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For immediate release

Rural market experiences a slow start to Spring

Data released today by the Real Estate Institute of NZ (REINZ) shows there were 92 fewer farm sales (-26.1%) for the three months ended October 2017 than for the three months ended October 2016. Overall, there were 261 farm sales in the three months ended October 2017, compared to 271 farm sales for the three months ended September 2017 (-3.7%), and 353 farm sales for the three months ended October 2016. 1,649 farms were sold in the year to October 2017, 6.3% fewer than were sold in the year to October 2016, with 45.9% more finishing farms, 29.8% more dairy farms and 30.0% fewer grazing and 25.5% fewer arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to October 2017 was \$24,982 compared to \$25,974 recorded for three months ended October 2016 (-3.8%). The median price per hectare fell 8.7% compared to September.

The REINZ All Farm Price Index fell 5.7% in the three months to October 2017 compared to the three months to September 2017. Compared to October 2016 the REINZ All Farm Price Index rose 7.3%. 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 sales volume for the 3 months ended October 2017 compared to the three months ended October 2016. Auckland recorded the largest decrease in sales (-18 sales) followed by Wellington (-15 sales). Compared to the 3 months ended September 2017, 7 regions recorded a decrease in sales.

Brian Peacocke, Rural Spokesman, at REINZ says: "Sales data for the 3 months ending October 2017 are reflective of the difficult winter/early spring period during which much of the country experienced record rainfall.

"During October, the results of the post-election negotiations were finally revealed, the exchange rate bounced a few percentage points, the dairy payout showed signs of easing, the beef market remained strong, and early evidence emerged of the likelihood of record numbers of farms coming onto the market in the main dairying areas of Waikato and Southland," he continues.

"The drivers for such a movement appear to be a mix of the following: -

- succession planning/increasing age of farmers, frustration for some resulting from the climatic conditions and difficulties with labour, the inexorable increase in compliance issues and the awareness it is probably better to sell when the dairy payout is at a reasonably healthy level as opposed to when the payout is under pressure," he concludes.

Points of Interest around New Zealand include:

- **Dairy** – low sales numbers – 5 dairy farms sold in October throughout New Zealand, a large number of farms on the market in Waikato and Southland in particular, reasonable stocks in Northland but poor enquiry, one very strong sale of close to \$70,000 per hectare in the Waikato, 3 sales at lower to modest levels in Southland, no recordable activity in the other main dairy areas of Taranaki, Manawatu and Canterbury
- **Finishing** – an easing of sales volumes across the country with a simmering of activity in most regions, some solid sales of smaller blocks in the Waikato, Hawke’s Bay, Taranaki and Nelson, good prices paid for several well located properties in Canterbury, quieter on the West Coast, steady demand and prices in Otago, again mostly smaller properties and lighter activity in Southland
- **Grazing** – similar volumes to last month but more than 50% down on volumes recorded for October 2016 and October 2015. Northland and Otago regions were notable for the strongest activity with Hawke’s Bay and Taranaki beating Waikato, Bay of Plenty and Canterbury into second place
- **Arable** – an increase in total volumes during October with Canterbury registering good results, underpinned by another very strong sale in the Methven district at a little over \$58,000 per hectare
- **Horticulture** – a very strong month for the Bay of Plenty, particularly in the Paengaroa district, where top prices for gold kiwifruit orchards exceeded \$1m per canopy hectare, reduced activity in other areas
- **Forestry** – steady in total volumes for the 3 month period with individual sales in the Northland, Hawke’s Bay, Taranaki, Nelson, Canterbury and Otago regions.

Finishing properties accounted for the largest number of sales with a 33% share of all sales over the three months to October 2017, Grazing properties accounted for 27%, Dairy properties accounted for 8% and Horticulture properties accounted for 15% of all sales. These four property types accounted for 82% of all sales during the three months ended October 2017.

Dairy Farms

For the three months ended October 2017 the median sales price per hectare for dairy farms was \$40,012 (20 properties), compared to \$37,812 for the three months ended September 2017 (22 properties), and \$40,716 (17 properties) for the three months ended October 2016. The median price per hectare for dairy farms has decreased 1.7% over the past 12 months. The median dairy farm size for the three months ended October 2017 was 92 hectares.

On a price per kilo of milk solids basis the median sales price was \$34.30 per kg of milk solids for the three months ended October 2017, compared to \$36.78 per kg of milk solids for the three months ended September 2017 (-6.7%), and \$34.64 per kg of milk solids for the three months ended October 2016 (-0.0%).

The REINZ Dairy Farm Price Index fell 4.4% in the three months to October 2017 compared to the three months to September 2017. Compared to October 2016, the REINZ Dairy Farm Price Index rose 9.2%. 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 October 2017 the median sale price per hectare for finishing farms was \$29,057 (86 properties), compared to \$30,828 for the three months ended September 2017 (103 properties), and \$26,834 (72 properties) for the three months ended October 2016. The median price per hectare for finishing farms has risen 8.3% over the past 12 months. The median finishing farm size for the three months ended October 2017 was 40 hectares.

Grazing Farms

For the three months ended October 2017 the median sales price per hectare for grazing farms was \$11,822 (70 properties) compared to \$12,031 for the three months ended September 2017 (69 properties), and \$15,242 (143 properties) for the three months ended October 2016. The median price per hectare for grazing farms has fallen 22% over the past 12 months. The median grazing farm size for the three months ended October 2017 was 69 hectares.

Horticulture Farms

For the three months ended October 2017 the median sales price per hectare for horticulture farms was \$350,833 (38 properties) compared to \$189,044 (35 properties) for the three months ended September 2017, and \$182,584 (65 properties) for the three months ended October 2016. The median price per hectare for horticulture farms has risen 92.1% over the past 12 months. The median horticulture farm size for the three months ended October 2017 was five 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 October refer to the period from 1 August 2017 to 31 October 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.