

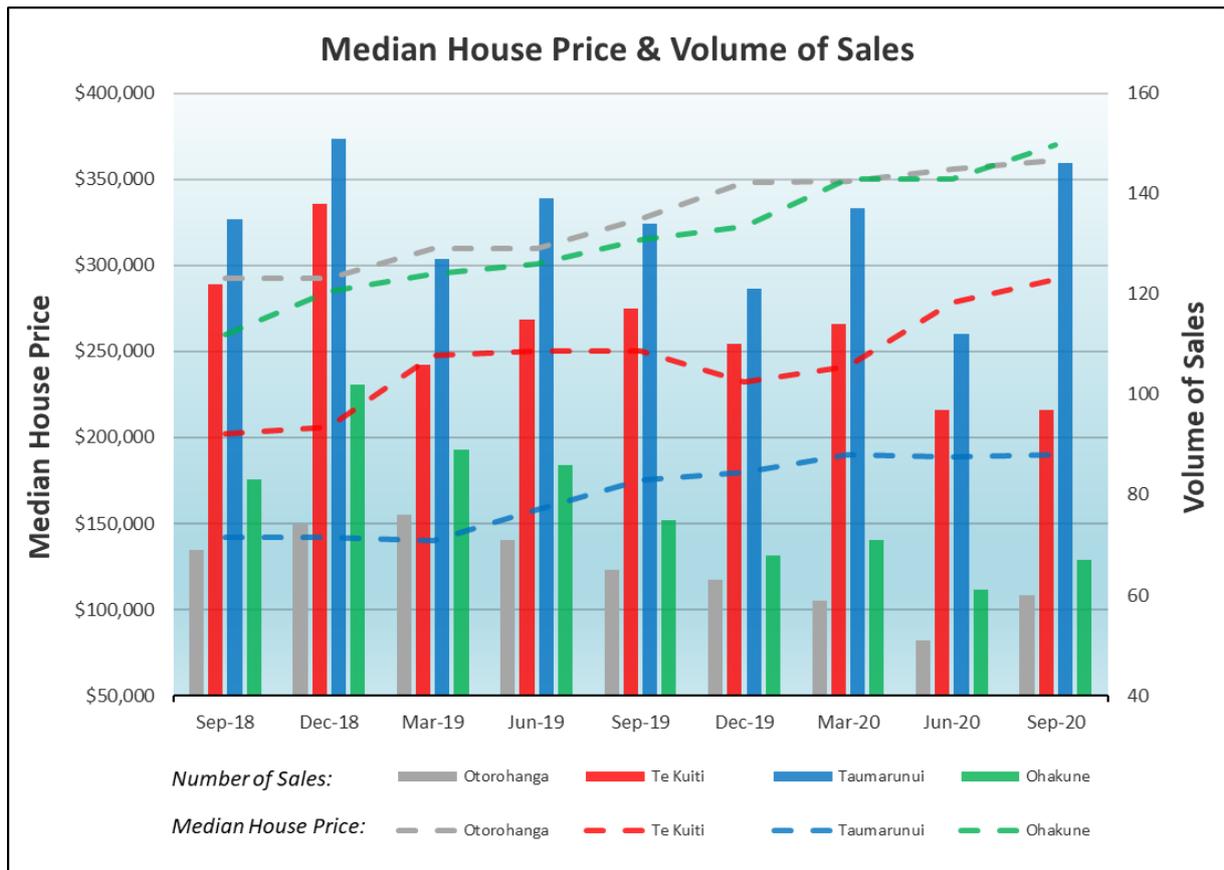
## **General Economic Commentary, King Country, Year to September 2020**

The continued Covid-19 pandemic around the world is creating significant economic and financial global 'headwinds'. Within New Zealand, international tourist numbers are more or less non-existent while other sectors have also felt the impact, such as forestry etc. A drop in New Zealand's Gross Domestic Product (GDP) is widely expected by economists, with a "recession" now expected in the short to medium term.

The OCR drop to 0.25% is the most severe since the GFC and together with the forced cancellation of sporting, business, cultural and musical events, consumer confidence and spending habits have been impacted. At the outset of the pandemic and subsequent lock downs, the general feeling was that it would likely have a significant impact on the property market due to factors such as job losses, and declining consumer confidence. However, this has not been the case, and in-fact, within the wider King Country and Ruapehu areas, has been the opposite. Overall demand for residential and lifestyle property, in particular, has remained strong with value levels generally increasing across the board.

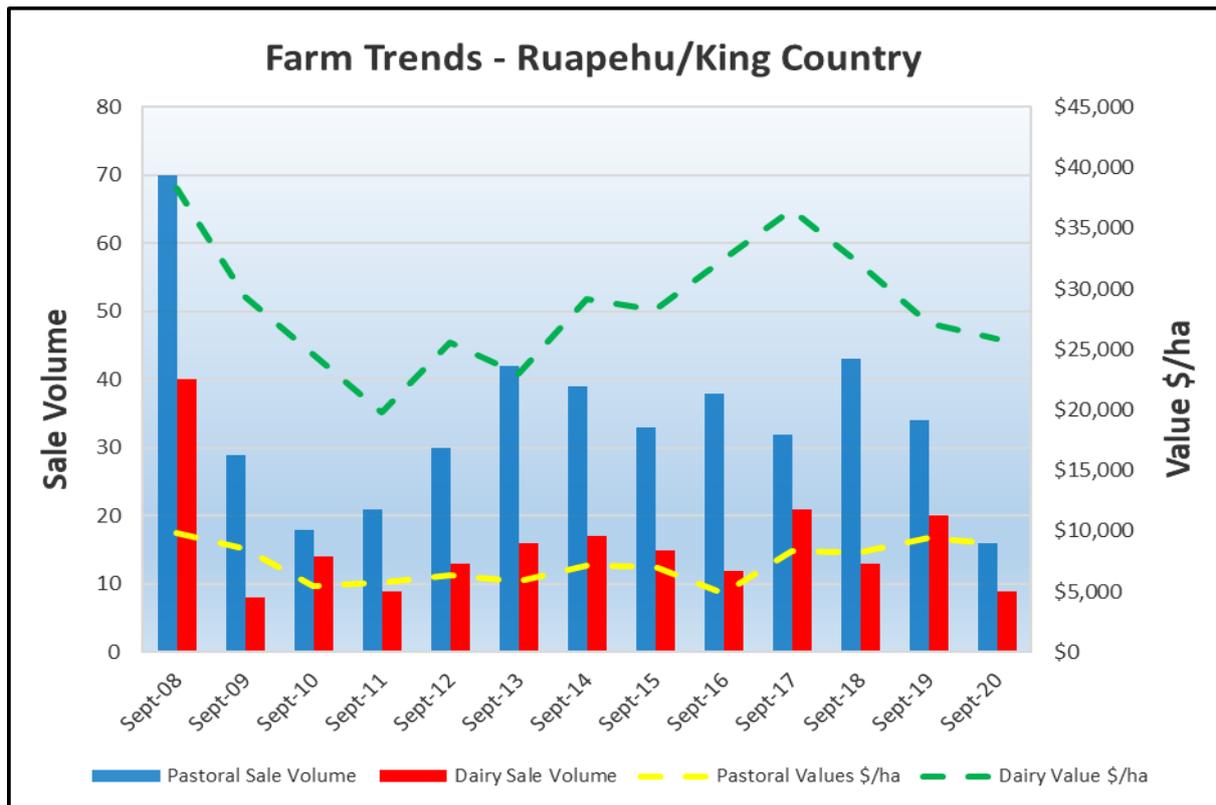
Continuing trends include a relative lack of listings with well-presented properties experiencing strong demand, resulting in prices often being above asking and/or subject to multiple offers. Further points of interest include increasing demand for 'doer-uppers' or where purchasers can add value i.e. infill housing. 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 23.4%, Te Kuiti 44.2%, Taumarunui 33.8% and Ohakune 42.3%.

Since the previous quarter, median house prices have increased, and sales volume were generally up across each of the four main centres, despite winter historically being a 'quieter' period. The Otorohanga residential median continued its upward trajectory, increasing to \$361,000 (from \$356,000). Sale prices, on average, are 10% higher than rateable values (RV's). The median house price in Te Kuiti increased to \$292,000, up 4.9% from the previous quarter, with sale prices 24% higher than RV's, on average. The median house price in Taumarunui marginally increased from \$188,750 to \$190,000, whilst Ohakune experienced the largest increase in median sale price this quarter, up 5.7% to \$370,000. Sale prices, on average, are 64% and 58% higher than RV's for Taumarunui and Ohakune, respectively, though new rateable values for these centres are due to be released in coming months. In the year to September 2020, there were 60 sales in Otorohanga (up 18%), 146 sales in Taumarunui (up 30%), and 67 sales in Ohakune (up 10%). We note that these sale numbers exclude vacant sections. There were an additional 18 sales of vacant residential sections over the past 12 months in Ohakune township. The volume of sales in Te Kuiti remained steady at 97 sales.



Like the residential market, the lifestyle market experienced an increase in sales volume and median sale prices were generally up across each of Otorohanga, Waitomo and Taumarunui. The median sale price in Otorohanga marginally increased by 4% to \$657,500 when compared to the previous quarter, with an average land area of 4.50 hectares. Sales volume increased to 38 sales (up 15%) for the quarter. Waitomo lifestyle sales were up 8% to 26 sales, with the median sale price increasing by 11% to \$470,000, and with an average land area of 3.04 hectares. The median sale price for lifestyle properties in Taumarunui remained steady at \$525,000, with an average land area of 6.47 hectares. Sales volume increased from 13 to 17 sales (up 31%). 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 8%, 31% and 44% above rateable values, respectively.

In the rural market, sale numbers remained steady at 16 pastoral farms over 100 ha selling in the last 12 months, with an average size of 405 ha. The median farm price increased from \$2,175,000 in the last quarter to \$2,840,000. Dividing the total of all sale prices by the total number of hectares, equates to \$8,934/ha which is an increase of \$576/ha on the previous quarter. A total of 9 dairy sales over 40 ha were recorded, the majority again having occurred in the Otorohanga district. The average size was 103 ha, compared to 106 ha in the previous quarter, and the average sale price per hectare increased from \$25,677 to \$25,920. The average price per hectare has not reached the peaks seen during the 2007/08 period with value levels being approximately 32% 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, are being 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. In contrast, the market for dairy farms continues to be weaker, despite a relatively strong milk price, however we have seen more recently some consolidation in value levels. 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 6.25%. There has, however, been an increase in commercial vacancies within Maniapoto Street, Otorohanga up to 11.8% over 76 tenancies. In Rora Street Te Kuiti, the vacancy rate similarly stands at 11.8% over 76 tenancies whilst 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 \$660,000. The official cash rate has remained steady at 0.25%. The official unemployment rate is 4.0%.

*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](http://www.doylevaluations.co.nz)*