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For immediate release

Interesting Developments in the Marketplace

Data released today by the Real Estate Institute of New Zealand (REINZ) shows there were 56 less farm sales (-13.4%) for the three months ended April 2019 than for the three months ended April 2018. Overall, there were 362 farm sales in the three months ended April 2019, compared to 331 farm sales for the three months ended March 2019 (+9.4%), and 418 farm sales for the three months ended April 2018. 1,443 farms were sold in the year to April 2019, 1.7% fewer than were sold in the year to April 2018, with 31.3% less Dairy farms, 22.0% more Grazing farms, 9.3% less Finishing farms and 5.7% more Arable farms sold over the same period.

The median price per hectare for all farms sold in the three months to April 2019 was \$22,624 compared to \$27,309 recorded for three months ended April 2018 (-17.2%). The median price per hectare decreased 3.2% compared to March 2019.

The REINZ All Farm Price Index fell 4.2% in the three months to April 2019 compared to the three months to March 2019. Compared to April 2018 the REINZ All Farm Price Index rose 5.7%. 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 April 2019 compared to the three months ended April 2018. Hawke's Bay (+15), Gisborne (+7) and Taranaki (+7) were the top regions to increase the number of farm sales compared to April 2018. Waikato recorded the most substantial decline in sales (-29 sales) followed by Canterbury (-20 sales). Compared to the three months ended March 2019, seven regions recorded an increase in sales with the biggest increase being in Bay of Plenty (+11 sales).

Brian Peacocke, Rural Spokesman, at REINZ says: "Data for the 3-month period ending April 2019 reflects a continuation of the trend in sales volumes evident over recent months.

"Compared to the equivalent period in 2018, sales volumes for dairy and finishing farms are well down, grazing units have increased, arable and horticulture properties are holding par.

"From a regional perspective, provinces such as Marlborough have recovered well and are experiencing a very good autumn whilst other regions, particularly throughout the Waikato, Hawke's Bay and central to lower North Island are experiencing restricted pre-winter feed supplies in spite of having received modest levels of rain.

"In contrast, Southland has had sufficient moisture to cause paddocks to become almost too damp.

“On a different front, major concern is erupting in the eastern regions of Wairarapa and Wairoa as forestry interests purchase increasing areas of pastoral land for conversion to trees, thus triggering the potential for rural depopulation with the attendant impact of social and economic consequences for the smaller rural communities.

“Serious questions are being asked regarding the Overseas Investment Office (OIO) criteria for offshore interests to invest in forestry as opposed to pastoral farming, with strong suggestions of political bias.

“Prospects for the spring appear encouraging given the likelihood of an increased payout for dairy, and the continuation of good returns for lamb, fine wool, beef and the range of horticultural products.

“A reduction in the Official Cash Rate (OCR) of 25 points is deemed good news on the interest rate front, albeit some concerns have arisen regarding the longer term fiscal health for the wider economy, and the emergence of evidence of a harder line from banks towards their client base,” he concludes.

Points of Interest around New Zealand include:

- **Northland** - a busy period with strong horticultural activity on land suitable for kiwifruit and avocados, given the right soil type and adequate supply of water; steady enquiry albeit short supply for beef farms; strong enquiry from the forestry sector which is competing effectively with traditional purchasers of sheep and beef farms, fueled in part by carbon credits being deemed more attractive than the timber, plus additional competition whereby OIO consents appear more readily obtainable for forestry than other forms of land use; a shortage of dairy farms available with neighbour to neighbour activity being the dominant factor
- **Waikato** - a “tailing-off” of dairy farm sales but strong activity on finishing and dairy support properties with very good prices being achieved throughout the wider region
- **Bay of Plenty/Rotorua** - a continuation of very strong activity in horticulture with kiwifruit sales to the fore, both green and gold; restricted activity on dairy and grazing properties with reports of only 15% of the properties on the market having been sold; anticipation of improved conditions in the spring
- **Gisborne** - improved conditions in the region with good sales of horticultural blocks, particularly citrus, and a notable sale of a large scale, versatile, pastoral station
- **Hawke’s Bay** - a less than buoyant market with rain required to offset dry, windy conditions; good market prospects are underpinning steady sales of sheep & beef grazing units albeit real concern regarding the intrusion of forestry into the pastoral sector, as evidenced by forestry interests competing at current rates for medium to average properties across the region; additional comments indicating such activity is being driven by carbon credits in particular
- **Taranaki** - a quiet month with limited activity on runoffs and dairy support properties; restricted listings has resulted in a number of purchasers waiting for more options, with an anticipation of better choices available in the spring

- **Manawatu/Wanganui** - good strong activity at good prices for sheep and beef finishing and grazing properties throughout the total region, particularly Tararua where a string of solid sales has taken place; very strong demand for smaller finishing blocks close to the main centres
- **Wairarapa/Wellington** - a quiet month for farm sales with good demand under short supply conditions for good sheep and beef units; strong reaction in the region against the increase in sales of good pastoral properties to forestry interests with a “fired-up” action group mounting a vigorous campaign of opposition, with questions regarding the apparent ease for off-shore investors to obtain consents for forestry investment as opposed to consents for other forms of land use
- **Marlborough/Nelson** - vigorous autumn conditions and river-restoring volumes of rain after an extended drought has created a positive atmosphere in the region in spite of minimal sales; neighbour to neighbour transactions are dominant where they do occur, and irrespective of a reduced viticulture harvest which has reduced current enquiry, demand for bare land suitable for grapes continues; strong demand for small, quality finishing units but restricted supply; evidence of banks working with suppliers of Westland Dairy Co-op following the sale to Chinese interests
- **Canterbury** - a tough market for all parties in the Canterbury region where the dairy and arable market is struggling; reports of banks advising clients to hold off in anticipation of market values easing going forward; neighbour to neighbour transactions are a key factor in the market place, as is the case throughout the country; a major shock announcement from Environment Canterbury (Ecan) declaring a “State of Emergency for the Environment in Canterbury”, with a particular focus on nitrates, such statements echoing concerns from around New Zealand
- **Otago** - a continuation of steady sales activities for dairy, finishing and grazing properties; solid interest in units with versatility covering beef, fine wool and deer, with surprising reports of an explosion of feral deer numbers in parts of the province, to the point of being a specific problem on pasture and winter feed crops; a continuation of genuine concern regarding the change in OIO criteria which has restricted buyer enquiry and therefore sales of the larger properties, in some instances so valuable that few local purchasers, if any, can afford to purchase; reports of banks having a significant influence on the market with an insistence on additional due diligence that in some instances, is frustrating transactions; debt reduction is now a consistent requirement
- **Southland** - light dairy activity in a market where a number of properties have been withdrawn until conditions improve; good enquiry for sheep and beef finishing properties with good, solid activity on grazing units; anticipation of improving conditions in the spring.

Grazing farms accounted for the largest number of sales with a 35% share of all sales over the three months to April 2019, Finishing farms accounted for 26%, 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 April 2019.

Dairy Farms

For the three months ended April 2019, the median sales price per hectare for dairy farms was \$30,243 (41 properties), compared to \$37,100 (43 properties) for the three months ended March 2019, and \$36,028 (82 properties) for the three months ended April 2018. The median price per hectare for dairy farms has decreased 16.1% over the past 12 months. The median dairy farm size for the three months ended April 2019 was 132 hectares.

On a price per kilo of milk solids basis the median sales price was \$31.78 per kg of milk solids for the three months ended April 2019, compared to \$38.69 per kg of milk solids for the three months ended March 2019 (-17.9%), and \$37.38 per kg of milk solids for the three months ended April 2018 (-15.0%).

The REINZ Dairy Farm Price Index decreased 12.5% in the three months to April 2019 compared to the three months to March 2019. Compared to April 2018, the REINZ Dairy Farm Price Index fell 23.7%. 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 April 2019, the median sale price per hectare for finishing farms was \$30,878 (94 properties), compared to \$31,059 (80 properties) for the three months ended March 2019, and \$29,427 (134 properties) for the three months ended April 2018. The median price per hectare for finishing farms has risen 4.9% over the past 12 months. The median finishing farm size for the three months ended April 2019 was 35 hectares.

Grazing Farms

For the three months ended April 2019, the median sales price per hectare for grazing farms was \$10,640 (127 properties) compared to \$10,373 (117 properties) for the three months ended March 2019 and \$10,692 (109 properties) for the three months ended April 2018. The median price per hectare for grazing farms has fallen 0.5% over the past 12 months. The median grazing farm size for the three months ended April 2019 was 143 hectares.

Horticulture Farms

For the three months ended April 2019, the median sales price per hectare for horticulture farms was \$282,586 (54 properties) compared to \$240,064 (46 properties) for the three months ended March 2019 and \$278,258 (52 properties) for the three months ended April 2018. The median price per hectare for horticulture farms has risen 1.6% over the past 12 months. The median horticulture farm size for the three months ended April 2019 was 7 hectares.

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Real Estate Institute of New Zealand

For more real estate information and market trends data, visit www.reinz.co.nz. For New Zealand's most comprehensive range of listings for residential, lifestyle, rural, commercial, investment and rental properties, visit www.realestate.co.nz - REINZ's official property directory website.

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 April refer to the period from 1 February 2019 to 30 April 2019.

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.