

PROPERTY WATCH AUTUMN 2011

MOORE & PERCY CENTRAL OTAGO & QUEENSTOWN LAKES DISTRICTS

NATIONAL OVERVIEW

The Reserve Bank reduced the Official Cash Rate (OCR) 50 basis points to 2.5 percent in March 2011, with Governor Alan Bollard commenting:

“The Christchurch earthquake has caused substantial damage to property and buildings, and immense disruption to business activity. While it is difficult to know exactly how large or long-lasting these effects will be, it is clear that economic activity, most certainly in Christchurch but also nationwide, will be negatively impacted. Business and consumer confidence has almost certainly deteriorated.

“Even before the earthquake, GDP growth was much weaker than expected through the second half of 2010. Households have continued to be very cautious, with retail spending volumes and residential investment both declining.

“The export sector has benefited from very high commodity prices; however, farmers have focused on repaying debt rather than increasing spending. Also the early summer drought constrained farm output through this time. Signs that the economy was beginning to recover early in 2011 have been more than offset by the Christchurch earthquake.”

“GDP growth is projected to be quite weak through the first half of the year. This will gradually build up to a very large reconstruction programme by 2012 that will last for some

years and contribute to a period of relatively strong activity.

“For now we have acted pre-emptively in reducing the OCR to lessen the economic impact of the earthquake and guard against the risk of this impact becoming especially severe”.

Elsewhere tourism remains mixed with Tourism NZ reporting as at February 2011; visitor arrivals from Australia numbering 1,123,944, up 2.3%, arrivals from Canada, Japan, China, South Korea, Taiwan and Hong Kong also up 1.7% to 25.9%, arrival from USA, UK, Germany and Nederland arrivals down some 1.2% to 11.6%, but with the affects of flooding in Australia, earthquakes and tsunami in Japan still to be determined.

The Department of Labour reports a net annual migration eased to 10,500; down from 21,300 in 2009.

The outlook for farming continues improving but remains mixed, with the industry still having to contend with ongoing high exchange rates. Fonterra’s 2010/11 payout initially forecast at \$6.90 to \$7.10/kg milksolids increased to \$7.90 to \$8.00/kg milksolids from March. Other farm revenues remain high with increasing lamb and crossbred wool prices.

Unemployment has increased up to 6.8%, but overall the economy continues improving very slowly, some growth is being predicted for this

year and next year and the outlooks for farming particularly dairying and exporting are improving. Large scale debt restructuring and reduction remains an ongoing reality in the dairy industry. Elsewhere mortgagee and receivership sales continue.

With the ongoing uncertain economic outlook new bank lending remains tightly controlled to all categories of borrowers. Business and household confidence remains low and real estate markets continue struggling.

MARKET INDICATORS – MARCH 2011

	Actual	Date	Inc/Dec
CPI	4.0%**	Dec 10	
GDP	0.3%	Dec 10	
Unemployment	6.8%	Dec10	+0.4% qtr
PLT ^ Migration	+800	Dec 10	

Median House Price – to Jan (QV & REINZ)

	Median	+/- annual change to Jan
National	\$340,000	-3.4%
Queenstown Lakes	\$453,000	-5.3%

Major Bank Interest Rates (guide only – Mar 2011)

Variable	5.75%	to	6.50%
1yr Fixed	5.90%	to	6.25%
Official Cash Rate	2.50%	down 0.5%	10 Mar 2011

*Economic Growth

**Inflation (annual increase in CPI)

^ PLT = Permanent and long-term migration

CENTRAL OTAGO DISTRICT

Autumn is with us after we have experienced the wettest summer almost on record, our farming fraternity are smiling, the hills are green! The residential dwelling median sales price trends over summer have shown further slight easing continuing in the market but with an encouraging small increase in sales volume. The improved rural lifestyle market has shown an increase in the median sale price on a small volume. However, the vacant lifestyle block market continues to show a decline in median sale price on a steady but relatively low volume of sales, indicating limited demand for this type of property.

Alexandra remains leading the district in sales volume, sales of residential dwellings in Cromwell have continued at relatively low levels, but in both areas and there has been a further slight decrease in the median sale price. However section sales in Cromwell remain ahead of those in Alexandra as is the median sale price. Building activity has continued to slow down but some new homes continue to be built in and around our main centres.

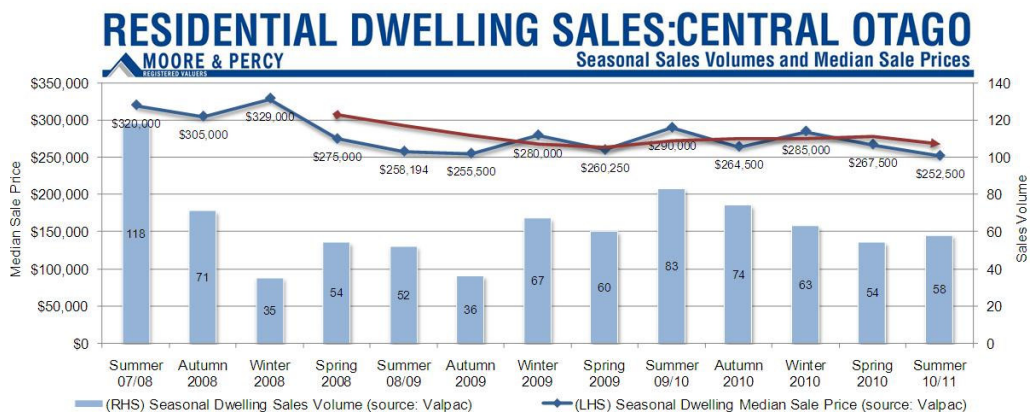
The greater rural market for farm properties continues to show a low sales volume but there have been some recent sales which have shown that confidence is returning to the market. Sale prices recently fully have maintained the levels of 2010. The seasonal condi-

tions have been very favourable for grass growth and this combined with record product prices augurs for a very good farming season. While there have been very few orchard sales, the horticulture industry has experienced a relatively good season, particularly on the export market. There have been no sales of vineyard properties over summer, there remain quite a number on the market.

There has only been very limited activity on the industrial and commercial market with two significant older sales in Alexandra and Cromwell indicating rates of return of between 7.5

and 8.7%. There is some new commercial building activity taking place in Cromwell but industrial developments have slowed considerably as the demand for space has fallen off.

The following graph shows the seasonal median sale prices and sales volumes for residential dwellings in the Central Otago District since summer 2007. The yearly moving average trend line in red shows the median sale price easing since the peak of the market in 2008 and remaining fairly flat for the past two years. Sales volumes have eased through 2010:



QUEENSTOWN LAKES DISTRICT

Queenstown

2011 started off positively with a good number of sales just before Christmas following a restrained second half to 2010. Further into 2011 the market appears steady but somewhat less active than the same time last year. Buyers continue to search for better deals while vendors continue to wait for better offers and this has led to the Central Otago district seeing a rise in unsold inventory this year.

Residential sales activity in Queenstown has remained steady during the summer months but has certainly been down on the same period last year. The median sale price appears to have adjusted down slightly as we enter 2011 but the long term trend remains fairly flat as it has for near on the last two years. The market has been active up to the \$1.5m level with the exception of the \$700,000 - \$900,000 range which has remained subdued for some time. There have been a handful of residential sales around the \$2m level over the past six months. Vacant residential section sales numbers for 2010 have been very similar to 2009 with the median sale price easing slightly through this period. Sections in the Lake Hayes Estate and Jacks Point development have become more affordable over the past year and now represent good buying.

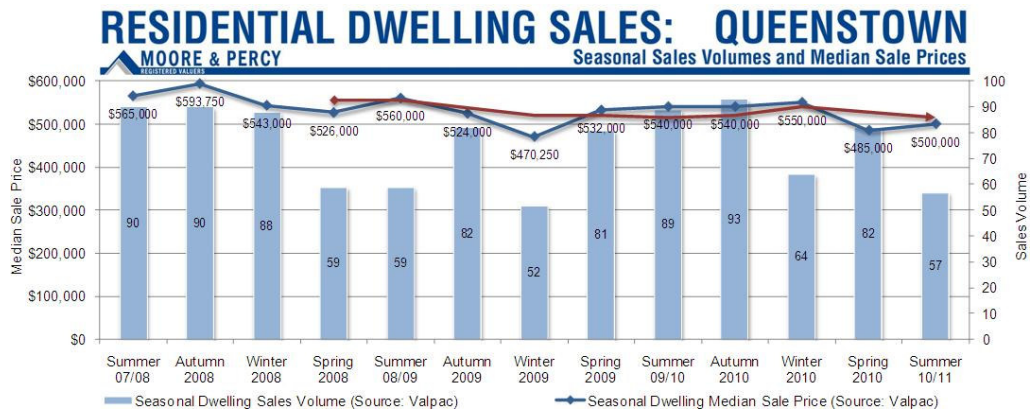
The Queenstown improved rural lifestyle market remained quiet through 2010 with sales volume the same as 2009 and the median sale price gradually decreasing. The standout feature of this segment of the market has been the six superior properties selling in the three to five million dollar bracket, showing that al-

though buyers might be scarce, properties in the best localities and/or with superior quality homes are still in demand. The vacant rural lifestyle market dropped off through 2010 with sales volumes down on the year before. The median sale price saw a big jump up to \$750,000 as the bottom end of the market became quiet while the mid to upper end saw relatively more action.

The Queenstown managed apartment median sale price remained flat through 2010 while sales saw a mild recovery in numbers through the second half of the year. A good portion of them coming from the ongoing receivers sell down in The Rees together with overseas sales in the Bowen View (Cnr Kent & Edgar Streets) and Pounamu Prime (Panorama Terrace) developments to foreign investors at levels above what the New Zealand market has previously been prepared to pay. Around 75% of the apartment sales through the sec-

ond half of 2010 have been one or two bedroom units below \$500,000 with almost all sales above this level being three bedroom units in The Rees. The Kawarau Falls development looks set for a grand opening in May in time for the 2011 winter season however we're unaware if an estimated 250 units in this stage of the development will be released to market.

The following graph shows the seasonal median sale prices and sales volumes for residential dwellings in Queenstown since summer 07/08. The yearly moving average trend line in red shows the median sale price easing since the peak of the market in 2008 and remaining relatively flat for the past two years. 2010 saw three consecutive quarters of increasing sales volume although becoming more erratic entering 2011. As sales continue to settle we expect the number of sales in the last period to increase and the median sale price for that period to adjust accordingly.



Wanaka

The Wanaka market remains quiet with REINZ reporting residential sales for March as; Wanaka 8, Albert Town 1, Hawea 2 and Luggate 1. Several real estate franchises have amalgamated reflecting the reduced level of activity being experienced. Residential sales during the last three months or so have been in the \$300,000 to \$900,000 range with only a few sales above this level from \$1,250,000 to \$2,600,000. Residential properties that sell invariably have been well marketed with the vendors prepared to meet buyer's reduced expectations.

Wanaka is still to experience the increase in sales occurring in the main centres particularly Auckland.

The reasons for the ongoing slowdown appear to include; the worst NZ recession since the Great Depression, the loss of discretionary capital as the consequence of finance company collapses, a loss of buyer confidence and the buying public having an aversion to unnecessary debt.

A decline in property values is now apparent across this market, with even high end residential properties selling below 2008/09 market levels. Conversely "quality" well designed and well built homes with Lake Wanaka and

alpine views are still attracting buyer interest and continuing to sell for circa \$2,000,000 or more.

Elsewhere the managed apartment market remains subdued and vacant sections sales have slowed with realizations mixed. The lifestyle market also remains quiet with few improved sales, often well below historical levels.

Regardless of all the doom and gloom the news is not all bad. A few farm sales have been reported including one larger property near Hawea. At last we might be seeing a change in sentiment; resulting from the in-

creasing Fonterra payout, increasing lamb and crossbred wool prices, improved returns for timber and other commodities. Let's hope the NZ economy is at last on the mend and there will be more good news soon.

The following graph shows the seasonal median sale prices and sales volumes for residential dwellings in Wanaka since summer 07/08. The yearly moving average trend line in red shows the median sale price gradually easing since the peak of the market in 2008 and remaining relatively flat for the past two years. Sales volumes show a recovery through 2010 but eased back entering 2011.



PROPERTY WATCH is produced by Moore & Percy, Independent Property Professionals. We are based in Central Otago & Southern Lakes Districts, and have offices in Queenstown, Alexandra and Wanaka, also servicing surrounding areas including northern Southland and Westland. Moore & Percy have a team of registered valuers experienced in all types of residential, rural, commercial and industrial property valuation and can provide comprehensive reports to assist your property needs.

Should you wish to receive this publication by email please email propertywatch@moorepercy.co.nz

Freephone 0800 344 877

www.moorepercy.co.nz

ALEXANDRA: 16 Brandon Street, PO Box 247, Alexandra 9340 - Ph: +64 3 440 2144 - Fax: +64 3 448 9531

QUEENSTOWN: PO Box 1634, Queenstown 9348 - Ph: +64 3 442 4414 - Fax: +64 3 442 4424

WANAKA: 7 Sycamore Place, Wanaka 9192 - Ph: +64 3 443 2735 - Fax: +64 3 443 2865