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For immediate release

Softening Tone to Rural Real Estate Market

Summary

Data released today by the Real Estate Institute of NZ ("REINZ") shows there were 13 fewer farm sales (-2.8%) for the three months ended June 2017 than for the three months ended June 2016. Overall, there were 459 farm sales in the three months ended June 2017, compared to 514 farm sales for the three months ended May 2017 (-10.7%), and 472 farm sales for the three months ended June 2016. 1,784 farms were sold in the year to June 2017, 2.6% more than were sold in the year to June 2016, with 37% more finishing farms, 27% more dairy farms and 12% fewer grazing and 16% fewer arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to June 2017 was \$25,993 compared to \$26,361 recorded for three months ended June 2016 (-1.4%). The median price per hectare fell 4.5% compared to May.

The REINZ All Farm Price Index fell 2.5% in the three months to June 2017 compared to the three months to May 2017. Compared to June 2016 the REINZ All Farm Price Index rose 4.9%. 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.

Eight regions recorded increases in sales volume for the three months ended June 2017 compared to the three months ended June 2016. Otago recorded the largest increase in sales (+13 sales), followed by Gisborne (+9 sales) and Southland (+7 sales). Compared to the three months ended May 2017, three regions recorded an increase in sales.

Brian Peacocke, Rural Spokesman, at REINZ says: “The easing in farm sales volumes shown in the data for the three months ending June 2017 is in line with similar late autumn / early winter periods in recent years, as farmers focus on wintering activities and the season ahead.

“Morale throughout the rural sector, wool producers excepted, is being stimulated by the positive outlook for dairy, beef, lamb, venison and horticultural products, and is likely to encourage continuing investment into those land-based industries. Record attendance at the recent National Field Days in the Waikato and reports of strong purchasing activity for vehicles and farm machinery were a boost to the economic barometer for the country and a further reflection of increasing confidence within the rural sector.

“However, for many farmers in Central Hawke’s Bay in particular, regrettably, the mood of optimism is being tempered as the well-publicised Ruataniwha Dam project is threatened with yet another hurdle. That aside, the 2017/2018 season is anticipated to provide positive outcomes for the wider rural community and for the service industries in the towns around New Zealand that depend so much on a healthy rural economy,” he concludes.

Points of Interest around New Zealand include:

- **Dairy** – Sale volumes well down but still ahead of the previous two years; a late surge of activity in Canterbury;
- **Finishing** – Steady activity in north Waikato, eastern Bay of Plenty, Rotorua and the lower North Island regions of Taranaki, Manawatu/Wanganui, Hawke’s Bay and Wellington; very strong activity in Canterbury and solid in Southland;
- **Grazing** – a big reduction in volumes for June apart from Northland, Manawatu/Wanganui and Wairarapa/Wellington;
- **Arable** – very quiet throughout the country with just enough activity in Canterbury to register;
- **Horticulture** – buoyant sales in the Bay of Plenty with reports of two extraordinarily high value sales of gold kiwifruit orchards within the range of \$100,000 per canopy hectare; ongoing activity in the Marlborough district; and
- **Forestry** – a gentle increase in sales volumes with slightly more activity in the South Island than in the North Island.

Finishing properties accounted for the largest number of sales with a 38% share of all sales over the three months to June 2017, Grazing properties accounted for 26%, Dairy properties accounted for 13% and Horticulture properties accounted for 14% of all sales. These four property types accounted for 90% of all sales during the three months ended June 2017.

Dairy Farms

For the three months ended June 2017 the median sales price per hectare for dairy farms was \$34,789 (59 properties), compared to \$34,789 for the three months ended May 2017 (89 properties), and \$32,615 (46 properties) for the three months ended June 2016. The median price per hectare for dairy farms has risen 6.7% over the past 12 months. The median dairy farm size for the three months ended June 2017 was 132 hectares.

On a price per kilo of milk solids basis the median sales price was \$33.45 per kg of milk solids for the three months ended June 2017, compared to \$36.26 per kg of milk solids for the three months ended May 2017 (-7.7%), and \$30.40 per kg of milk solids for the three months ended June 2016 (+10.0%).

The REINZ Dairy Farm Price Index rose 0.1% in the three months to June 2017 compared to the three months to May 2017. Compared to June 2016, the REINZ Dairy Farm Price Index rose 17.7%. 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 June 2017 the median sale price per hectare for finishing farms was \$27,163 (173 properties), compared to \$27,141 for the three months ended May 2017 (157 properties), and \$25,941 (108 properties) for the three months ended June 2016. The median price per hectare for finishing farms has risen 6.5% over the past 12 months. The median finishing farm size for the three months ended June 2017 was 46 hectares.

Grazing Farms

For the three months ended June 2017 the median sales price per hectare for grazing farms was \$10,093 (121 properties) compared to \$14,160 for the three months ended May 2017 (155 properties), and \$16,604 (170 properties) for the three months ended June 2016. The median price per hectare for grazing farms has fallen 39.2% over the past 12 months. The median grazing farm size for the three months ended June 2017 was 110 hectares.

Horticulture Farms

For the three months ended June 2017 the median sales price per hectare for horticulture farms was \$159,161 (62 properties) compared to \$181,427 (64 properties) for the three months ended May 2017, and \$223,165 (77 properties) for the three months ended June 2016. The median price per hectare for horticulture farms has fallen 28.7% over the past 12 months. The median horticulture farm size for the three months ended June 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 June refer to the period from 1 April 2017 to 30 June 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.