

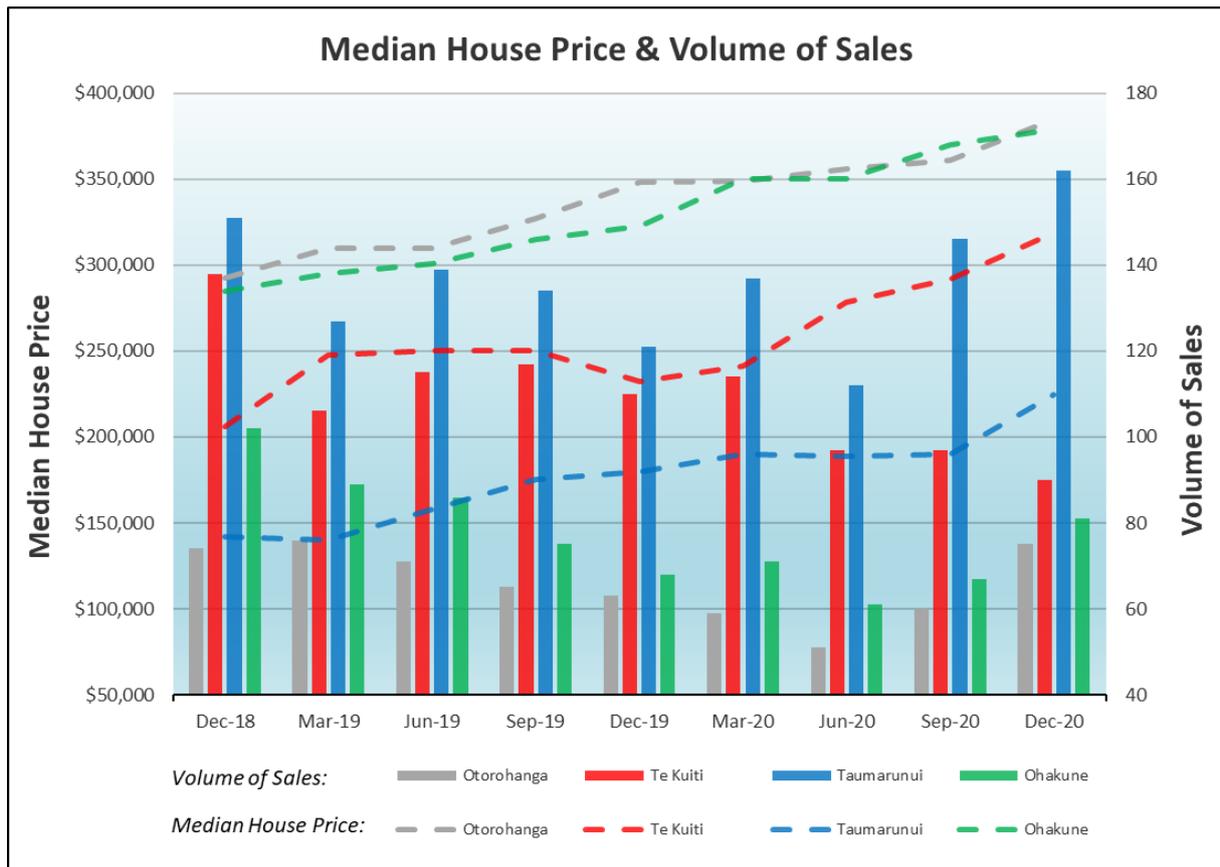
General Economic Commentary, King Country, Year to December 2020

After a lot of uncertainty post Lockdown as to how the property market would fare during the ongoing Covid pandemic and resultant economic recession, this appears to have evaporated with the mood of almost all property markets being one of significant buoyancy. This is despite some sectors – most notably international tourism, still feeling the effects. Overall demand for residential and lifestyle property, in particular, has remained strong with value levels generally increasing across the board and in some cases at significant pace. This is reflective of continued low interest rates, and demand outstripping supply, while reliable high speed internet connection is now also impacting purchasers decision making.

Continuing trends include a relative lack of listings with most properties from ‘Doer-uppers’ to well-presented dwellings experiencing strong demand, resulting in prices often being above asking and/or subject to multiple offers. Many properties are now being offered to the market either via tender/deadline sale or Auction, this allowing the ‘market’ to dictate the value of the property. Out of town interest continues to keep local purchasers on their toes, while there is increasingly strong demand for vacant sections despite building costs often outweighing end value. Interestingly, over the past 24 months the median house price has once again increased in all four centres, with Otorohanga increasing 31.7%, Te Kuiti 54.2%, Taumarunui 58.1% and Ohakune 33.0%.

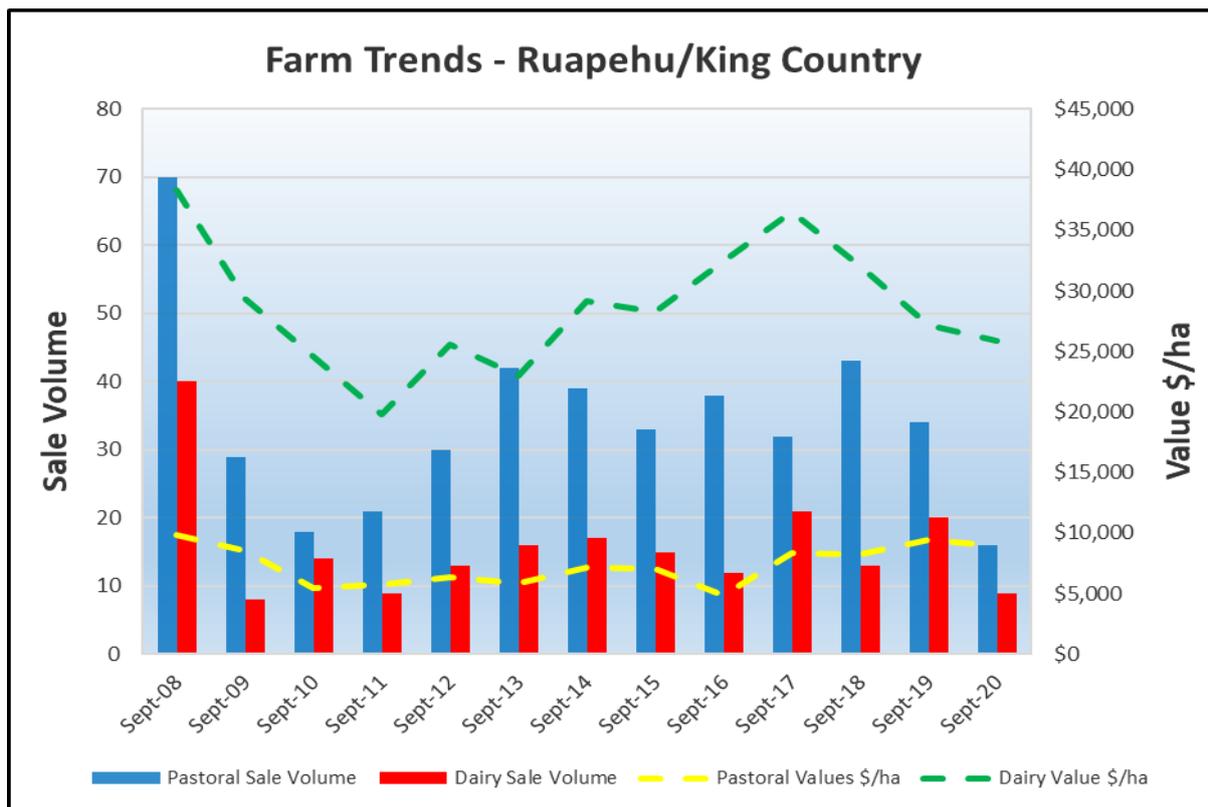
Median house prices have continued an upward trajectory across each of the four main centres. The residential median in Otorohanga increased to \$385,000 (from \$361,000 in the previous quarter). Sale prices, on average, are 15% higher than rateable values (RV’s). The median house price in Te Kuiti has eclipsed the \$300,000 mark for the first time with a median house price of \$318,500 (up 9.1% from the previous quarter). Sale prices, on average, are 31% higher than rateable values (RV’s). Likewise, the median house price in Taumarunui has surpassed the \$200,000 mark for the first time, with the median house price increasing 18.2% to \$224,500 since the previous quarter. This is the largest percentage increase for Taumarunui since the March 2016 quarter. The Ohakune median house price increased to \$379,000 (from \$370,000 in the previous quarter). Sale prices, on average, are 51% and 48% higher than RV’s for Taumarunui and Ohakune, respectively. In the year to December 2020, there were 75 sales in Otorohanga (up 25%), 162 sales in Taumarunui (up 11%), and 81 sales in Ohakune (up 21%). We note that these sale numbers exclude vacant sections. There were an additional 15 sales of vacant residential sections over the past 12 months in Ohakune township. The volume of sales in Te Kuiti decreased to 90 sales (down 7%).

Like the residential market, the lifestyle market experienced an increase in sales volume, with median sale prices generally up across each of Otorohanga, Waitomo and Taumarunui. The median sale price in Otorohanga marginally increased by 1% to \$665,000 when compared to the previous quarter, with an average land area of 4.38 hectares. Sales volume increased to 50 sales (up 32%) for the quarter. Waitomo lifestyle sales were up 8% to 28 sales, with the median sale price increasing by 10% to \$515,000, and with an average land area of 3.67 hectares. The median sale price for lifestyle properties in Taumarunui decreased by 16% to \$442,500, with an average land area of 5.78 hectares, though sales volume was up 41% to 24 sales. Whilst there was no immediate correlation between median prices, on average, sale prices were above rateable values across each of Otorohanga, Waitomo and Taumarunui at 4%, 34% and 39% above rateable values, respectively.



In the rural market, sale numbers increased to 22 pastoral farms over 100 ha selling in the last 12 months, with an average size of 420 ha. The median farm price increased from \$2,840,000 in the last quarter to \$3,193,750. Dividing the total of all sale prices by the total number of hectares, equates to \$8,421/ha which is a decrease of \$513/ha on the previous quarter. A total of 10 dairy sales over 40 ha were recorded, the majority again having occurred in the Otorohanga district. The average size increased to 108 ha, compared to 103 ha in the previous quarter, and the average sale price per hectare decreased from \$25,920 to \$24,124. The average price per hectare has still not reached the peaks seen during the 2007/08 period with value levels being approximately 37% down on this time.

Overall, demand for sheep and beef properties remains strong despite red meat returns having dropped slightly, with most properties that are being offered to the market often receiving multiple tenders. The sheep and beef sector, particularly hill country blocks, continue to be chased along, and in some cases outbid, by forestry operators for both carbon farming and forestry/logging blocks, particularly in more remote locations, though some fully developed farms are being purchased and planted out. The market for dairy farms has stabilised slightly following a sustained period of reduced confidence, limited access to bank finance and increased environmental compliance. Land use change is also very prevalent with more marginal dairy units being 'de-converted' back into beef finishing or subdivided into small parcels and sold to neighbouring interests.



In the commercial sector, 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 evident with a recent sale of a building on Maniapoto St, Otorohanga selling at auction for a yield of 6.50%. Commercial vacancies have remained steady in both Maniapoto Street, Otorohanga and Rora Street, Te Kuiti, with a vacancy rate of 11.8% over 76 tenancies each. Likewise, in Hakiha Street, Taumarunui the vacancy rate remained at 11.7% over 77 tenancies.

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. Other more localised factors having an influence include projects such as the expansion of Waikeria Prison, construction of the Happy Valley Milk factory and development of the Westridge II subdivision, all within Otorohanga, construction of a pet food factory in Taumarunui, and increasing domestic tourism numbers for Ohakune.

The national median house price by comparison is \$725,000 (or \$600,000 excluding Auckland). The official cash rate has remained steady at 0.25%. The official unemployment rate is 5.3%.

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