

# RURAL ROUND - UP

JUNE 2023

**Rural properties in New Zealand encompass a wide range of agricultural and farming land, including dairy farms, livestock farms, horticultural properties, forestry, and more.**

The country's rural sector plays a significant role in its economy, with agriculture being one of New Zealand's primary industries and equating to 80% of export earnings.

The challenging start to 2023, characterized by January's frosts and late-summer cyclones, has had a significant impact on our country's agribusiness and food producers.

These extreme weather events, combined with recession announcements, increased expenses and interest rate rises have raised implications for farm values.

According to the latest data released by the Real Estate Institute of New Zealand (REINZ), there has been a significant decrease in farm sales for the three months ending May 2023 compared to the same period in 2022. The report shows 166 fewer farm sales, which represents a decrease of 39.2%.

In total, there were 258 farm sales in the three-month period ending in May 2023. This figure reflects a slight increase of 3.6% compared to the previous three-month period ending in April 2023. However, when compared to the three months ending in May 2022, there were 166 fewer farm sales, representing a decline of 39.2%.

Shane O'Brien, the Rural Spokesman at REINZ, notes that the trend of declining sales has continued throughout 2023. He attributes this trend to several factors, including a reduced number of listings in most sectors, except for a higher-than-usual number of horticultural listings in the Bay of Plenty area.



O'Brien also mentions that buyers are adopting a cautious approach due to higher interest rates, increasing farm expenses (reported at approximately 16%), and lower farm incomes resulting from adverse weather conditions and challenging economic circumstances.

In the year leading up to May 2023, a total of 1,163 farms were sold, which is 570 fewer than sold during the same period in the previous year. The decline in sales varied across different farm types, with dairy farms experiencing a 36.1% decrease, dairy support farms seeing a 6.7% decrease, grazing farms experiencing a 22.7% decrease, finishing farms seeing a 35.1% decrease, and arable farms experiencing a 32.2% decrease.

While there is continued interest from buyers, many are hesitant to commit to purchasing land due to various factors. The uncertain outcome of the general election and concerns about future government regulations on farming are creating caution in the market. Unfavorable weather conditions in the North Island and concerns about potential government regulations in the South Island are also impacting buyer behaviour.

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The median price per hectare for all farms sold in the three months ending in May 2023 was \$28,105 representing a decrease of 5.8% compared to the three months ending in May 2022. No regions reported an increase in farm sales during the three months ending in May 2023. Waikato and Northland recorded the largest decreases in sales.

Regarding specific farm types, the viticultural market stands out as a bright spot, particularly in Marlborough. Record-level sales for good quality Sauvignon Blanc land and increased land acquisition for grape development are driving renewed confidence in the wine industry.

Tier 1 dairy properties, those properties that meet all the criteria sought by potential buyers, are maintaining their values. These properties possess the ideal soil types for their intended land use, suitable terrain, necessary environmental farming consents, high production levels, and lack any negative factors that may detract from their desirability. High-quality properties that meet all these requirements are retaining values comparable to those observed a year ago.

On the other hand, land acquisition for forestry has slowed due to reduced export log and carbon pricing, as well as regulatory amendments related to greenfield forestry development.



The REINZ All Farm Price Index increased by 3.8% for the three months ending in May 2023 compared to the previous quarter. However, when compared to the same period in 2022, the index decreased by 5.5%. The REINZ All Farm Price Index considers differences in farm size, location, and farming type, unlike the median price per hectare, which does not consider these factors.

In terms of specific farm types:

- The median sales price per hectare for dairy farms in May 2023 was \$35,100, representing a decrease of 5.3% compared to the previous 12 months.
- The median price per kilogram of milk solids for dairy farms in May 2023 was \$36.95, a decrease of 1.7% compared to April 2023.
- For finishing farms, the median sale price per hectare in May 2023 was \$37,415, reflecting an increase of 3.4% over the past 12 months.
- Grazing farms had a median sales price per hectare of \$13,705, showing a 0.6% increase over the previous 12 months.
- Horticulture farms experienced a significant decrease in median sales price per hectare, with \$387,500 in May 2023, indicating a decline of 30.1% compared to the previous 12 months.

With our current anything-can-happen weather, uncertainty about the economy, increased costs and regulation, and the upcoming election it's fair to say it's an interesting time for the primary sector and rural properties as a whole. That said, the latest Rabobank Rural Confidence Survey has farmer confidence up marginally across the board from the previous quarter (March 2023).



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