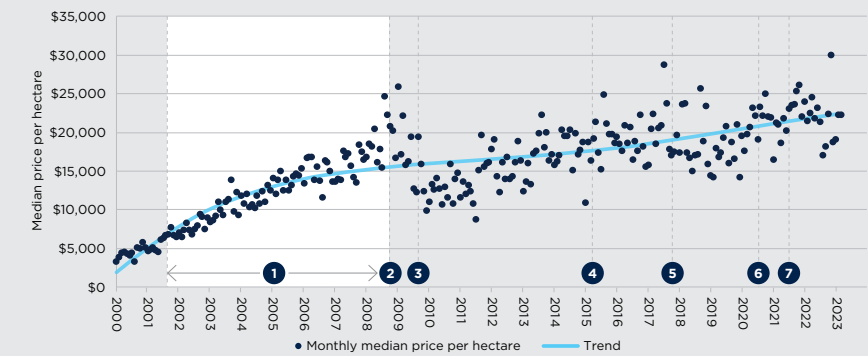
Data: Bayleys Insights & Data, REINZ 1 April 2022 to 31 March 2023

\$2.11b

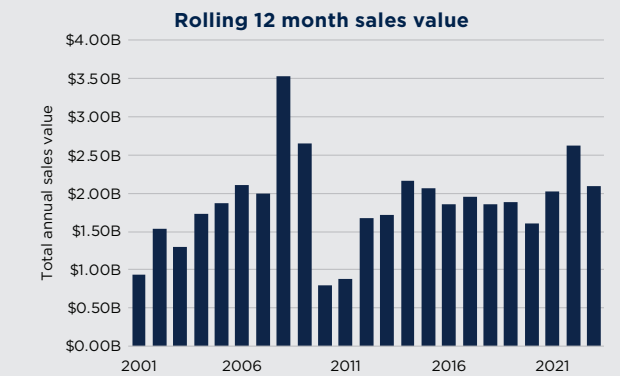
131,384ha

775

Land value sold (down 20% from \$2.63b) | Land sold (down 24% from 173,254ha) | Farms sold (down 23% from 1,011)



- 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 Overseas Investment Office increases restrictions on foreign investment in farmland (2017)
- 6 ETS Fixed Price Option "price cap" of \$35 per NZU introduced
- 7 ETS Fixed Price Option no longer applies



Average price per hectare by region (2023)

Northland	\$23,396
Auckland	\$80,036
Waikato	\$45,964
Bay of Plenty	\$31,382
Gisborne	\$30,839
Hawkes Bay	\$22,646
Taranaki	\$47,753
Manawatu-Wanganui	\$27,235
Wairarapa Wellington	\$24,760
Tasman Nelson Marlborough	\$28,947
West Coast	\$13,589
Canterbury	\$36,694
Otago	\$25,823
Southland	\$22,592
New Zealand	\$31,815

Land area sold by region (2023)

