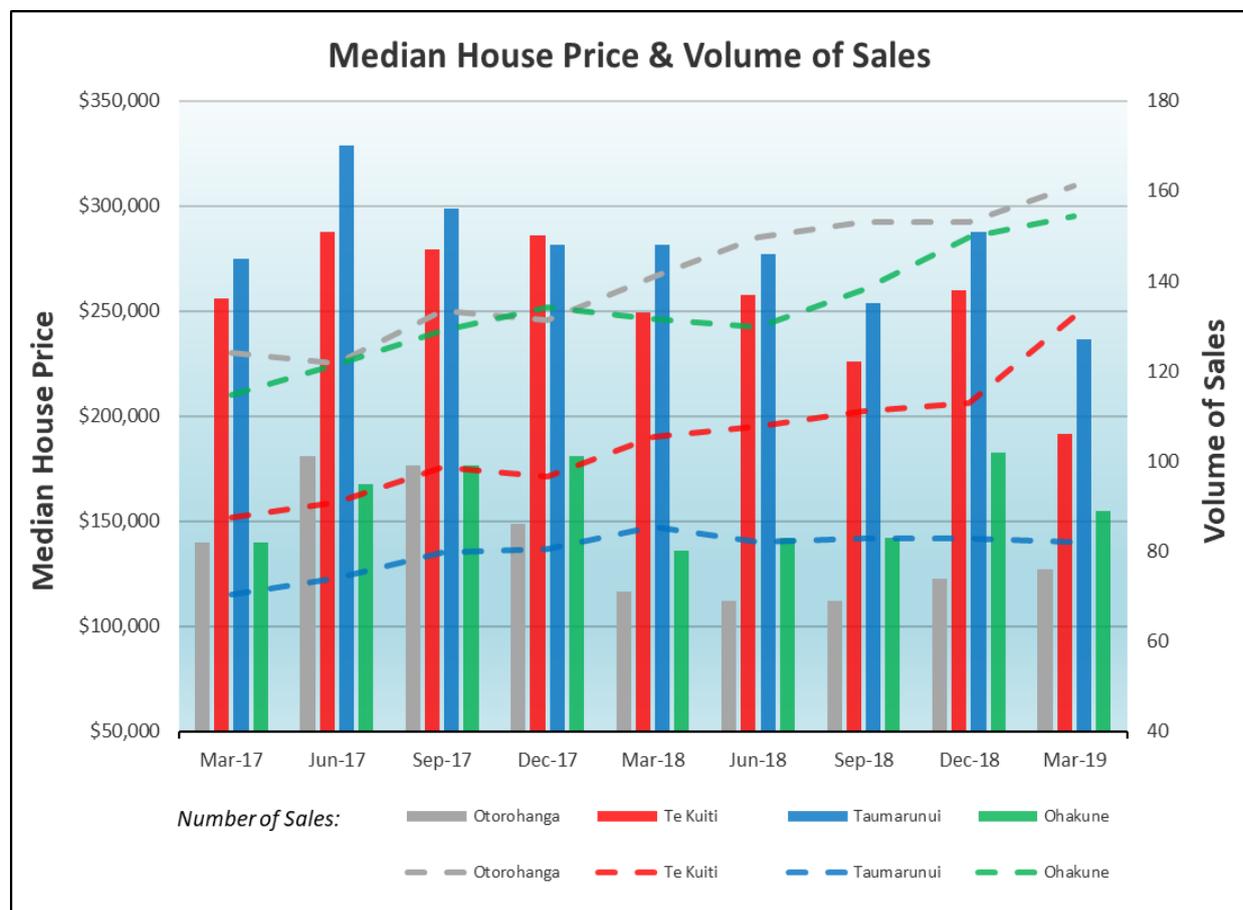


General Economic Commentary, King Country, Year to March 2019

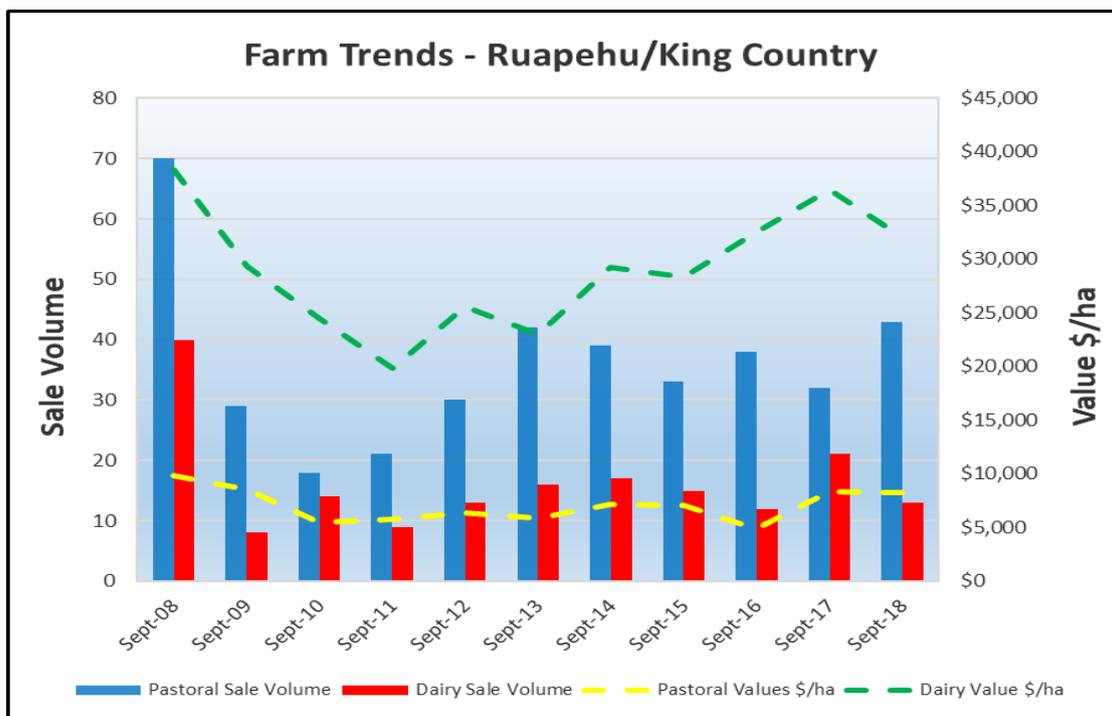
Overall the residential property market within the greater Ruapehu and King Country regions continues to follow an upward path that has been noticeable for some time now. Continuing trends include a relative lack of listings with well-presented properties experiencing strong demand, resulting in prices 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 34.6%, Te Kuiti 62.8%, Taumarunui 21.7% and Ohakune 40.5%.

Of the four centres monitored, Te Kuiti, saw the largest increase in median sale price, increasing from \$206,250 to \$247,500 and on average 46% above rateable values, despite the rateable values having been released as at September 2017. Otorohanga continued its upward trajectory, with the median sale price increasing to \$309,500. Sale prices were significantly above RV's, reflecting an average of 51%, 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 to \$295,000 (from \$285,000). Properties in Ohakune, on average, are selling 22% above rateable values. Unlike the other four centres, median house prices in Taumarunui remained more or less the same at \$140,000 though on average, properties are selling 36% above RV's. Sale numbers over the past 12 months decreased across three of the four centres when compared to the previous quarter. There were 106 sales in Te Kuiti (down 23%), 127 sales in Taumarunui (down 16%) and 89 sales in Ohakune (down 13%). Otorohanga sale numbers marginally increased from 74 to 76. We note that these sale numbers exclude vacant sections.



The lifestyle market to some degree has mirrored the residential market with a decline in sale numbers across each of Taumarunui, Otorohanga and Waitomo. Over the past 12 months, there were 23 lifestyle sales in Taumarunui (down 18%), 29 sales in Waitomo and 36 sales in Otorohanga, down 26% and 28%, respectively. Whilst there have been fewer sales, values levels have continued to increase across Otorohanga and Waitomo. The median sale price for Waitomo increased from \$343,000 to \$400,100 with the average land size only marginally larger at 3.53 ha. In Otorohanga, the median sale price increased yet again to \$618,750 with the average size being 2.62 ha. Taumarunui on the other hand saw a decrease in median sale price from \$404,500 to \$350,000 with an average land size of 3.96 ha. 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 dropped by 5 to 37 pastoral farms over 100 ha selling in the last 12 months, with an average size of 387 ha. Whilst there were fewer sales, the median farm price increased from \$2,387,500 in the last quarter to \$2,623,000. Dividing the total of all sale prices by the total number of hectares, equates to \$9,354/ha and an increase of \$575/ha. A total of just 11 dairy sales over 40 ha were recorded, the majority having occurred in the Otorohanga district. The average size was 103 ha while the average sale price per hectare decreased slightly for the fifth consecutive quarter from \$31,192 to \$30,946. 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 farms at the moment is relatively weak, particularly for larger properties and those within slightly lesser locations and/or those with any environmental concerns or less desirable factors. Previously, properties that may have had 3-4 bidders at auction are now experiencing maybe 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 is stronger, 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, a number of properties were passed in at auction during December perhaps indicating a slight cooling of this sector.

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 6.67% over 75 tenancies. In Rora Street Te Kuiti, the vacancy rate marginally increased to 12.00% over 75 tenancies, though this remains significantly below the long-term average of 16.63%. In Hakiaha Street Taumarunui, the vacancy rate also increased to 14.3% over 77 tenancies, this being below the long-term average of 17.21%.

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 \$550,000. 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