

# WELLINGTON REGIONAL COUNCIL EQUALISATION

## MARKET REPORT –

### PERIOD 1 SEPTEMBER 1997 – 1 SEPTEMBER 1998

#### (A) GENERAL MARKET COMMENTS;

##### Residential:

House prices in NZ fell during 1998, according to the Quotable Value House Price Index, which measures movement in domestic property sales relative to their Rating Valuations.

This index shows that the value of domestic house sales has fallen by 4.1% on a nationwide basis – since its peak in December 1997. During the same period the volume of house sales fell from 36,298 sales for the year ending December 1997 to 26,510 for 1998 – a drop of 27%.

All areas in the country showed a drop in the index over their comparative 1997 levels. The biggest individual fall in Invercargill, which fell 8.8%; Waitakere and Manukau, both of which fell 8.7% and North Shore City which fell 6.4%.

By contrast the Wellington Region generally experienced steady value increases for the early part of 1998 with smaller increases or a slight reduction in some areas during the second half of the year.

Overall, the House Price Index for the Wellington Region increased 5.3%. Individually Wellington increased 3.1%, Hutt City increased by 7.6%, Upper Hutt increased by 9.2%, Porirua increased by 8% and Kapiti Coast increased by 4.9%.

During the same period South Wairarapa towns, with the exception of Martinborough and Greytown, experienced a decline in value.

**Commercial / Industrial:**

During 1998, 156 freehold open market sales of Industrial and Commercial properties were recorded in the Greater Wellington Region, 30 % less than 1997.

Generally, this reflected a soft market which saw limited rental growth together with an oversupply of Commercial / Industrial space to lease in some areas.

This factor together with the general uncertainty created by New Zealand's current economic position has led to a rather cautious market.

For these reasons values for Commercial / Industrial property has remained relatively static.

**Rural / Lifestyle:**

The price for horticultural land continues to rise in spite of an overall drop in rural land prices during 1998 .

While the number of horticultural properties sold during 1998 remained similar to 1997 levels, overall the open market sales for rural properties is at a 12 year low.

In the six months to June 1998 there were 1,160 sales reported – the lowest half-year figure since June 1986. This level of sales also represents a 15% drop from the 1,365 reported for the same period last year.

This was met by a corresponding drop in the Rural Price Index, which fell 3.4 % from January to June 1998 with a slight recovery ( + 1.5 % ) from June to December 1998. Since December 1996 the index has fallen by an aggregate 6.1%. This reflects prices for sheep meat and wool products that are at historically low prices.

For this reason alternative uses have been sought by many property owners including subdivision of lifestyle blocks, and sale of land for dairy run offs and horticultural land particularly for grapes and olives.

This trend has been buoyed by a strong demand for vacant lifestyle blocks in most areas, particularly close to the beach settlements.

Values for improved lifestyle properties have generally remained static.

## **(B) LOCALISED VALUE TRENDS**

### **(1) WELLINGTON CITY**

#### **Residential:**

During the last 12 months, the Wellington residential market experienced a relatively subdued period of activity compared with the same time 12 months ago.

As evidence, for the six months ending December 1998, 1,046 house sales were recorded compared to 1674 for the six months ending December 1997, a decline of 38%.

During the same period the average Net Sale Price increased from \$232,800 in 1997 to **\$240,200** for 1998.

Buyers have been more selective in their approach to purchasing properties which overall has kept price levels relatively stable. The exception is higher-priced properties above \$300,000 where values in some areas have fallen slightly due to the soft market.

With the summer high and recent reduction in mortgage interest rates, an improvement in sales volumes and perhaps also price may well occur in the next six months into early 1999.

In terms of value movement, sales represented an overall value increase of 3% compared to 1997 levels. The early half of 1998 saw a 5.1% increase in values with a 2% decline during the latter half of the year.

**Commercial / Industrial:**

Within the Commercial / Industrial sector there still remains reasonable demand for good quality property, ie. those properties which are well located and / or leased to secure tenants.

To offset this a lack of good stock has resulted in a relatively low sales volume during 1998.

Within the Central Business District activity both in sales and leasing has been generally slow. Whilst vacancy levels are at their lowest for some time, there is increasing concern to future demand for office accommodation likely to come on the market in the next 12 – 18 months. This is reflected in the equalised values where commercial values remained at or close to 1997 levels.

Some value movement was however evident in the Industrial sector due to stronger demand, particularly from owner-occupiers.

**Conclusion:**

The combined effect of these trends has produced a modest increase in the Net Equalised Value of Wellington City, by around 4.1%, from 1 September 1997 to 1 September 1998.

**(2) HUTT CITY**

Traditionally, there has been a discernible gap in house values between Hutt Valley and Wellington. A sustained level of growth and increased activity with the lower Hutt region during 1996 and 1997 has closed this gap. This could be attributed in part to people realising the value for money, which can be achieved, notwithstanding the additional costs of time and travel and in part, the escalating house prices in Wellington. This pattern continued during 1998.

For the six-month period ending December 1998, 792 house sales were recorded, compared to 941 for the corresponding 1997 period – a decline of 16%.

During the same period the average house price increased from \$154,000 to \$157,800.

Overall, values in the residential sector increased around 7% over 1997 values, with variable movement dependent upon locality.

The highest average increases of around 12% were seen in **Petone** and **Wingate**.

On the whole, the lower-priced properties showed the greatest value movement compared to those properties in excess of \$250,000. This was reflected in only moderate value increases, in areas such as Eastbourne and Woburn.

The commercial and industrial sectors were relatively static, evidenced by a low volume of sales and little, if any, movement in sale Bevels. An oversupply in both office and industrial accommodation has contributed to this trend.

### **Conclusion:**

Overall the Net Equalised Value of Hutt City increased by 6.8% from 1997 to 1998.

### **(3) PORIRUA CITY**

During the last 12 months, Porirua has enjoyed a more buoyant market. For the six months ending December 1998, 389 house sales were recorded, compared to 364 for the six months ending December 1997 – a 5% increase.

In real terms, this represented an average increase of 8% in house prices during 1998.

Seaside localities such as Plimmerton, Onepoto and Pukerua Bay have shown the greatest increases whilst demand for residential investment properties has also yielded increases in the lower-priced areas of Porirua East, Waitangirua and Titahi Bay.

Similar to other centres within the Wellington region, values within the Commercial/Industrial sector have remained relatively static.

**Conclusion:**

Overall the Net Equalised Value of Porirua City increased 5.9% from 1 September 1997 to 1 September 1998.

**(4) KAPITI**

During the first few months of 1998, the Kapiti Coast experienced a buoyant period, resulting in increased sales of residential properties and growth in values most noticeable in Paekakariki, Raumati and beachfront properties.

Since mid-autumn, demand for properties has tapered off and there is now an equilibrium between supply and demand.

For the six months ending December 1998, 529 house sales were recorded with an average sale price of \$148,800. During the corresponding 1997 period, 570 sales were recorded, averaging \$146,300. Overall these sales showed a 5% increase in average house prices during 1998.

Strong demand was also evident for vacant land including lifestyle blocks.

In the commercial sector, development along Kapiti Road continues to expand and with it rental levels. It is anticipated rental rates and consequently values of premises which benefit from high exposure to passing traffic will increase, compared to those in secondary localities.

Adding to this, Coastlands Shopping Mall has recently undergone a \$20 million renovation, adding another 1000 square metres of retail space.

**Conclusion:**

The combined effect of these trends produced an 8.4% increase in the Net Equalised Value since 1 September 1997.

## **(5) UPPER HUTT**

Overall the residential market in Upper Hutt was buoyant during the early part of 1998, falling off in the latter half of the year.

For the six months ending December 1998, 336 house sales were recorded, compared to 369 sales for the six months ending December 1997 – a 9% decline. During this 12 month period on average house prices increased by 9.2% with the average house price moving from \$127,500 to \$138,600.

The Commercial/Industrial sector remained fairly static.

Small value increases were evident for lifestyle properties.

### **Conclusion:**

Overall the Net Equalised Value as at 1 September 1998 increased 8.7% from 1 September 1997 levels.

## **(6) WAIRARAPA**

### **Townships**

Overall since 1997, with the exception of Martinborough and Greytown, the market in the Wairarapa Townships has been relatively subdued.

In contrast Martinborough has shown a significant lift in values, due to close proximity to Wellington and spin off from growth in horticultural properties.

A low activity level was also seen in the Commercial/Industrial sector.

## **Rural / Lifestyle:**

The downturn in the sheep/beef economy has been most noticeable in the more remote hill country, especially where reversion or weed problems exist.

Well located fattening land of easy contour is still in good demand due mainly to the underlying sub divisional potential into lifestyle blocks and greater options available for use.

Demand and price levels for land in exotic forestry or suitable forestry planting has appeared to wane in recent years thereby reducing the former upward price pressures on this class of land.

Dairy land prices over the last year has been tempered by the increase price of dairy company shares, necessary to the supply of milk to the processing factories without a proportional increase in the overall 'going concern' price of dairy farms sold.

Strong demand was evident for horticultural land around Martinborough and close to Master-ton, particularly for grapes and more recently olives.

This has been reflected by an overall value increase for vacant and improved lifestyle properties.

**Conclusion:** The net equalised value in all three Wairarapa local authorities have shown a decline since 1997.

K. J. Blucher  
Area Valuer



**WELLINGTON REGIONAL COUNCIL EQUALISATION**  
**AS AT 1 SEPTEMBER 9998**  
**Comparison of 1998 Net Equalised Capital Values to 1997 Equalised Values**  
**Percentage of Total Region**

TLA	CONSTITUENT AUTHORITY	REVISED	1997 NET ASSMTS	% REGION	1998 NET ASSMTS	% REGION	1997 EQUALISED NET C.V.	% REGION	1998 EQUALISED NET C.V.	% REGION
41	PT TARARUA DISTRICT	1/09/96	9	0.01%	9	0.01%	\$2,456,520	0.01%	\$2,340,000	0.01%
43	KAPITI COAST DISTRICT	1/09/96	19755	11.87%	19956	11.89%	\$3,118,269,000	9.06%	\$3,379,225,000	9.35%
44	PORIRUA CITY	1/09/98	16135	9.70%	16206	9.66%	\$2,291,631,000	6.66%	\$2,425,887,000	6.71%
45	UPPER HUTT CITY	1/09/98	13870	8.33%	14000	8.34%	\$1,974,000,000	5.73%	\$2,145,542,000	5.94%
46	HUTT CITY	1/09/97	37796	22.71%	37862	22.56%	\$6,193,000,000	17.99%	\$6,612,542,000	18.29%
47	WELLINGTON CITY	10/09/97	60353	36.27%	61159	36.45%	\$17,861,054,000	51.88%	\$18,601,500,000	51.46%
48	MASTERTON DISTRICT	1/09/96	10543	6.34%	10578	6.30%	\$1,487,800,000	4.32%	\$1,463,160,000	4.05%
49	CARTERTON DISTRICT	1/09/97	3095	1.86%	3128	1.86%	\$591,000,000	1.72%	\$584,500,000	1.62%
50	SOUTH WAIRARAPA DISTRICT	1/09/98	4854	2.92%	4910	2.93%	\$905,780,000	2.63%	\$930,242,000	2.57%
<b>TOTAL</b>			<b>166,410</b>	<b>100.00%</b>	<b>167,808</b>	<b>100.00%</b>	<b>\$34,424,990,520</b>	<b>100.00%</b>	<b>\$36,144,938,000</b>	<b>-5.00%</b>

Certified: .....

**K J Blucher**  
**Area Valuer**