

General Economic Commentary, King Country, Year to June 2017

The rural property market witnessed a slight increase in activity with 30 pastoral farms over 100ha selling in the last 12 months, just 1 more than last quarter. The average size was 327 ha. The median farm price fell to \$1,712,500. Dividing the total of all sale prices by the total number of hectares equated to \$6,339/ha, a significant 24% increase on last quarter. Only 6 dairy sales over 40ha were recorded, down from 9 in the last period. The average size was 124.86 ha, the median sale price rising to \$3,600,000. The average sale price per hectare increased to \$26,059.

The obvious 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 while inferior or lesser presented properties i.e. poor fertilizer history, high presence of weeds, poor infrastructure etc are tending to transact below rateable values. We are beginning to see more dairy farms coming to the market as payouts increase and the optimism in the dairy industry increases. This market is certainly one to watch over the next say 12 months.

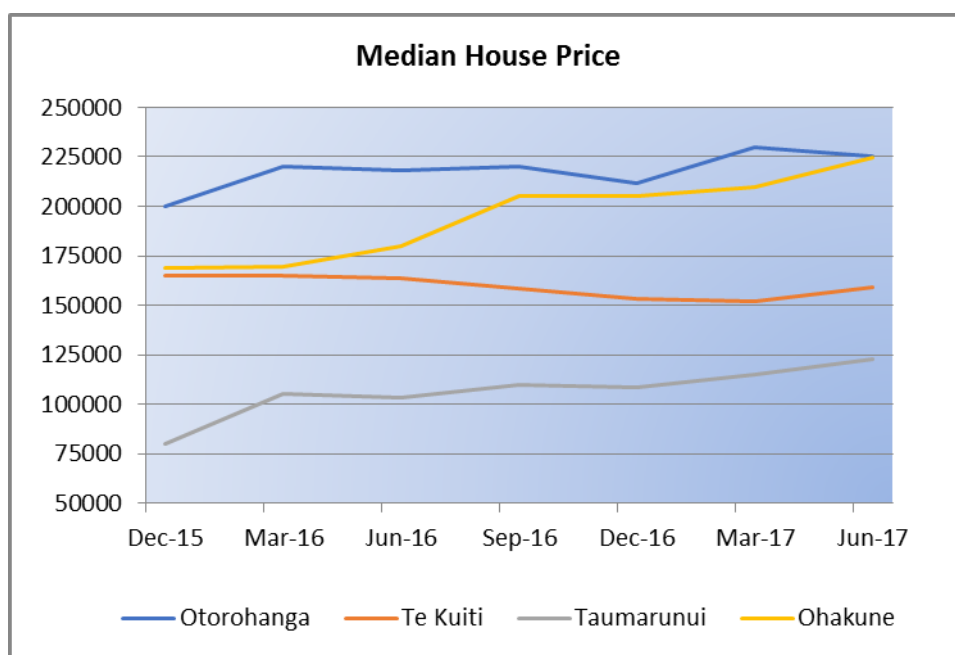
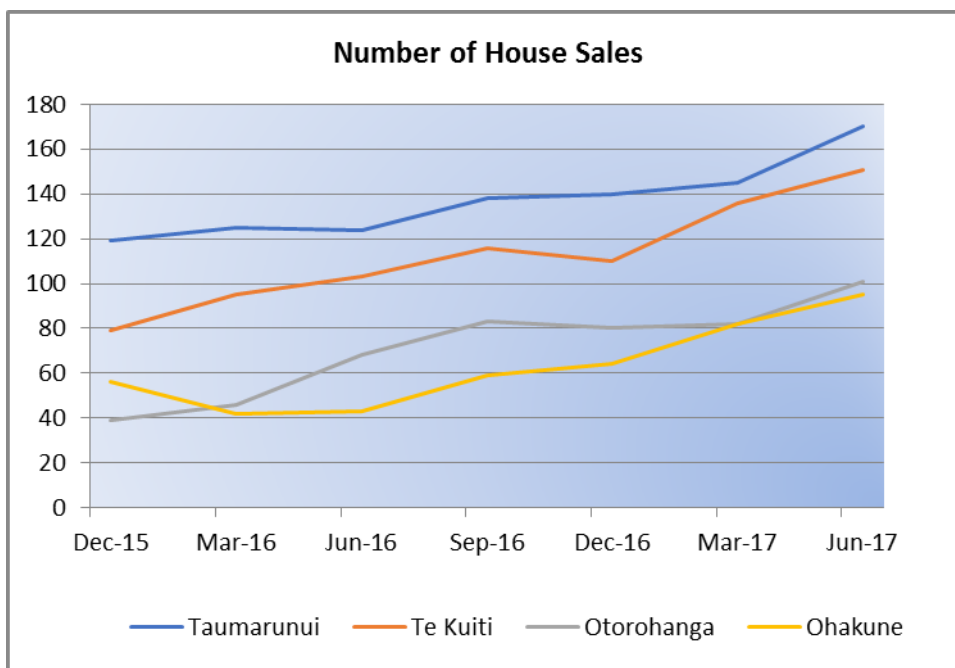
The commercial vacancy rate in Maniapoto Street Otorohanga increased slightly to 8% over 75 tenancies, just above the long-term average of 7.77%. In Rora Street Te Kuiti, the vacancy rate dropped to 16.44% over 73 tenancies, below the long-term average of 17.30% for the first time since March 2014. In Hakiha Street Taumarunui, the vacancy rate fell to 13% over 77 tenancies, this being below the long-term average of 18.35%. As the figures would suggest, there appears to be an increase in commercial activity in all three centres though it would appear that some previously vacant spaces have been filled on concessional rentals with limited rental growth evident. 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 rose to \$344,489 from \$310,946, the average size at 4.88ha. The Waitomo lifestyle market had 46 lifestyle sales. The average sale price decreased to \$392,000 from \$422,583, with the average size being 3.816ha. In Otorohanga, the average rose to \$479,690, the average size dropping to 2.03ha. 59 sales were recorded. The residential and lifestyle markets are intrinsically linked with many property owners transferring between the two.

Ohakune's median house price rose to \$224,500 from \$210,000. Sale numbers rose from 82 to 95 while properties on average sold 9% above their rateable values. Taumarunui residential sale numbers increased quite significantly from 145 to 170. The median house price also rose from \$115,000 to \$123,000 while properties on average sold 23% above rateable values. The Te Kuiti residential median rose to \$159,000, an increase of \$7,000, with sale prices on average are selling 29% above rateable value. Sale numbers rose from 136 to 151. Otorohanga's median decreased slightly from \$230,000 to \$225,000 however sale numbers rose from 82 to 101. Like the other locations recorded, on average properties sold on average 19% above rateable values.

As the statistics would suggest the residential market in all four centres are very active at present with large (relative) increases in sales volumes, while value levels are also increasing. It is notable that the higher price brackets in the respective centres is particularly active, while purchasers looking for DIY projects are enjoying for the first time for many years, money spent on renovations is translating into value and in some instances providing a margin. Other notable trends include different value expectations between 'out of towners' and 'locals' with migration from the larger centres such as Hamilton & Auckland. We are also witnessing a number of multiple offer scenarios with purchasers competing with each other, this along with the relative shortage of listings due to the increase in sales volumes has positively impacted on value levels.

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 are 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 rose to \$540,000 – up from \$489,000 - 10.4% increase year on year. The official cash rate remained steady at 1.75%. Unemployment decreased slightly to 4.9% from 5.2%.

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