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For immediate release

Tremendous Spring – Variable Market

Data released today by the Real Estate Institute of NZ (REINZ) shows there were 20 more farm sales (+6.3%) for the three months ended November 2018 than for the three months ended November 2017. Overall, there were 336 farm sales in the three months ended November 2018, compared to 263 farm sales for the three months ended October 2018 (+27.8%), and 316 farm sales for the three months ended November 2017. 1,486 farms were sold in the year to November 2018, 5.9% fewer than were sold in the year to November 2017, with 11.2% less dairy farms, 2.8% fewer grazing farms, 3.2% less finishing farms and 12.6% fewer arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to November 2018 was \$30,411 compared to \$26,802 recorded for three months ended November 2017 (+13.5%). The median price per hectare rose 12.1% compared to October 2018.

The REINZ All Farm Price Index rose 3.6% in the three months to November 2018 compared to the three months to October 2018. Compared to November 2017 the REINZ All Farm Price Index rose 2.5%. 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.

Half of 14 regions recorded increases in the number of farm sales for the three months ended November 2018 compared to the three months ended November 2017. Wellington (+14), Manawatu/Wanganui (+9) and Otago (+8) were the top regions to increase the number of farm sales compared to November 2017. Canterbury recorded the most substantial decline in sales (-13 sales) followed by Northland (-3 sales). Compared to the three months ended October 2018, 10 regions recorded an increase in sales with the biggest increase being in Waikato (+32 sales).

Brian Peacocke, Rural Spokesman, at REINZ says: “Climatic conditions during November 2018 continue to benefit most of the rural sector with widespread rain and warm temperatures creating abundant pasture growth across the country.

“However, heavy rain and high humidity are causing grief within segments of the horticulture, arable and vegetable growing sectors, viz; cherry damage in Central Otago, difficulty with grain crops in some regions, and as a result of an unseasonal hailstorm, the total obliteration of a large asparagus crop in central Waikato.

“Sales data for November 2018 compared to the same periods in 2017 and 2016 reflects an increase in volume for the finishing category, but reductions in the dairy, grazing and arable categories. Horticulture improved from 2017 but was down 28 % on November 2016. Forestry remained relatively stable.

“Reports from the regions confirm significant numbers of properties being available for sale during the spring, particularly dairy farms, this being an indication of a mix of factors; viz, age and stage of property owners; increasing charges; costs relating to compliance and labour; dissatisfaction with a milk processing company, and in some quarters, frustration with the perceived lack of empathy emanating from central government.

“Within this unsettled environment, sheep, beef, arable and horticulture properties have continued to create good demand and sell well. By contrast, perhaps as a result of vendor expectations and the reduced confidence amongst some purchasers, a number of dairy farms have failed to sell,” he concludes.

Points of Interest around New Zealand include:

- **Northland** - strong activity in the Bay of Islands regions for kiwifruit and avocado development, particularly on easy contour with water allocations; indications of change in land use with some top end dairy farms on good soils possibly going to horticulture, bottom end going to beef; subdued activity on dairy but strong on beef as well as land suitable for forestry where carbon credits is a driver
- **Waikato** - a large number of dairy farms on offer with sales volumes equal to last season; light responses to some Open Days with sales results reflective of vendors adjusting to easing prices; ongoing strong results in the eastern Waikato in particular; good sales results on finishing and dairy support properties, particularly those suitable for growing maize
- **Bay of Plenty/Rotorua/Taupo** - relatively quiet on the horticulture front albeit strong confidence being shown in that sector; a lack of confidence has resulted in a difficult market for dairy farms and subdued conditions for the remaining categories; indications of some land going out of dairy to other forms of land use; vendor expectation is an issue in some instances
- **Taranaki** - relatively quiet with considerable work required to make transactions work; some vendors with unrealistic expectations are now withdrawing their properties from the market; a general easing in confidence and a lack of urgency is being compounded by values reducing 10% to 15%
- **Hawke’s Bay** - strong activity from local buyers on quality deer or finishing properties, albeit prices are constrained; high prices for livestock is becoming a deterrent for purchasers of finishing and grazing units; great spring conditions are the best on record for many years
- **Manawatu/Wanganui/Wairarapa** - harder work on dairy farms with evidence of an increasing trend of land going out of dairy production, both at the top end and lower end of the quality scale; solid activity on good sheep and beef farms with good feed conditions putting a smile on most faces; strong values being received for lambs and finished cattle
- **Nelson/Marlborough** - a buoyant market for limited stocks of finishing and grazing properties; a good range of local buyers bolstered by good spring conditions; strong demand in the viticulture sector with an unsatisfied demand from corporates seeking large greenfield sites for vineyard development; a softening market for the smaller 8 to 15 hectare orchards, particularly for properties with extensive capital outlay in dwellings and support buildings

- **Canterbury** - extremely difficult conditions in the dairy market with virtually no demand for some good quality properties; an apparent change in the OIO determinations has impacted negatively on the market, with a lack of sales of larger properties halting the “trickle-down effect from freed-up capital”; reports of banks tightening up on lending criteria; reasonable activity on good finishing blocks
- **Otago** - reasonable activity on finishing and grazing units, albeit a number are smaller properties; considerable concern regarding the impact on sales of larger properties as a result of an apparent change in OIO criteria, although the sale of a larger wine producing company in Central Otago to a dominant overseas investor is indicative of an outcome for those with patience, perseverance and funding required for the consent process
- **Southland** - a patchy market with some corporate activity where yields are sufficient to attract investment; hard work in the dairy sector even with a significant reduction in prices; very strong results in the arable category, particularly on the soil types deemed most suitable; steady activity in the finishing and grazing categories.

Finishing farms accounted for the largest number of sales with a 33% share of all sales over the three months to November 2018, Grazing farms accounted for 28%, Horticulture accounted for 15%, and Dairy properties accounted for 11% of all sales. These four property types accounted for 87% of all sales during the three months ended November 2018.

Dairy Farms

For the three months ended November 2018, the median sales price per hectare for dairy farms was \$50,964 (36 properties), compared to \$28,555 for the three months ended October 2018 (11 properties), and \$44,154 (46 properties) for the three months ended November 2017. The median price per hectare for dairy farms has increased 15.4% over the past 12 months. The median dairy farm size for the three months ended November 2018 was 95 hectares.

On a price per kilo of milk solids basis the median sales price was \$43.57 per kg of milk solids for the three months ended November 2018, compared to \$30.59 per kg of milk solids for the three months ended October 2018 (+42.4%), and \$36.47 per kg of milk solids for the three months ended November 2017 (+19.5%).

The REINZ Dairy Farm Price Index increased 8.3% in the three months to November 2018 compared to the three months to October 2018. Compared to November 2017, the REINZ Dairy Farm Price Index fell 8.6%. 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 November 2018, the median sale price per hectare for finishing farms was \$32,635 (112 properties), compared to \$32,969 for the three months ended October 2018 (77 properties), and \$28,641 (82 properties) for the three months ended November 2017. The median price per hectare for finishing farms has risen 13.9% over the past 12 months. The median finishing farm size for the three months ended November 2018 was 34 hectares.

Grazing Farms

For the three months ended November 2018, the median sales price per hectare for grazing farms was \$11,835 (93 properties) compared to \$11,335 for the three months ended October 2018 (90 properties) and \$11,881 (99 properties) for the three months ended November 2017. The median price per hectare for grazing farms has fallen 0.4% over the past 12 months. The median grazing farm size for the three months ended November 2018 was 96 hectares.

Horticulture Farms

For the three months ended November 2018, the median sales price per hectare for horticulture farms was \$196,142 (50 properties) compared to \$198,768 (49 properties) for the three months ended October 2018 and \$321,582 (44 properties) for the three months ended November 2017. The median price per hectare for horticulture farms has dropped 39.0% over the past 12 months. The median horticulture farm size for the three months ended November 2018 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 November refer to the period from 1 September 2018 to 30 November 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.