

Harcourts Otago

Market Report

Highland Real Estate Group Ltd

Licensed Agent REAA 2008

edition number one

2017



With you all the way.

PROPERTY MARKET OVERVIEW



There are currently 552 dwellings under construction in Otago — 5.7% of the national number.

We use median values rather than average values in line with REINZ's recommendations. This is because one anomalous figure can skew the average value whereas the median "mid-point" value is less subject to irregularities. Medians are a more accurate reflection of the property market.

THE WORDS ON EVERYONE'S LIPS THIS YEAR HAVE BEEN THE APPARENT BURSTING OF NEW ZEALAND'S PROPERTY MARKET BUBBLE.

And while things are slowing down, it's wise to take the doomsayers' projections with a pinch of salt. The market is cyclical and each period of strong growth will give way to a slower more sustainable one.

The last few years imposed a frenzy of demand for property with increased development, more jobs and sky-high immigration rates — but now, jobs have been filled, homes have been purchased or are being built and the property market has been able to drop back to normal. It's to be expected that after a period of unrestrained growth and rapidly increasing property prices we'll enter a time of more gradual progression.

Although the Otago market has slowed with the rest of the country, we've outperformed most areas for sales volumes and value growth over the year, claiming a higher percentage of the New Zealand market for our own.

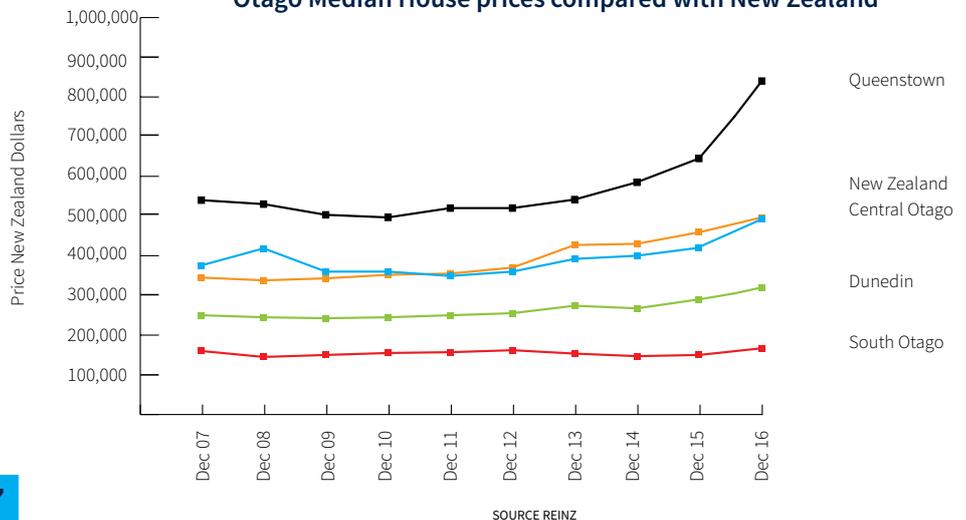
Dunedin and provincial towns in South Otago in particular could prove to be the star players this year. They're still gaining confidence that other parts of the country experienced long ago and the new loan-to-value restrictions worked in their favour: a 40 per cent deposit for a Dunedin property is far more attainable than 40 per cent elsewhere.

In Central Otago, the family market is where demand is abating. The mid- to high-end range — particularly for second homes and lifestyle properties — is still growing quickly. Wanaka, Queenstown and Cromwell saw increased activity in the \$1m+ bracket in the second half of 2016.

This year we expect the Central Otago market to experience slow and steady growth, while Dunedin and the surrounds will continue on a rapid upward trend for values and demand. With some pressure taken off the Auckland market, the Reserve Bank may be less inclined to increase the official cash rate — interest rates will remain stable. And the share market may soon reach full price, encouraging shareholders to buy a house and play the property market instead.

It's likely that property supply in Central Otago won't reach a balance before 2018 when titles for many subdivisions are due to be issued. More property will free up, easing demand, and maybe that's when we'll start to see the market take a breather.

Otago Median House prices compared with New Zealand



2017

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QUEENSTOWN MARKET

GROWTH STILL FORECAST FOR QUEENSTOWN

The big news in 2016 was that Queenstown's average house price hit \$1 million for the first time, cementing its position up there with Auckland as one of two big real estate players in New Zealand.

Significant activity at the very top end of the market for the first time since the global financial crisis contributed to this growth. 142 properties sold for \$1m or more — compared to just 76 in 2015 — and increased sales of \$3m+ boosted average values to hit this benchmark and headlines around the world.

Median sale values, meanwhile, also rose — the median value for dwellings in the second half of 2016 was \$870,000, 34 per cent more than the same time in 2015. Sections were in high demand and also leapt in median value to \$413,000, an increase of 36 per cent compared to 2015.

Sections sold more quickly this year too. They spent 57 days on the market, 18 days fewer than in 2015. The sale time for dwellings was largely the same over the two years at around 33 days.

Around the country investors were slowed in their tracks by new loan-to-value restrictions.

But not so much in Queenstown — our market is resilient and investors will do what it takes to obtain property here. The same number of dwellings were sold from Jul-Dec in both 2015 and 2016 — 356 — and section sales increased from 161 to 195.

With little working to deter investors here, talk of reduced deposits for first home buyers are catching steam. This could be the best way to ensure they find a way into a competitive market. Meanwhile a severe shortage of rental properties combined with catastrophic demand has pushed weekly rates up to previously unseen levels — a property worth \$870,000 can now expect to generate \$775 per week.

Our traffic woes are forecast to ease later this year with the impending completion of the Kawarau Falls Bridge and the eastern access road at Five Mile, as well as improvement to the Frankton roundabout. The council has also taken measures to offer more parking in schools and parks — much needed as traffic numbers increased by a huge 15 per cent this summer.



The Queenstown-Lakes District population grew by **7.1%** in 2016 compared to a national growth of **2.1%**.

The Statistics

OUTLOOK
FOR THE REST OF 2017

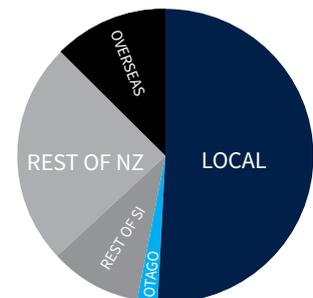


MEDIAN SALE PRICE **\$870,000**

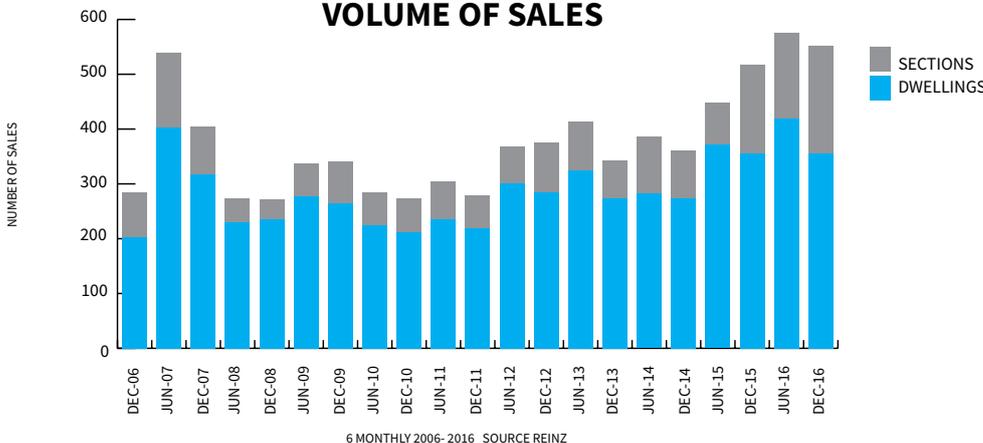
MEDIAN RENT PRICE PW **\$775**

Median sale prices have been calculated over a 6 month period

WHERE ARE OUR BUYERS FROM?



VOLUME OF SALES



6 MONTHLY 2006-2016 SOURCE REINZ



WANAKA MARKET

Wanaka population is now

7,850

UP FROM 6,471

in 2013

(Statistics New Zealand's subnational population estimate)

MOTIVATION HIGH FOR BUILDING IN WANAKA

We ended the year with a lift in supply of sections in Wanaka and the surrounds as they made up around 40 per cent of the properties on realestate.co.nz. The median value of sections was \$345,000 in the second half of the year — a 39 per cent increase on the same period a year previously. It's clear that building in Wanaka is still the dream of many.

to 2015, averaging a median time to sell of 39 days, with November and December dropping as low as 33 and 37 days respectively as sellers took advantage of the summer lift in visitor numbers to achieve swift results. Throughout the year, many properties received sustained multiple offers and there were impressively high auction clearance rates across the region.

However, sections were down on sales numbers from Jul-Dec 2016 compared to the astronomical levels of 2015, and they took more than double the time to sell (107 days) — but this is mainly due to sales only being classed as unconditional once titles have been released. This delay for titles has actually been a blessing for many as it allows them to get a foot in the market without having to settle immediately or it gives them time to manage the sale of their current property in the interim.

Whereas new restrictions and rising long-term loan rates are hitting other parts of the country hard, motivation to own property in Wanaka is exceedingly high and the premium property on offer attracts serious investors. And our economy is in a period of strong growth — the population having increased by 21 per cent between 2013 and 2016.

The Statistics

OUTLOOK
FOR THE REST OF 2017



MEDIAN SALE PRICE **\$750,000**

MEDIAN RENT PRICE PW **\$580**



Median sale prices have been calculated over a 6 month period

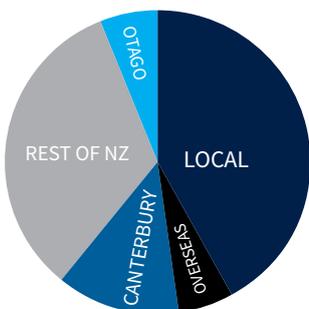
The quality of homes and holiday properties available was high and a sharp rise in values also occurred for dwellings. Central Wanaka achieved a monthly median dwelling price of \$1m+ twice this year, while the six-monthly median for the Wanaka area including surrounding suburbs was \$750,000.

With population growth comes an increase in tenants searching for rental accommodation — demand is currently extremely high and you can now expect to achieve weekly rates of \$580 for a well-kept Wanaka property.

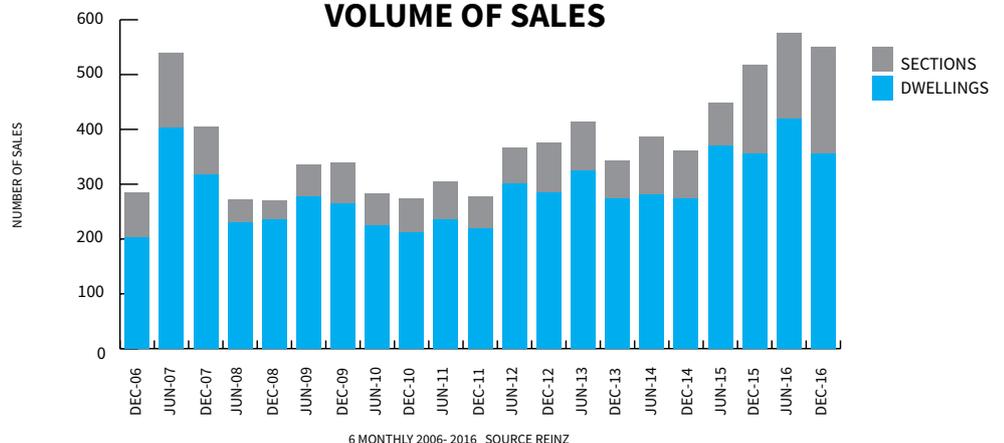
All we're hearing from buyers and visitors at our busy office in the heart of town is that they're making all the necessary sacrifices to live in this exceptional location.

Sales of dwellings happened quickly compared

WHERE ARE OUR BUYERS FROM?



VOLUME OF SALES



2017

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view online at www.harcourtswanaka.co.nz



CENTRAL OTAGO MARKET

CROMWELL & ALEXANDRA

HIGH QUALITY HOMES AND SECTIONS WINNING OUT IN CENTRAL

The Central Otago market owes some thanks to the Lakes area — its unrepressed demand has encouraged home owners to cash up and relocate within the region. We saw strong enquiry levels in all price bands in Central Otago, proving the desire of many to seek a more acceptable standard of living.

In the Alexandra area, 2016 should be remembered as the year section sales really gathered steam — more parcels of land became available and they were snapped up like hot cakes. A total of 35 were sold in the area from Jul-Dec 2016 at an average median of \$150,000 compared to 15 in the same period of 2015 at \$130,000.

Cromwell, on the other hand, played host to more \$1m+ transactions than ever before, reflecting the quality available. This brought the average median dwelling value in Cromwell up to \$500,000 in Jul-Dec 2016 — quite a remarkable jump from \$397,000 in the same period in 2015.

The year ended on a strong note for Central Otago as we hit a new high median sale price

for both dwellings (\$547,000) and sections (\$280,000) in December. And sales sped up in the second half of 2016 compared to 2015 — by 13 days for dwellings and 10 days for sections — indicating the strength of demand in the region.

And while the count of section sales remained consistent, fewer dwelling sales suggests building is an attractive prospect throughout Central Otago.

Our Cromwell office had its best ever year for auction marketing with a 100 per cent success rate — that's sure to be the envy of any real estate office in the country. Historically it's a reluctant method in Alexandra but the few properties we took to auction produced impressive results.

Businesses and the council are investing for what is widely anticipated as an even brighter future. There are plans for a new touring route linking Central Otago, Queenstown and Dunedin and the Otago Central Rail Trail is preparing for further development.

CROMWELL MARKET

OUTLOOK
FOR THE REST OF 2017



MEDIAN SALE PRICE **\$500,000**

RENT PW **\$470**

Median sale prices have been calculated over a 6 month period

ALEXANDRA MARKET

OUTLOOK
FOR THE REST OF 2017



MEDIAN SALE PRICE **\$398,000**

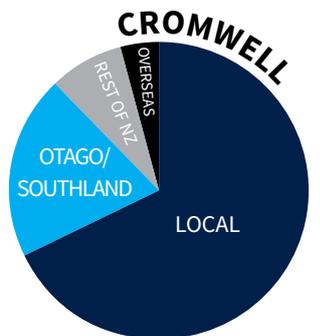
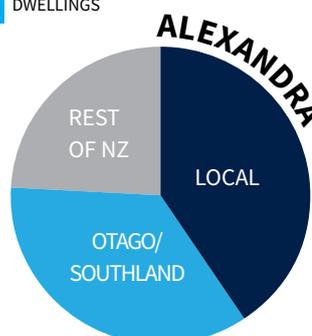
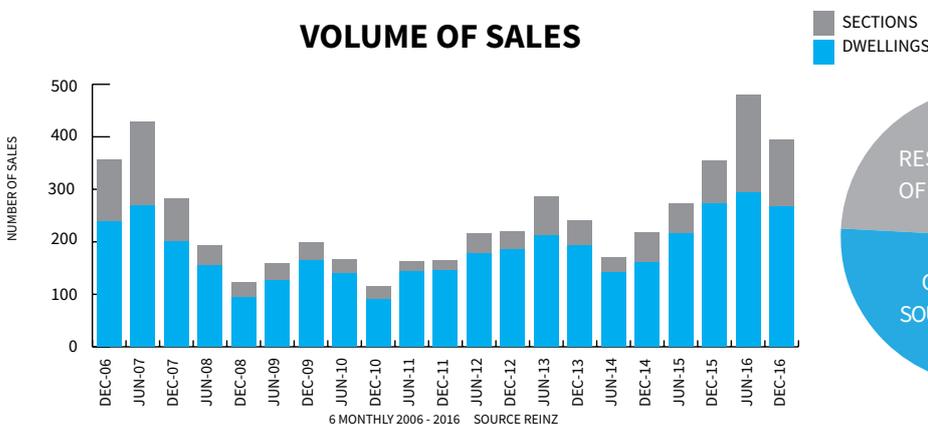
RENT PW **\$350**

Median sale prices have been calculated over a 6 month period

The Statistics

WHERE ARE OUR BUYERS FROM?

VOLUME OF SALES





DUNEDIN MARKET

Dunedin Airport hosted a record **947,315 passengers** in 2016

The Statistics

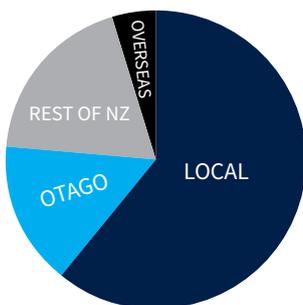
OUTLOOK
FOR THE REST OF 2017

MEDIAN SALE PRICE **\$327,000**

MEDIAN RENT PRICE PW **\$360**

Median sale prices have been calculated over a 6 month period

WHERE ARE OUR BUYERS FROM?



DUNEDIN THRIVING FROM NEW-FOUND CONFIDENCE

Little has changed in the Dunedin market since our last report—and that's a positive. Confidence remains high and interest from outside Dunedin continued to increase throughout 2016.

reliable returns in our affordable market: the pre-requisite of 40 per cent is a much smaller sum in Dunedin than in other cities around the country.

The shortage of available property is also ongoing — sales numbers dropped slightly from 1277 in the second half of 2015 to 1243 in 2016. But the low average median days on the market shows people are quick to purchase what is on offer — taking just 22 days to complete in the last six months compared to 25 in the same period of 2015.

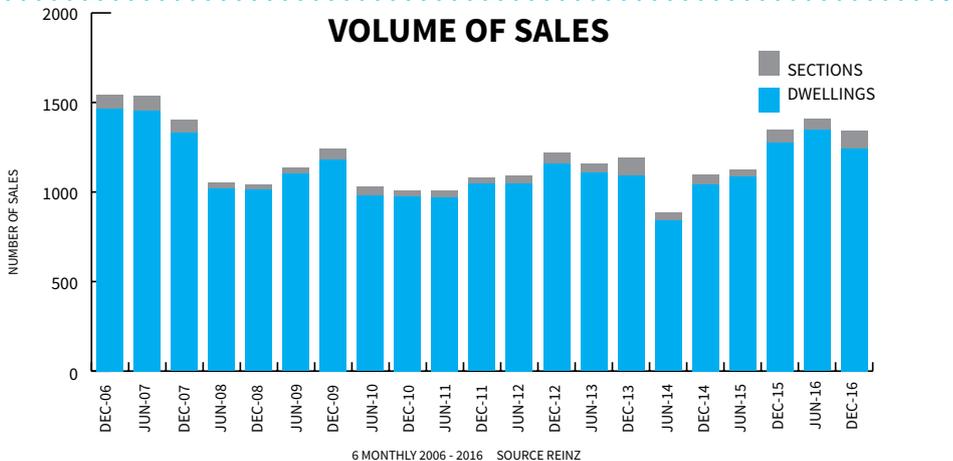
Good schooling, tertiary education, a buoyant job market and appealing lifestyle factors not only attracted the interest of investors but also many other national buyers looking to relocate. Locals remain active too, particularly first home buyers looking to use their Kiwi Saver grant. Unfortunately, first-timers are usually looking in the same bracket as investors — sub-\$500,000 — so it's not unusual to see multi-offer scenarios.

Quick turnaround times are complemented — as expected — with climbing values, and the year ended with a median value in December of \$330,000. Over the last six months the average median value was at \$327,000 — a jump of \$30,000 compared to the year before. Despite this rise, Dunedin still offers exceptional value for a main centre.

There seems to be a new-found confidence around Dunedin, driven by the growth in tourism. 87 cruise ships are scheduled to visit Dunedin this summer, bringing over 250,000 visitors to the city. Plans are underway for new hotel developments and the Mosgiel area is busy with new housing subdivisions.

As predicted, the tightening of lending policies and particularly the new loan-to-value restrictions played into the hands of the Dunedin market. Investors found they were still able to buy property that offers consistent and

Perhaps our secret is out! For now though Dunedin is an extremely liveable city with no traffic problems, an excellent lifestyle and a wide range of living options.



2017

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view online at www.dunedin.harcourts.co.nz



SOUTH OTAGO MARKET

STRONG GROWTH AND QUICK SALES IN SOUTH OTAGO

South Otago was a highly positive market in the late stages of 2016 despite not reaching the peak of activity experienced 10 years ago.

In the second half of 2016, median monthly sales numbers of dwellings were the same as in 2015 at 59 sales. However, sales were made 13 days faster with homes now spending 44 days on the market. And the median sale value increased by nearly \$10,000 — these figures point to a huge rise in strength of demand in the region.

This exciting growth was particularly evident in Balclutha, where the change in speed of sale over the year was remarkable: now at an average median of just 30 days on the market — down from 104 days the previous year. That timeframe is up there with some of the most coveted spots in the lower South Island.

Median values were up by around 10 per cent in Balclutha and South Otago. And with a lot of interest materialising from outside of South Otago, we expect the many enquiries towards the end of 2016 to translate into increased sales figures in 2017. People are placing more and

more value on the attractive lifestyle and low property prices that this region can offer.

Rental accommodation is in high demand and this is starting to translate into increased weekly rental rates as well — especially for tidy and well-maintained property. With rising yields and better capital growth, we can expect more attention from investors in the coming year.

Our forecast for the near future is that median values will grow at a faster rate — particularly for lifestyle property and holiday homes in coastal towns — as buyers adjust to the affordability in the region and realise that the outlook for South Otago’s property market is extremely promising.



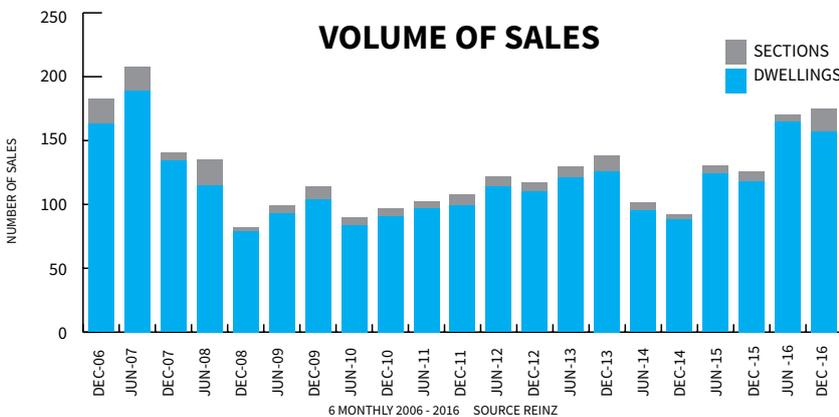
Early Maori knew the Clutha River as ‘te awa Mata-au’ — the river with surface current.

The Statistics

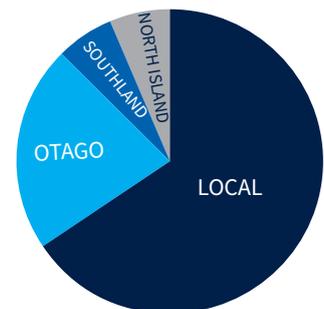
OUTLOOK
FOR THE REST OF 2016 

MEDIAN SALE PRICE **\$164,000**
MEDIAN RENT PRICE PW **\$260** 

Median sale prices have been calculated over a 6 month period



WHERE ARE OUR BUYERS FROM?



Harcourts

Six offices. One company.



The team behind Otago.

Dunedin Balclutha Queenstown Wanaka Cromwell Alexandra



HIGHLAND REAL ESTATE GROUP LTD

LICENSED AGENT REAA 2008