

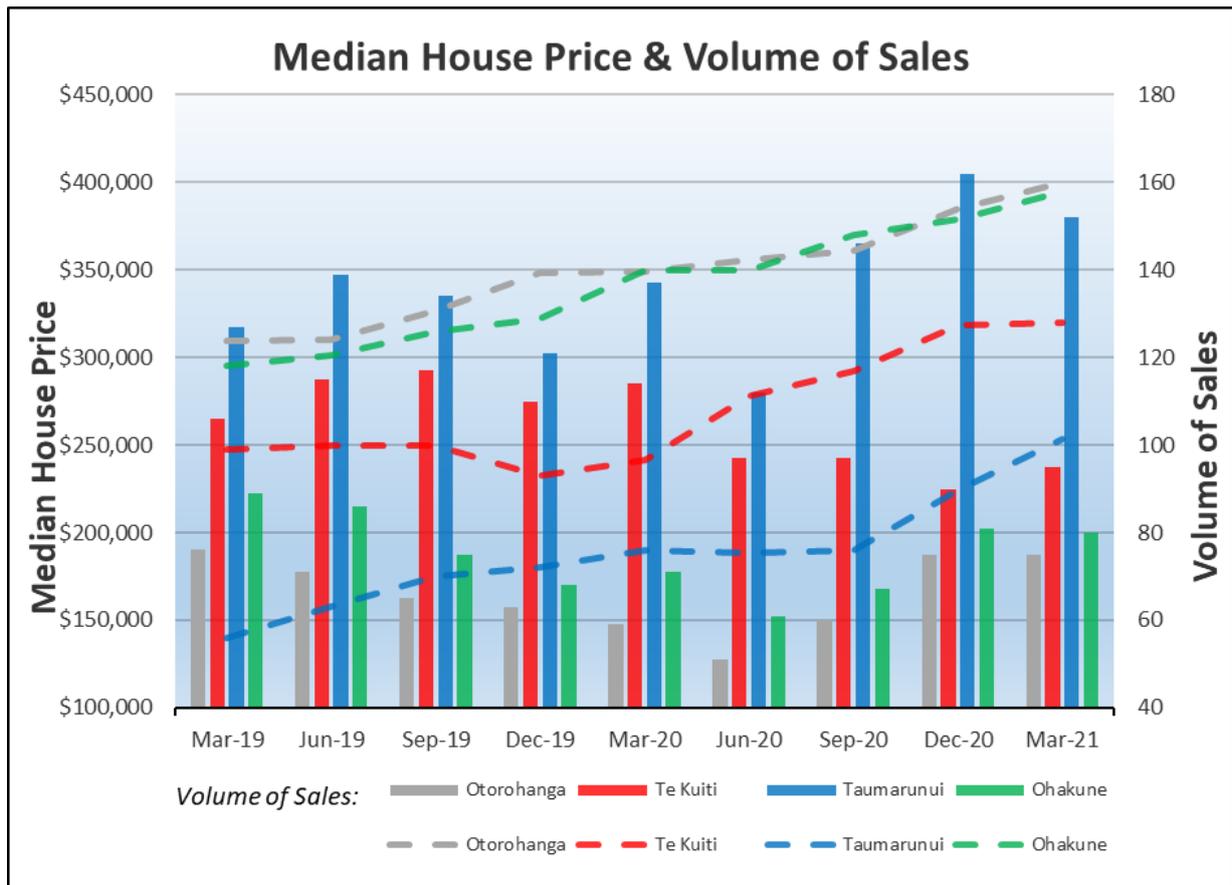
General Economic Commentary, King Country, Year to March 2021

The surge in property values through the middle and end of 2020 has continued into 2021 with the mood of all property markets being one of significant buoyancy. This is despite some sectors – most notably international tourism, still feeling the effects. Overall demand for residential and lifestyle property, in particular, has remained strong with a strong sense of ‘FOMO’ – fear of missing out. This has resulted in value levels generally increasing across the board and in some cases at significant pace. This is reflective of continued low interest rates, demand outstripping supply, ongoing and increasing median attention and strong demand from out of town purchasers who tend to have higher expectations in regards to value.

Continuing trends include a relative lack of listings with almost all properties experiencing strong demand, resulting in prices often being above asking and/or subject to multiple offers. Many properties are now being offered to the market either via negotiation, tender/deadline sale or Auction, this allowing the ‘market’ to dictate the value of the property. Out of town interest continues to keep local purchasers on their toes, while there is increasingly strong demand for vacant sections despite building costs often outweighing end value. Interestingly, over the past 24 months the median house price has once again increased in all four centres, with Otorohanga increasing 29.2%, Te Kuiti 29.3%, Taumarunui 81.1% and Ohakune 33.9%.

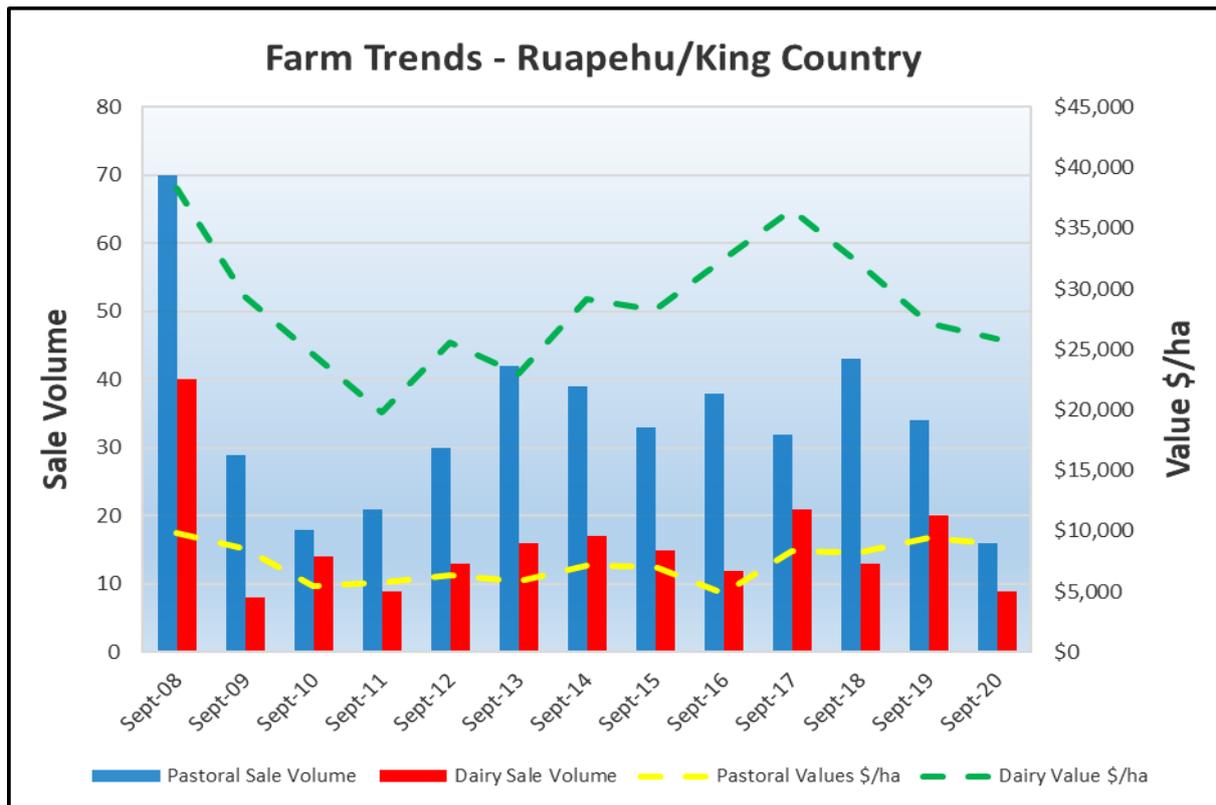
Median house prices have continued an upward trajectory across each of the four main centres. The residential median in Otorohanga increased to \$400,000 (from \$385,000 in the previous quarter). Sale prices, on average, are 19% higher than rateable values (RV’s). The median house price in Te Kuiti has increased marginally to \$320,000 (from \$318,500 in the previous quarter). Sale prices, on average, are 39% higher than RV’s. Taumarunui has experienced the largest increase in median house price compared to the last quarter, up 12.9% to \$253,500 (from \$224,500). The Ohakune median house price increased to \$395,000 (from \$379,000 in the previous quarter). Sale prices, on average, are 47% and 41% higher than RV’s for Taumarunui and Ohakune, respectively. In the year to March 2021, there were 75 sales in Otorohanga, 95 sales in Te Kuiti (up 6%), 152 sales in Taumarunui (down 6%) and 80 sales in Ohakune (down 1%). We note that these sale numbers exclude vacant sections. There were an additional 25 sales of vacant residential sections over the past 12 months in Ohakune township.

The lifestyle market experienced an increase in sales volume with lifestyle properties continuing to be well sought after across each of the Otorohanga, Waitomo and Taumarunui markets. The median sale price in Otorohanga increased by 11% to \$735,000 when compared to the previous quarter, with an average land area of 3.76 hectares. Sales volume increased to 59 sales (up 18%) for the quarter. While sales were up 7% (30 sales) and 21% (29 sales) in Waitomo and Taumarunui, respectively, the median sale price in both regions decreased. This may however be attributed to the smaller land areas being transacted. The median sale price in Waitomo decreased 12% to \$455,500 with an average land area of 2.69 hectares (down from 3.67 hectares in the previous quarter). Likewise, the median sale price for Taumarunui was down 13% to \$385,000 with an average land area of 2.80 hectares (down from 5.78 hectares). Sale prices across both regions were, however, still 34% higher than RV’s, on average.



In the rural market, sale numbers decreased to 18 pastoral farms over 100 ha selling in the last 12 months, with an average size of 592 ha. The median farm price increased from \$3,193,750 in the last quarter to \$3,565,000. Dividing the total of all sale prices by the total number of hectares, equates to \$7,033/ha which is a decrease of \$1,388/ha on the previous quarter. A total of 6 dairy sales over 40 ha were recorded, the majority having occurred in the Otorohanga district. The average size increased to 139 ha, compared to 108 ha in the previous quarter, and the average sale price per hectare decreased from \$24,124 to \$19,581. The average price per hectare has still not reached the peaks seen during the 2007/08 period with value levels being approximately 49% down on this time.

Overall, demand for sheep and beef properties remains strong with most properties that are being offered to the market often receiving multiple tenders. The sheep and beef sector, particularly hill country blocks, continue to be chased along, and in some cases outbid, by forestry operators for both carbon farming and forestry/logging blocks, particularly in more remote locations, though some fully developed farms are being purchased and planted out. The market for dairy farms has stabilised with increased confidence in the sector following strong dairy auctions and an increase in the forecast payout after a sustained period of reduced confidence, limited access to bank finance and increased environmental compliance. Land use change is also very prevalent particularly from blocks close to a larger population base with many lifestyle sized blocks being subdivided and on sold as a result of the strong lifestyle market.



In the commercial sector, 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 evident with a recent sale of a building on Maniapoto St, Otorohanga selling at auction for a yield of 6.50%. Commercial vacancies have remained steady in Rora Street, Te Kuiti, with a vacancy rate of 11.8% over 76 tenancies. Maniapoto Street, Otorohanga has one additional vacancy, resulting in a vacancy rate of 13.2% over 76 tenancies. The vacancy rate is Hakiha Street, Taumarunui is 13.0% over 77 tenancies.

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, construction of the Happy Valley Milk factory and development of the Westridge II subdivision, all within Otorohanga, construction of a pet food factory in Taumarunui, and increasing domestic tourism numbers for Ohakune.

The national median house price by comparison is \$780,000 (or \$655,000 excluding Auckland). The official cash rate has remained steady at 0.25%. The official unemployment rate is 4.9%.

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