

edition number two **2016**



Harcourts

Otago Market Report

Highland Real Estate Group Ltd



With you all the way.

PROPERTY MARKET OVERVIEW



DEMAND STILL ON THE UP AND UP – LISTINGS NEEDED



Statistics New Zealand international travel and migration figures show a 21% increase in holidaymakers in June 2016 against June 2015, a new record for the month.

As predicted buyer pressure has continued, and with reduced property for sale, this has resulted in significant increases in median values over the last six months. None more so than in the Central Otago Lakes region with median house prices up between 15% in Wanaka to 25% in Queenstown and Cromwell.

Demand in Central Otago is still greatest in the family sector due to employment growth, although demand for holiday homes is also on the up, with quality, well-located property sought after. Investors are competing with first home buyers, although the first home buyers are generally prepared to pay more.

Developers have started buying land for redevelopment, although titled property to satisfy demand is still over a year away so the current under supply remains in the foreseeable future.

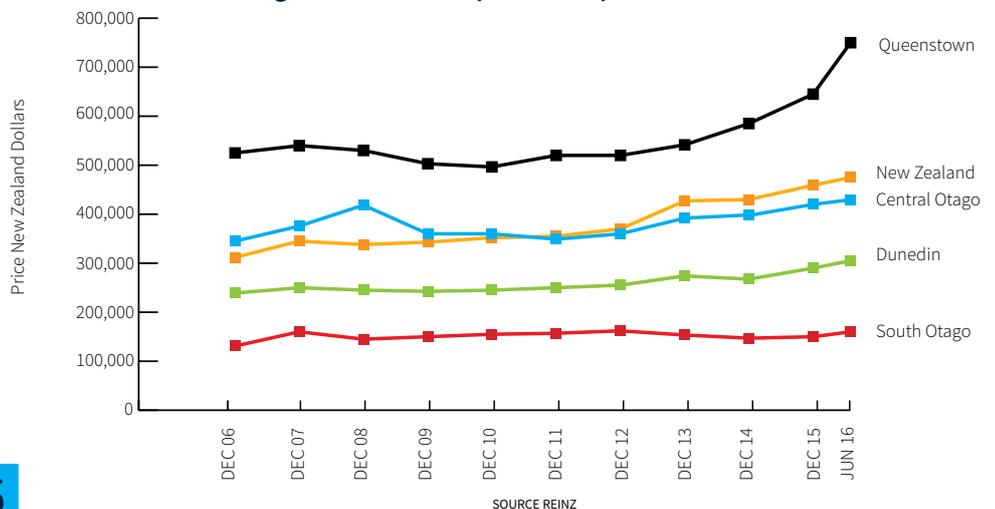
Dunedin experienced a 5% growth in the median sale price, although suffering the biggest shortage of property for sale with just over a month's supply. Unless there's a substantial increase in listings coming into Spring, this market will experience the same pressure as Central Otago.

We believe low, stable interest rates and a move to improve the quality of rental property will see a two-tier market continue to evolve. There'll be good demand for tidy, well-located property, although those with deferred maintenance will struggle to attract interest unless perceived as a bargain.

This will also be experienced at the top end of the housing market, with well-designed, quality property achieving premiums.

Looking at the outlook, we believe the Reserve Bank's tightening on lending criteria will have positive long-term impact and give buyers confidence that the market will continue to grow although at a slower pace. Dunedin and provincial towns may become more appealing to investors due to deposits for buying rental property being substantially less than northern New Zealand or Central Otago.

Otago Median House prices compared with New Zealand



2016

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OTAGO MARKET REPORT *edition no.2*



QUEENSTOWN MARKET

GROWTH STILL FORECAST FOR QUEENSTOWN

Hardly a day goes by where we don't hear about ever-increasing property market values in New Zealand.

Queenstown's certainly well entrenched in this, with an unprecedented real estate boom supported by significant expansion of the commercial and residential construction sector.

We're fast approaching historic highs where we would expect growth to continue for the next two to three years. Growth's still well supported by very strong tourism and net migration trends, low interest rates, ongoing supply constraints and residential rental growth driving investor returns.

Dwelling prices in Queenstown during the first six months of 2016 reached an average median price of \$820,000. This compares to \$630,000 for the same six month period of 2015. Our latest median price for July, according to statistics just released, was at an all-time high of \$910,000.

As median prices continue to increase we are seeing more and more sales within the Queenstown market place in excess of \$1m. For the first six months of 2016 there were 130 dwelling sales of \$1m and over. The comparison to the same period last year is significant, when there were only 55.

Infrastructure's still a major challenge for the Queenstown Lakes District Council, particularly involving traffic congestion. Council's working towards creating better public transport, park and ride systems, water transport, and improved roading.

The construction of Frankton's \$22m Kawarau Falls Bridge is making visible progress, and hopes are high it will help with current traffic bottlenecks.

Winter's buzzing - after a slow start with a lack of snow, winter arrived in a flurry of powder and cold temperatures to test even the keenest snow lovers. Excellent snow conditions have attracted large numbers of skiers, and resort businesses are flat out busy.



QLDC figures from January to end of May 2016 show it received 754 applications for building consents, well up on the 575 received during the same period in 2015.

The Statistics

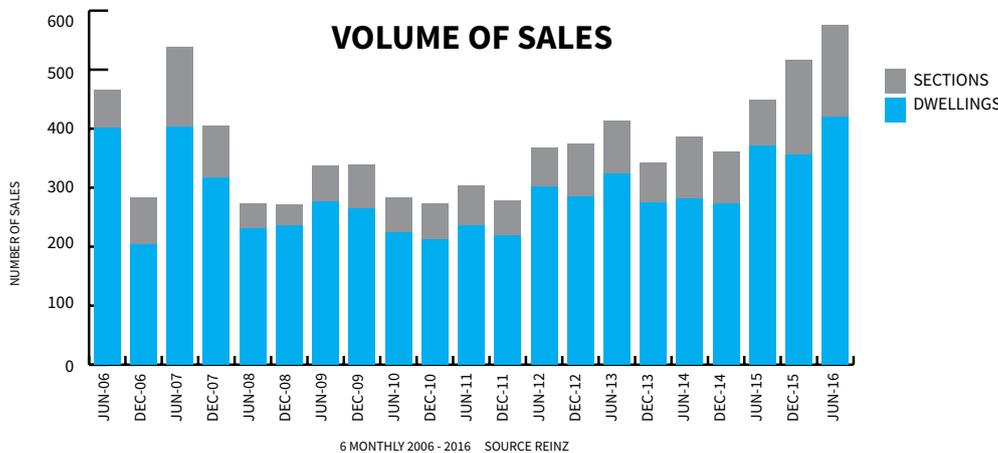
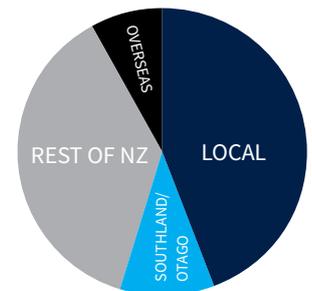
OUTLOOK
FOR THE REST OF 2016

MEDIAN SALE PRICE \$820,000

MEDIAN RENT PRICE PW \$720

Median sale prices have been calculated over a 6 month period

WHERE ARE OUR BUYERS FROM?



6 MONTHLY 2006 - 2016 SOURCE REINZ



Employment and GDP growth in the region has been described as “phenomenal” by economists

The Statistics

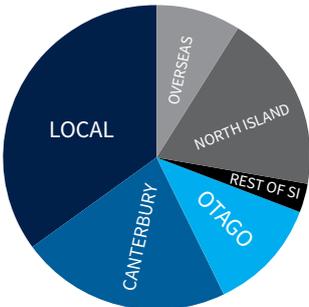
OUTLOOK
FOR THE REST OF 2016 

MEDIAN SALE PRICE **\$682,000**

MEDIAN RENT PRICE PW **\$575** 

Median sale prices have been calculated over a 6 month period

WHERE ARE OUR BUYERS FROM?



MORE MULTI-MILLION-DOLLAR WANAKA SALES

The Wanaka property market has risen steadily in volumes and positively in values over the first six months of 2016. Sales have only lifted from 332 in the first half of 2015 to 344 this year, but \$\$-values have risen significantly. At the top end of the market 41 sold over \$1m, five over \$2m, and two over \$3 million in the first half of 2016, compared with 27 over \$1m and just one over \$2m in 2015.

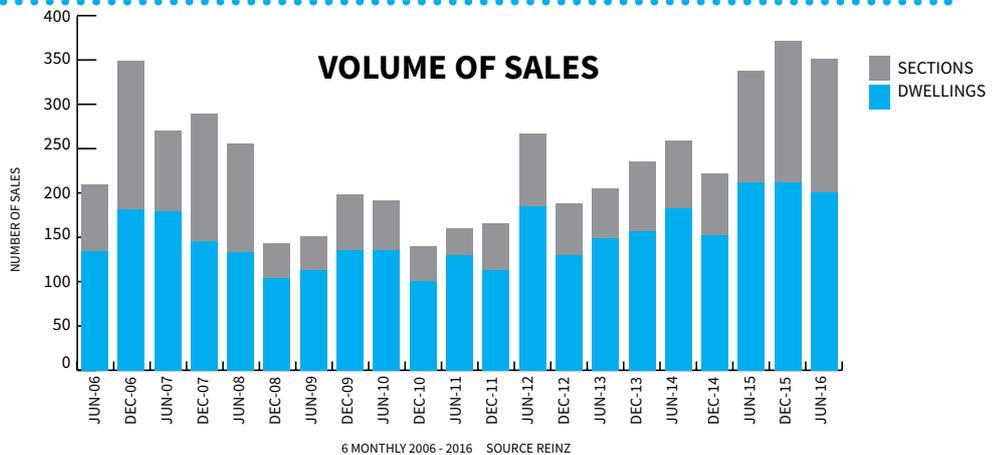
A shortage of available properties to buy is still putting pressure on prices; demand and competition to secure property is higher than anyone can remember.

Rental accommodation's still at a premium for construction, trades, hospitality and associated staff.

In the crystal ball:

- Section supply should improve, but the jury's out on whether it will meet demand
- Population growth's set to continue, meaning further pressure on rental accommodation
- Strong competition at auction may continue to drive values

The buyer profile is also also changing - 35% are those moving around inside the town, slightly up from last year. Overseas sales have more than doubled (9% of volume compared to 4% in 2015). Sales to North Islanders (mostly Aucklanders) are up from 13% to 19% this year, and sales to Cantabrians have seen a small lift up 3% to 22%. Otago buyers (outside Wanaka) have halved, buying just 12% of properties, falling from a lofty 25% in the same period last year. More South Island buyers overall are also keeping their wallets closed.



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CENTRAL OTAGO MARKET

CROMWELL & ALEXANDRA

SECTION SALES SOARING

Central Otago continues to enjoy strong market conditions with increased buyer demand from both local residents and people moving to the region for employment opportunity. Sales volumes reached levels not seen since the early 2000's with strong demand in section sales resulting in increased values. The shift to purchasing sections is partially due to a shortage of established houses for sale.

In the past three months we have seen a definite swing towards Alexandra and outlying townships which are still price attractive. The most significant move has been into section sales, with more sections selling in the first six months of 2016 (19) than sold in the previous two years (a resounding zero).

Median section prices in Alexandra in June are sitting at \$139,500 compared to Cromwell medians at \$195,000 which is significantly cheaper than the bigger centres of Queenstown and Wanaka. Many buyers are seeing opportunities to move to Central Otago from elsewhere, to secure a better quality product and still have some money in the bank.

Cromwell had the largest increase in the median house price in Otago at 26% over the last six months. Few properties are available under \$400,000 (even ex-ministry houses are now more than that) forcing buyers into a higher price range or new build.

The positivity of the region is infectious; people seem genuinely happy to commute to work but move to a more affordable location, enjoying the better quality of life that's on offer. New buyers are coming from all parts of the South Island in particular, with just a few offshore and North Island purchasers.

The knock-on effect of new builds at a historical 'high', means builders, sub-contractors and supply firms are enjoying buoyant trading conditions and the regional economy's thriving.

The growth is not limited to the affordable family market with sales achieved over a million dollars in both Cromwell and Alexandra. We believe this sector of the market will continue to firm for the rest of the year.

CROMWELL MARKET

OUTLOOK
FOR THE REST OF 2016



MEDIAN SALE PRICE **\$510,000**

MEDIAN RENT PRICE PW **\$450**



Median sale prices have been calculated over a 6 month period

ALEXANDRA MARKET

OUTLOOK
FOR THE REST OF 2016



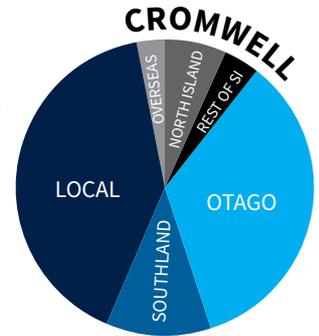
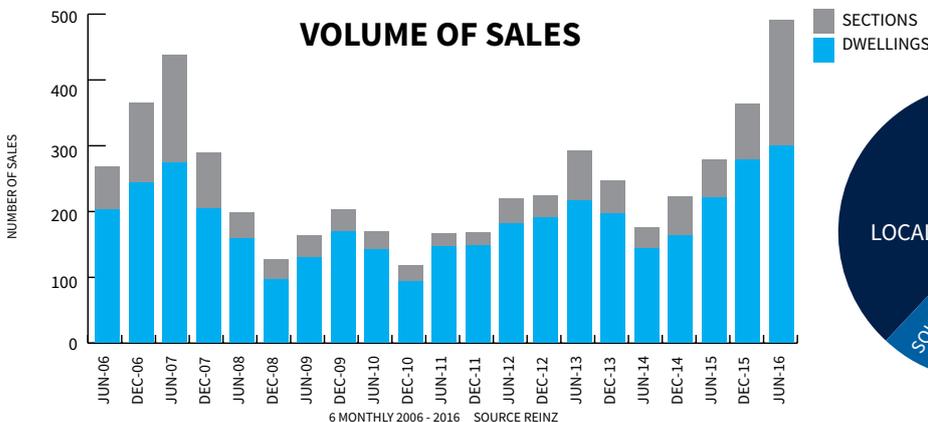
MEDIAN SALE PRICE **\$315,000**

MEDIAN RENT PRICE PW **\$320**



The Statistics

WHERE ARE OUR BUYERS FROM?





Dunedin's Forsyth Barr Stadium has celebrated its fifth birthday in style – more than 1.35m people have visited since 2011.

The Statistics

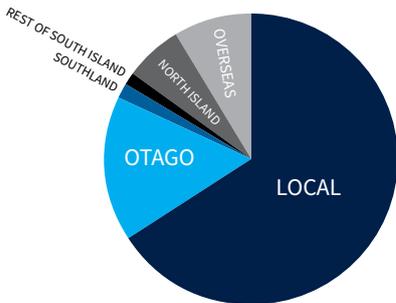
OUTLOOK
FOR THE REST OF 2016

MEDIAN SALE PRICE **\$310,000**

MEDIAN RENT PRICE PW **\$350**

Median sale prices have been calculated over a 6 month period

WHERE ARE OUR BUYERS FROM?



MOMENTUM STRONG IN THE DUNEDIN MARKET

2016 to date has seen confidence in the Dunedin market continue to strengthen, and the trend's predicted to continue for the rest of the year.

From a base median value of \$301,000 in January it's climbed steadily to \$320,000, while median days on the market dropped dramatically from 31 in January to just 20 days in June. These two statistics alone are a clear sign that buyer demand's outstripping supply. Each new listing attracts quick, multiple interest, pushing values higher. To be fair, they're starting from a low base compared to the rest of the country, so there's plenty of room to climb.

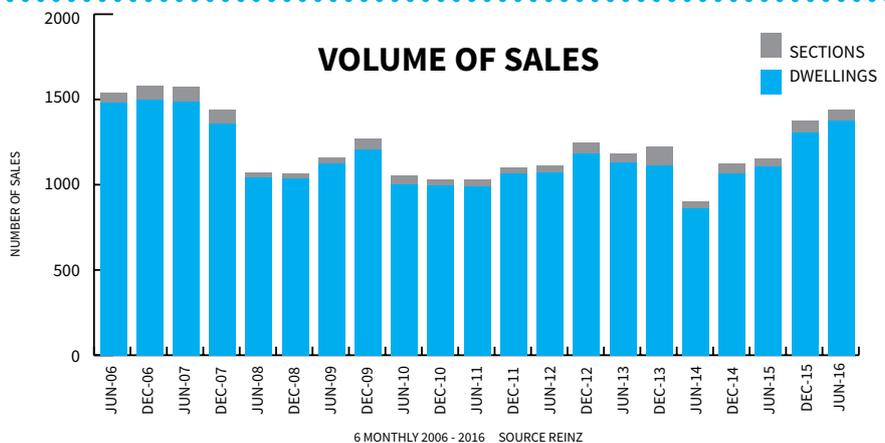
This relative low cost of housing is what's attracting so much interest from outside the city. Auckland buyers have been a large part of the 'out-of-town' buyer pool, mostly investors attracted by steady rental demand and higher yields. To a lesser extent some are 'cashing up' on Auckland's record house prices, relocating families south for a new mortgage-free lifestyle without traffic jams or overcrowding.

More investors are also coming from Central Otago, where a dramatic increase in median values there means they have more equity in their existing homes with which to invest.

Continuing low interest rates and available Kiwi Saver grants are helping more first home buyers enter the market, but some are getting frustrated at competing with out-of-town investors for properties. The \$200,000 - \$500,000 range is by far the busiest market sector, accounting for 68% of all sales this year, AND it's the price range offering best rental yields to investors.

Recent LVR changes requiring a 40% deposit for investment property may in-fact further stimulate our market, where finding a 40% deposit will be easier and more attractive than elsewhere due to the low value level for investment property.

The traditional slow-down in winter listing activity hasn't been matched by slowing buying activity. Median days on the market in spring could increase slightly with more stock available, but values look set to continue rising. Overall the outlook's positive.



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SOUTH OTAGO MARKET

SOUTH OTAGO KEEPS ITS AFFORDABILITY BADGE

South Otago's been in the news about being one of the most affordable places in New Zealand to buy a house.

To put that into perspective for some buyers out there, you can buy a house here for what you'd put down as a deposit in Auckland or Central Otago. For people looking for their first step onto the property ladder, or perhaps selling in other regions to free up equity, there are options galore.

Just to make some Auckland buyers a wee bit envious – a stunning 25% of houses for sale in South Otago are under \$150,000. Yes, that figure is correct.

It hasn't gone unnoticed, though -- sales volumes increased 40% over the last six months, albeit from a low base, with provincial New Zealand finally gaining momentum from low interest rates.

First home buyers have been active which has resulted in the number of local buyers increasing from 45% to 65% of sales compared to 2015. This has also kept the median house price similar to the previous year, with high sales volume largely at the entry level of the market.

Increased demand in coastal towns is also being driven by people retiring from other regions, meaning well-presented property with sea views is at a premium, resulting in upward pressure on prices.

Smaller lifestyle properties are still in demand, although top end properties that would have appealed to retiring farmers are still languishing.

We believe a two-tier market will begin to evolve, with value growth for tidy, well-located family homes towards the end of the year. Older properties with deferred maintenance are harder to sell, but provide a good return to investors.

In a positive move for South Otago and Balclutha, promotion group Clutha Development is working with the district's businesses to identify job vacancies, and connect job seekers with opportunities. It was just one of the many positive outcomes from frenzied interest created by the Kaitangata District Promotions' house and land package scheme. Clutha Development received 288,700 hits on its website, more than 12,000 email enquiries in the first three weeks of July, and around 800 CV's. They've also received around 9000 emails and counting, and are working their way through the list. Great news!



A multi-million dollar investment into Danone's manufacturing operations near Clydevale means toddler range Karicare receives 'Made in New Zealand' certification.

The Statistics

OUTLOOK
FOR THE REST OF 2016

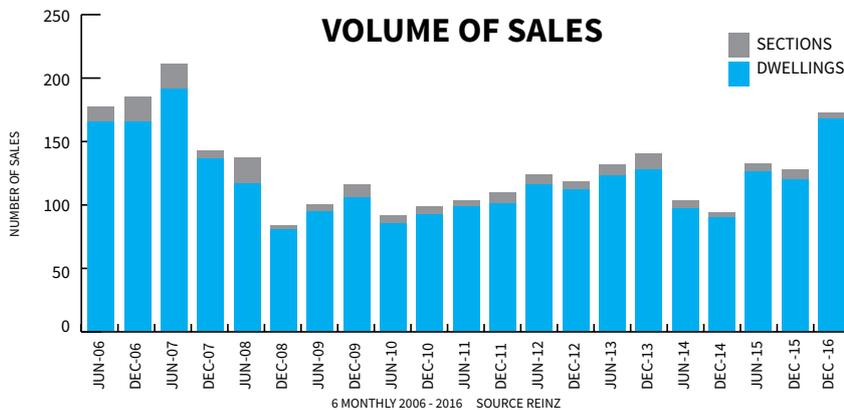


MEDIAN SALE PRICE **\$162,500**

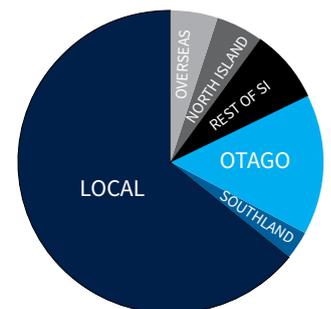
MEDIAN RENT PRICE PW **\$260**



Median sale prices have been calculated over a 6 month period



WHERE ARE OUR BUYERS FROM?



Six offices. One company.

Harcourts



The team behind Otago.

Dunedin Balclutha Queenstown Wanaka Cromwell Alexandra

HIGHLAND REAL ESTATE GROUP LTD

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