

General Economic Commentary, King Country, Year to June 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 being a common occurrence, increasing demand for 'doer-uppers', increasing demand for vacant sections despite cost often outweighing end value and continued increasing demand from out of town purchasers. Interestingly, since June 2016, the median house price has increased in all four centres, with Te Kuiti increasing some 19.3%, Otorohanga 30.6%, Ohakune 34.7% and Taumarunui 35%.

The Te Kuiti residential median continued its upward trajectory, increasing to \$195,000, with sale prices, on average, 51% above rateable value. Sale numbers rose only slightly from 133 last quarter to 137. Taumarunui residential sale numbers remained steady at 146 (down only two from last quarter). The median house price decreased, though only slightly to \$140,000, with properties, on average, selling 19% above rateable values. Otorohanga's median increased significantly from \$266,500 to \$285,000 with sale numbers remaining steady at 69. Like the other locations recorded, on average, properties sold 35% above rateable values. Ohakune's median house dropped, though only slightly, from \$246,250 to \$242,500. Sale numbers rose slightly from 80 to 83, though this number doesn't include a number of vacant sections that have also sold.

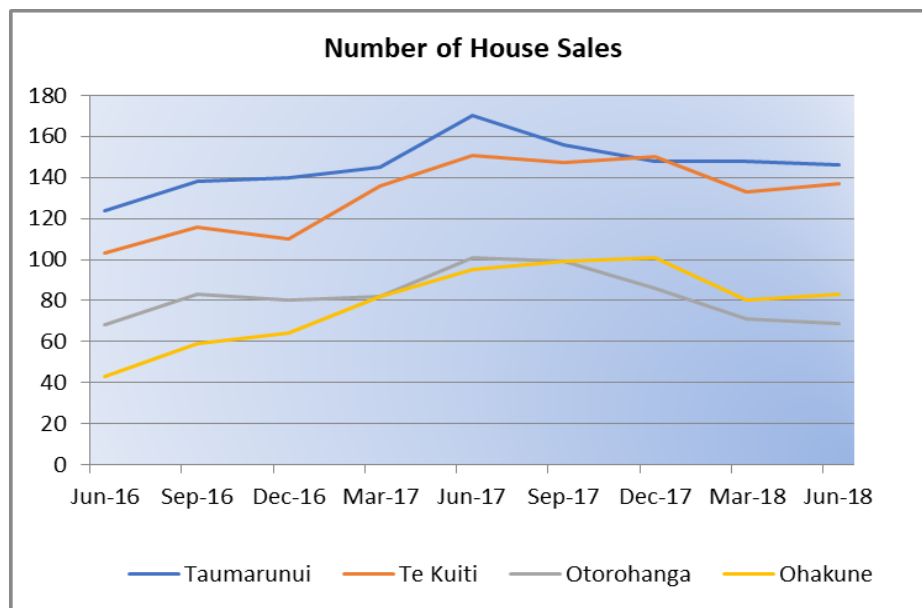
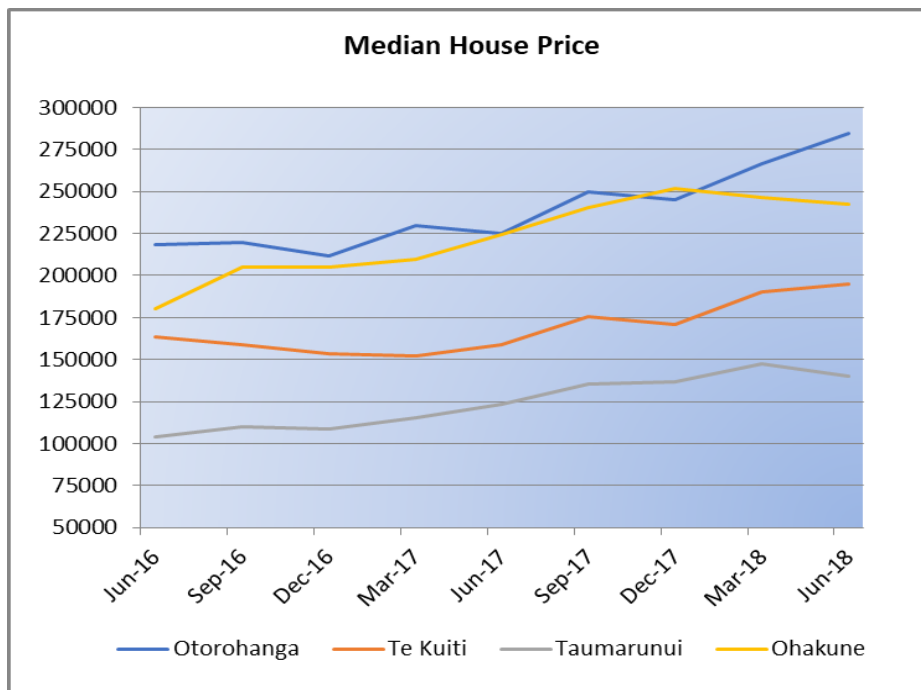
21 smaller lifestyle blocks have sold over the last year in the Taumarunui area, three less than last quarter, though in addition to these, 15 vacant lifestyle sites also sold. The average price increased slightly to \$364,000, the average size at 3.56 ha. The Waitomo lifestyle market had 44 improved lifestyle sales, the average sale price increased to \$427,000 from \$399,000, with the average size being 3.85 ha. In Otorohanga, the average remained steady at \$549,000 with the average size being 1.55 ha, with 51 sales recorded.

Rural sale numbers dropped to 28 pastoral farms over 100 ha selling in the last 12 months. The average size was 288 ha. The median farm price dropped slightly to \$1,733,000. Dividing the total of all sale prices by the total number of hectares, this equated to \$7,000/ha. Nine dairy sales over 40 ha were recorded, the majority having occurred in the Otorohanga district. The average size was 104.82 ha while the median sale price increased though only slightly from \$3,028,000 to \$3,050,000. The average sale price per hectare decreased slightly for the third consecutive quarter from \$35,147 to \$34,028 though over a relatively small sample size.

Sales, along with anecdotal evidence, suggests that 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, and increasing environmental/compliance issues including the proposed Waikato Regional Plan Change 1. At this stage it is too early to tell whether there will be any impact on sales/values from the Mycoplasma Bovis outbreak and uncertainty. As for the sheep and beef sector, demand remains strong, particularly for good well presented properties with some strong recent sales having been experienced, and a good level of demand at auctions.

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. The commercial vacancy rate in Maniapoto Street, Otorohanga remained at just 5.33% over 75 tenancies. In Rora Street Te Kuiti, the vacancy rate remained steady at 16.44% over 73 tenancies, slightly below the long-term average of 16.63%. In Hakiha Street Taumarunui, the vacancy rate remained at 14.3% over 77 tenancies, this being below the long-term average of 16.93%.

Again, while market fundamentals continue to be strong i.e. interest rates are low, migration continues from the larger centres etc, 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 decreased slightly to 4.4% from 4.5%.

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