Sale Prices Holding Steady, but Sales Volumes Falling

Summary

Data released today by the Real Estate Institute of NZ (“REINZ”) shows there were 42 fewer farm sales (-9.9%) for the three months ended March 2016 than for the three months ended March 2015. Overall, there were 383 farm sales in the three months ended March 2016, compared to 474 farm sales for the three months ended February 2016 (-19.2%), and 425 farm sales for the three months ended March 2015. 1,746 farms were sold in the year to March 2016, 3.0% fewer than were sold in the year to March 2015.

The median price per hectare for all farms sold in the three months to March 2016 was $27,202 compared to $27,957 recorded for three months ended March 2015 (-2.7%). The median price per hectare rose 4.7% compared to February.

The REINZ All Farm Price Index fell 1.7% in the three months to March compared to the three months to February. Compared to March 2015 the REINZ All Farm Price Index rose 1.7%. 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.

Three regions recorded increases in sales volume for the three months ended March 2016 compared to the three months ended March 2015. Manawatu/Wanganui recorded the largest increase in sales (+14 sales), followed by Bay of Plenty (+12 sales) and Northland (+5 sales). Compared to the three months ended February 2016, three regions recorded an increase in sales.

“Figures for the three month period ending March 2016 indicate an easing in sales volumes for most categories of rural property, with the exception of horticulture, sales for which confirm the sector is in very good heart”, says REINZ Rural Spokesman Brian Peacocke, “whilst in general terms the dairy sector is subdued, isolated sales of good quality farms at very good prices, often to neighbouring interests, do reflect optimism in the longer term future of the industry”.

“Enquiry continues for good beef finishing properties, but due to the absorption of that class of land into the dairy industry in recent years, there is insufficient supply to cater for the demand.”
Highlights include:

- Northland continues to receive buyer enquiry from areas to the south for dairy farms but limited supply and sales make pricing difficult; evidence of banks requiring higher levels of equity; steady sales of grazing blocks and strong activity on lower value properties suitable for planting manuka for the honey industry resulting in a lift in values and increased employment opportunities;

- Quality dairy units in the Waikato, albeit limited in number, have sold well, particularly where there is neighbour interest; solid enquiry for well-located beef properties but insufficient supply; some activity on finishing and grazing blocks; regrettably, a major outbreak of eczema is having a severe effect on many dairy farms in the region;

- An exceptionally strong horticultural market in the Bay of Plenty, with prices for quality gold kiwifruit orchards exceeding previous records; good demand and prices for quality green kiwifruit blocks. The announcement of an increase in licenses for gold kiwifruit plantings is an indication of the strength of the industry; limited activity in the pastoral sector;

- Reduced activity in the Rotorua / Taupo region despite reasonable availability of properties; indications of purchasers holding back in anticipation of lower prices in the spring; some properties being split into smaller blocks to achieve a sale;

- Good sales for quality properties in Taranaki where values are holding well; strong corporate enquiry evident, particularly relating to expansion of the chicken industry; clear evidence of moves back to sustainable grass based farming with less reliance on bought-in feed and off-farm grazing of replacements; a positive mood in the province although an outbreak of eczema is impacting heavily on dairy herds;

- Limited activity in Hawke’s Bay due to a shortage of property; values holding well for good finishing properties at $20,000 to $25,000 per hectare and below $10,000 per hectare for grazing blocks; considerable conjecture regarding the Ruataniwha dam project and the likely impact on property values should the development go ahead;

- A solid tone in the Wairarapa market; good activity on reduced numbers of quality sheep and beef units with prices exceeding $10,000 per hectare; very quiet on the dairy front;

- A positive market in the Nelson / Marlborough region with very good harvest yields being reported in the viticulture sector, and reports of some grapes being left on the vine due to volumes stretching processing facilities; indications of dairy farm vendors in the Nelson area remaining firm on price expectations; southern Marlborough districts facing winter under continuing drought conditions;

- Reports of cashed-up purchasers sitting tight in the Canterbury market albeit some sales of quality, well located farms, at times boosted by neighbours influence; steady activity on good arable properties where quality soils provide versatility of land use;

- A reduced number of quality properties selling quickly at strong prices in Otago; again, neighbour to neighbour sales and splitting of farms to achieve a sale are factors consistent with other regions; indications of well-established farmers with solid equity positions coping reasonably well with the current economic conditions; and
- Modest activity on finishing and dairy support blocks in Southland; an easing in the market for sheep and beef units; instances of larger properties being broken into smaller parcels, dependent upon titles, in order to achieve a sale with values holding steadily; a difficult market for outlying, lesser quality farms.

Grazing properties accounted for the largest number of sales with 40.7% share of all sales over the three months to March 2016, Finishing properties accounted for 17.2%, Horticulture properties accounted for 16.7% and Dairy properties accounted for 12.5% of all sales. These four property types accounted for 87.2% of all sales during the three months ended March 2016.

**Dairy Farms**

For the three months ended March 2016 the median sales price per hectare for dairy farms was $33,897 (48 properties), compared to $36,687 for the three months ended February 2016 (76 properties), and $37,761 (86 properties) for the three months ended March 2015. The median dairy farm size for the three months ended March 2016 was 121 hectares.

On a price per kilo of milk solids basis the median sales price was $34.79 per kg of milk solids for the three months ended March 2016, compared to $38.00 per kg of milk solids for the three months ended February 2016 (-8.4%), and $35.83 for the three months ended March 2015 (-2.9%).

Included in sales for the month of January were 21 dairy farms at a median sale value of $37,018 per hectare. The median farm size was 124 hectares with a range of 57 hectares in Waikato to 280 hectares in Taranaki. The median production per hectare across all dairy farms sold in March 2016 was 912 kgs of milk solids.

The REINZ Dairy Farm Price Index rose 4.3% in the three months to March compared to the three months to February. Compared to March 2015, the REINZ Dairy Farm Price Index fell by 15.9%. 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 March 2016 the median sale price per hectare for Finishing farms was $21,543 (66 properties), compared to $24,046 for the three months ended February 2016 (74 properties), and $21,670 (64 properties) for the three months ended March 2015. The median finishing farm size for the three months ended March 2016 was 46 hectares.

**Grazing Farms**

For the three months ended March 2016 the median sales price per hectare for Grazing farms was $14,124 (156 properties) compared to $15,484 for the three months ended February 2016 (216 properties), and $15,226 (178 properties) for the three months ended March 2015. The median grazing farm size for the three months ended March 2016 was 51 hectares.
**Horticulture Farms**

For the three months ended March 2016 the median sales price per hectare for Horticulture farms was $261,665 (64 properties) compared to $254,448 (54 properties) for the three months ended February 2016, and $240,522 (56 properties) for the three months ended March 2015. The median horticulture farm size for the three months ended March 2016 was six hectares.

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