



## NEW ZEALAND - January 2017

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### Concern farmers' rates rise less than 'fair'

Farmers look set to take the biggest rates hit after the revaluation late last year of Dunedin properties.

With farm valuations jumping 20%, well above the overall increase of all properties at 12.8%, their rates will rise more than any other property type.

That, Federated Farmers Otago provincial president Phill Hunt said, was less than "fair and equitable", and work needed to be done sooner rather than later to adjust rating differentials to deal with the situation.

The Dunedin City Council indicated yesterday it would look into the matter, but it appeared farmers might have to wait until next year for that to happen.

A report to yesterday's annual plan meeting showed the impact of last year's revaluation of properties would affect households whose valuations increased by more, or less, than the overall city-wide increase.

Those whose homes increased in value more than the overall increase of 12.8% would pay more general rates, while those with a lower increase would pay less.

The new valuations came out late last year.

The Dunedin City Council's valuation service provider, Quotable Value, revalues Dunedin's 55,185 rateable properties for rating purposes every three years.

At the meeting yesterday, council chief executive Sue Bidrose explained what the revaluation would mean to homeowners, once the budget was completed and rates for 2017-18 were set at the end of July.

Ms Bidrose said the changes could be "complex, and difficult to understand".

When property prices rose people generally thought that meant rates would rise, but that was not necessarily the case.

Instead, the increases or decreases depended on an individual property's value rise compared to the overall rise.

Cr Mike Lord, a Berwick farmer and former Federated Farmers Otago president, raised the problems farmers faced with increasing rates and decreasing incomes.

"Most farm incomes have dropped dramatically in the last few years," he told the meeting.

"Is it time to look at the differentials?" he asked.

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Ms Bidrose said they could be considered in the next long-term plan meeting in January next year.

Mayor Dave Cull said a regular review of which sort of property paid how much in rates was "appropriate".

Mr Hunt said the organisation had been following the issue.

"Certainly we would expect the council would adjust the differential to reflect the difference."

He said farmers' incomes were under "incredible pressure" and that was not just dairy farmers.

"Rates are in some cases quite a large percentage of a farm's budget.

"Most farmers understand rates have to be paid. However, it is important that they are fair and equitable."

The report to the meeting showed the median house price in Dunedin was \$285,000.

There were 46,546 residential properties in the city paying general rates.

Of those, 80% were worth between \$150,001 and \$470,000.

There were 142 properties with a capital value of \$1.5million or more.

Included among the properties were 76 blocks of flats, community houses and cribs, 27 rest homes, halls of residence and boarding houses, five large areas of vacant land and 34 private residences.

#### **Property values drop in parts of NZ as the LVR takes effect**

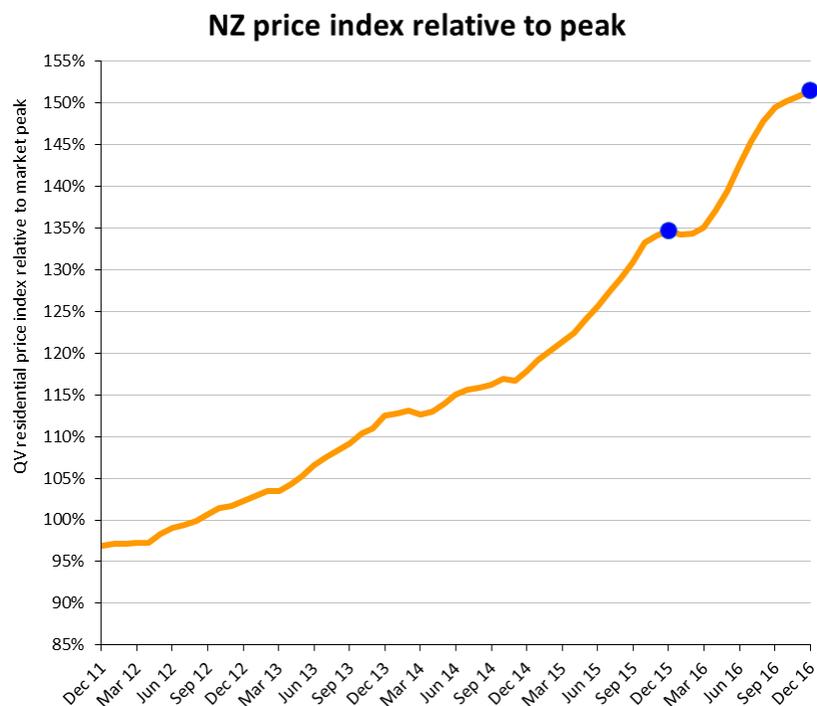
Property values drop in parts of NZ as the LVR takes effect

The latest monthly QV House Price Index shows that nationwide residential property values for December increased 12.5% over the past year. Values rose by 1.3% over the past three months and are now 51.5% above the previous market peak of late 2007. When adjusted for inflation the nationwide annual increase drops slightly to 12.2% and values are now 28.5% above the 2007 peak. The average value nationwide is \$627,905.

The Auckland market has increased 12.2% year on year which is the slowest rate since January 2015. Home values in the Super City rose by 1.5% over the past three months and are now 91.6% higher than the previous peak of 2007. When adjusted for inflation values rose 11.9% over the past year and are 62.4% above the 2007 peak. The average value for the Auckland Region is \$1,047,179.

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QV National Spokesperson Andrea Rush said, “December saw a continuation of the trend of a slowing rate of value growth, activity and demand. This trend has been seen in many of the main centres since the introduction of the LVRs, which require a minimum 40% deposit for investment properties.”

“This coupled with the annual Christmas holiday period slow-down has led to a decrease in values in some parts of Auckland, Hamilton and Christchurch since November.”

“However, in Wellington values continue to rise faster than in Auckland but at a slightly slower rate than prior to the LVRs being introduced.”

“While in Dunedin there has so far been no evident slowing in the housing market because of the new LVRs and value levels continue to increase and sales activity has remained strong throughout the Christmas period.”

“This is likely to be due to the fact the Dunedin housing market offers a much lower entry level and price point than the other main centres. Thus it’s easier for investors to find a 40% deposit to purchase there and investors have remained active there.”

“A similar trend of plateauing/decreasing values was seen in the Auckland market over the summer period last year following the introduction of the (30%) LVRs for the Super City region only.”

“In 2016, the Auckland market then picked up in March, which usually the busiest month of the year, and it’s possible we may see this happen again.”

“However, if interest rates to continue to rise during 2017 this may further reduce demand from investors and lead to a longer period of lower value growth.”

“But any slow-down will be balanced by the fact the market is still being driven by strong net migration, relatively low interest rates and a lack of supply compared to the demand, particularly in Auckland.”  
Auckland

Home values across the Auckland region overall have decreased slightly over the last month dropping by 0.4% as the impact of the new LVR restrictions take effect on the market and between November and December there has been a decrease in values in parts of the North Shore, Waitakere, Manukau and also in the former Auckland City Council eastern and southern suburbs.

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Meanwhile the Rodney District has seen the strongest growth over the past year rising 14.0% year on year and 3.8% over the past three months.

QV Auckland General Manager, Jan O'Donoghue said, "Activity and demand in the Auckland residential property market has continued to slow during December as people appear to have decided to wait until after Christmas to enter the market."

"This comes on top of the slowing in the market brought on by the introduction of the new LVR changes in the last quarter of the year which has led to price drops in some sectors of the market."

"With interest rates set to rise further during 2017, it appears some investors are choosing not to buy more property as they have lower expectations of potential capital gains during 2017."

"However, properties with sub-division potential (under the new Unitary Plan) are still selling well and achieving record prices."

"This includes properties in areas that are close to up and coming town centres and have good transport links, in suburbs such as Mt Wellington and New Lynn."

"Units that don't have sub-division potential are less popular because there is low expectation of achieving capital gains."

#### Hamilton

The rate of growth in Hamilton home values is considerably slower than it was earlier in the year with values rising 20.4% in the year since December 2015, but rising just 1.1% in the final quarter of the 2016.

Over the past month there has been a decrease in values in suburbs in Hamilton North East, South West and South East. Values in the city are now 48.0% above the previous peak of 2007 and the average value is now \$534,860.

QV General Manager, Richard Allen said, "During December the Hamilton City market became one of two different tiers with properties over \$550,000 continuing to attract buyers, but properties under \$550,000 proving much less popular."

"This is because there are less buyers competing for properties at the lower end of the market, now that many investors have left the market following the new LVR rules being introduced."

"However, this lower investor demand has allowed first home buyers to be more active in the under \$550,000 band, and with most properties now passing in at auction and selling with a price or by negotiation, it is allowing buyers to make better decisions about what to offer."

"We have also noticed an increase in the number of movers who are up-selling homes under \$550,000, and buying more upmarket properties of up to around \$700,000 with the capital gain they have made."

"In the regional towns, investors are still actively looking for properties in places such as Huntly and Otorohanga where properties are less expensive and the 40% deposit requirement has less impact on purchasing ability."

"Good prices continue to be achieved in Ngaruawahia. Hauraki Plains' towns such as Paeroa and Ngatea, are popular with Aucklanders due to lower prices and their proximity to Auckland, yet still offering entry level properties for under \$300,000."

#### Tauranga

The Tauranga market continues to rise, with home values in Tauranga City up by 24.0% year on year and 4.3% over the past three months. The average value in the city is now \$672,197. Western Bay of Plenty home values rose 23.0% over the past year but decreased by 0.6% in the final quarter of the year. The average value in the district is now \$571,520.

QV homevalue Tauranga, Registered Valuer, David Hume said, "We have seen a strong start to the year in the Tauranga housing market following on from good growth throughout 2016."

"The announcement and immediate implementation of the new nationwide LVR restrictions in July saw a cooling off in the Tauranga market especially for investment properties toward the end of the year, although agents are reporting improved interest and sales volumes in recent months."

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“Western Bay of Plenty saw good growth in 2016 as it represented better ‘value for money’ in comparison to Tauranga however value growth is slowing there now due to fewer investors being active in the market.”

“Rents have continued to increase throughout 2016, with an average three bedroom house now renting for \$100 more than it did two years ago.”

“The prestige market has shown good growth over the last six months with a number of sales in excess of \$1.5 million, on the back of a strong stable economy and cashed up Auckland buyers looking for a lifestyle change.”

“Building costs have escalated over the last two years with standard 180 square metre build costing around \$1800 - \$2,100 per square metre for an all- inclusive package and around \$2400 - \$2600 for two storey homes.”

#### Wellington

The QV House Price Index for the wider Wellington Region shows home values rose 20.5% year on year and 3.9% over the past three months and values are now 26.1% higher than in the previous peak of 2007.

The average value across the wider region there is now \$574,410. Wellington City’s western suburbs have seen the strongest growth over the past year with values rising 24.0% since December 2015 and 6.1% over the final quarter of the year.

QV homevalue Registered Valuer, David Cornford said, “The effect of the earthquake appears to have largely disappeared in the housing market but many vendors still haven’t had time to catch their breath with many planning to hold off listing their property until the New Year.”

“Strong prices are still being achieved and property values continue to increase, albeit at a slightly lower rate.”

“The investor market has slowed marginally since the middle of the year with the introduction of LVR restrictions having had an impact on this segment of the market.”

“However, first home buyers remain very active and seem to be taking advantage now there are fewer investors in the market.”

“There has been the usual slowdown in the final weeks leading up to Christmas and the first few months of next year are likely to set the tone for the 2017 property market.”

#### Christchurch

Home values in Christchurch City increased 2.5% year on year but decreased 0.3% over the past three months and they are now 30.3% higher than the previous peak of 2007. The average value in the city has now dipped below \$500,000 and is sitting at \$494,247.

“QV homevalue Christchurch, Registered Valuer Damian Kennedy said, “The residential property market in Christchurch is relatively quiet.”

“The traditional Christmas slow-down is underway as people wait until after the holidays to enter the market and this comes at a time when the new LVR changes have reduced investor activity in the market.”

“There was a boost to listings in November, but in December listings are down around 20% on what they were in December 2015.”

“Well-presented homes in the \$500,000 price bracket remain popular as do entry level homes.”

“Some first home buyers who are buying properties with parental support are finding they are being affected by the LVR changes also, as the support they are receiving from parents is at times being classed as an investment.”

“A lot of people in Christchurch are under-insured and need to increase their level of insurance. However, there appears to have been little effect in terms of people addressing this even in light of recent earthquakes.”

#### Dunedin

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Dunedin city home values have risen 14.6% year on year and 4.4% over the past three months. The average value in the city is now \$354,133.

QV homevalue Dunedin Registered Valuer, Duncan Jack said, "The LVR changes have had little effect on the Dunedin market and there has been no sign of the traditional Christmas period slow-down in the market here."

"Value levels continue to steadily increase, sales activity levels also remain strong and properties selling quickly."

"There is anecdotal evidence at the end of last year of multiple offer scenarios and high numbers at open homes continuing to be commonplace."

#### Hawkes Bay

Napier home values continued to see strong growth rising 20.7% year on year and 5.5% over the past three months. The average value is \$415,189. Hastings values rose 20.0% year on year and 5.4% over the past three months. The average value there is now \$387,133.

QV homevalue Hawkes Bay, Registered Valuer Bevan Pickett said, "Investor activity dropped dramatically during December, with out-of-town investors appearing to have left the market."

"The Christmas slow-down started in early December, however as yet the reduction in activity has not led to any drop in values but value growth does seem to be levelling off."

"First home buyers are more active, with less investors around giving them less competition for entry level properties and leaving more properties for first home buyers to choose from."

At the low end, interest in investment type properties seems to have dropped significantly, but there is still activity from first home buyers keeping that end of the market ticking over".

"The mid-price bracket of between \$300,000 and \$400,000 is showing the most activity and the market is still going well at this point despite out of town investors no longer being active here."

"Sales are good and well-presented and well-priced properties are selling well. New properties in new sub-divisions are also selling well."

"In the Hawkes Bay a new, 200 sqm home with a garage usually sells in the range of between \$550,000 and 700,000. At the top end of the market values rarely exceed \$1.3 million."

#### Nelson

Nelson home values are now increasing at a faster rate than Auckland up 16.6% year on year and 4.8% over the past three months. The average value in the city is now just shy of half a million dollars and is sitting at \$499,866. The Tasman District also increased by 14.4% over the past year and 5.0% over the past three months. The average value in the district is now also just shy of half a million dollars and is sitting at \$499,082.

QV homevalue Nelson Registered Valuer Craig Russell said, "Property values continue to rise in the Nelson/Tasman region given the low interest rate environment, strong regional economic performance and anecdotally strong migration to the region."

"There is traditionally limited sales activity over the Christmas break and it will be interesting to see whether the property market has the same impetus it had through the latter stages of 2016."

"Nelson listing numbers have increased over the previous three months while Tasman District listing numbers have remained relatively stable."

"We appear to be entering the fear of missing out (FOMO) stage of the property cycle which combines the perception of always increasing property prices and idea that interest rates will remain relatively low."

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“House and land packages remain a popular option given there are incentives to build new and increase the housing supply. This has resulted in sections being relatively hard to come by and an increased wait time for the building process to commence.”

#### Other Provincial centres

In the North Island, the Kaipara District is one of the stand-out performers with values up 27.8% year on year and 8.0% over the last quarter of the year as buyers continue to look north of Auckland for more affordable property. The Hauraki District is also up by 30.0% year on year and 8.8% over the past three months, again due to movers and investors looking south of Auckland for more affordable property. The Kawerau District is now up 60.2% year on year and 17.0% over the last quarter of the year, as the average home value there jumped from \$110,062 in December 2015 to \$176,324 in December 2016.

In the South Island, most areas have seen values continue to rise over the past year apart from in the Buller District on the West Coast where values decreased slightly by 1.9% since December 2015.

The strongest performers were Queenstown up 31.6% year on year and the MacKenzie District up 25.0% year on year.

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