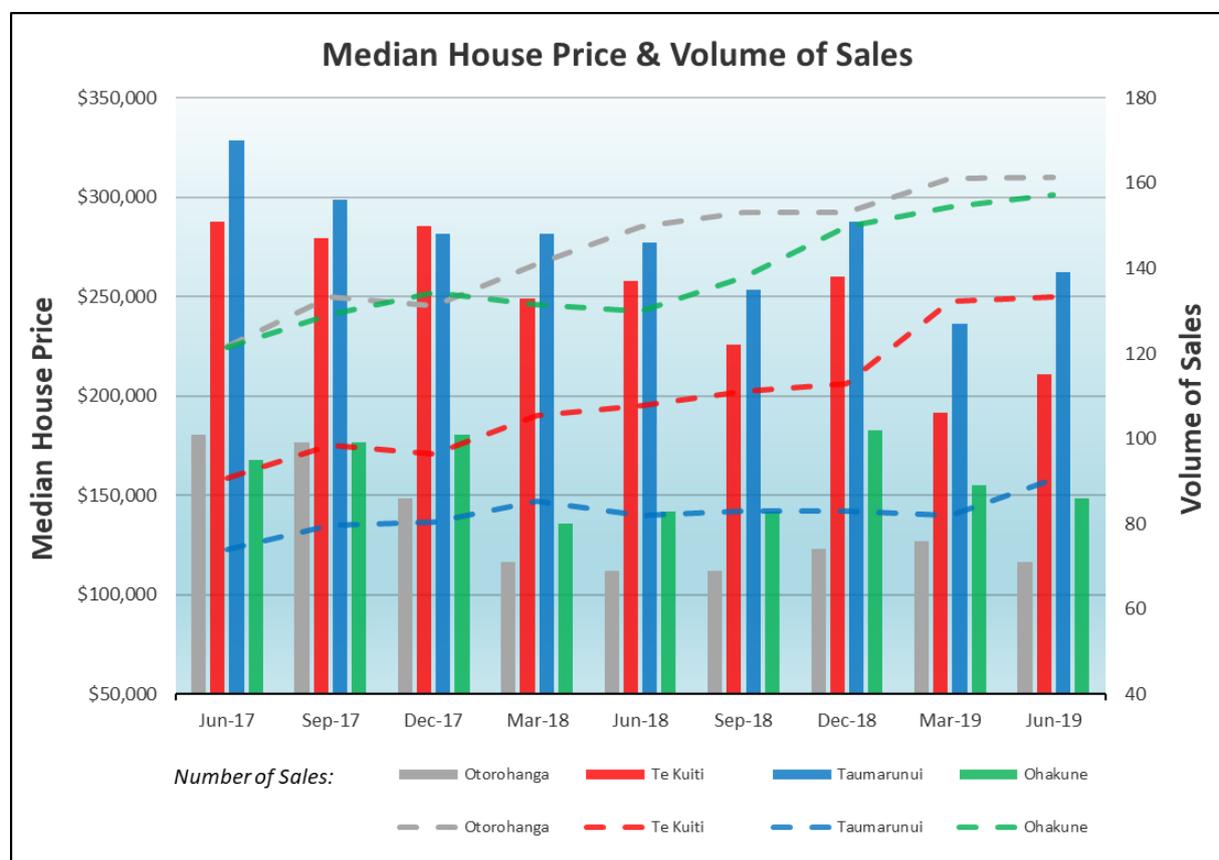


General Economic Commentary, King Country, Year to June 2019

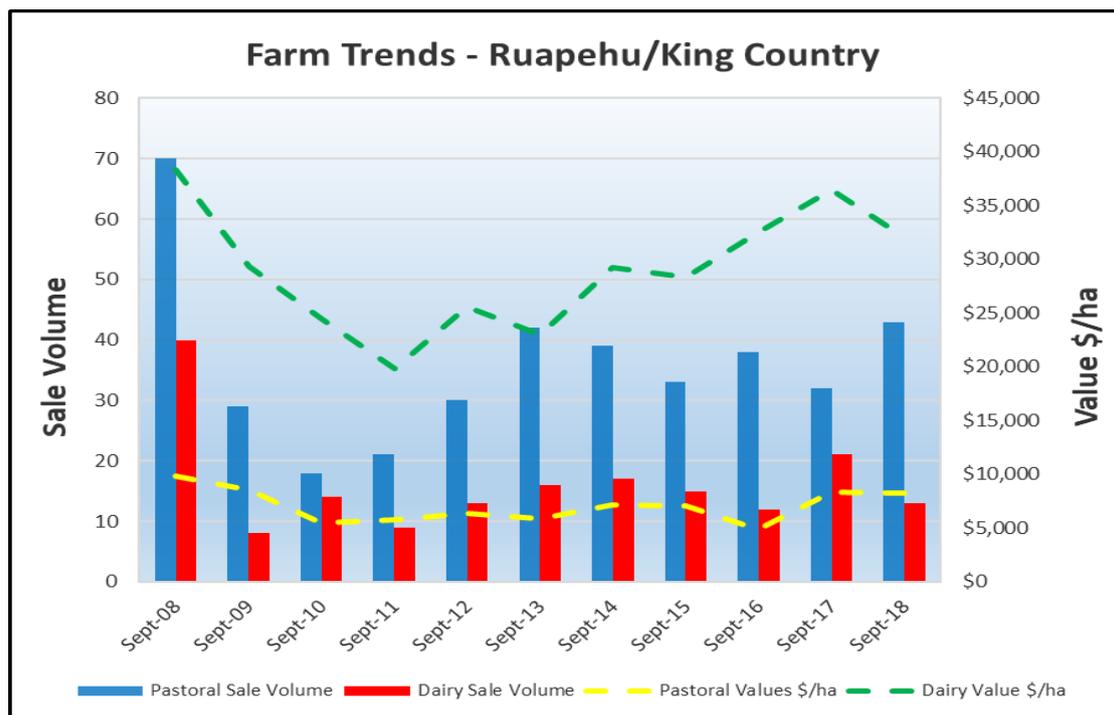
Overall the residential property market within the greater Ruapehu and King Country regions continues to follow an upward path that has been noticeable for some time now. Continuing trends include a relative lack of listings with well-presented properties experiencing strong demand, resulting in prices 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 37.8%, Te Kuiti 57.2%, Taumarunui 28.5% and Ohakune 34.1%.

Of the four centres monitored, Taumarunui experienced the largest increase in median sale price, increasing from \$140,000 to \$158,000 and on average, 38% above rateable values. The remaining three centres experienced only marginal increases, though on average, all remained significantly above their rateable values. The median house price in Te Kuiti increased to \$250,000 (from \$247,500), selling 33% above rateable values. Otorohanga continued its upward trajectory, with the median sale price increasing to \$310,000. Sale prices were significantly above RV's, reflecting an average of 48%, though these rateable values are approaching the end of their three year cycle, with new values to be released later this year. The median house price in Ohakune increased from \$295,000 to \$301,000. Properties in Ohakune, on average, are selling 26% above rateable values. Sale numbers over the past 12 months increased across two of the four centres when compared to the previous quarter. There were 139 sales in Taumarunui (up 9%) and 115 sales in Te Kuiti (up 8%). Both Otorohanga and Ohakune experienced a decrease in sale numbers, down 7% (71 sales) and 3% (86 sales), respectively. We note that these sale numbers exclude vacant sections. There were an additional 26 sales of vacant residential sections over the past 12 months in Ohakune township.



Unlike the residential market, the lifestyle market has been somewhat stagnant across each of Taumarunui, Otorohanga and Waitomo, when compared to the previous quarter. Waitomo was the only centre to experience an increase in median price from \$400,100 to \$425,000 (up 6%) with an average land size of 2.59 ha. Sale numbers further increased in Waitomo to 35 sales, up 21% on the previous quarter. In Otorohanga, sale numbers increased to 48 (up 33%) though the median sale price remained at \$618,750 with the average size increasing slightly to 2.80 ha. The median price for Taumarunui lifestyle properties remained at \$350,000 with an average land size of 3.52 hectares, though sale numbers decreased to 21 sales (down 9%). Whilst median prices remained stagnant across Otorohanga and Taumarunui, on average, sale prices were 33% and 18% above rateable values, respectively. Aside from fewer sales, it is difficult to pinpoint a reason for the drop as anecdotally, demand for lifestyle properties appears strong.

In the rural market, sale numbers increased by 6 to 43 pastoral farms over 100 ha selling in the last 12 months, with an average size of 394 ha. The median farm price increased from \$2,623,000 in the last quarter to \$3,000,000. Dividing the total of all sale prices by the total number of hectares, equates to \$9,251/ha which is a slight decrease of \$103/ha on the previous quarter. A total of just 8 dairy sales over 40 ha were recorded, again the majority having occurred in the Otorohanga district. The average size was 98 ha, comparatively lower than previous quarters, resulting in an increase in the average sale price per hectare from \$30,946 to \$36,332. This is the first quarter in over 12 months that the average price per hectare has increased, though we note this has not reached the peaks seen during the 2007/08 period with value levels being approximately 5% down on this time.



Overall, the market for dairy farms continues to be relatively weak, particularly for larger properties and those within slightly lesser locations and/or those with any environmental concerns or less desirable factors. This being due to a number of contributing factors including changes by the government to OIO rules, increasing environmental/compliance issues and uncertainty around the rules, along with the sourcing of bank finance tougher to come by. As for the sheep and beef sector, demand is stronger, particularly for good, well-presented properties, this being underpinned by the ongoing strong commodity prices for lamb, beef and venison. However countered against this is the cost to 'stock' a farm with the higher stock prices. The sheep and beef sector is also being affected by the Governments 'one billion trees' policy, whereby sheep and beef purchasers are being chased

along, and in some cases outbidded, by forestry operators mainly for carbon farming. The subsidy being offered by the government is essentially allowing these carbon farmers or forestry operators to pay more than previously the returns off this land use allowed.

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 6.58% over 76 tenancies. In Rora Street Te Kuiti, the vacancy rate increased to 14.47% and in Hakiha Street Taumarunui, the vacancy rate increased to 15.8%, though both are below the long term averages of 16.63% and 17.21%, respectively.

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 and construction of the Happy Valley Milk factory, both in Otorohanga, and increasing tourism numbers for both Ohakune and Taumarunui.

The national median house price by comparison is \$585,000. The official cash rate reduced 25 basis points to 1.50%. Unemployment increased from 3.9% to 4.2%.

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