

**20 December 2017**

**For immediate release**

## **Difficult Conditions Constrain Rural Market**

Data released today by the Real Estate Institute of NZ (REINZ) shows there were 131 fewer farm sales (-29.3%) for the three months ended November 2017 than for the three months ended November 2016. Overall, there were 316 farm sales in the three months ended November 2017, compared to 261 farm sales for the three months ended October 2017 (+21.1%), and 447 farm sales for the three months ended November 2016. 1,577 farms were sold in the year to November 2017, 12.5% fewer than were sold in the year to November 2016, with 29.8% more finishing farms, 29.2% more dairy farms and 34.6% fewer grazing and 32.5% fewer arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to November 2017 was \$26,802 compared to \$26,348 recorded for three months ended November 2016 (+1.7%). The median price per hectare rose 7.3% compared to October.

The REINZ All Farm Price Index rose 10.2% in the three months to November 2017 compared to the three months to October 2017. Compared to November 2016 the REINZ All Farm Price Index rose 13.9%. 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.

Twelve of 14 regions recorded decreases in the number of farm sales for the three months ended November 2017 compared to the three months ended November 2016. Otago recorded the largest decrease in sales (-26 sales) followed by Auckland (-20 sales). Southland (+7) and Taranaki (+1) were the two regions to increase the number of farm sales compared to November 2016. Compared to the three months ended October 2017, two regions (Auckland and Otago) recorded a decrease in sales.

Brian Peacocke, Rural Spokesman, at REINZ says: “Whilst sale volumes for the 3 month period ending November 2017 show a significant easing from those relating to the same period in 2016 and 2015, the figures nevertheless, apart from two regions, reflect the anticipated increase in volumes from the previous month of October for the main categories of dairy, finishing and grazing.

“External factors, particularly climatic and financial, continue to keep the rural sector under pressure. Having experienced the wettest and most difficult late winter / early spring period on record, the majority of the rural regions throughout the country are now having their resources stretched as the anticipated spring disappeared into one of the driest pre-Christmas periods experienced in many years, he continues.

“The easing in the dairy payout gives an additional cautionary signal and the early dry is impacting on the ability to finish cattle and lambs in many regions. As signaled last month, and for the reasons outlined then, it would appear a record number of farms have come to the market this spring. Although there is no official recording of such volumes in previous

years, the current figures certainly raise some serious questions as to the drivers for farmers making such decisions,” he concludes.

Points of Interest around New Zealand include:

- **Northland / Auckland** – a difficult market with a greater reliance upon local interest due to the lack of outside purchasers; a number of potential vendors are waiting for sales results before committing to sale; the shortage of beef properties is being evidenced by lower quality dairy farms being changed to beef production; a busier autumn is anticipated
- **Waikato** – a strong upturn in the number of dairy farm sales with solid prices for the best, albeit a sense of easing across the board; transactions are taking place where vendors and purchasers are recognising market signals and tailoring expectations; a number of offerings, particularly at auction, are failing to attract interest or bidding on the day, but often yield to post-auction negotiations; strong activity at good prices on the better finishing, grazing and dairy support properties
- **Bay of Plenty** – a continuation of very strong sales in the kiwifruit sector where a small selection of purchasing groups are dominant, however, the shortage of quality listings is slowing the market; limited activity at modest prices on dairy farms; steady prices on light volumes of finishing units
- **Taranaki** - a condensed market with reduced activity from predominantly local participants; strong values for the best of the dairy units and solid at mid levels; good prices for a limited offering of finishing and dairy support properties
- **Gisborne** – a welcome upturn in activity with horticultural and grazing properties being the main beneficiaries.
- **Hawke’s Bay**– lower volumes of listings but reasonable activity at steady values throughout the province; several significant sales of well-known properties; one large dairy farm sale at current values; dry weather impacting heavily on lamb sales.
- **Manawatu/Wanganui** - a tight market with limited activity albeit solid prices for finishing units at values consistent with other regions; weather has impacted heavily with evidence of winter-damaged pastures
- **Wairarapa/Wellington** - a thin market with limited listings and few sales; some external interest in dairy units due to a perception of better value for money
- **Nelson/Marlborough** - a steady market during November with good enquiry for a reduced number of listings; strong activity in the viticultural sector with plantings of Sauvignon Blanc continuing wherever opportunities arise; pre-harvest enquiry for post-harvest settlement
- **Canterbury** - moderate activity with some vendors sitting above the market; sales at solid prices for dairy, finishing and grazing units; arable properties continue to sell well; dry weather impacting particularly in North Canterbury where a number of dairy farms are for sale; feedback that liquidity is constrained as banks tighten lending criteria; a lack of interest in 2nd and 3rd tier properties

- **West Coast** - one dairy farm sale in a market constrained by previous, well-publicised difficulties experienced by the local dairy company; a region currently offering value for money
- **Otago** - a tough market being impacted by impending climatic conditions and lack of liquidity; some activity on smaller grazing properties but harder work on the larger blocks; a lack of outside interest and suggestions that options for local purchasers are constrained due to banks adopting more stringent criteria
- **Southland** - a considerable number of farms on the market and a shortage of buyers; some yield-related activity involving corporate purchasers at the larger end of the market; hard work on 2nd and 3rd tier properties; nevertheless, solid activity and good prices on the better finishing and grazing properties; further indications of banks firming their positions with debt reduction required in some instances; Regional Council's Land and Water Plan is impacting strongly on criteria for change of land use and general compliance issues.

Grazing farms accounted for the largest number of sales with a 31% share of all sales over the three months to November 2017, Finishing farms accounted for 26%, Dairy properties accounted for 15% and Horticulture properties accounted for 14% of all sales. These four property types accounted for 86% of all sales during the three months ended November 2017.

### ***Dairy Farms***

For the three months ended November 2017 the median sales price per hectare for dairy farms was \$44,154 (46 properties), compared to \$40,012 for the three months ended October 2017 (20 properties) and \$47,385 (45 properties) for the three months ended November 2016. The median price per hectare for dairy farms has decreased 6.8% over the past 12 months. The median dairy farm size for the three months ended November 2017 was 96 hectares.

On a price per kilo of milk solids basis the median sales price was \$36.47 per kg of milk solids for the three months ended November 2017, compared to \$34.30 per kg of milk solids for the three months ended October 2017 (+6.3%) and \$41.05 per kg of milk solids for the three months ended November 2016 (-11.2%).

The REINZ Dairy Farm Price Index fell 1.1% in the three months to November 2017 compared to the three months to October 2017. Compared to November 2016, the REINZ Dairy Farm Price Index rose 6.2%. 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 November 2017 the median sale price per hectare for finishing farms was \$28,641 (82 properties), compared to \$29,057 for the three months ended October 2017 (86 properties), and \$29,751 (106 properties) for the three months ended November 2016. The median price per hectare for finishing farms has fallen 3.7% over the past 12 months. The median finishing farm size for the three months ended November 2017 was 43 hectares.

### **Grazing Farms**

For the three months ended November 2017 the median sales price per hectare for grazing farms was \$11,881 (99 properties) compared to \$11,822 for the three months ended October 2017 (70 properties), and \$12,573 (159 properties) for the three months ended November 2016. The median price per hectare for grazing farms has fallen 5.5% over the past 12 months. The median grazing farm size for the three months ended November 2017 was 100 hectares.

### **Horticulture Farms**

For the three months ended November 2017 the median sales price per hectare for horticulture farms was \$321,582 (44 properties) compared to \$350,833 (38 properties) for the three months ended October 2017, and \$189,916 (70 properties) for the three months ended November 2016. The median price per hectare for horticulture farms has risen 69.3% over the past 12 months. The median horticulture farm size for the three months ended November 2017 was five hectares.

### **ENDS**

#### **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 November refer to the period from 1 September 2017 to 30 November 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.*