



News Release

15 March 2017

Sales Slow In Late Summer Market

Summary

Data released today by the Real Estate Institute of NZ ("REINZ") shows there were 38 fewer farm sales (-8.0%) for the three months ended February 2017 than for the three months ended February 2016. Overall, there were 436 farm sales in the three months ended February 2017, compared to 521 farm sales for the three months ended January 2017 (-16.3%), and 474 farm sales for the three months ended February 2016. 1,765 farms were sold in the year to February 2017, 0.8% fewer than were sold in the year to February 2016, with 7% fewer dairy farms and 18% fewer grazing farms sold over the same period.

The median price per hectare for all farms sold in the three months to February 2017 was \$27,395 compared to \$25,970 recorded for three months ended February 2016 (+5.5%). The median price per hectare rose 1.3% compared to January.

The REINZ All Farm Price Index rose 0.6% in the three months to February 2017 compared to the three months to January 2017. Compared to February 2016 the REINZ All Farm Price Index rose 4.0%. The REINZ All Farm Price Index adjusts for differences in farm size, location and farming type, unlike the median price per hectare, which does not adjust for these factors.

Six regions recorded increases in sales volume for the three months ended February 2017 compared to the three months ended February 2016. Otago recorded the largest increase in sales (+17 sales), followed by Taranaki (+15 sales), and Southland (+8 sales). Compared to the three months ended January 2017, two regions recorded an increase in sales.

"Sales figures for the three months ending February 2017 confirm an easing in volumes in all categories for the period, albeit sales of finishing and horticultural properties during the month of February showed a lift compared to the previous month", says REINZ Rural Spokesman Brian Peacocke, "Caution, uncertainty and delayed decision making are the over-riding comments relating to the current market as the rural sector continues to grapple with volatility of income, volatility of climate and the ever increasing emphasis on compliance and environmental issues."

“Horticulture remains the bright spot on the immediate horizon, particularly the kiwifruit and pip-fruit sectors, followed closely by a resilient beef market.”

Points of Interest around New Zealand include:

- **Northland** – restricted supply as a dry February caused vendors to hold back; good properties selling well with some multiple-offer scenarios; dairy values holding and steady enquiry for beef farms; some activity on second and third tier properties but still buyer resistance unless price reflects contour and location;
- **Waikato** – steady activity on dairy farms at moderate prices; some sales of small finishing and grazing properties; water quality and nitrogen levels causing concern with considerable discussion as the submission period for Healthy Rivers Plan Change One draws to a close;
- **Bay of Plenty** - a very strong market for limited supply in the kiwifruit sector where demand focusses on top-of-the-line properties; strong prices for both green and gold orchards with likely strong demand for the forthcoming tender of licenses for the gold variety;
- **Taupo/Rotorua** – tight conditions throughout the region with reports of delayed decision making and transactions difficult to close, often due to vendor expectation being too high;
- **Hawke’s Bay** – limited stock available with those properties sold achieving good prices; the strong beef market, particularly for weaner cattle, is causing vendors to be optimistic but purchasers remain cautious; the pip-fruit sector is buoyant but things are quiet currently on the Ruataniwha Dam project;
- **Taranaki** – a busy market with moderate volumes at steady prices for dairy farms; a reasonable supply of property on hand with indications of prices strengthening; sufficient activity in the dry stock market to register;
- **Manawatu/Wanganui** – solid results on finishing and grazing properties, discerning purchasers active on good quality properties but standing off lower quality farms; quiet activity on dairy apart from beef farmers beginning to focus on second and third tier dairy farms indicating potential changes in land use; reports of nutrient / nitrogen factors impacting on properties with low nitrogen reference points;
- **Wellington/Wairarapa** – minimal activity with a shortage of listings; Wairarapa is experiencing a very good season with sufficient rain to offset the strong winds;
- **Nelson/Marlborough** – relatively quiet with reduced sales; continuing interest in the horticultural sector but a shortage of supply is restricting opportunities;
- **Canterbury** – a quieter dairy market constrained by a shortage of listings; some activity in the sheep, beef and arable sectors including neighbour to neighbour transactions;

- **Otago** – a reasonable level of activity throughout the region with sales of finishing farms being ahead of grazing, dairy and arable properties; and
- **Southland** – limited localised activity on good dairy farms with prices for the few farms sold holding well; the solid supply of listings suggests a number will carry through to next season; increasing enquiry for sheep and beef, and where suitable land is available, activity involving vegetable and tulip growers.

Grazing properties accounted for the largest number of sales with a 32% share of all sales over the three months to February 2017, Finishing properties accounted for 25%, Dairy properties accounted for 21% and Horticulture properties accounted for 10% of all sales. These four property types accounted for 87% of all sales during the three months ended February 2017.

Dairy Farms

For the three months ended February 2017 the median sales price per hectare for dairy farms was \$39,642 (91 properties), compared to \$44,322 for the three months ended January 2017 (94 properties), and \$36,687 (76 properties) for the three months ended February 2016. The median price per hectare for dairy farms has risen 8% over the past 12 months. The median dairy farm size for the three months ended February 2017 was 106 hectares.

On a price per kilo of milk solids basis the median sales price was \$35.45 per kg of milk solids for the three months ended February 2017, compared to \$39.75 per kg of milk solids for the three months ended January 2017 (-10.8%), and \$38.00 per kg of milk solids for the three months ended February 2016 (-6.7%).

The REINZ Dairy Farm Price Index fell 5.9% in the three months to February 2017 compared to the three months to January 2017. Compared to February 2016, the REINZ Dairy Farm Price Index rose 19.2%. The REINZ Dairy Farm Price Index adjusts for differences in farm size and location compared to the median price per hectare, which does not adjust for these factors.

Finishing Farms

For the three months ended February 2017 the median sale price per hectare for finishing farms was \$27,595 (107 properties), compared to \$28,268 for the three months ended January 2017 (136 properties), and \$24,046 (74 properties) for the three months ended February 2016. The median price per hectare for finishing farms has risen 15% over the past 12 months. The median finishing farm size for the three months ended February 2017 was 53 hectares.

Grazing Farms

For the three months ended February 2017 the median sales price per hectare for grazing farms was \$12,183 (139 properties) compared to \$11,102 for the three months ended January 2017 (166 properties), and \$15,484 (216 properties) for the three months ended February 2016. The median

price per hectare for grazing farms has fallen 21% over the past 12 months. The median grazing farm size for the three months ended February 2017 was 86 hectares.

Horticulture Farms

For the three months ended February 2017 the median sales price per hectare for horticulture farms was \$269,034 (44 properties) compared to \$204,281 (53 properties) for the three months ended January 2017, and \$254,448 (54 properties) for the three months ended February 2016. The median price per hectare for horticulture farms has risen 6% over the past 12 months. The median horticulture farm size for the three months ended February 2017 was eight hectares.

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Real Estate Institute of New Zealand

For more real estate information and market trends data, visit www.reinz.co.nz. For New Zealand's most comprehensive range of listings for residential, lifestyle, rural, commercial, investment and rental properties, visit www.realestate.co.nz - REINZ's official property directory website.

Editor's Note:

The information provided by REINZ in relation to the rural real estate market covers the most recently completed three month period; thus references to February refer to the period from 1 December 2016 to 28 February 2017.

The REINZ Farm Price Indices have been developed in conjunction with the Reserve Bank of New Zealand. It adjusts sale prices for property specific factors such as location, size and farm type which can affect the median \$/hectare calculations and provides a more accurate measure of farm price movements. The REINZ Farm Price Indices has been calculated with a base of 1,000 for the three months ended March 1996. The REINZ Farm Price Indices is best utilised in assessing percentage changes over various time periods rather than trying to apply changes in the REINZ Farm Price Index to specific property transactions.