

General Economic Commentary, King Country, Year to September 2017

The rural property market witnessed a slight increase in activity with 35 pastoral farms over 100ha selling in the last 12 months, 5 more than last quarter. The average size was 251 ha. The median farm price fell to \$1,650,000. Dividing the total of all sale prices by the total number of hectares equated to \$6,718/ha, a 6% increase on last quarter. 19 dairy sales over 40ha were recorded, with the average size being 97.16 ha, the median sale price rising slightly to \$3,640,000. The average sale price per hectare increased to \$37,479. Of note, 18 of these sales occurred within the Otorohanga District.

The continued trend in the rural market is that good well presented properties continue to attract strong demand with sales prices generally above their respective rateable values. There appears to be a shortage of listings actively on the market though this is common for winter months with anecdotal evidence suggesting a number of properties coming to the market in the Spring. In our previous Economic Commentary we noted the dairy industry would be one to watch over the next 12 months as payouts increase and the optimism in the dairy industry increases. This appears to be confirmed to some degree already with an increase in sale numbers.

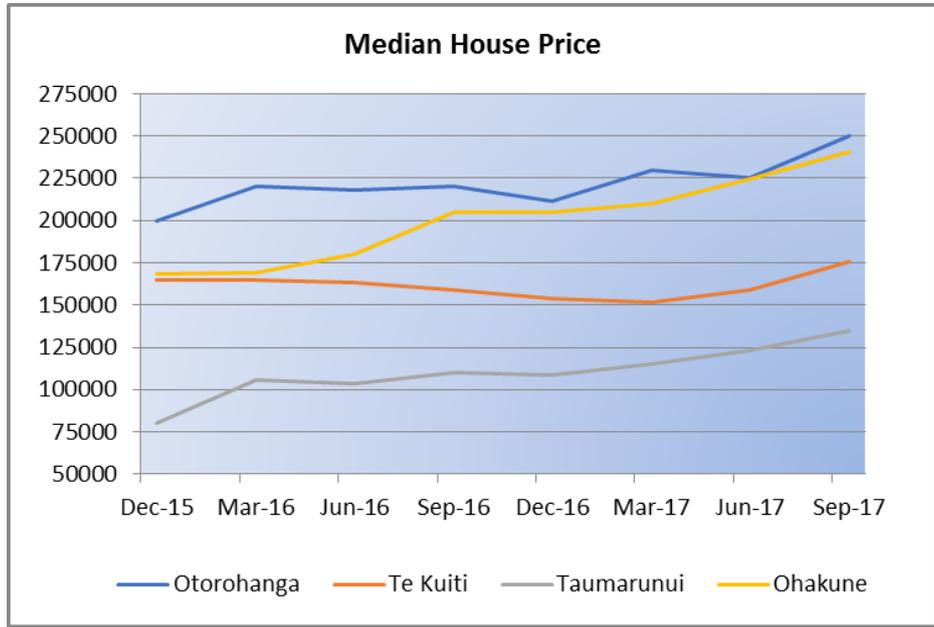
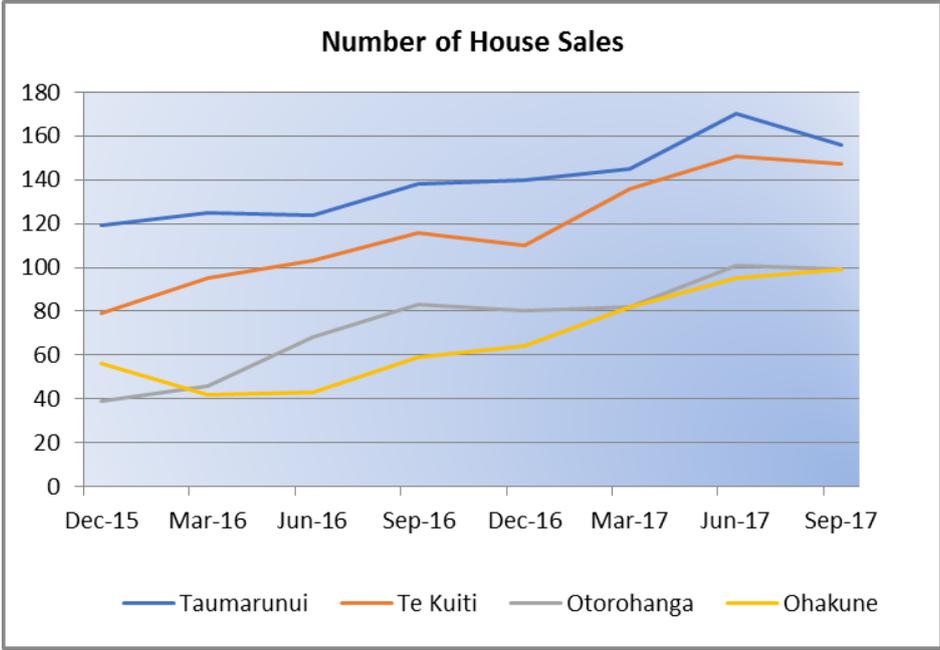
The commercial vacancy rate in Maniapoto Street, Otorohanga decreased slightly to 6.67% over 75 tenancies, just below the long-term average of 7.73%. In Rora Street Te Kuiti, the vacancy rate remained steady at 16.44% over 73 tenancies, below the long-term average of 17.27%. In Hakiaha Street Taumarunui, the vacancy rate also remained steady at 13% over 77 tenancies, this being below the long-term average of 17.28%. While there have been limited sales of commercial properties, the continuing trend of modern well leased properties continue to be sought after with yields for these types of properties generally being less than 8.5%.

28 smaller lifestyle blocks have sold over the last year in Taumarunui, with sale numbers consistent with last quarter. The average lifestyle price dropped slightly to \$323,408 from \$344,489, the average size at 4.88ha. The Waitomo lifestyle market had 42 lifestyle sales. The average sale price decreased to \$374,100 from \$392,000, with the average size being 3.054ha. In Otorohanga, the average rose to \$514,798 and increase of 7.3%, the average size rising slightly to 2.22ha with 57 sales recorded. Further to the sale numbers shown, of particular note is the number of vacant lifestyle sites sold within both the Waitomo (26) and Otorohanga (27) over the last 12 months.

Ohakune's median house price rose to \$240,800 from \$224,500. Sale numbers rose from 95 to 99 while properties on average sold 11% above their rateable values. Taumarunui residential sale numbers decreased slightly from 170 to 156, though the median house price rose from \$123,000 to \$135,200 with properties on average selling 27% above rateable values. The Te Kuiti residential median rose to \$175,500, an increase of \$16,500, with sale prices on average are selling 33% above rateable value. Sale numbers dropped slightly from 151 to 147. Otorohanga's median increased significantly from \$225,000 to \$250,100 however sale numbers remained steady at 99 (101 in the last quarter). Like the other locations recorded, on average properties sold on average 21% above rateable values.

The statistics appear to back up anecdotal evidence that there is a relative lack of listings currently on the market, this having a positive impact on values levels in all four centres. Trends continuing to be observed include the higher price brackets in the respective centres are still active as people look to upgrade and multiple offers being seen on well-presented properties with sale prices at times being above asking price. It is also notable that properties well presented to the market and at realistic asking prices are attracting good interest though inevitably with increased sales/value levels comes some vendors with higher, above market, expectations. These properties tending to take longer to sell. Historically winter is always a little quieter than the spring/summer months while the market also tends to 'stall' slightly in the leadup to an election as people wait to see the outcome over who will form the government.

Again as stated in our previous commentary, It is difficult to predict whether we have reached the peak of the market, you really only know where the peak of a market is after you have been passed it, until then it's an educated guess at best. However, while market fundamentals continue to be strong i.e. interest rates are low, migration continues from the larger centres, supply is outweighed by demand from buyers, prices are more likely to remain under upward pressure.



The national median house price by comparison dropped slightly to \$518,000 – up from \$540,000. The official cash rate remained steady at 1.75%. Unemployment decreased slightly to 4.8% from 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