

General Economic Commentary, King Country, Year to March 2018

Rural sale numbers remained steady with 35 (down from 36) pastoral farms over 100ha selling in the last 12 months. The average size was 313 ha. The median farm price also remained rose to \$1,950,000. Dividing the total of all sale prices by the total number of hectares equated to \$7,523/ha, a 5.9% increase on last quarter. 12 dairy sales over 40ha were recorded, the majority having occurred in the Otorohanga district. The average size was 103.47 ha while the median sale price decreased from \$3,505,000 to \$3,028,000. The average sale price per hectare decreased slightly for the second consecutive quarter from \$36,975 to \$35,147 though over a relatively small sample size.

Sales, along with anecdotal evidence, suggests that pressure continues on 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. As for the sheep and beef sector, demand remains relatively strong, particularly for good well presented properties with some strong recent sales having been experienced, and a good level of demand at auctions. As always, those properties that are more remote and/or not as well presented, appear to be struggling to sell and as a result, vendors are having to adjust their price expectations.

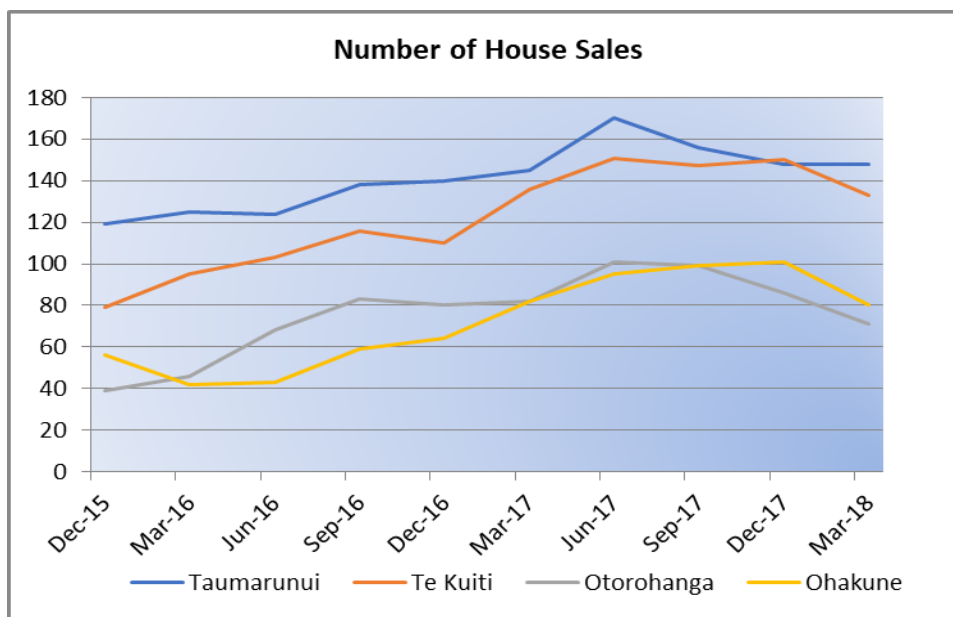
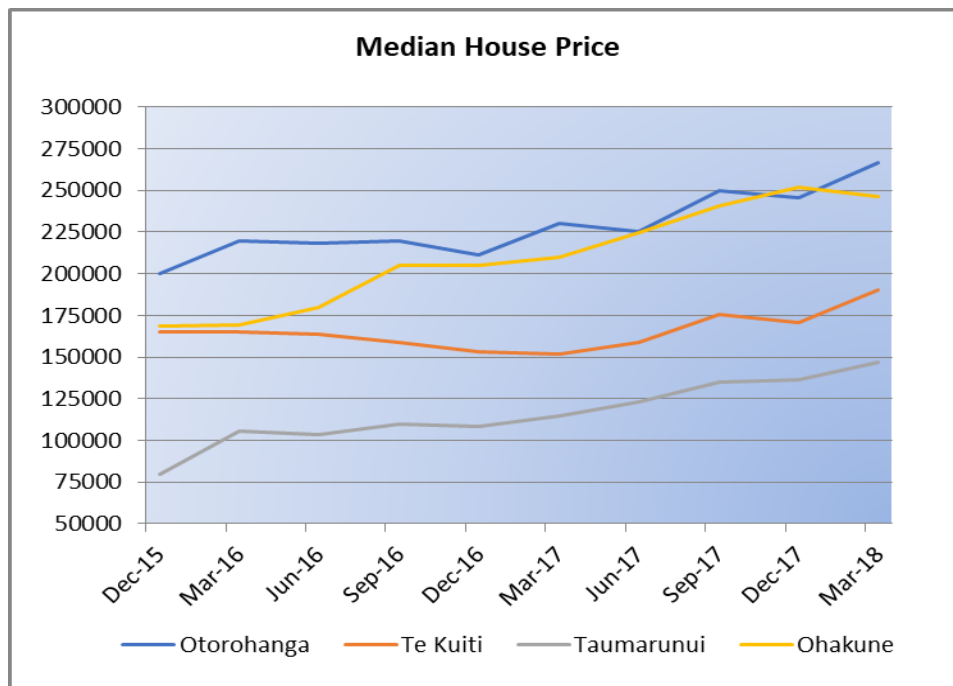
While there have been limited sales of commercial properties, well leased properties continue to be sought after, meaning downward pressure on yields resulting in increasing values. The commercial vacancy rate in Maniapoto Street, Otorohanga decreased to 5.33% with over 75 tenancies, below the long-term average of 7.61%. In Rora Street Te Kuiti, the vacancy rate remained steady at 16.44% over 73 tenancies, slightly above the long-term average of 16.09%. In Hakiaha Street Taumarunui, the vacancy rate increased slightly to 14.3% over 77 tenancies, this being below the long-term average of 16.53%.

The Te Kuiti residential median increased quite significantly to \$190,000 with sale prices on average selling 45% above rateable value. Sale numbers dropped from 150 last quarter to 133. Taumarunui residential sale numbers remained steady at 148. The median house price increased to \$147,250 from \$136,722, with properties on average selling 22% above rateable values. Otorohanga's median increased from \$245,500 to \$266,500 though sale numbers were down from 86 last quarter to 71 this time around. Like the other locations recorded, on average properties sold 26% above rateable values. Ohakune's median house dropped only slightly from \$252,000 to \$246,250. Sale numbers also decreased from 101 to 80, properties on average selling at 12% above their rateable values.

While sale numbers are down in 3 of the 4 recorded areas, this is due to the relative lack of listings with demand generally outstripping supply. Multiple offers are now a common occurrence and sale prices often above asking price or well above what might have been obtained only 6 months ago. Noticeable trends include increasing demand from out of town purchasers who tend to have a higher expectation of value and stronger demand for well-presented properties than those in need of significant renovations. Interestingly since March 2016, the median house price has increased in all four centres with Te Kuiti increasing some 15.15%, Otorohanga 23.25%, Ohakune 45.9% and Taumarunui a whopping 52.3%.

24 smaller lifestyle blocks have sold over the last year in the Taumarunui area, 1 less than last quarter. The average lifestyle price decreased slightly from \$387,777 to \$355,122, the average size at 3.54 ha. The Waitomo lifestyle market had 41 lifestyle sales. The average sale price remained relatively steady at \$398,665 (previously - \$400,900), with the average size being 3.19ha. In Otorohanga, the average remained steady at \$555,764 with the average size being 2.19 ha, with 50 sales recorded.

In general, 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 increased to \$550,000 – up from \$530,000. The official cash rate remained steady at 1.75%. Unemployment decreased slightly to 4.5% from 4.6%.

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