

Harcourts

Highland Real Estate Group Ltd
Licensed Agent REAA 2008



Otago

Market Report

With you all the way.

edition number one

2018

PROPERTY MARKET OVERVIEW



- Market awaiting Government announcement on overseas purchasers
- Shortage of property for sale across Otago
- Steady market growth predicted

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.

OVERVIEW

2017 was the year that new LVR restrictions, stricter bank lending criteria, election uncertainty and new governmental policies contributed to an overall drop in sales volume and slow in value growth in New Zealand's residential property market.

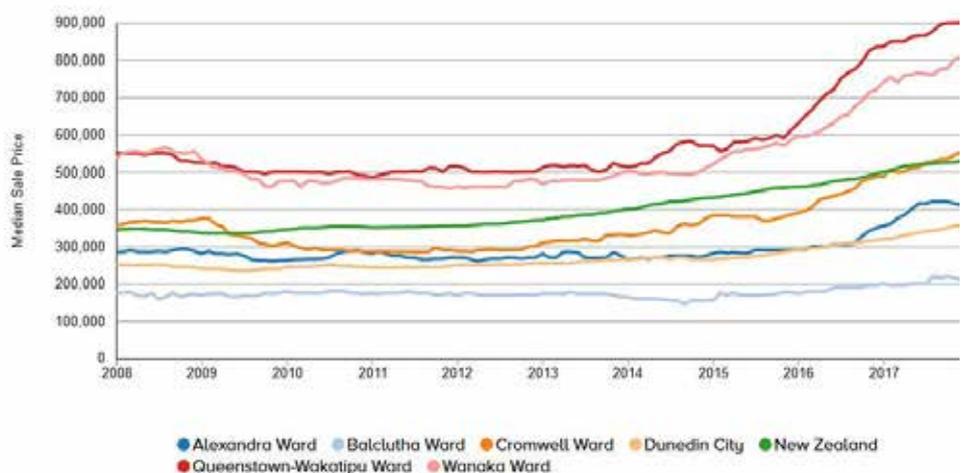
The market is experiencing a soft landing where values are stabilising but, due to limited supply and stable interest rates combined with solid demand, we predict that the Otago property market will consolidate with prolonged steady growth for the foreseeable future.

New government regulations will come in and, although no major bills have yet been passed, fewer properties came onto the market and transaction numbers dropped in the latter half of 2017. The Investment Amendment Bill, when passed into law, will restrict overseas buyers purchasing residential land in New Zealand (with some exceptions) but, despite this, there's not been a frenzy of offshore buyers wanting to jump the gun and buy before the restrictions are introduced. This indicates offshore purchasers are in most cases not speculative and instead buying for emotional long-term purposes.

New rental laws will come into effect: landlords will be permitted to increase rental rates only once per year and all rental properties will need to meet a higher standard of insulation by July 2019. The Central Lakes District is also likely to be faced with stricter regulations on short-term holiday leases.

Although it is difficult to predict the exact effects of the incoming regulations, it is thought the overall effect will be a balancing market and steadying value growth. Dunedin and provincial towns will continue to experience high demand while values are still relatively low and Central Otago's lifestyle and holiday options will remain sought-after. In a tougher selling environment, sellers must focus on choosing the correct sale method and setting a realistic asking price to sell within the desired timeframe.

Otago median house prices compared with New Zealand



2018

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OTAGO MARKET REPORT *edition no.1*



QUEENSTOWN MARKET

- The home of the highest asking prices and second highest median value in NZ
- Market to consolidate with a slower growth rate in 2018
- New considerations for investors

Queenstown is now the home of the highest asking prices in the country, topping Auckland off the top spot for the first time in December 2017 with an average asking price of \$984,719. December's median sale value wasn't far off at \$963,750, showing that high buyer demand continues to push sale prices towards seller expectations.

New regulations will have some impact on Queenstown with steadying demand and consolidating values, particularly in the family sector of the market. We expect premiums to continue to be achieved for top-end property while first home buyers may have more success entering the market with fewer overseas investors able to purchase rental properties.

2017 began with fast rising values and high sale numbers as seen for the last several years, with the median sale price rising 18 per cent from January to March. In May, the effects of winter and the upcoming election hit and both buyers and sellers held off: there was less property on the market, fewer sales and month-on-month value growth was marginal. The market picked up again around October and early 2018 has seen an influx of new listings, suggesting the market is returning to a healthy position and has adjusted to a "new normal" of steadier value growth.

National investors will need to consider new rental standard requirements and proposed restrictions on short-term holiday rentals in the Queenstown Lakes District. Meanwhile, the Queenstown Lakes Community Housing Trust has announced its commitment to building 1000 affordable homes for local families over the next 10 years.



The Queenstown region now has a newly built Secondary School located on the Frankton Flats. The school roll stood at 914 students in July 2017.

The Statistics

OUTLOOK
FOR THE REST OF 2018 

MEDIAN DWELLING PRICE **\$955,000**

MEDIAN SECTION PRICE **\$340,000**

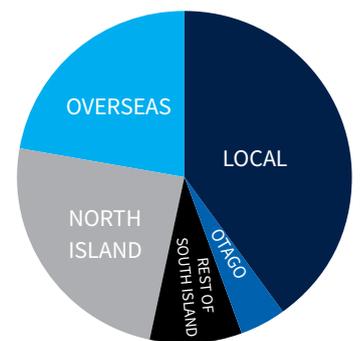
MEDIAN WEEKLY RENT **\$800** 

Median sale prices have been calculated from July - Dec 2017
Source REINZ

VOLUME OF SALES



WHERE ARE OUR BUYERS FROM?





WANAKA MARKET

On Saturday 27th January 2018, at 4.15pm, MetService measured Wanaka's hottest recorded temperature of 35.2 degrees celsius at Wanaka Airport. This is the highest recorded temperature since records began in 1972.

The Statistics

OUTLOOK FOR THE REST OF 2018

MEDIAN DWELLING PRICE **\$830,000**

MEDIAN SECTION PRICE **\$290,000**

MEDIAN WEEKLY RENT **\$625**

Median sale prices have been calculated from July - Dec 2017
Source REINZ

- Market entering steady growth phase
- High demand in lock-and-leave and high-end sectors
- Increased holiday, investment and lifestyle purchases by North Island buyers

A lift in sales volumes and healthy auction clearance rates towards the end of 2017 signal a return to a positive market for Wanaka after a brief period of uncertainty.

Wanaka experienced rapid value growth for several years and in December 2017 the median dwelling price was 19 per cent higher than in December 2016. Midway through the year the winter lull was condensed by the upcoming election with dropping sales numbers from which it has recovered to enter a period of slower steadier growth, which may enable first home buyers to get onto the market or family purchasers to upgrade more easily. The majority of the market will experience steady progress this year, bringing fair results for both buyers and sellers.

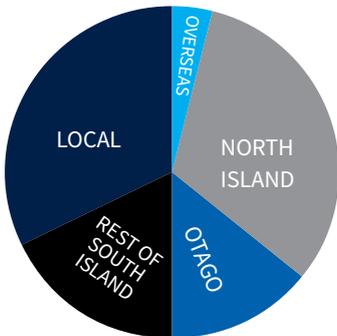
Our latest figures highlight a particular increase of North Island buyers securing

Wanaka properties – there has been a 50 per cent rise in the last six months, with 32 per cent of Harcourts Wanaka's total purchasers from Auckland. Demand in the lock-and-leave and high-end sectors is driven by national buyers, while many also want to secure vacant land and mitigate the risk of not being able to obtain property after future value increases.

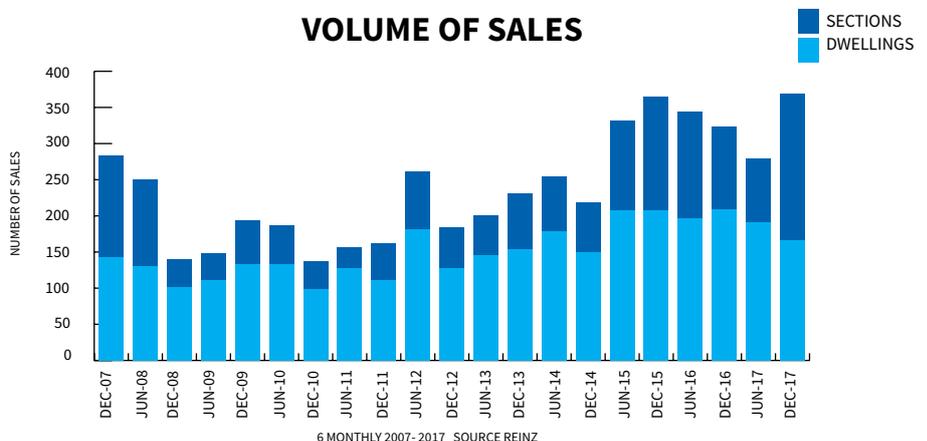
Investors are finding attractive returns for both short- and long-term rentals while North Island-based families are seeking options to move their family down south and enjoy the lakeside lifestyle.

As part of the largest real estate network in New Zealand, we accommodate and assist a large number of out-of-town clients and strive to conclude contracts quickly and easily.

WHERE ARE OUR BUYERS FROM?



VOLUME OF SALES



6 MONTHLY 2007-2017 SOURCE REINZ

2018

Harcourts

OTAGO MARKET REPORT *edition no.1*

View online at www.harcourtsotago.co.nz



CENTRAL OTAGO MARKET

CROMWELL & ALEXANDRA

- Shortage of available homes driving continued price rises
- Section development in Alexandra area to help meet demand for land
- Market likely to be largely unaffected by incoming regulations

Values are still rising in Central Otago although at a much slower pace – the region has now adjusted to new affordability levels after a period of remarkably strong growth. Sale volumes have dropped, although to a lesser extent than the rest of the country, and the strong demand for titled sections in Central Otago far outstrips the short supply.

Cromwell experienced strong capital growth over the year with limited available property while Alexandra and the surrounds experienced a chronic shortage of listings in the winter period prior to the election, pushing values to new record highs. A number of sections are being developed in the Alexandra area which will help satisfy demand for buildable land in Central Otago.

Central Otago is unlikely to be affected by the offshore investors restrictions as most overseas interest comes from Australia, and we foresee continued steady growth in the region as people are attracted for the lifestyle and better value than the nearby Central Lakes region.



The Clutha Gold trail is a fantastic bike track section between the Lake Roxburgh Dam and Lawrence. A great attraction for walkers or avid mountain bikers.

The Statistics

CROMWELL OUTLOOK FOR THE REST OF 2018



MEDIAN DWELLING PRICE	\$565,000
MEDIAN SECTION PRICE	\$290,000
MEDIAN WEEKLY RENT	\$470 

Median sale prices have been calculated from July - Dec 2017
Source REINZ

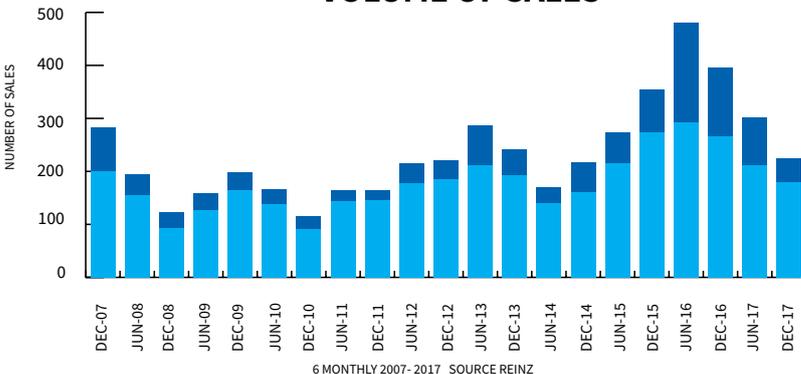
ALEXANDRA OUTLOOK FOR THE REST OF 2018



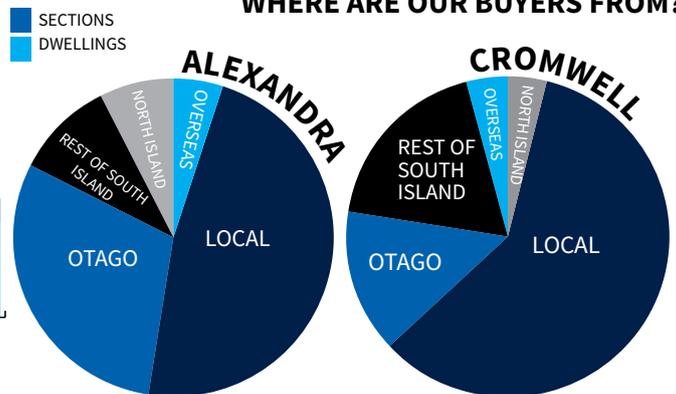
MEDIAN DWELLING PRICE	\$411,000
MEDIAN SECTION PRICE	\$145,000
MEDIAN WEEKLY RENT	\$375 

Median sale prices have been calculated from July - Dec 2017
Source REINZ

VOLUME OF SALES



WHERE ARE OUR BUYERS FROM?





DUNEDIN MARKET



Forsyth Barr Stadium is continuing to be a wonderful asset to the Dunedin City. 2018 will see concerts performed by Roger Waters, Robbie Williams, Ed Sheeran, and Pink.

The Statistics

OUTLOOK FOR THE REST OF 2018



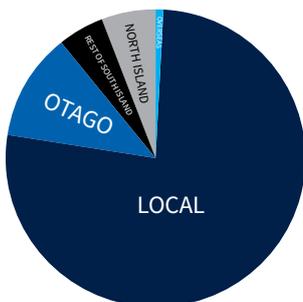
MEDIAN DWELLING PRICE **\$370,000**

MEDIAN SECTION PRICE **\$154,000**

MEDIAN WEEKLY RENT **\$370** 

Median sale prices have been calculated from Jul - Dec 2017
Source REINZ

WHERE ARE OUR BUYERS FROM?



- Lack of quality upgrade options for home owners
- Investors to look for low maintenance property that meets new rental standards
- Auction method bringing success for sellers

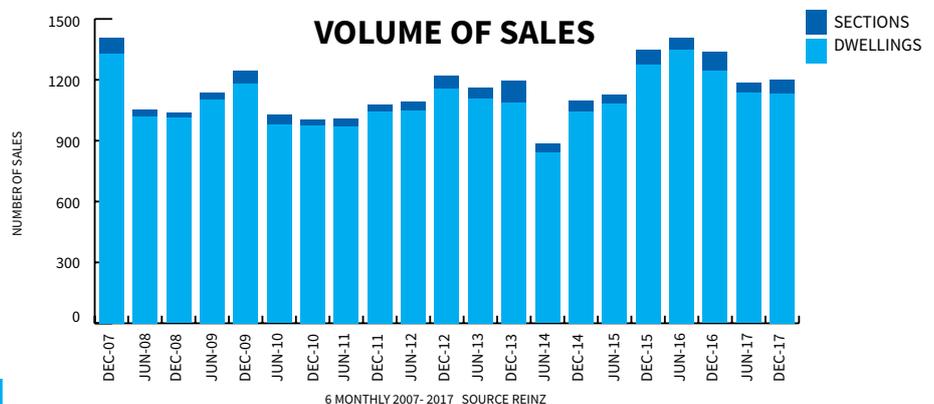
Dunedin's shortage of available property is holding back sale volumes despite strong demand across all sectors.

The city was delayed in experiencing the value uplift that the rest of the country felt from 2012 and values here will continue to rise as we catch up with the rest of the country. Dunedin is still identified as a relatively affordable market but sellers are restricted by the shortage of upgrade options, creating a bottleneck of first home buyers and investors at the lower end of the market. This will continue to drive values up: in two years, the median dwelling value has increased 23 per cent over two years (from Dec 2015 to Dec 2017) while the average asking price in the wider Dunedin area is still \$272,000 lower than the national average (Dec 2017).

This year investors will have new rental codes to abide by and will therefore be looking for low maintenance property

that is already close to meeting the new standards. Quality will be rewarded with well-presented, well-designed homes fetching premiums and redevelopment sites in good locations are expected to be in high demand.

In a strong seller's market, auctions are a good way to generate competition. Our Dunedin office finished the 2017 year with a 97% sold rate for Auction listings, with 85% sold under the hammer. In December 2017 we administered a hugely successful auction at Cliffs Road with multiple bidders and a final sale price in excess of \$1.6m: a great showcase of the success to be had with auction and an example of why we're seeing Dunedin move towards it as a new favoured selling method.



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SOUTH OTAGO MARKET

- Rural areas experiencing delayed capital growth
- Buyers willing to pay more for good quality property
- Increasing demand for holiday homes on Otago coastline

Provincial towns in South Otago have now caught up with the value growth the rest of the country experienced over the last four years due to low interest rates assisting higher debt servicing.

Growth in South Otago has seen the median house price increase by 15 per cent, going from \$176,250 to \$202,000 in the July to December 2017 period. Balclutha experienced a drop in sales volume due to reduced listing activity during the winter of 2017 while Milton's volume remained high with high demand from commuters to Dunedin.

With improved rural commodity prices, the market in provincial areas should continue to perform well during 2018. We expect to see continued demand from first home buyers and others attracted to the region due to the relatively low entry level - but buyers are more discerning and prepared to pay more for quality rather than purchase a property with deferred maintenance. New Zealander's will

continue to be attracted to South Otago for the community lifestyle and relative affordability compared to Central Otago or cities further north.

There is increasing demand for holiday homes on the Otago coastline, especially from Central Otago residents, and there has been a noticeable uplift in enquiry for sections from local residents looking to upgrade and build their dream home, which is a positive sign of confidence in the region.



The Tuapeka Mouth Ferry (The Punt) was established in 1865 and is still operating today.

The Statistics

OUTLOOK
FOR THE REST OF 2018



MEDIAN DWELLING PRICE **\$202,000**

MEDIAN SECTION PRICE **\$50,000**

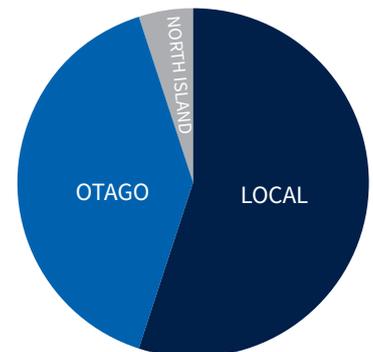
MEDIAN WEEKLY RENT **\$280**

Median sale prices have been calculated from July - Dec 2017
Source REINZ

VOLUME OF SALES



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