

General Economic Commentary, King Country, Year to September 2018

In general, the residential property market within the greater Ruapehu and King Country regions continues in an upward direction with demand generally outstripping supply. Noticeable trends include multiple offers now being a common occurrence, increasing demand for 'doer-uppers', stronger demand for vacant sections despite cost often outweighing end value, and continued demand from out of town purchasers. Interestingly, over the past 24 months the median house price has increased in all four centres, with Otorohanga increasing some 33.0%, Taumarunui 29.1%, Te Kuiti 27.6% and Ohakune 26.8%.

The Te Kuiti residential median continued its upward trajectory, increasing to \$202,500, with sale prices, on average, 62% above rateable value. With new rateable values due to be released for the Waitomo area soon, it will be interesting to see how this correlation continues. Sale numbers declined from 137 last quarter to 122. Similarly, Taumarunui experienced a slight increase in median sale price to \$142,000 with a decline in residential sale numbers to 135 from 146 last quarter. Properties in Taumarunui, on average, are selling 16% above rateable values. The median house price in Otorohanga increased from \$285,000 to \$292,500 with sale numbers remaining steady at 69. Like the other locations recorded, on average, properties sold 32% above rateable values. Despite the fact sale numbers remained steady at 83, Ohakune experienced the largest increase in median house price, increasing \$17,500 from the last quarter to \$260,000. Whilst sale numbers are lower in Ohakune, a further 32 sales of vacant residential sections occurred over the year to September 2018.

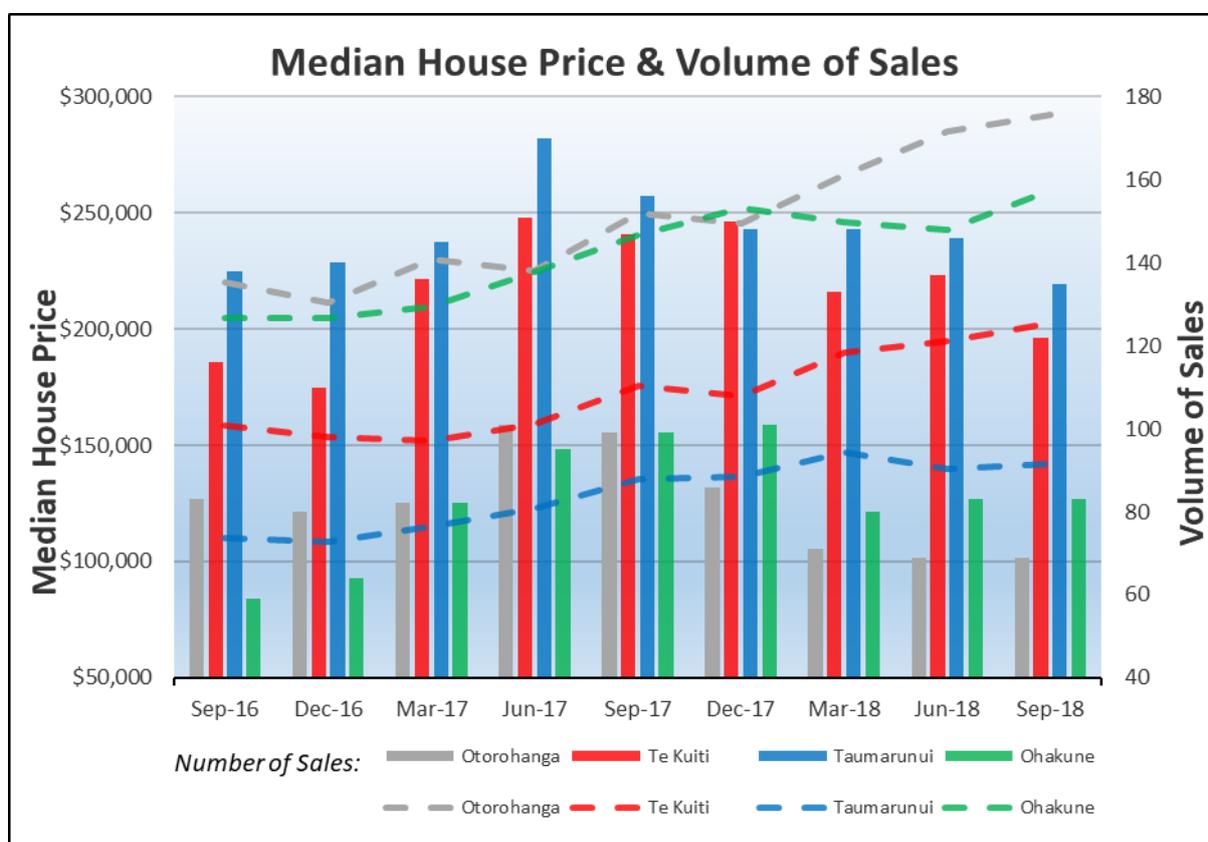
Over the past 12 months, Taumarunui has seen an increase in the number of sales for smaller improved lifestyle blocks with 28 sales occurring, 7 more than the previous quarter. In addition, a further 13 vacant lifestyle sites sold. Despite the increase in sale numbers, the median sale price decreased by \$14,000 to \$350,000, the average size at 4.43 ha. The Waitomo lifestyle market has experienced a decrease in both sale numbers and median sale price, from 44 to 40 sales and from \$427,000 to \$370,000, respectively. The decrease in median sale price may, in part, be the result of the smaller average size of the lifestyle sites, decreasing from 3.85 ha to 2.93 ha. In Otorohanga, the average sale price increased to \$587,500 with the average size being 1.71 ha. Sale numbers remained relatively stable with 50 sales recorded over the past year.

Rural sale numbers increased to 43 pastoral farms over 100 ha selling in the last 12 months, with an average size of 359 ha. The median farm price further increased to \$2,400,000. Dividing the total of all sale prices by the total number of hectares, equated to \$8,238/ha. This is an increase on the previous quarter at \$7,000/ha. A total of 13 dairy sales over 40 ha were recorded, the majority having occurred in the Otorohanga district. The average size was 125 ha while the median sale price significantly increased from \$3,050,000 to \$4,100,000 though it is difficult to draw too many conclusions over what is a relatively small sample size. What is perhaps more prevalent is that the average sale price per hectare decreased slightly for the fourth consecutive quarter from \$34,028 to \$32,031.

Sales, along with anecdotal evidence, suggests that downward pressure continues in the dairy sector, particularly for larger dairy farms whereby demand is relatively weak. This is due to a number of factors, such as recent changes by the new government to the OIO rules, banks tightening lending criteria, increasing environmental/compliance issues including the proposed Waikato Regional Plan Change 1 and ongoing negative media on the industry. The Mycoplasma Bovis outbreak has had no noticeable impact on sales and/or values and instead focused owners attention on management. As for the sheep and beef sector, demand remains strong, particularly for good well presented properties with some strong recent sales having been experienced, this being under pinned by the schedules for lamb, beef and venison along with the current low New Zealand dollar.

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 decreased to 10.67% over 75 tenancies, significantly below the long-term average of 16.44%. In Hakiaha Street Taumarunui, the vacancy rate increased to 15.6% over 77 tenancies, this being above the long-term average of 14.3%.

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.



The national median house price by comparison is \$550,000. The official cash rate remained steady at 1.75%. Unemployment increased slightly to 4.5% 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