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For immediate release

The Rural Market – Inconsistent and Volatile

Data released today by the Real Estate Institute of NZ (“REINZ”) shows there were 105 fewer farm sales (-21.0%) for the three months ended December 2017 than for the three months ended December 2016. Overall, there were 394 farm sales in the three months ended December 2017, compared to 316 farm sales for the three months ended November 2017 (+24.7%), and 499 farm sales for the three months ended December 2016. 1,565 farms were sold in the year to December 2017, 10.2% fewer than were sold in the year to December 2016, with 19.4% more finishing farms, 45.5% more dairy farms and 28.3% fewer grazing and 36.8% fewer arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to December 2017 was \$29,266 compared to \$27,774 recorded for three months ended December 2016 (+5.4%). The median price per hectare rose 9.2% compared to November.

The REINZ All Farm Price Index rose 3.3% in the three months to December 2017 compared to the three months to November 2017. Compared to December 2016 the REINZ All Farm Price Index rose 8.1%. 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.

Ten of 14 regions recorded decreases in the number of farm sales for the three months ended December 2017 compared to the three months ended December 2016. Otago recorded the most substantial decline in sales (-27 sales) followed by Northland (-25 sales). Waikato (+4), Southland (+3) and Gisborne (+1) were the three regions to increase the number of farm sales compared to December 2016. Compared to the three months ended November 2017, one region (Northland) recorded a decrease in sales.

Brian Peacocke, Rural Spokesman, at REINZ says: “Sales figures for the three months ending December 2017 are very much a reflection of the two key factors that impact on the rural sector – weather and prices. The extraordinarily cold, wet early spring pitched straight into extremely dry conditions which pushed some regions close to declarations of drought pre-Christmas.

“Several regions experienced what appeared to be record numbers of farms on the market, raising concerns regarding values and supply outstripping demand. The outcome saw a slight easing in values in some categories of land use, albeit there were exceptions to the rule, he continues.

“As is generally the case good properties continued to sell well, but lesser categories struggled to attract interest or a sale, unless vendors reflected strong motivation and were receptive to the signals relating to value,” he concludes.

Points of Interest around New Zealand include:

- **Dairy** – low activity north of Auckland; reduced volumes in the Waikato after a solid November; steady activity in the Bay of Plenty/Rotorua region; good increases in Taranaki and Manawatu/Wanganui; lighter activity throughout Canterbury and Southland
- **Finishing** - a reasonable increase in overall numbers with some strong prices throughout the Auckland, Waikato and Bay of Plenty regions; light volumes along the east coast of the North Island; strong activity in Canterbury and solid performances in Otago and Southland, albeit dry conditions were impacting the latter regions
- **Grazing** – a reduction in most areas apart from solid volumes in the Waikato, Gisborne, Taranaki and Otago provinces
- **Arable** – generally quiet apart from a simmering of activity in Hawke’s Bay, Manawatu and Southland
- **Horticulture** – an easing in the stellar area of the Bay of Plenty but a surge of viticultural activity in Marlborough

Grazing farms accounted for the largest number of sales with a 28% share of all sales over the three months to December 2017, Finishing farms accounted for 25%, Dairy properties accounted for 20%, and Horticulture properties accounted for 15% of all sales. These four property types accounted for 88% of all sales during the three months ended December 2017.

Dairy Farms

For the three months ended December 2017, the median sales price per hectare for dairy farms was \$40,484 (79 properties), compared to \$44,154 for the three months ended November 2017 (46 properties), and \$46,397 (72 properties) for the three months ended December 2016. The median price per hectare for dairy farms has decreased 12.7% over the past 12 months. The median dairy farm size for the three months ended December 2017 was 100 hectares.

On a price per kilo of milk solids basis the median sales price was \$36.67 per kg of milk solids for the three months ended December 2017, compared to \$36.47 per kg of milk solids for the three months ended November 2017 (+0.5%), and \$43.55 per kg of milk solids for the three months ended December 2016 (-15.8%).

The REINZ Dairy Farm Price Index fell 2.9% in the three months to December 2017 compared to the three months to November 2017. Compared to December 2016, the REINZ Dairy Farm Price Index fell 5.4%. 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 December 2017, the median sale price per hectare for finishing farms was \$32,000 (97 properties), compared to \$28,641 for the three months ended November 2017 (82 properties), and \$29,061 (134 properties) for the three months ended December 2016. The median price per hectare for finishing farms has risen 10.1% over the

past 12 months. The median finishing farm size for the three months ended December 2017 was 42 hectares.

Grazing Farms

For the three months ended December 2017, the median sales price per hectare for grazing farms was \$11,937 (110 properties) compared to \$11,881 for the three months ended November 2017 (99 properties) and \$11,290 (156 properties) for the three months ended December 2016. The median price per hectare for grazing farms has risen 5.7% over the past 12 months. The median grazing farm size for the three months ended December 2017 was 119 hectares.

Horticulture Farms

For the three months ended December 2017, the median sales price per hectare for horticulture farms was \$242,988 (58 properties) compared to \$321,582 (44 properties) for the three months ended November 2017 and \$187,185 (59 properties) for the three months ended December 2016. The median price per hectare for horticulture farms has risen 29.8% over the past 12 months. The median horticulture farm size for the three months ended December 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 December refer to the period from 1 October 2017 to 31 December 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.