

# THE IMMIGRATION REBOUND

Welcome to the latest edition of Bayleys' View magazine for the Otago, Central Otago, and Southland regions as we pivot into the winter season coming off the back of a very active period for the residential property markets in the lower half of the South Island.

April sales data from the Real Estate Institute of New Zealand shows that several locales in the lower South Island saw healthy 12-monthly lifts in residential property pricing values. These sub-market districts include:

- The Queenstown-Lakes district - up 15.5 percent from \$970,000 in April 2022 to now sit at \$1,120,000
- The Gore district - up 3.3 percent from \$368,000 in April 2022 to now sit at \$380,000 and
- The Central Otago district - up 1.2 percent from \$720,000 in April 2022 to now sit at \$730,000

As a whole, the median property price in the Otago region rose by 3.2 percent year-on-year - up from \$659,000 in April 2022 to \$680,000 in the same month this year.

Headlining the sector, the strength of Queenstown's residential property market is spotlighted in the latest research data collated by real estate statistics monitoring firm QV. The latest QV House Price Index out recently shows that nationally across New Zealand, property values fell by 4.5 percent over the first four months of 2023.

Queenstown however was the only one of the country's main urban centres to record positive home value growth - with an average increase of 2.8 percent across the sales inventory.

Queenstown's residential property market continues to be the best performing region in New Zealand. Queenstown is a highly desirable place to live. There is an abundance of employment opportunities, an outstanding lifestyle, great travel connectivity to the rest of New Zealand, a strong tourism sector, and quality retail and hospitality choices.

These attractions, when combined with tight constraints of land availability, particularly close to the central business district, or the newly created suburban areas, have combined to underpin property values in and around the Queenstown Lakes District.

Elsewhere across the Central Otago and Southland regions, the residential property market is showing its resilience - with signs that we may have reached the turning point in the current property cycle.

In the Cromwell, Alexandra, Clyde, and Roxburgh areas, the open home attendance rate, along with email enquiry levels has lifted in the last month. At this stage, prices are holding steady or have dropped slightly - with buyers looking to purchase existing properties rather than build new ones.

Enquiry about Cromwell properties is steady from purchasers all over New Zealand who are looking to shift to Central Otago. The market is short on property priced under \$1million but there is a strong demand for \$1million - \$1.5million three and four-bedroom homes with good sheds or garages. The local mountain bike trails are helping to increase the popularity of property in the area.

Over in Arrowtown, we are forecasting that prices will hold over the coming winter due to low stock levels, and that time of year when sellers are not keen to bring their properties to market. Sales volumes should remain at normal levels for this period of the year.

The high-end market is showing reasonable activity, with interest out of Auckland and the East Coast of Australia. Arrowtown will remain a desirable location to live in, as more and more people discover the beauty and tranquillity of the town - which provides a safe community with an alpine village to reside in.

In the area's biggest population hub, Dunedin, the supply of stock in the

residential property market in the first quarter of this year has been relatively high - with buyers having plenty of choices. Vendors have accepted the shift in market conditions, and we anticipate this will be reflected in sales numbers over the next six months.

Buyer enquiry has been strong for well-presented and marketed properties - with clearance on these properties sitting well above the rest of the market. With construction of the new Dunedin Hospital and Otago University projects currently underway, the expected demand for housing will likely bring opportunities for residential property investors... and the wider local economy.

First home buyers are more active in the market, and vendors are more realistic with price expectations.

In Gore, the market has outperformed major centres with its house price index, which has been largely stable over the past 12 months. We expect a good level of demand in the market over the coming 12-months. Interest from the North Island is increasing - with buyers attracted by Gore's affordable cost of housing, availability of employment, and appealing lifestyle.

Down in Invercargill, inventory levels having returned to their long-term average - presenting an opportunity for buyers looking to take advantage of the lower prices... and less competition.

The immediate outlook is for modest fluctuations in the median sale price for dwellings across the city. The strong buyer enquiry for homes priced below \$500,000 is punctuated with around two-thirds of sales being below \$500,000 in the first quarter of this year.

Sales counts in the region were down 6.5 percent year-on-year, and properties are still spending a longer amount of time on the market than they were in April last year.

Owner-occupiers are the most active buyer pool. Those who are cashed up



## GROWTH AND PROSPERITY FOR GENERATIONS TO COME

are in the best position to buy. Just north of the city in Winton, the residential property market has experienced a dip, but certainly no dive in terms of sale prices and time on the market. Winton's residential property sector experienced substantial but controlled gains over the past five years rather than volatile peaks during the pandemic.

The demand for rental properties is exceeding the stock available, which is reflected in steady rental price growth. We encourage those looking to start, or grow, their rental property portfolio to do so in Winton. Being central to both Invercargill and Northern Southland, Winton is positioned as a prime location for both families and agriculture/trades workers.

In the hustle and bustle of Wanaka, there continues to be a lot of activity - with more than 320 listings. Buyers are actively looking, and we are seeing more conditional offers being made. With a mixed bag of properties on the market, some are selling quickly, with back-up offers, and others are slow... taking up to three months.

In the past 12-months there has been an increase of buyers coming from the North Island - making up 31 percent of total sales, which is in-line with the trend towards more cross-regional activity.

One of the fundamental drivers of the residential property market throughout New Zealand, immigration, has rebounded strongly from pandemic levels. This is giving an underlying positivity to investors in the Otago and Southland real estate markets.

The latest provisional data from StatsNZ for the year ending February 2023 shows there were 152,900 migrant arrivals to

New Zealand - up 195 percent on a year ago - and 100,900 migrant departures. That equates to a net gain of 52,000 migrants, which compares with a loss of 19,900 people in the year to February 2022.

Both the number of arrivals and departures are above the long-term average for pre-COVID-19 Februaries. The net gain is roughly in the same area as it was before the pandemic - in February 2019 for example there was a gain of 49,512 migrants and in February 2018 it was 51,866.

"This is consistent with migration patterns before the COVID-19 pandemic, where New Zealand usually had an annual net migration loss of New Zealand citizens and an annual net migration gain of non-New Zealand citizens," says StatsNZ. "There have been 11 consecutive months of net migration gains of non-New Zealand citizens from April 2022, amounting to 69,600."

International migration was heavily impacted from early 2020 by COVID-19 restrictions, including the closure of borders. In 2022, New Zealand began relaxing these rules, with the border fully opening to all visitors and international students last August.

So as the Otago, Central Otago, and Southland regions prepare themselves for the coming chillier months, with one eye on the rising number of migrants coming into the region from both internal and external locations, the team of sales professionals at all of Bayleys branches across the Lower South Island look forward to assisting you in taking the next step in your home purchasing process.

Or alternatively, helping you crystallise the capital growth which has been achieved

on your real estate asset over recent years. Whichever side of the property fence you sit on, the Bayleys team is here to assist.

Regards  
David Gubb  
Director



### REGIONAL MANAGEMENT TEAM



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