News Release

20 October 2016

Spring Is In The Air

Summary

Data released today by the Real Estate Institute of NZ (“REINZ”) shows there were 51 more farm sales (+15.1%) for the three months ended September 2016 than for the three months ended September 2015. Overall, there were 388 farm sales in the three months ended September 2016, compared to 393 farm sales for the three months ended August 2016 (-1.3%), and 337 farm sales for the three months ended September 2015. 1,790 farms were sold in the year to September 2016, 3.7% more than were sold in the year to September 2015, with 25% fewer dairy farms and 5% fewer grazing farms sold over the same period.

The median price per hectare for all farms sold in the three months to September 2016 was $26,825 compared to $26,020 recorded for three months ended September 2015 (+3.1%). The median price per hectare fell 2.5% compared to August.

The REINZ All Farm Price Index fell 2.4% in the three months to September 2016 compared to the three months to August. Compared to September 2015 the REINZ All Farm Price Index rose 9.6%. 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.

Nine regions recorded increases in sales volume for the three months ended September 2016 compared to the three months ended September 2015. Nelson recorded the largest increase in sales (+14 sales), followed by Southland (+13 sales), and Bay of Plenty and Otago with an increase of 12 sales each. Compared to the three months ended August 2016, four regions recorded an increase in sales.

“Sales volumes for the three months ending 30 September 2016 reflected a status quo position or a slight easing compared to volumes for the previous three month period,” says REINZ Rural Spokesman Brian Peacocke. “As farmers were concluding their annual peak workload activities over this period, many parts of the country were enduring a continuation of the wettest period for many years, to the extent that waterlogged pastures were desperate for relief and sunshine. By contrast,
coastal regions in North Canterbury continue to suffer in silence, while Southland has experienced the most favourable winter / early spring period for many years.

“From a rural property perspective, September has been a month when appraisals have been carried out in anticipation of marketing programmes being launched for the spring sale period of October, November and December. Volatility of prices for rural produce has been a frustration for many but the counterbalancing factor for all, including the keenly focused banking sector, has been that in the main, signals from the marketplace have been positive as opposed to the more pessimistic outlook of 12 months ago.”

Highlights include:

- A positive mood and strong activity surrounding beef units in Northland, particularly in the start-up range of $6,500 to $7,500 per hectare, and an interesting new development for the region with a surge in sales of land suitable for growing avocados;

- A simmering of early spring activity throughout the Auckland and Waikato regions as a prelude to the larger number of properties being held in storage for release onto the October market – indications of some vendors adopting a “wait and see” approach prior to committing to sale;

- A tightening in the horticultural market in the Bay of Plenty as kiwifruit block purchasers wait for the fruit to set; very few orchards currently on the market but that is anticipated to change pre-Christmas;

- Wet weather in the Rotorua / Taupo area has delayed the start of the selling season but has not dampened the emerging positive mood;

- A large number of farms are due to come forward onto the Taranaki market but virtually no activity during September;

- Solid activity on finishing properties in Hawke’s Bay and Manawatu / Wanganui with increasing activity on grazing units in the latter region;

- Reasonable stocks but slow sales in the Wairarapa and Wellington regions;

- Good early spring conditions in Marlborough and Nelson with steady enquiry for sheep and beef but a shortage of listings; ongoing strong activity in the viniculture sector with demand for bare land pushing out to fringe areas; solid interest in hops and apples in the Nelson district;

- Good demand throughout central regions of the South Island for sheep and beef blocks with sales frequently to adjoining landowners; reasonable levels of listings in the 6,000 stock units
to 10,000 stock units range, with competing enquiry from North and South Island interests, as well as from Australia and the Pacific regions;

- A build up of listings in Otago with an initial spread of sales of finishing and grazing properties; quiet on the dairy front; and

- An increasing level of activity in Southland with good levels of quality listings, albeit a clear divergence of opinion between vendors and purchasers regarding values.

Grazing properties accounted for the largest number of sales with a 41% share of all sales over the three months to September 2016, Horticulture properties accounted for 21%, Finishing properties accounted for 19% and Arable properties accounted for 9% of all sales. These four property types accounted for 90% of all sales during the three months ended September 2016.

**Dairy Farms**

For the three months ended September 2016 the median sales price per hectare for dairy farms was $33,132 (12 properties), compared to $40,469 for the three months ended August 2016 (14 properties), and $25,108 (11 properties) for the three months ended September 2015. The median price per hectare for dairy farms has risen 32.0% over the past 12 months. The median dairy farm size for the three months ended September 2016 was 112 hectares.

On a price per kilo of milk solids basis the median sales price was $43.05 per kg of milk solids for the three months ended September 2016, compared to $45.51 per kg of milk solids for the three months ended August 2016 (-5.4%), and $33.09 per kg of milk solids for the three months ended September 2015 (+30.1%).

The REINZ Dairy Farm Price Index rose 2.4% in the three months to September 2016 compared to the three months to August. Compared to September 2015, the REINZ Dairy Farm Price Index rose 18.3%. 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. Care needs to be taken during the winter months as the low level of sales (12 for the three months to September) can distort the Index figures.

**Finishing Farms**

For the three months ended September 2016 the median sale price per hectare for finishing farms was $26,834 (74 properties), compared to $27,208 for the three months ended August 2016 (75 properties), and $25,414 (65 properties) for the three months ended September 2015. The median price per hectare for finishing farms has risen 5.6% over the past 12 months. The median finishing farm size for the three months ended September 2016 was 39 hectares.
Grazing Farms
For the three months ended September 2016 the median sales price per hectare for grazing farms was $15,339 (158 properties) compared to $15,326 for the three months ended August 2016 (158 properties), and $15,966 (152 properties) for the three months ended September 2015. The median price per hectare for grazing farms has fallen 3.9% over the past 12 months. The median grazing farm size for the three months ended September 2016 was 49 hectares.

Horticulture Farms
For the three months ended September 2016 the median sales price per hectare for horticulture farms was $177,726 (82 properties) compared to $190,338 (77 properties) for the three months ended August 2016, and $166,552 (58 properties) for the three months ended September 2015. The median price per hectare for horticulture farms has fallen 6.7% over the past 12 months. The median horticulture farm size for the three months ended September 2016 was seven hectares.

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 September refer to the period from 1 July 2016 to 30 September 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.