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For immediate release

A Great Spring For Farming

Data released today by the Real Estate Institute of NZ (REINZ) shows there were 2 more farm sales (+0.8%) for the three months ended October 2018 than for the three months ended October 2017. Overall, there were 263 farm sales in the three months ended October 2018, compared to 250 farm sales for the three months ended September 2018 (+5.2%), and 261 farm sales for the three months ended October 2017. 1,475 farms were sold in the year to October 2018, 10.5% fewer than were sold in the year to October 2017, with 7.7% less dairy farms, 5.6% fewer grazing farms, 13.2% less finishing farms and 22.5% fewer arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to October 2018 was \$27,121 compared to \$24,982 recorded for three months ended October 2017 (+8.6%). The median price per hectare rose 6.6% compared to September 2018.

The REINZ All Farm Price Index fell 5.8% in the three months to October 2018 compared to the three months to September 2018. Compared to October 2017 the REINZ All Farm Price Index rose 9.1%. 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.

Six of the 14 regions recorded increases in the number of farm sales for the three months ended October 2018 compared to the three months ended October 2017. Wellington (+14), Southland (+7) and Gisborne and Manawatu/Wanganui (+2) were the top regions to increase the number of farm sales compared to October 2017. Waikato recorded the most substantial decline in sales (-7 sales) followed by Northland (-5 sales). Compared to the three months ended September 2018, 7 regions recorded an increase in sales with the biggest increase being in Nelson (+6 sales).

Brian Peacocke, Rural Spokesman, at REINZ says: "To date, Spring 2018 has been one of the best for some time, with relatively mild conditions in most regions stimulating good growth and production in the pastoral, horticultural and vegetable growing sectors.

"The balance to such benefits is that increased production can impact on prices and environmental pressures in some areas is a cause for concern for those reliant upon water consents and irrigation," he continues.

"As outlined in the data for the 3-month period ending October 2018, sales activity has been virtually non-existent in the dairy sector, but has lifted well in the finishing and grazing categories. Arable, horticulture and forestry record slight increases for the period, albeit a distinct easing in horticultural sales is evident for the month of October," continues Peacocke.

"October has also been notable for the large number of farms that have come to the market throughout the country, which poses the question as to the likely uptake within the current market where in many regions, purchasers have unprecedented selection opportunities. Vendor expectations will be a key factor in this equation.

“With November being the concluding time for a number of the current marketing exercises, sales figures in the forthcoming months will reflect the resilience of the market, or otherwise,” he concludes.

Points of Interest around New Zealand include:

- **Northland** - very good sales activity on grazing and finishing properties with beef farm sales up to \$30,000 per hectare; strong enquiry for quality smaller properties; good dairy farms sought after but in short supply, very slow on 2nd tier farms; strong interest in land suitable for horticulture, market gardening and forestry from both private and corporate interests; relatively quiet on the m.bovis front
- **Waikato** - light activity on dairy farms, but reasonable sales of finishing and grazing properties; a larger selection of dairy farms available for sale throughout the region where buyer interest and attendance at Open Days is extremely variable
- **Bay of Plenty** - reduced sales activity of horticultural properties in the Bay of Plenty; harder work on dairy farms where the mix of issues relating to compliance, the environment, labour, Fonterra and the coalition government are amongst the reasons cited by landowners as being the cause for general dissatisfaction; a general acceptance of a buyers' market is beginning to emerge
- **Taranaki** - generally quiet with a lack of momentum in the marketplace currently; reports of vendors holding firm and not being prepared to accept lower offers; good spring conditions currently although dry weather is impacting on the coastal regions
- **Hawke's Bay/Manawatu** - reasonably quiet on dairy but activity being registered on good finishing and grazing properties where attendance at Open Days is steady; one quality deer farm in Central Hawke's Bay attracted very good interest and sold well
- **Wairarapa/Wellington** - a renewed level of interest and confidence in the sheep and beef sector with focus moving towards dairy units with a view to land-use change; vendors appear to be realistic in a market where purchaser presence is constrained; a good quality deer unit sold very well at tender; very little enquiry from dairy farmers
- **Nelson/Marlborough** - strong demand for sheep and beef properties where limited stocks are resulting in strong prices; reports of purchasers reflecting reduced commitment and a lack of urgency; quiet on dairy where concern re m.bovis remains; suggestions of financiers being fickle, reduced demand on the smaller viticultural properties with homes but good interest for any larger development opportunities; a quiet mood of cautious optimism confirms the fundamentals relating to horticulture and viticulture remain sound
- **Canterbury** - reasonable enquiry on finishing and grazing units, particularly in South Canterbury; interest is improving but inability to fund and tight finances in some instances is a constraint; due to the gap between vendors and purchasers, some properties remain unsold, reflecting motivation of vendors who have expectations ahead of the current market; dairy interest improving as are the stocks available
- **Otago** - solid activity on finishing and grazing properties and evidence of interest in forestry; supply of capital is restricted and impacting particularly on the dairy market

where due to Overseas Investment Office (OIO) criteria being tightened, investment from offshore interests appears to have ceased at this stage; feedback from landowners indicates financiers are adopting a more constrained and sometimes negative approach to some lending proposals

- **Southland** - light activity in the dairy sector where stocks of quality property continue to build; good activity on finishing, grazing and arable properties from predominantly locally based purchasers. As is the case in Otago, OIO criteria has impacted on the larger dairy units, with resulting frustration in some quarters.

Grazing farms accounted for the largest number of sales with a 34% share of all sales over the three months to October 2018, Finishing farms accounted for 29%, Horticulture accounted for 19%, and Forestry properties accounted for 6% of all sales. These four property types accounted for 88% of all sales during the three months ended October 2018.

Dairy Farms

For the three months ended October 2018, the median sales price per hectare for dairy farms was \$28,555 (11 properties), compared to \$30,876 for the three months ended September 2018 (14 properties), and \$40,012 (20 properties) for the three months ended October 2017. The median price per hectare for dairy farms has decreased 28.6% over the past 12 months. The median dairy farm size for the three months ended October 2018 was 213 hectares.

On a price per kilo of milk solids basis the median sales price was \$30.59 per kg of milk solids for the three months ended October 2018, compared to \$30.65 per kg of milk solids for the three months ended September 2018 (-0.2%), and \$34.30 per kg of milk solids for the three months ended October 2017 (-10.8%).

The REINZ Dairy Farm Price Index decreased 6.2% in the three months to October 2018 compared to the three months to September 2018. Compared to October 2017, the REINZ Dairy Farm Price Index fell 16.6%. 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 2018, the median sale price per hectare for finishing farms was \$32,969 (77 properties), compared to \$32,412 for the three months ended September 2018 (74 properties), and \$29,057 (86 properties) for the three months ended October 2017. The median price per hectare for finishing farms has risen 13.5% over the past 12 months. The median finishing farm size for the three months ended October 2018 was 33 hectares.

Grazing Farms

For the three months ended October 2018, the median sales price per hectare for grazing farms was \$11,335 (90 properties) compared to \$11,936 for the three months ended September 2018 (85 properties) and \$11,822 (70 properties) for the three months ended October 2017. The median price per hectare for grazing farms has fallen 4.1% over the past 12 months. The median grazing farm size for the three months ended October 2018 was 98 hectares.

Horticulture Farms

For the three months ended October 2018, the median sales price per hectare for horticulture farms was \$198,768 (49 properties) compared to \$193,517 (43 properties) for the three months ended September 2018 and \$350,833 (38 properties) for the three months ended October 2017. The median price per hectare for horticulture farms has dropped 43.3% over the past 12 months. The median horticulture farm size for the three months ended October 2018 was nine 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 2018 to 31 October 2018.

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.