



**Media Release
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Rural market upswing still distant despite payout

An upswing in the rural property market is still some time away, First National's rural agents say.

In the First National Group's quarterly survey of its rural realtors to mid May, 33% said despite confidence in an increased Fonterra milk solids payout, they did not expect the rural property market to improve significantly for another 12 months.

Another 33% estimated a pick up in summer.

Just 10% believed it would pick up in spring, and 24% declined to estimate when the market may pick up at all.

Traditionally, price trends of rural property follow milk solid price trends. Fonterra has long advised farmers to budget on receiving \$4MSkg but recently said \$4MSkg - \$6MSkg was "the new equilibrium."

First National Group general manager John Stewart said farm sales in the past quarter to mid May had continued to be flat and vendors expectations were taking a long time to adjust to those of buyers.

"In some areas, Rotorua for example, sellers' price expectations are being held up by payout speculation and they are also above what the banks are prepared to lend on. That type of situation doesn't lend itself to sales."

Stewart said despite this, some landmark farm sales had taken place in the past quarter, including a \$5m for a 71ha grazing block in Golden Bay, but they were properties in exceptional locations which rarely came to market.

While sellers were likely to have to wait to achieve their desired price, there were some positives, Stewart said.

"It really is a buyer's market in rural at the moment. Every cloud has its silver lining and in the rural market someone who has cash or a friendly bank manager is in the negotiation seat.

"Our rural agents in Te Puke say it's the best buyer's market for horticulture in 18 years."

Some agents in Taranaki predicted any market improvement would be marginal and sellers holding out for a better price could lose out by waiting.

Demand for lifestyle property was also relatively flat. Properties closest to cities were attracting the most interest.

However, Stewart noted a number of new stimuli that could increase buyer pressure in the current quarter.



“Budget announcements in company tax changes, the drop in the dollar’s value against meat, wool and dairy purchasing markets will be particularly pleasing to many.

“Those changes may well see the banks easing their austere approach to releasing loan funds against farm purchases.

Doubtless those market changes will have similar effects on incomes and buyer interest in the likes of kiwifruit, berry and pip fruit,” he said.

“We suspect tax relief for high income and company tax will see a growth in lifestyle block buyer interest too.”

For more information please contact

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About First National Group

First National has more than 450 offices in Australia, 70 in New Zealand and 3 in the Pacific Islands. With thousands of realtors across Australasia, the First National Group has the strength a large network can bring, along with the knowledgeable service of an independent local office. First National is known for being the first real estate organisation to bring in an accredited Best Practice programme to ensure customers really are put first.