

# Queenstown Property Market Update

## Vineyards

Due to the poorer 2003/2004 and 2004/2005 seasons, the demand for suitable land for viticulture has been slow throughout the Central Otago area, which had previously experienced a substantial increase in vineyard development over the last six years with upward pressure on land values. We understand that other viticulture areas such as Marlborough and Hawke's Bay and the smaller Waipara area, remain relatively buoyant, with significant increases in values of land and established vineyards.

Although the market is slower, interest remains for both lifestyle and vineyard property from both lifestyle and corporate investors. Wineries in the Central Otago area are finding it increasingly more difficult to keep up with product demand.

Premiums remain for well positioned land such as Felton Rd in Cromwell with the recent sale of two vacant near level holdings of an estimated 10 hectares with no buildings, vineyard or improvements thereon. Excluding the residential component, the land value equates to nearly \$80,000 per hectare.

Conversely, for a small vineyard at the Cromwell entrance to the Kawarau Gorge Rd on a 2.0764 hectare rural lifestyle property, with the position appearing suited for vines but, from a residential viewpoint, would be subject to a higher degree of traffic noise, the developed vineyard of 1.39 hectares inclusive of land but excluding the residential component sold at near to \$115,000 per hectare.

Overall, better located, established (in full production) vineyards in the Cromwell area planted in Pinot Noir grapes and with grafted root stock, including vines, trellis and irrigation, are ranging between \$120,000 - \$150,000 per hectare for the developed vineyard area, plus the residential component.

The few sales of vineyards in Gibbston Valley have also indicated trends consistent with the Cromwell area, with a property of 9.79 hectares inclusive of a small winery, selling at (we understand) \$2,500,000. On our analysis, the 6 hectare vineyard planted in 2003/2004 in Pinot Noir grapes sold at \$141,000 per hectare.

## Winery Developments

We are aware of several new Winery developments in Cromwell:

- Lake Dunstan Industrial Estate - a larger development associated with a wine bottling and cool store operation.
- McNulty Rd - just completed for this years vintage, for a larger vineyard owner.
- Wanaka Road near Burn Cottage Rd - a smaller boutique operation for the vineyard owner.
- Wanaka Road - a larger Winery in the Amisfield area for a vineyard owner.
- Ripponvale Road - conversion of the former Heartland Meat Works to a winery for McArthur Ridge, who have a substantial vineyard in Alexandra.

## Projections

- Pinot Noir will remain the prominent 'Central Otago' grape but we note an increase in grape varieties, possibly to spread risk, and greater plantings of Pinot Gris.
- The present high value of the NZ dollar is impacting on returns.
- The excess Australian and European wine production is limiting bottle price.
- Costs of production and limitation of returns are likely to see a trend away from lifestyle to commercial orientated vineyards with minimum plantings of 13-15 hectares, as has occurred in Marlborough area.
- Pricing will only be maintained if the present high quality of product, in particular Pinot Noir continues to be produced.