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MEDIA RELEASE

Hawke's Bay's primary production powerhouse under threat

Hawke's Bay's primary production is coming under threat, and political and industry decision makers need to be wary that the economic sustainability of this region is not undermined.

Boyd Gross, director of Logan Stone, a Hawke's Bay based property specialist and valuation firm, believes the increasing "rural disconnect" by a growing urban populace, the continual "swallowing up" of productive land for other uses, and the priority of many new investors into rural land for attractive returns on their investments at the expense of focusing on improving production, are having negative impacts on Hawke's Bay's economic future.

"The conflict between urban and rural residents and the disconnect that many urban people have with how food is produced, could wreck Hawke's Bay's diversity," Mr Gross told over 120 property investors, financiers, rural business people and politicians at Logan Stone's annual Perspective presentation.

"The growing urban populace can out vote the rural community, leading to decisions that adversely affect and create problems for our growers. These are oftentimes based on incorrect knowledge and biased agendas by some."

He also cautioned about the "continuing creep" of suburbia into fertile plains and other traditional growing areas. The government-imposed need for local authorities to hold land in buffer for developments, housing in particular, and the opportunity this posed for property developers, were "real and happening", Mr Gross said. "We need to be awake to this because the region could suddenly discover we've lost our primary production competitive advantage."

On the third point, Mr Gross said there were so many people with discretionary capital now that had chased commercial and industrial property investments but weren't satisfied with the returns. "They're now looking for other forms of investments where the yields are better," he said.

“Their priority is chasing a financial return not necessarily wanting to invest for the long haul or to focus on production improvements. It’s happening now and it’s a growing phenomenon.”

This activity was driving land values up and there was a risk that it would “overheat” the market, Mr Gross cautioned.

“In any other past property cycle we would be raising the alarm that the market could tip but in the current environment we can’t say where in the cycle we are, it’s getting hot but the current situation is an unknown. We all need to be wary,” he told the gathering.

“If values ease off it will create some serious ripples. People could lose money and the market will become oversupplied. There’s a lot at risk.”

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For more information including copy of the report and tables showing trends since 2003, please contact:

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BACKGROUND

Perspective is an annual event that Logan Stone hosts to provide property investors, financiers and business people with insight into the past year’s activities and to share the firm’s view on future property trends.