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For immediate release

Difficult Conditions Constrain Rural Market

Data released today by the Real Estate Institute of New Zealand (REINZ) shows there were 117 fewer farm sales (-30.2%) for the three months ended September 2017 than for the three months ended September 2016.

Overall, there were 271 farm sales in the three months ended September 2017, compared to 311 farm sales for the three months ended August 2017 (-12.9%), and 388 farm sales for the three months ended September 2016. 1,667 farms were sold in the year to September 2017, 6.6% fewer than were sold in the year to September 2016, with 43.3% more finishing farms, 31.3% more dairy farms and 29.1% fewer grazing and 25.8% fewer arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to September 2017 was \$27,363 compared to \$26,825 recorded for three months ended September 2016 (+2.0%). The median price per hectare fell 2.0% compared to August.

The REINZ All Farm Price Index fell 1.0% in the three months to September 2017 compared to the three months to August 2017. Compared to September 2016 the REINZ All Farm Price Index rose 10.6%. 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.

Eleven of 14 regions recorded decreases in sales volume for the three months ended September 2017 compared to the three months ended September 2016. Nelson recorded the largest decrease in sales (-23 sales) followed by Auckland (-19 sales). Compared to the three months ended August 2017, 11 regions recorded a decrease in sales.

Brian Peacocke, Rural Spokesman, at REINZ says: "Sales volumes for the 3-month period ending September 2017 reflect the extreme climatic conditions faced by the farming community in recent months.

"Record rainfall has created soil moisture levels bordering on capacity throughout much of the country. Waterlogged pastures during September have resulted in a very slow start to the milk production season, and frustration for both arable farmers and agricultural contractors alike where ground conditions in many regions have kept machinery in the sheds.

"Rural morale has been severely tested but the redeeming features of a strengthening milk payout, stable interest rates and a steady exchange rate environment have provided light at the end of the tunnel – an increase in sunshine would be the bonus.

“An interesting spring is emerging as a considerable number of farms are now coming on the market, with evidence of more land owners considering their options. Labour, climate, environmental issues and politics are amongst the driving factors for decisions currently being made,” he concludes.

Points of Interest around New Zealand include:

- **Dairy** – generally quiet apart from the Waikato with a strong sale in the Matamata district and light activity at moderate prices in Northland and Southland; other regions report vendors holding off until weather conditions improve
- **Finishing** – steady sales volumes in Northland, Auckland and Waikato; an increase of activity in Nelson and Canterbury although reports from the latter region indicate transactions are taking longer and banks are more restrictive; light volumes in Otago and Southland; ground conditions are improving in the traditional drystock areas with reports of good lambing and arable activity getting under way
- **Grazing** – good sales volumes keep Northland comfortably ahead, reduced activity in Hawke's Bay, Manawatu/Wanganui with competing volumes in Canterbury, Otago and Southland; reports of cashed-up purchasers being very particular in their choice of sheep and beef properties in Otago; strong concern being voiced regarding water tax in those provinces where irrigation is an essential factor
- **Arable** – light activity in Gisborne and Canterbury but quiet throughout all other regions
- **Horticulture** – sufficient activity to register in Northland, Hawke's Bay and Nelson, with continuing interest at strong levels in smaller orchards in the Bay of Plenty
- **Forestry** – minimal sales in Taranaki and Hawke's Bay but quiet across the rest of New Zealand.

Finishing properties accounted for the largest number of sales with a 38% share of all sales over the three months to September 2017, Grazing properties accounted for 25%, Dairy properties accounted for 8% and Horticulture properties accounted for 13% of all sales. These four property types accounted for 84% of all sales during the three months ended September 2017.

Dairy Farms

For the three months ended September 2017 the median sales price per hectare for dairy farms was \$37,812 (22 properties), compared to \$37,842 for the three months ended August 2017 (26 properties), and \$33,132 (12 properties) for the three months ended September 2016. The median price per hectare for dairy farms has increased 14.1% over the past 12 months. The median dairy farm size for the three months ended September 2017 was 122 hectares.

On a price per kilo of milk solids basis the median sales price was \$36.78 per kg of milk solids for the three months ended September 2017, compared to \$34.95 per kg of milk solids for the three months ended August 2017 (+5.2%), and \$43.05 per kg of milk solids for the three months ended September 2016 (-14.6%).

The REINZ Dairy Farm Price Index rose 0.8% in the three months to September 2017 compared to the three months to August 2017. Compared to September 2016, the REINZ Dairy Farm Price Index fell 6.5%. 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 September 2017 the median sale price per hectare for finishing farms was \$30,828 (103 properties), compared to \$30,566 for the three months ended August 2017 (124 properties), and \$26,834 (74 properties) for the three months ended September 2016. The median price per hectare for finishing farms has risen 14.9% over the past 12 months. The median finishing farm size for the three months ended September 2017 was 45 hectares.

Grazing Farms

For the three months ended September 2017 the median sales price per hectare for grazing farms was \$12,031 (69 properties) compared to \$11,355 for the three months ended August 2017 (69 properties), and \$15,339 (158 properties) for the three months ended September 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 September 2017 was 75 hectares.

Horticulture Farms

For the three months ended September 2017 the median sales price per hectare for horticulture farms was \$189,044 (35 properties) compared to \$158,546 (46 properties) for the three months ended August 2017, and \$177,726 (82 properties) for the three months ended September 2016. The median price per hectare for horticulture farms has risen 6.4% over the past 12 months. The median horticulture farm size for the three months ended September 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 September refer to the period from 1 July 2017 to 30 September 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.