Prices Steady Although Sales Volumes Falling

Summary

Data released today by the Real Estate Institute of NZ (“REINZ”) shows there were 48 fewer farm sales (-8.8%) for the three months ended December 2016 than for the three months ended December 2015. Overall, there were 499 farm sales in the three months ended December 2016, compared to 447 farm sales for the three months ended November (+11.6%), and 547 farm sales for the three months ended December 2015. 1,742 farms were sold in the year to December 2016, 2.5% fewer than were sold in the year to December 2015, with 28% fewer dairy farms and 15% fewer grazing farms sold over the same period.

The median price per hectare for all farms sold in the three months to December 2016 was $27,774 compared to $28,120 recorded for three months ended December 2015 (-1.2%). The median price per hectare rose 5.4% compared to November.

The REINZ All Farm Price Index rose 8.8% in the three months to December 2016 compared to the three months to November. Compared to December 2015 the REINZ All Farm Price Index rose 4.0%. 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.

Seven regions recorded increases in sales volume for the three months ended December 2016 compared to the three months ended December 2015. Otago recorded the largest increase in sales (+13 sales), followed by Wellington (+7 sales), and Canterbury (+6 sales). Compared to the three months ended November 2016, 11 regions recorded an increase in sales.

“As has been the case in previous seasons, figures for the three months ending December 2016 reflect solid activity during the spring, with an easing of volumes in the last month of the period, due in part to the shorter pre-Christmas selling period”, says REINZ Rural Spokesman Brian Peacocke

“Demand for good property remains constant, with limited activity surrounding the lesser quality properties.
“Reduced production from a national perspective, particularly in the dairy sector, is the result of an unseasonably late spring, mainly due to the volatile weather conditions.”

Highlights include:

- **Northland** – A continuation of reasonable activity relating to finishing and grazing properties, with limited results in dairy;
- **Auckland** - An isolated flicker of light in the finishing and grazing categories;
- **Waikato** – Solid sales of dairy farms with one standout sale in the Matamata district; a simmering of sales in the arable, finishing and grazing sectors;
- **Bay of Plenty / Central Plateau** – A continuation of spectacular strength in the horticultural industry backed up by solid sales, albeit at moderate prices, for dairy and finishing units in the eastern and central regions;
- **Taranaki** – Reliable results in the dairy sector with one exceptional sale for an exceptional property; reasonable life in the finishing and grazing categories;
- **Manawatu / Wanganui** – Reduced results for dairy and grazing properties but improving sales of arable and finishing units;
- **Gisborne / Hawke’s Bay / Wairarapa** – Quiet at the top and bottom ends of the East Coast of the North Island but an improvement in sales of finishing and arable farms in Hawke’s Bay where horticultural sales also registered;
- **Nelson / Marlborough** – Some sales of grazing units but quiet in the other sectors;
- **Canterbury** – Solid sales of finishing and grazing units, albeit reduced numbers from November, and sufficient activity to register in the forestry and dairy sectors;
- **Otago** – Consistent sales of finishing units, back to normal numbers of grazing sales after a spectacular November, and a stirring of embers on the dairy front; and
- **Southland** – Steady to improving in the dairy industry and a dramatic lift in sales volumes of finishing farms; other categories on par with previous periods.

Grazing properties accounted for the largest number of sales with a 31% share of all sales over the three months to December 2016, Finishing properties accounted for 27%, Dairy properties accounted for 14% and Horticulture properties accounted for 12% of all sales. These four property types accounted for 84% of all sales during the three months ended December 2016.
Dairy Farms
For the three months ended December 2016 the median sales price per hectare for dairy farms was $46,397 (72 properties), compared to $47,385 for the three months ended November 2016 (45 properties), and $39,690 (86 properties) for the three months ended December 2015. The median price per hectare for dairy farms has risen 17% over the past 12 months. The median dairy farm size for the three months ended December 2016 was 101 hectares.

On a price per kilo of milk solids basis the median sales price was $43.55 per kg of milk solids for the three months ended December 2016, compared to $41.05 per kg of milk solids for the three months ended November 2016 (+6.1%), and $37.42 per kg of milk solids for the three months ended December 2015 (+16.4%).

The REINZ Dairy Farm Price Index rose 9.0% in the three months to December 2016 compared to the three months to November. Compared to December 2015, the REINZ Dairy Farm Price Index rose 1.9%. 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 2016 the median sale price per hectare for finishing farms was $29,061 (134 properties), compared to $29,751 for the three months ended November (106 properties), and $23,489 (99 properties) for the three months ended December 2015. The median price per hectare for finishing farms has risen 24% over the past 12 months. The median finishing farm size for the three months ended December 2016 was 41 hectares.

Grazing Farms
For the three months ended December 2016 the median sales price per hectare for grazing farms was $11,290 (156 properties) compared to $12,573 for the three months ended November (159 properties), and $16,656 (226 properties) for the three months ended December 2015. The median price per hectare for grazing farms has fallen 32% over the past 12 months. The median grazing farm size for the three months ended December 2016 was 117 hectares.

Horticulture Farms
For the three months ended December 2016 the median sales price per hectare for horticulture farms was $187,185 (59 properties) compared to $189,916 (70 properties) for the three months ended November, and $222,607 (68 properties) for the three months ended December 2015. The median price per hectare for horticulture farms has fallen 16% over the past 12 months. The median horticulture farm size for the three months ended December 2016 was seven hectares.

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 2016 to 31 December 2016.

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.