



WELLINGTON REGIONAL COUNCIL EQUALISATION

MARKET REPORT

PERIOD 1 SEPTEMBER 2000 – 1 SEPTEMBER 2001

1. GENERAL MARKET COMMENTS – NATIONAL PERSPECTIVE:

Sales volumes have shown a considerable improvement from the low of last year.

Even though volumes are increasing, the QV House Price Index reveals, the overall total measure of NZ prices remains generally flat. Upward movements in the QV House Price Index could typically be expected to “lag” behind any increased level of sales volumes so we will more than likely need a sustained increase in sales volumes before we could expect to evidence upward pressure on house prices/values.

In contrast, Wellington City’s house price index increased 3.5% during the same period. All cities in the Wellington region reported average sale prices above average Capital Values for the quarter.

With general economic confidence levels at very low levels internationally we are seeing a rapid positive impact of downward pressure on mortgage interest rates and possibly we could expect further reductions in the short term. How sustainable these lower interest rates are is unknown. Indications are that interest rates are already starting to trend upwards. This will continue to be influenced by international events affecting our interest rates either for the better or the worse.

Housing affordability is very likely to increase in the next quarter directly due to the significant reduction in interest rates making borrowing to buy property more affordable. The impact of the significant interest rate drops we have very recently experienced may motivate more potential home buyers to buy their own homes (instead of continuing to rent). The other major motivating factor for potential home buyers to buy their own homes is if rental prices are increasing. The combination of these events is likely to reverse the



sustained trend of decreasing home ownership New Zealand has experienced over the last several years and subsequently increase sales volumes.

In the event that home ownership does start to show a sustained increase we are also likely to see some pressure on house prices as a result.

A. Utilities

You will be aware that there is now a requirement to assess utility properties on the District Valuation Roll in accordance with Rule 1.1 of the Rating Valuation Rules.

These have been completed in Upper Hutt and Porirua plus preliminary figures have been assessed for the other areas.

Utility properties identified for inclusion are:

- ⇒ Telecommunications assets
- ⇒ Gas pipelines
- ⇒ Gas service networks
- ⇒ Electricity networks
- ⇒ Water reticulation networks
- ⇒ Wastewater networks
- ⇒ Stormwater networks
- ⇒ Fuel pipelines
- ⇒ Postal networks

The land value associated with each utility is assessed at nil, in line with the existing case law, however individual or clusters of local authorities have the right to challenge this interpretation. This would require a Court of Appeal decision, as it will overrule existing precedence.





B. Local Market

1. General

The Wellington housing market continues to out-perform the rest of New Zealand but it is starting to show signs of weakening, according to latest sales statistics.

The QV House Price Index for the three months to September 2001 shows national house prices increased 0.5% compared with the same period last year. The main New Zealand urban areas increased 0.8%.

In contrast, Wellington City's house price index increased 2.2% during the same period. All cities in the Wellington region reported average sale prices above average Capital Values for the quarter.

Comparative figures during the year show Porirua leading the way each with an average increase of 6.2 since September 2000 followed by Upper Hutt 4.2%, Hutt City 2.3% and Wellington City 1.4%. The residential market was also very buoyant in Wairarapa townships, particularly Martinborough, Greytown and Carterton.

The figures below show average house sale prices for the September quarter compared to the quarter ending September 2000.

	<u>Average House</u> <u>Sale Price</u> <u>Quarter September 2000</u>	<u>Average House</u> <u>Sale Price</u> <u>Quarter September 2001</u>
Kapiti Coast District	\$175,570	\$173,970
Porirua City	\$188,445	\$191,660
Hutt City	\$189,450	\$183,100
Upper Hutt City	\$162,050	\$160,650
Wellington City	\$279,000	\$268,270
Masterton District	\$ 89,300	\$101,740
Carterton District	\$ 91,300	\$123,000
South Wairarapa District	\$121,530	\$101,800





2. Commercial and Industrial

Overall the market in the Wellington Region can be described as buoyant with strong demand for properties under \$2 Million and more recently confidence is such that there is now a greater proportion of higher priced transactions.

Falling interest rates and a more positive economic outlook have largely contributed to this. Industrial properties in particular are enjoying strong buyer interest particularly in the areas of Petone & Seaview.

3. Rural and Lifestyle:

The market for rural and lifestyle properties continues to show strong activity. Assisted by high milk payouts and stock prices, rural land prices have shown moderate increases since September 2000.

Evidence can be seen of strong demand for lifestyle properties through the greater Wellington and Wairarapa regions. Securing a retreat away from the hustle and bustle of city living has created significant buyer interest for lifestyle properties. Consequently values in this sector of the market have continued to increase during 2001.





2. WELLINGTON CITY

Residential:

During the last 12 months, the Wellington residential market has experienced a generally flat market with renewed interest towards the latter part of 2001.

For the six months ending December 2001, 1,031 house sales were recorded compared to 1,020 for the six months ending December 2000.

During the same period the average net sale price increased from \$277,200 in 2000 to \$281,050 for 2001.

The results reflected continued strong buyer demand for properties in the eastern and southern suburbs of Wellington.

The top end of the market continued to show the greatest market movement, particularly for the properties over \$700,000.

Commercial / Industrial:

CBD/Te Aro

In the inner city, over the last 12 months the Wellington office market has tightened considerably. This has resulted from a significant take-up of space with vacancies rates now around 6%, compared to 12% in mid 2000. This fall is across all quality ranges but more particularly prime and 'A grade' buildings.

Growth in Telecommunications and other high tech companies have contributed to this trend.

Another trend has been tenants upgrading to better quality space. This 'flight to quality' is evidenced by recent lettings in the Majestic Centre, IBM Tower and Mobil on the Park, where rental levels have again surpassed the \$300 per m² mark.





A particular shortage is now evident for large contiguous space over 1500m² and smaller compact tenancies under 250m².

Mid range space of 500-1 000m² is in reasonable supply although continued conversion of older stock to apartments means there will be fewer leasing options for tenants.

The only new development is Lambton Tower, due for completion in April 2002. This building is already 80% pre-leased. With no other new developments planned no' new stock will be added to the supply, for the foreseeable future, to ease current demand.

At the same time as rentals have grown we have seen a softening in expected returns, particularly for inner city office/retail blocks. A key factor appears to be a general lowering in terms of tenant security. Tenants today are looking for greater flexibility and are more prepared to shift.

Looking forward, the combined effect of these factors will cause office rentals to rise with the expectation that values of prime CBD Buildings will continue to increase in the near future.

Te Aro has continued to undergo significant rejuvenation and transformation. This is best illustrated in the key areas of Courtenay Place, Blair Street, Allen Street, Cuba Street and part of Tory Street.

The desirability of this locality will be further strengthened once the new Cinema/Retail complex in Courtenay Place and the 'New Century' retail/car pa&/apartment development in Tory Street are completed.

Previously rundown derelict buildings are still attracting premium prices. Particular interest is seen in character buildings that offer potential for apartment or 'character' office conversion.

As part of this changing face, traditional industrial premises are being forced out by alternative higher paying users, including apartment conversions. This exodus of light





industrial enterprises is to the more industrially orientated areas of Petone, Seaview, Porirua and Miramar .

Proximity to the CBD, universities and recreational facilities suggests that the Te Aro area will continue to evolve into a residential rental and service area with a lessening presence of the old traditional industrial uses.

Overall vacancy levels for office space in Te Aro have reduced as apartment conversion and refurbishment continues. Tenants are showing a preference for character space, where exposed timber floors and brick provide an attractive marketing environment. Often these are leased as a bare shell. Examples can be seen at the northern end of Tory Street and in and around Allen Street.

Investments in character space are showing good yields of around 9-10%.

In terms of industrial properties there has been strong demand in both Te Aro and Thomdon. This has been the strongest sector of the market and appeals to a more diverse range of investors.

Industrial space in Te Aro is under threat as the retail, commercial and residential sectors move in. Vacant warehousing is proving popular to owner-occupiers.

Suburban Commercial

Capital Values in outlying commercial properties have shown moderate increases during this period.

A detailed rental survey and analysis of suburban commercial properties showed that rental levels for suburban commercial retail and office premises have increased slightly since 2000.

Strong demand was seen for boutique commercial/residential property. This mix offers a lower risk to investors than the more traditional retail/office developments.





Industrial property also showed strong growth, with the exception of Ngauranga where rentals have stabilised as tenants moved to more affordable localities

Newtown, Te Aro and Miramar showed the highest value movements between 5-10% since 2000.

Industrial

Overall the value of industrial properties has shown moderate increases since 2000. This reflected a good demand from small to medium investors together with low vacancy rates within this sector of the market.

The highest increases were seen for properties in Te Aro and Newtown/Berhampore. Little or no movement was experienced in the traditional fringe industrial areas of Grenada North, Kilbimie and Rongotai.

The strongest demand and highest value increases were seen for properties under \$1Million.

Rural

The rural sector comprises mainly lifestyle properties in Ohariu Valley, Horokiwi and Takapu Road interspersed with a small number of larger properties.

This sector has shown moderate value increases since 2000.

This reflected a good demand, but limited stock for lifestyle properties close to the city. Vacant sites particularly around Horokiwi and Takapu Road continue to sell at premium levels. These areas benefit from close proximity to city services whilst also providing a country lifestyle.

Throughout the Makara District 'farms' continue to be subdivided in order to meet the ever-growing demand for lifestyle properties.





Conclusion:

The combined effect of these trends has produced an increase in the Net Equalised Value of Wellington City of 7.9% from 1 September 2000 to 1 September 2001.

3. HUTT CITY

Residential:

For the six-month period ending December 2001, 711 house sales were recorded, compared to 620 for the corresponding 2000 period – a volume increase of 14.7%.

During the same period, the average net sale price was stable at \$189,900 compared to \$191,300 for 2000. The QV House Price Index showed a 2.3% increase for the six months ending December 2001.

There is variable price movement dependent upon locality. The highest percentage increases in rateable value for 2001 were recorded in Stokes Valley, Taita, and Wainuiomata. Values at the lower end of the market have increased more. Petone is experiencing continued demand as it is now the location of WelTec, the new educational facility formed out of Hutt Valley Polytechnic and Upper Hutt's Cental Institute of Technology Demand is strong for residential rental accommodation to house students for this campus.

Commercial / Industrial:

Agents report a good level of demand for industrial property in Hutt City. This sector has seen reduced vacancy levels, some growth in rental levels together with a slight firming in yields expected by investors. Seaview is emerging as a major industrial growth area in Wellington. Rising inner city rentals and a shortage of level industrial land for development is forcing some businesses out of the city towards Lower Hutt. Seaview offers lower costs of occupation and cheaper land prices. Seaview is taking on a more mixed-use flavour and





now includes a variety of service retail, offices, light and medium manufacturing and distribution centres.

Values in the Hutt City Central Business District are fairly static. Little change is likely for Hutt ribbon shopping as retailers face continued competition from Queensgate and the planned extensions to Queensgate by Westfield. Westfield has resource consent for major retail development of approximately \$150 million that puts downward pressure on the traditional retail shopping on High Street and Queens Drive. Good retail space is in short supply especially close to Westfield Shoppingtown Queensgate, although there are vacancies of lesser quality on all shopping streets.

Woolworth's proposes to redevelop the Levene's site at the north end of the business district. This plan is stalled while waiting for an Environmental Court hearing. Also at the north end of the business district, Pak'n Save is facing 63 objections to its development plans on the High Street/Brunswick Street corner.

Petone's Jackson Street is emerging as a vibrant retail precinct. The rental levels paid are still variable along Jackson Street as leaseings are in many cases keyed to tenants' ability to pay. A lot of first floor space is modernised and converted to residential. The investment return has consequently improved for these properties. Along Jackson Street buildings have been restrengthened to meet earthquake requirements.

Conclusion:

Overall the Net Equalised Value of Hutt City increased by 8.8% from 2000 to 2001.





4. PORIRUA CITY

Residential

During the last twelve months, the property market has shown a significant increase in activity.

For the six months ending December 2001, 319 house sales were recorded, compared to 272 for the six months ending December 2000 – a 17% increase.

During the same period the average house price increased from \$202,500 in 2000 to \$208,300 in 2001.

Key trends included

⇒ Higher than average increases for lower priced properties including Elsdon, Titahi Bay, Porirua East, Waitangirua, Cannons Creek and Ascot Park.

⇒ Significant value increases for beachfront properties in Plimmerton, Titahi Bay and properties overlooking Pauhatanui inlet.

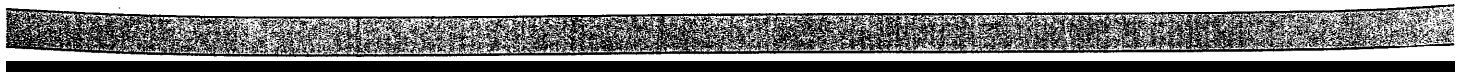
⇒ Good demand for vacant land in most localities.

Significant increases were recorded in Elsdon, Titahi Bay and Ascot Park reflecting the strong demand from first home buyers and investors alike.

Good demand was also evident for better quality homes in areas such as Whitby, Plimmerton, Pukerua Bay and Camborne.

Commercial and Industrial

Similar to other centres within the Wellington region, values within the Commercial sector have shown small to moderate value increases since 2000.





Strongest demand was seen in the industrial sector particularly in main road localities such as Kenepuru Drive and close to the Mega Centre. Higher than average value increases are seen in these localities.

This trend is further enhanced from the recent development of a new Pak 'n' Save supermarket in Parumoana Street and commencement of stage 5 of the Mega Centre development.

Recent development of the Todd Park Industrial Estate previously owned by Mitsubishi Motors will have a flow on effect within this locality.

Due to declining rental levels commercial property values in and around Cobham Court have continued to fall.

Rural Lifestyle

Rural and lifestyle properties have been keenly sought after. Blocks that offer good elevation and views are fetching premium prices. Examples of this can be seen in and around Pauatahanui Inlet.

Conclusion:

The combined effect of these trends produced a 17.5 % increase in the Net Equalised Value since 1 September 2000.





5. KAPITI

Residential

During 2001, the Kapiti Coast experienced a period of consolidation following a high degree of market activity during 2000. Similar to all other Wellington areas there was a increase in sales volume, with 474 house sales recorded for the six months ending December 2001 compared to 363 for the corresponding period in 2000 – a 31% increase.

During the same period the average house price increased from \$172,500 for the December 2000 half year compared to \$179,600 for the six months ending December 2001.

Generally strongest demand was seen for lower priced properties up to \$200,000 and for properties with water views or beach influence.

Commercial / Industrial

Demand for well-located, good quality properties has resulted in moderate value growth for property in and around Coastlands and along Kapiti Road.

Fringe areas have also shown a lift in values.

Rural Sector and Lifestyle

Within the lifestyle sector a number of 'niche' markets exist.

Strong demand has been evident in Otaihangā due to the high proportion of superior quality dwellings and close proximity to Paraparaumu.

Lifestyle blocks in Te Horo, Te Horo Beach, Peka Peka and areas close to Waikanae have also been selling well.

In contrast, less attractive lifestyle properties with limited outlook, and limited development have shown lower value increases. Nikau Valley is an example of this.





Over time the number of economic rural properties has dwindled, as these larger blocks are subdivided into lifestyle blocks.

Conclusion:

The combined effect of these trends produced a 9.3 % increase for Kapiti in the Net Equalised Value since 1 September 2000.

6. UPPER HUTT

Residential

For the six months ending December 2001, 282 house sales were recorded compared to 247 sales for the six months ending December 2000 – a 14.2% volume increase.

For the same period, the QV Price Index for Upper Hutt shows that house prices increased by 2.6%.

The highest percentage increases in rateable value for 2001 were recorded for dwellings with a value range below \$150,000. Values at the lower end of the market have increased more.

The Upper Hutt residential market is dominated by new subdivisions including Riverstone, Sylvan Estate, and Mount Marua. Agents report that many buyers are coming from out of town, as housing in Upper Hutt is seen as more affordable and better value.

Commercial / Industrial

The commercial market in Upper Hutt is generally static with still some vacancy level evident. The Environment Court declined Promall Shopping Centres' application for resource consent to build a \$120 million super-mall at Silverstream. While this has removed





somewhat of a “cloud” over the central commercial area, many central city tenancies are still on a shorter term or monthly basis.

The industrial property market of Upper Hutt has strengthened slightly with good demand reported for quality buildings that are strongly leased. For properties listed with vacant possession and with little appeal for owner occupation, prospective buyers quite heavily discount these.

Rural:

Lifestyle

On average the rateable value for lifestyle properties increased 16% over 1998 values.

Upper Hutt City rural properties are found in 5 localities; Mangaroa Valley, Whitemans Valley, Moonshine, Akatarawa and Kaitoke/Te Marua.

The lifestyle market in Upper Hutt City is directly related to location, climate, contour, soils and aspect.

This is evident in Mangaroa Valley where there is strong demand for small holdings on account of good soils and kind climate. Large good quality properties are found here and recent subdivided lots are selling well.

The Moonshine area is influenced by location, with the riding school being nearby, and the close proximity to the Hutt and Porirua cities.

Similarly, higher prices are paid for the properties in the Akatarawa Valley, particularly the city end. There is less demand for properties at the top end of the valley where the winters are cool and damp.

Due to recent subdivisions of dairy farms in Whitemans Valley, there is now a good supply of vacant lifestyle blocks within this locality. Generally these tend to sell well, with very few blocks below \$150,000.



Well-maintained properties are in strong demand and the Upper Hutt region is gaining favour as properties in Wellington & Porirua become less affordable.

Pastoral

Pastoral farming of sheep and cattle makes up the major livestock land use in the district. Mixed in with pastoral farming is specialist livestock, mainly deer, thoroughbred horses, and pigs. Most of these are on a small scale only.

Overall the Capital Values for pastoral properties increased 19% over 1998 values.

Conclusion:

Overall the Net Equalised Value of Upper Hutt as at 1 September 2001 increased 10.5% from 1 September 2000 levels.





6. WAIRARAPA

A) Wairarapa Townships

The 2001 year has generally seen another year of growth for the townships of the Wairarapa, albeit at a lesser pace than that of recent years. Generally market trends have been similar to other areas that share a similar location to Wellington, such as Horowhenua.

The prices that are being paid for properties in the townships of Greytown and Martinborough are still “healthy”, however they appear to have levelled off. Featherston has shown a small increase in value levels.

Carter-ton has shown a similar market trend to that of Levin. Typical residential properties within the town have shown a small increase in value and the peripheral area has seen continued strong growth and development.

Residential values in Master-ton Township have shown a reasonable increase on their September 1999 Rating Values.

Strong demand has continued for residential properties in coastal settlements of Castlepoint, Lake Ferry and Ngawai.

The level of activity in the commercial/industrial sectors, across the Wairarapa in general, has been low, even with the strong rural economy. The properties in these categories have generally held their value to a similar level to that of their existing Rating Value.

B) Wairarapa Rural / Lifestyle:

The general trends for lifestyle properties have continued, albeit at a lesser pace than that of previous years. Most rural-residential and lifestyle properties are showing an increase on their existing Rating Value levels.





Much of the strong demand is from the Wellington/Hutt Valley area with buyers predominantly buying bare land for building on with a view of commuting to Wellington for work. Carterton has shown increased popularity particularly as similar land in the South Wairarapa District has become less affordable.

The strongest demand has been for lifestyle blocks located closest to Greytown, Martinborough and Carterton.

Vacant blocks located within town boundaries, that can be connected to the town's water and sewerage systems, are sought after. Alternatively, buyers are giving preference to sections that already have the services provided by the vendor to the gate.

Coastal properties continue to be in high demand. Blocks with established trees, native bush or streams running through them are also in strong demand.

Rural

The 2001 year has seen this sector of the market increase significantly.

In general farmers have experienced a sustained period of record commodity prices, which has buoyed the rural land market considerably. Seldom have both sheep and beef, and dairy farmers enjoyed high levels of profitability at the same time as they have done so this season. On top of this the Wairarapa, which is prone to summer dry conditions, has just had an excellent growing season.

Horticulture

Property that is associated with either viticulture or olives continues to be in steady demand as those two industries continue to flourish. The market for most other forms of horticulture is weak with poor returns having forced many away from growing the various crops that they once did. Much of this land is experiencing a change of use to other markets such as lifestyle or dairying. This trend is similar to other parts of New Zealand, particularly Hawkes Bay and Nelson.





Forestry

This sector has been quiet in recent years as export log prices dictate the profitability of the industry.

Conclusion:

The net equalised capital values in the Wairarapa have shown increases since 2000 as follows:

Masterton	17.8%
Carter-ton	19.9%
South Wairarapa	17.6%

The Wairarapa, like most other rural areas has experience a considerable upturn in the rural economy. Most pastoral based farms have increased significantly in value. The rural-residential and lifestyle property markets have remained firm and the vast majority of the residential, in the five major towns, has either held or increased in value.

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