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For immediate release

Continued Softening in Rural Real Estate Market

Data released today by the Real Estate Institute of NZ ("REINZ") shows there were 76 fewer farm sales (-16.2%) for the three months ended July 2017 than for the three months ended July 2016. Overall, there were 392 farm sales in the three months ended July 2017, compared to 459 farm sales for the three months ended June 2017 (-14.6%), and 468 farm sales for the three months ended July 2016. 1,739 farms were sold in the year to July 2017, 1.5% fewer than were sold in the year to July 2016, with 44% more finishing farms, 28% more dairy farms and 21% fewer grazing and 22% fewer arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to July 2017 was \$27,158 compared to \$26,492 recorded for three months ended July 2016 (+2.5%). The median price per hectare rose 4.5% compared to June.

The REINZ All Farm Price Index rose 5.6% in the three months to July 2017 compared to the three months to June 2017. Compared to July 2016 the REINZ All Farm Price Index rose 9.0%. 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.

Seven regions recorded increases in sales volume for the three months ended July 2017 compared to the three months ended July 2016. Canterbury recorded the largest increase in sales (+4 sales) followed by West Coast (+3 sales). Compared to the three months ended June 2017, one region recorded an increase in sales.

Brian Peacocke, Rural Spokesman, at REINZ says: "As noted in the previous monthly report, the reduction in sales volumes for the three month period ending July 2017 reflects the dormant winter period with farmers focusing on the seasonal issues of lambing and calving, activities which dependent upon location, will continue into August and September."

"Of interest and clearly stimulated by the recently announced increase in the milk payout and the current strong beef prices, an air of confidence, or perhaps relief, is quietly growing within the rural sector. However, in a number of areas throughout the country, that optimism has been tempered by recent persistent, heavy rainfall and extensive flooding, generating extremely difficult conditions for the wintering of cattle and calving of dairy cows in particular.

"Fortunately for those southern regions impacted by heavy snowfalls, a kind autumn had allowed a build-up of feed reserves and livestock condition sufficient to cope with such extremes," he concludes.

Points of Interest around New Zealand include:

- **Dairy** – Very quiet in most regions apart from reduced activity with medium priced units in Taranaki and one strong sale in the Waitaki district of North Otago;
- **Finishing** – steady activity in Northland and Auckland including several strong sales in the Pukekohe/Karaka locality; a reasonable level of sales in Canterbury at good, solid prices; sufficient activity throughout Southland and Otago to register, including one strong sale in the Queenstown/Lakes district;
- **Grazing** – an easing in volumes but still activity in the Northland, Auckland, Waikato and the Manawatu / Wanganui regions; a slight upturn in Southland with localised activity at mixed levels of pricing on dairy support, sheep and beef properties;
- **Arable** – generally quiet apart from simmering activity in Canterbury with one particularly notable sale at Methven slightly in excess of \$57,000 / hectare;
- **Horticulture** – solid enquiry but reduced volumes in the Bay of Plenty; some solid sales of bare land deemed suitable for horticulture in Hawke’s Bay; a good strong sale of a nursery in Marlborough and another property in the Tasman district; quiet elsewhere; and
- **Forestry** – a reduced scattering of sales in the North Island but no activity in the South Island.

Finishing properties accounted for the largest number of sales with a 39% share of all sales over the three months to July 2017, Grazing properties accounted for 27%, Dairy properties accounted for 9% and Horticulture properties accounted for 13% of all sales. These four property types accounted for 88% of all sales during the three months ended July 2017.

Dairy Farms

For the three months ended July 2017 the median sales price per hectare for dairy farms was \$36,332 (36 properties), compared to \$34,789 for the three months ended June 2017 (59 properties), and \$35,614 (32 properties) for the three months ended July 2016. The median price per hectare for dairy farms has risen 2% over the past 12 months. The median dairy farm size for the three months ended July 2017 was 133 hectares.

On a price per kilo of milk solids basis the median sales price was \$35.97 per kg of milk solids for the three months ended July 2017, compared to \$33.45 per kg of milk solids for the three months ended June 2017 (+7.5%), and \$33.62 per kg of milk solids for the three months ended July 2016 (+7.0%).

The REINZ Dairy Farm Price Index rose 4.3% in the three months to July 2017 compared to the three months to June 2017. Compared to July 2016, the REINZ Dairy Farm Price Index fell 0.9%. 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 July 2017 the median sale price per hectare for finishing farms was \$30,882 (152 properties), compared to \$27,613 for the three months ended June 2017 (173 properties), and \$26,249 (95 properties) for the three months ended July 2016. The median price per hectare for finishing farms has risen 17.7% over the past 12 months. The median finishing farm size for the three months ended July 2017 was 45 hectares.

Grazing Farms

For the three months ended July 2017 the median sales price per hectare for grazing farms was \$11,274 (105 properties) compared to \$10,093 for the three months ended June 2017 (121 properties), and \$15,326 (182 properties) for the three months ended July 2016. The median price per hectare for grazing farms has fallen 26.4% over the past 12 months. The median grazing farm size for the three months ended July 2017 was 82 hectares.

Horticulture Farms

For the three months ended July 2017 the median sales price per hectare for horticulture farms was \$149,251 (52 properties) compared to \$159,161 (62 properties) for the three months ended June 2017, and \$205,020 (83 properties) for the three months ended July 2016. The median price per hectare for horticulture farms has fallen 27.2% over the past 12 months. The median horticulture farm size for the three months ended July 2017 was eight hectares.

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Real Estate Institute of New Zealand

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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 July refer to the period from 1 May 2017 to 31 July 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.