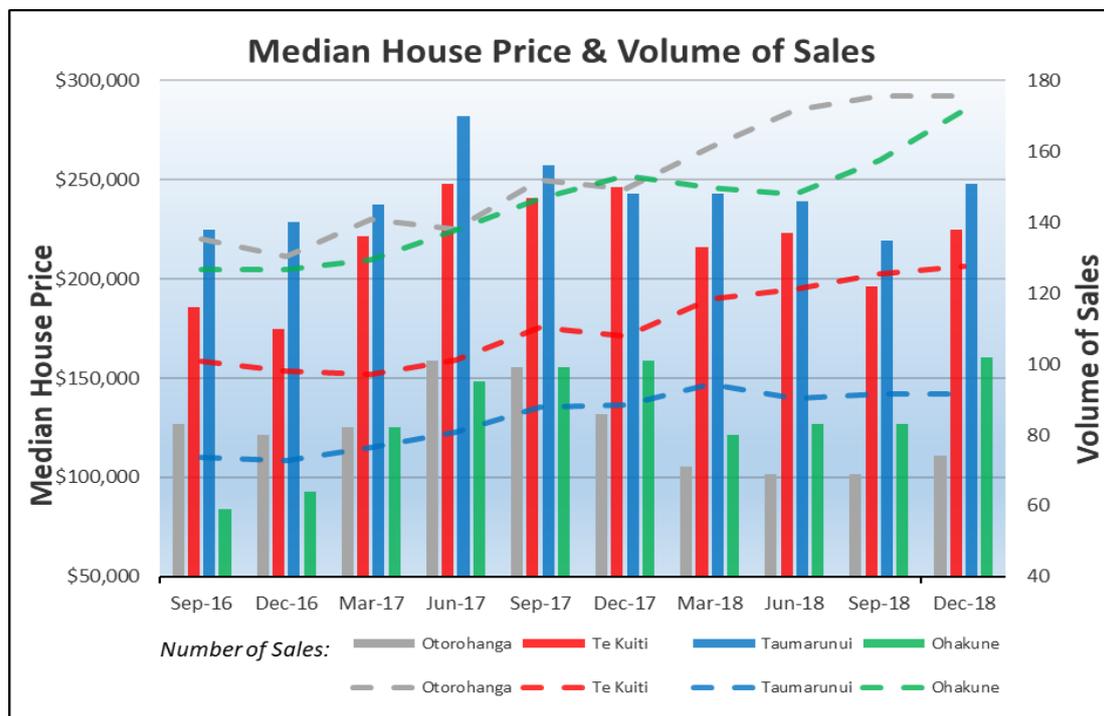


## General Economic Commentary, King Country, Year to December 2018

Overall the residential property market within the greater Ruapehu and King Country regions continues to follow an upward path that has been noticeable for some time now. Continuing trends include a relative lack of listings with well-presented properties experiencing strong demand, resulting in prices often being above asking and/or subject to multiple offers. Further points of interest include increasing demand for 'doer-uppers' or where purchasers can add value i.e. infill housing. Out of town interest continues to keep local purchasers on their toes, while there is relatively strong demand for vacant sections despite building costs often outweighing end value. Interestingly, over the past 24 months the median house price has increased in all four centres, with Otorohanga increasing some 38.2%, Te Kuiti 34.4%, Taumarunui 30.9% and Ohakune 39.0%.

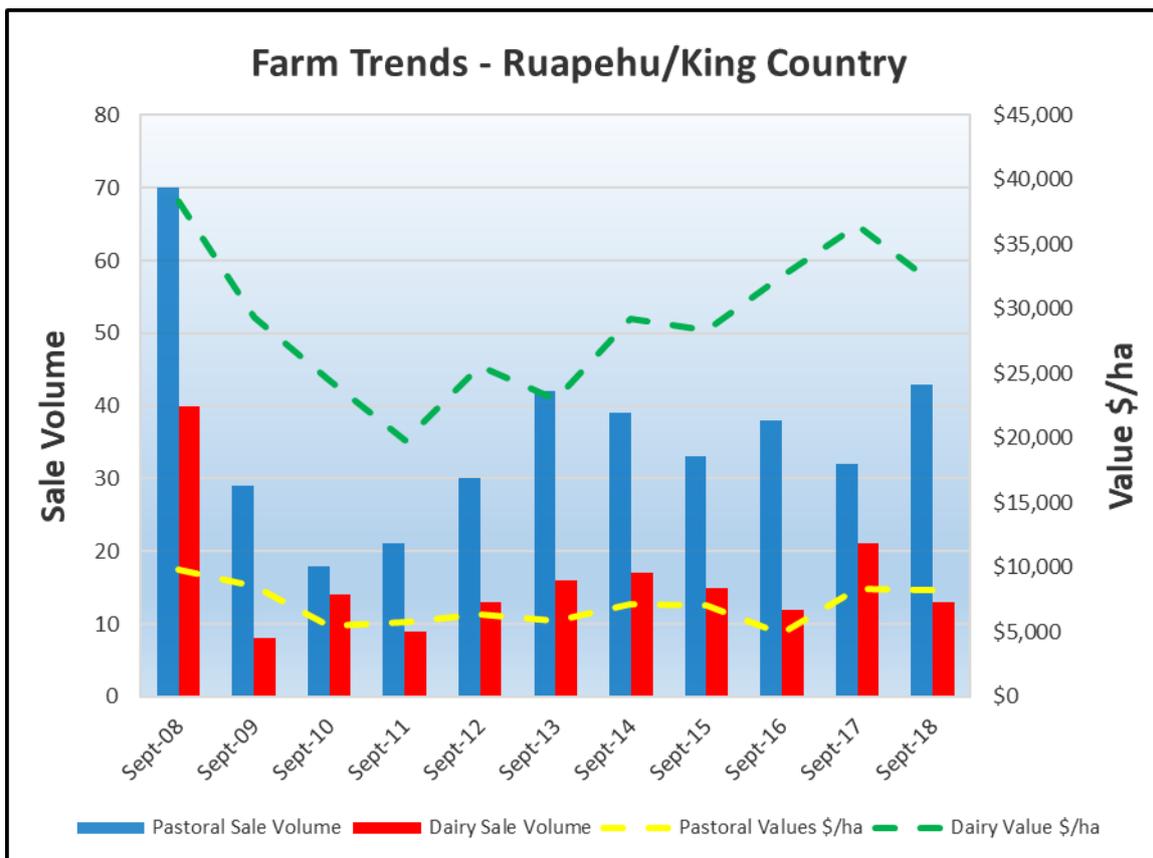
The Te Kuiti residential median continued its upward trajectory, increasing to \$206,250, with sale prices, on average, 60% above rateable value (RV). However, with new RV's having been recently released on their three year cycle, it will be interesting to see the correlation between prices and RV's going forward. Taumarunui remained steady with a median sale price of \$142,000 though with an increase in residential sale numbers from 135 to 151 this quarter. Properties in Taumarunui, on average, are selling 24% above rateable values that were set last year. The median house price in Otorohanga remained more or less the same at \$292,250 though sale numbers rose slightly to 74 (from 69). Like the other locations recorded, on average, properties sold 39% above rateable values. Of the four centres monitored, Ohakune, saw the largest increase in both median sale price and volume of sales. The median increased to \$285,000 (from \$260,000) while sale numbers increased to 102 (from 83). We note that these sale numbers exclude vacant sections. Ohakune experienced an additional 32 sales of vacant residential sections over the year to December.



Over the past 12 months, the lifestyle market within Taumarunui has remained steady with 28 sales of smaller improved lifestyle blocks. Value levels to some degree have mirrored the residential market with an increase in the median sale price to \$404,500 while the average size remained steady at 4.50 ha. The Waitomo lifestyle market has experienced a decrease in both sale numbers and median sale price, from 40 to 39 sales and from \$370,000 to \$343,000, respectively. It is difficult to pinpoint a reason for the drop as anecdotally, demand for lifestyle properties appears strong. In

Otorohanga, the median sale price increased yet again to \$601,250 with the average size being 1.80 ha. Sale numbers remained stable with 50 sales recorded over the past year.

In the rural market, sale numbers dropped by 1 to 42 pastoral farms over 100 ha selling in the last 12 months, with an average size of 366 ha. The median farm price remained steady at \$2,387,500 (\$2,400,000 in the last quarter). Dividing the total of all sale prices by the total number of hectares, equates to \$8,779/ha and an increase of \$541/ha. A total of just 12 dairy sales over 40 ha were recorded, the majority having occurred in the Otorohanga district. The average size was 119 ha while the average sale price per hectare decreased slightly for the fifth consecutive quarter from \$32,031 to \$31,192. We note that average price per ha has not reached the peaks seen during the 2007/08 period with value levels being approximately 16% down on this time.



The market for dairy units at the moment is relatively weak, particularly for those within slightly lesser locations and/or those with any environmental concerns or less desirable factors. Previously, properties may have had 3-4 bidders at auction whereas this has dropped to only 1-2 interested parties. This being due to a number of contributing factors including changes by the government to OIO rules, increasing environmental/compliance issues and ongoing negative media on the industry. As for the sheep and beef sector, demand remains strong, particularly for good, well-presented properties, this being underpinned by the schedules for lamb, beef and venison along with the current low New Zealand dollar. Interesting though, we note a number of sheep and beef properties are currently on the market, many of which go to auction or have tenders closing shortly.

While there have been limited sales of commercial properties, well leased properties continue to be sought after, meaning downward pressure on yields resulting in increasing values. In general, yields in Otorohanga are stronger than its Taumarunui and Te Kuiti counterparts, reflecting stronger demand for retail and commercial space. This is supported by the current commercial vacancy rate in Maniapoto Street, Otorohanga, at just 5.33% over 75 tenancies. In Rora Street Te Kuiti, the vacancy rate remained the same as last quarter at 10.67% over 75 tenancies, significantly below the long-term average of 16.27%. In Hakiaha Street Taumarunui, the vacancy rate decreased to 13.0% over 77 tenancies, this being below the long-term average of 16.77%.

Again, while market fundamentals continue to be strong i.e. interest rates are low, migration continues from the larger centres and supply is outweighed by demand, prices are more likely to remain under upward pressure. Other more localised factors having an influence include projects such as the expansion of Waikeria prison in Otorohanga and increasing tourism numbers for both Ohakune and Taumarunui.

The national median house price by comparison is \$565,000. The official cash rate remained steady at 1.75%. Unemployment further decreased to 3.9% from 4.4%.

*This commentary encompasses the past years information and is updated on a quarterly basis. Its purpose is to illustrate property trends in the King Country, which is a region not normally reported upon. Whilst the information contained above may not be specifically relevant to the property being reported upon, its purpose is to provide a useful barometer for the towns and wider region. It is not intended to be used as, or take the place of, a valuation report, which provides specific and timely property advice. Any persons relying on this commentary do so at their own risk. For back issues, please log on to [www.doylevaluations.co.nz](http://www.doylevaluations.co.nz)*