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TONY ALEXANDER

Regional Property Insights

NOVEMBER 2022



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Introduction

Welcome to the latest issue of Regional Property Insights for 2022, prepared by Tony Alexander with the support of First Mortgage Trust.

In a recent issue of the weekly publication Tony's View, I presented data showing what New Zealand's population would be now if the pandemic had not happened, assuming growth at the average pace of the previous two decades. The answer is that some 75,000 people are "missing" from the country with Auckland's population down 71,000 but many locations gaining far more people than expected.

In this month's Regional Property Insights I look at the main local authorities in each region and show where the excess people exist and where there are people missing. One cannot blindly assume that the next 2-3 years will see populations revert to where they would otherwise have been. But the data and graphs may give food for thought regarding whether recent construction levels or even house price changes in various local authority areas might be excessive.

As with all the material presented in RPI, my aim is to provide information which can be collected up over time and used as input into one's property purchase and divestment decisions.

Previous issues of Regional Property Insights are available [here](#).

[First Mortgage Trust Articles](#)

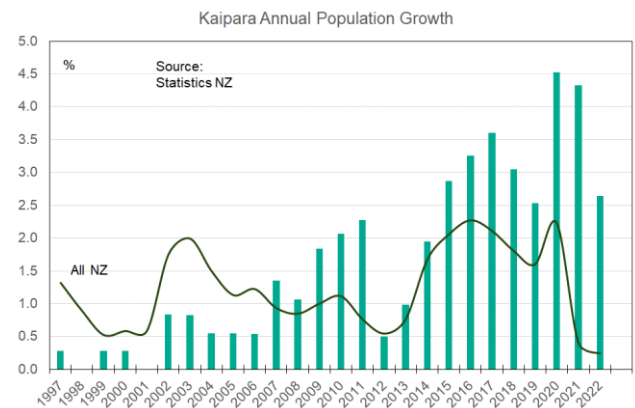
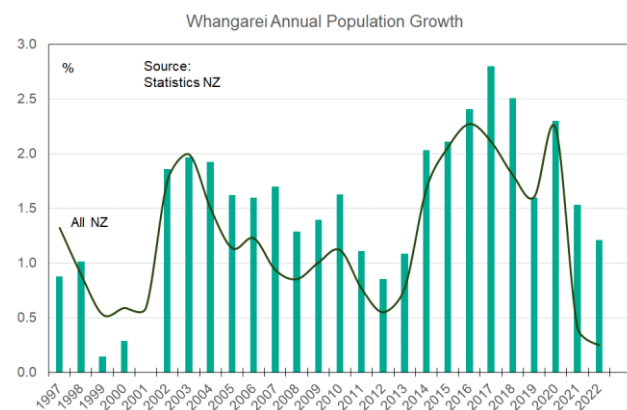
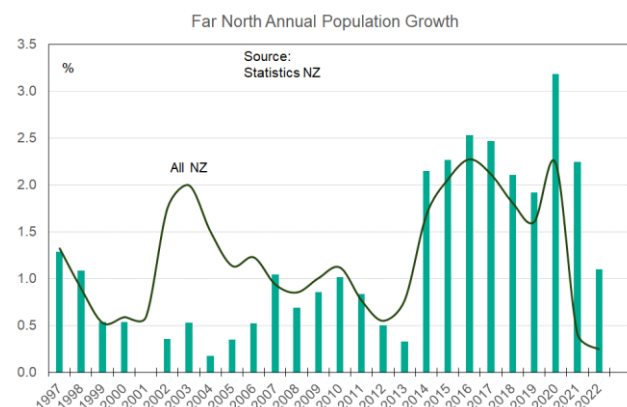
Further extensive discussion of house price movements and factors affecting prices can be found in the weekly Tony's View publication available from www.tonyalexander.nz

Northland

Strong population growth

There are three local authorities in the Northland region, so we have space to present graphs for each. The first point to note is that unlike New Zealand's cities there have not been any population declines in the past two years.

Second, Kaipara is one of only five locations to have experienced faster population growth in the year to June 2022 than the year to June 2019.



Third, Kaipara has been achieving well above NZ average population growth since 2015 – or 2007 if we ignore the temporary pause in the population burst over 2012 – 2014.

The Northland region has gained and is expected to continue to gain population from predominantly older Aucklanders cashing up and moving north from the rat race. The recent 17% decline in average Auckland house prices compared with just a 2% decline for the Northland region suggests there will be a slowing in this flow soon, however. In addition, the strong out-performance by the Northland local authority areas during the pandemic may partly reflect some people shifting earlier than planned.

If so, then an easing in the relative outpacing is imminent. However, if such a pause in relative growth occurs it is likely to be only short-lived.

This table shows for each Northland area the extent to which population growth in the past three years was beyond that which could have been expected based on an average of the previous two decades.

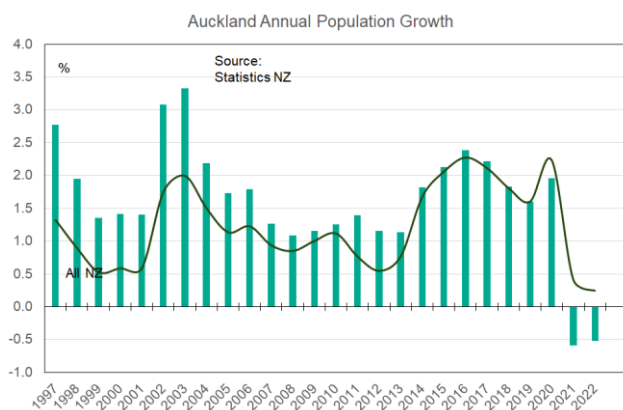
	Excess population	
	3 year %	# people
Far North District	1.8	1256
Whangarei District	-0.3	-297
Kaipara District	5.0	1217
New Zealand	-1.5	-75124

Auckland

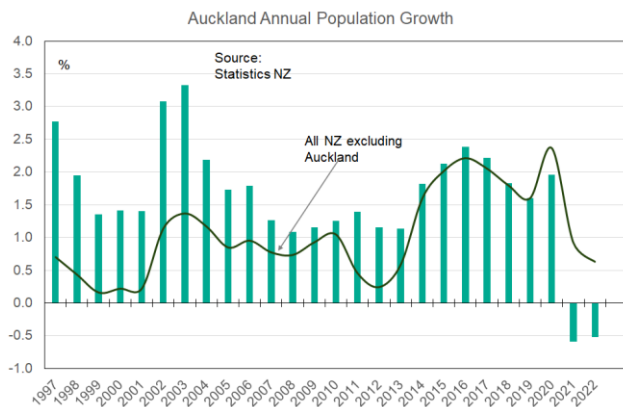
A shrinking population

Auckland population data is not available at the old seven city/district level - just for the 21 local board areas. There are too many areas to analyse there, so instead we will look just at the Auckland region data.

Our standard graph shows that Auckland's population has shrunk by 0.5% in the June 2022 year and 0.6% the year before. The mid-2022 population is 71,000 or 4.2% lower than could reasonably have been expected had long-term trends continued. Only Mackenzie District and Queenstown Lakes have worse pandemic period outcomes.



Perhaps some better insight is provided by comparing Auckland with non-Auckland NZ rather than the country overall.



The recent under-performance of Auckland becomes more stark. This situation of falling population reflects three factors at work. First, Auckland is a city of

migrants and closure of the borders has deprived the city of its main source of population growth. Second, some older people have taken the pandemic as incentive to accelerate their long-term plans for cashing up in Auckland and shifting elsewhere.

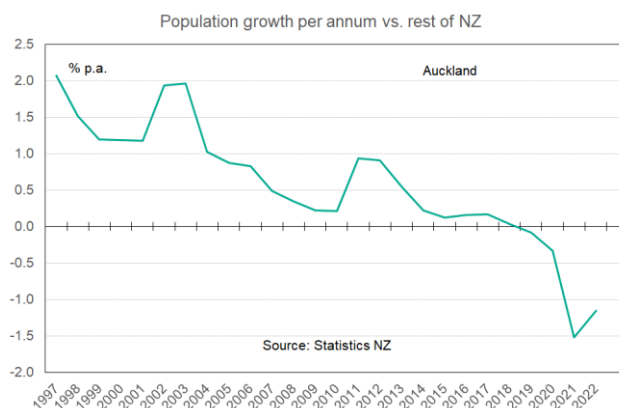
Third, some working people now able to work from home have shifted to locations with cheaper accommodation.

Note in the following table how Auckland accounts for almost all the country's net population growth under-performance during the pandemic-affected period.

	Excess population	
	3 year %	# people
Auckland	-4.2	-71453
ex Auckland NZ	-0.1	-3884
New Zealand	-1.5	-75124

Will Auckland soon return to superior population growth? Maybe given that the loss of Kiwis to attractive jobs offshore will occur throughout all the country, but migrants coming in will likely continue to concentrate in Auckland.

However, the following graph shows Auckland's annual population growth out-performance over the rest of the country. A downward trend to this extra annual growth has been underway since at least 1997. The out-performance ended before the pandemic started.

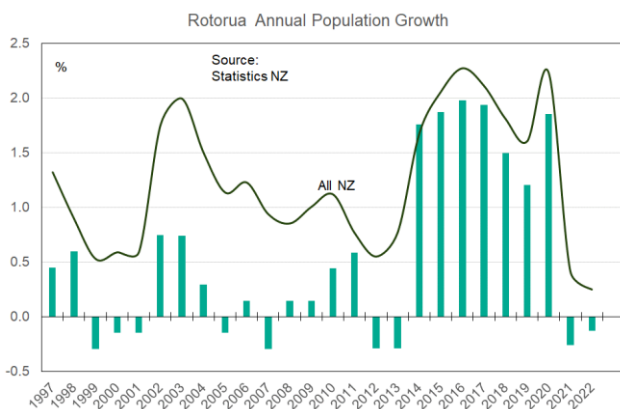


Maybe an assumption of average growth is best for now.

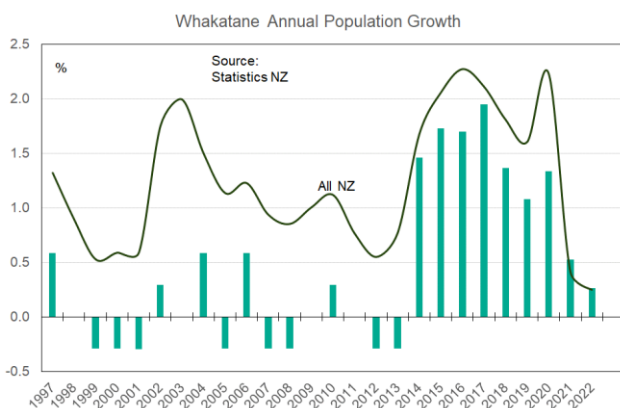
Bay of Plenty

Aging population impact

There are seven local council areas in the Bay of Plenty and we show here the relevant annual population growth graphs for each. A key point to note is that only one area, Rotorua, has seen falling population these past two years. Before one perhaps jumps to the conclusion that this is because of the handover of motels to social housing, it pays to note the following. After Queenstown Rotorua is the location most affected by the absence of foreign visitors during the pandemic. Hence, the population loss is not necessarily surprising.

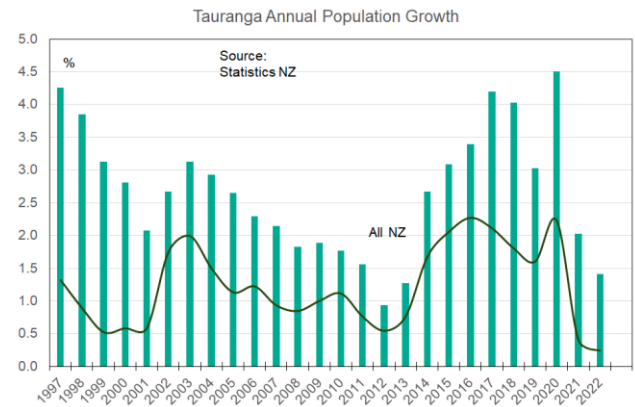


Only Whakatane has seen population growth recently at about equal to the national average.

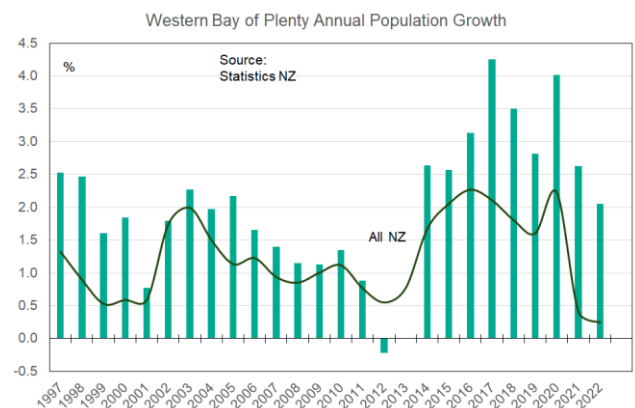


In all other five locations population growth has been quite strong compared with the country's overall experience these past two years.

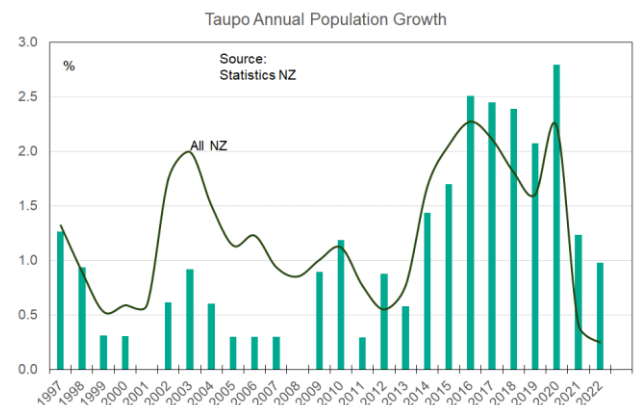
Of note is the ongoing excess population growth in Tauranga – something likely to continue with an aging population.



Western Bay of Plenty is also a long-term out-performing area.

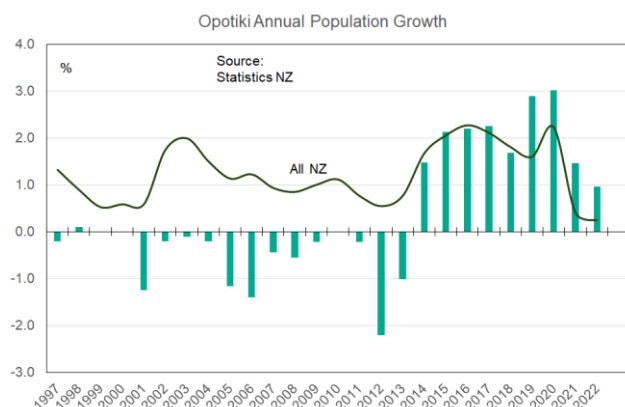
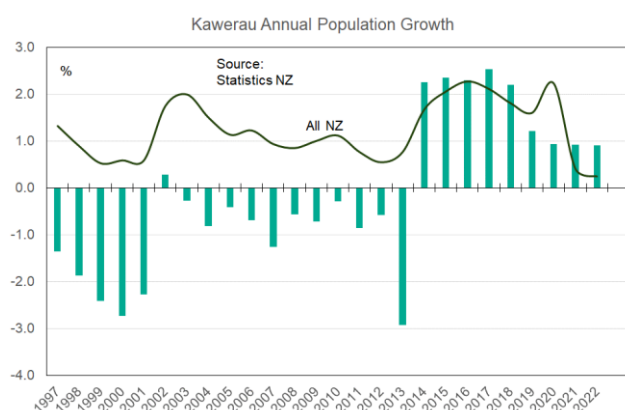


Taupo is relatively strong but perhaps a tad remote and bereft of seawater for many.





Kawerau has been somewhat of a favourite for many investors in recent times looking for bang for their buck amidst tighter lending conditions. But it would pay to give thought to the sustainability of the extra population growth since 2015 which was assisted by the regions starting their price catch-up with Auckland. What happens when that relative catch-up has ended – as it probably has?



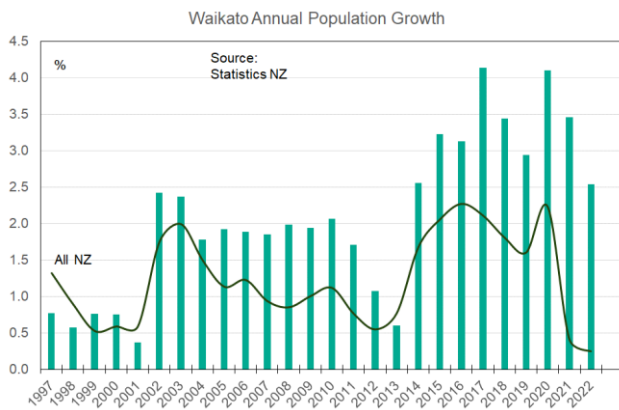
This table shows excess population growth beyond expectations in the past three years in percentage and rough number of people terms.

	Excess population	
	3 year %	# people
Opotiki District	2.8	275
Western Bay of Plenty	2.7	1462
Taupo District	0.4	171
Tauranga City	0.3	512
Kawerau District	0.3	25
Whakatane District	-0.6	-212
Rotorua District	-1.7	-1324
New Zealand	-1.5	-75124

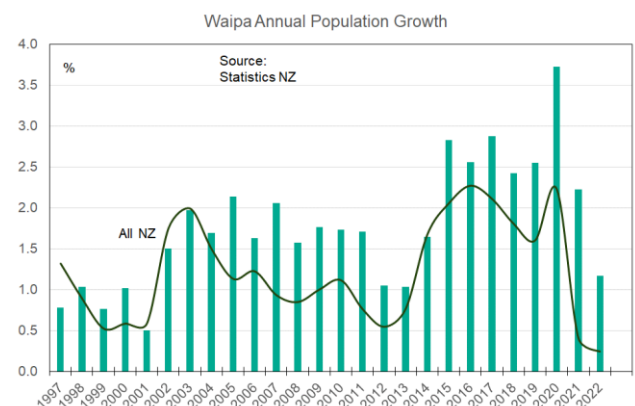
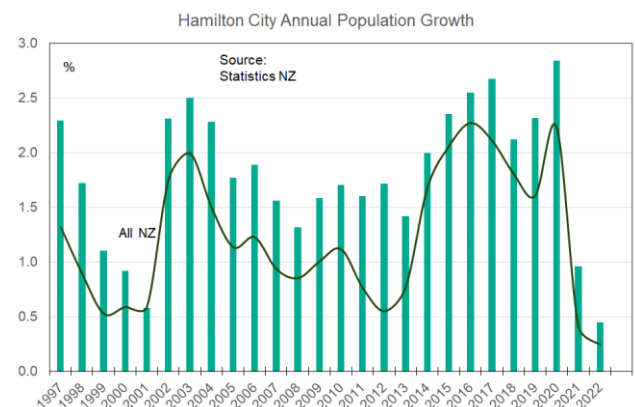
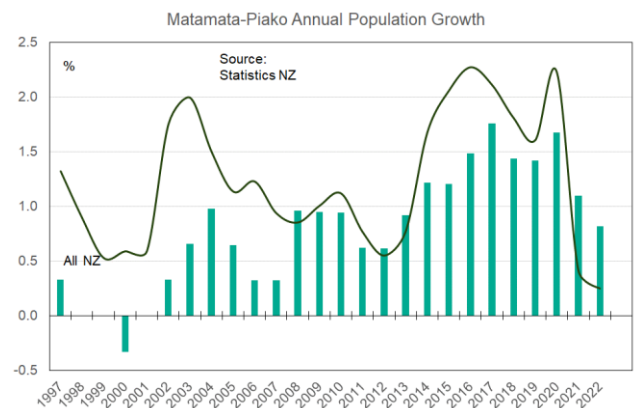
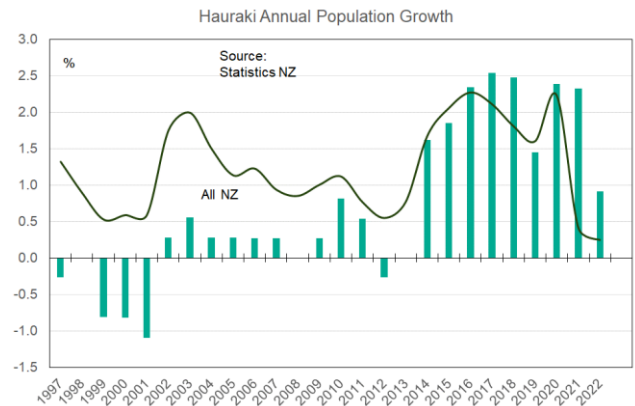
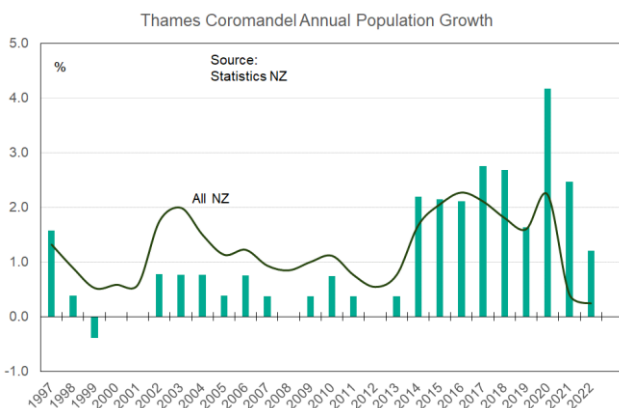
Waikato

The Auckland spillover does not reach all

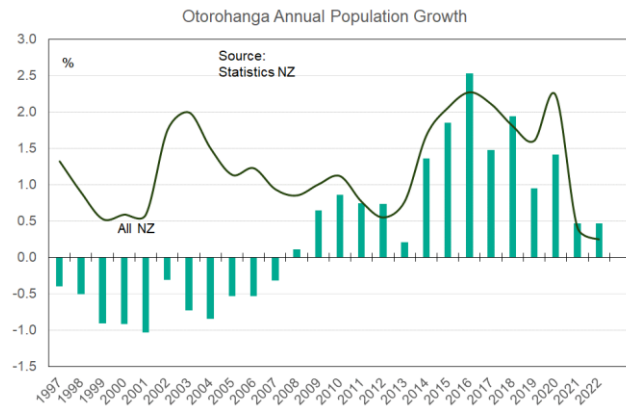
There are 10 local council areas in the Waikato region and just enough space to include a graph for each. Taupo is covered above. Population growth has been persistently strong in Waikato District for a long time. This is highly likely to continue as a spillover from Auckland's growth and the expressway development.



The following five areas show firm population growth but not to the same extent as Waikato. All continued to grow during the pandemic. Note the initial surge in Thames-Coromandel.



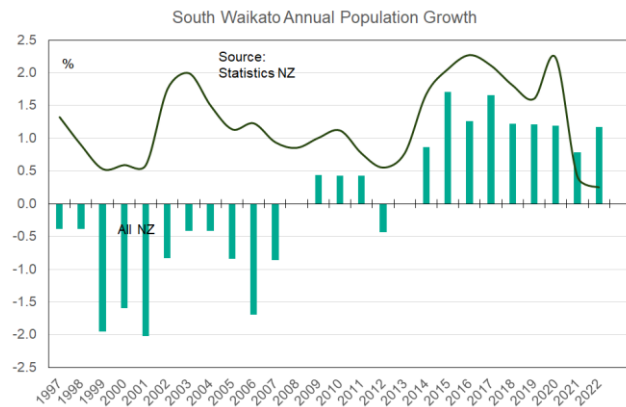
The next three are the under-performers. Otorohanga has done reasonably well since 2009 and did not shrink recently.



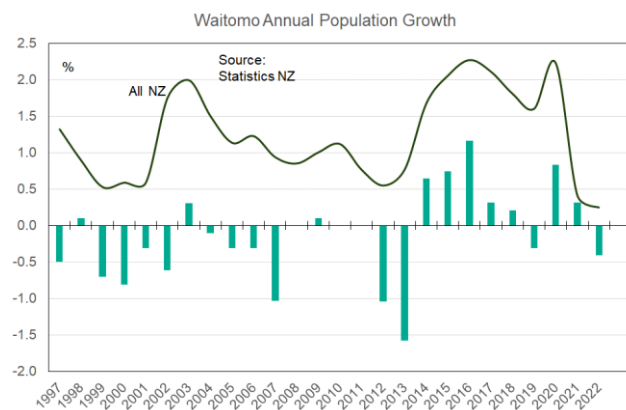
Excess population

	3 year %	# people
Thames-Coromandel	3.5	1097
Waikato District	3.0	2394
Hauraki District	1.7	359
Waipa District	1.2	650
Waitomo District	0.7	66
South Waikato District	0.7	170
Matamata-Piako District	0.1	53
Otorohanga District	-1.4	-152
Hamilton City	-1.8	-3182
New Zealand	-1.5	-75124

South Waikato has out-performed the country for two years in a row which is unusual. A continuation of this seems very unlikely.



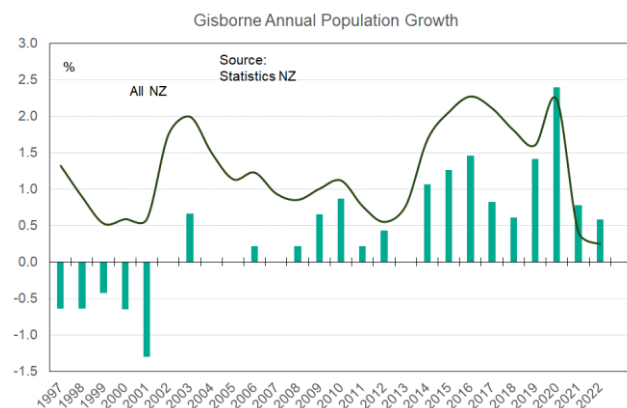
The Waitomo District barely registers any growth and has experienced a population decline recently.



Gisborne

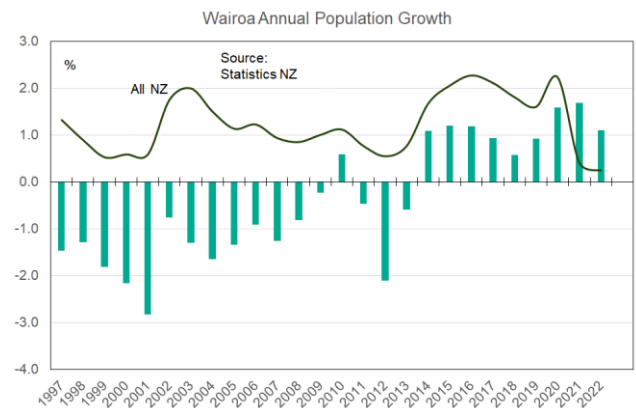
Out-performance likely temporary

There is just the one local authority area in the Gisborne region. Our standard graph this month shows that the region has recently experienced population growth slightly faster than the NZ average. But outside this special pandemic period the region grows more slowly. That situation is likely to return again very soon, especially as some of the recent growth out-performance will reflect people cashing up and shifting to the region slightly earlier than had been in their long-term retirement plans.



Working from home may have played a role, but it is likely to be a small one. Working from home largely means not having to be in the office five days a week but instead three or thereabouts. Doing so from Gisborne requires flying to Auckland largely and finding accommodation over at least two nights. That can be costly.

Technically, Wairoa falls within the Hawke's Bay region. But we have space here so here it is.



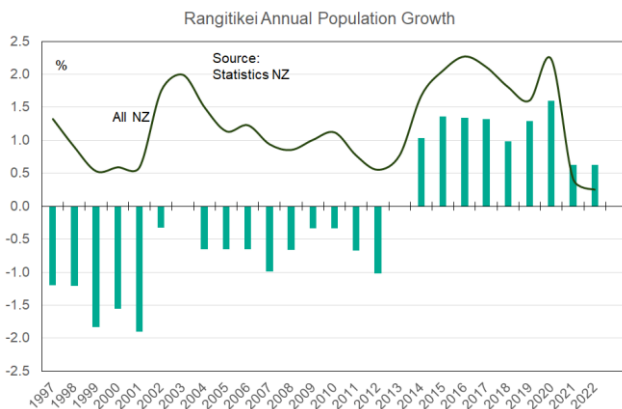
As is the case with Gisborne, Wairoa's population historically grows at a slow pace. In the past two years growth has been better than average. But this is highly unlikely to continue. Perhaps it is noteworthy however that the impact of the pandemic on Wairoa's population growth rate has been quite muted.

	Excess population	
	3 year %	# people
Wairoa District	3.4	303
Gisborne District	1.3	675
New Zealand	-1.5	-75124

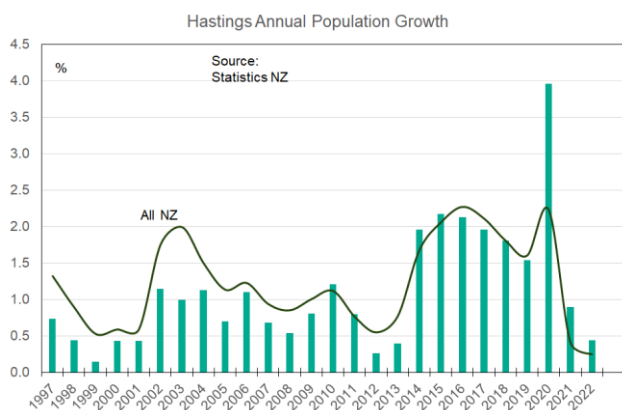
Hawke's Bay

Aging population of benefit

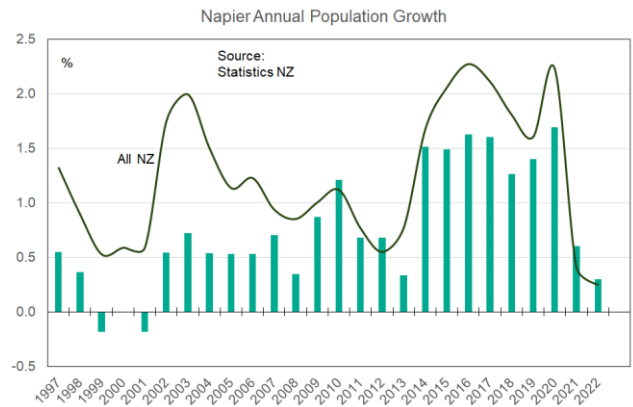
The Taupo and Wairoa areas have already been covered above which leaves these four local council locations in Hawke's Bay. Rangitikei has a history of population growth below the NZ average and the recent out-performance is unlikely to be sustained.



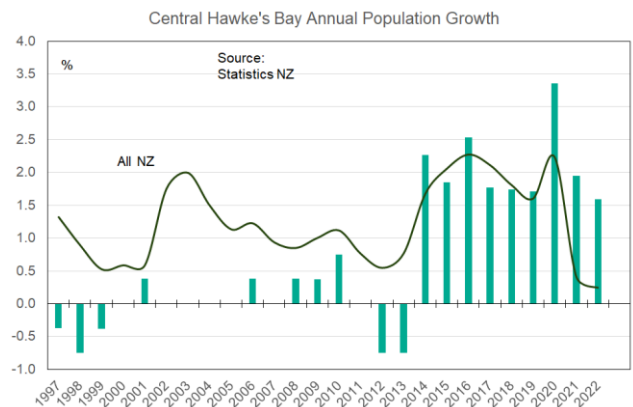
Hastings tracks traditionally at about the NZ population growth rate. There was a sharp spike in the year to June 2020 but that eased off quickly to only slightly above average growth in 2021 and 2022 June years. Will growth return to the firm pre-pandemic rates? Probably given the aging population and the traditional place of Hastings as a retirement destination.



We can make the same comments about Napier, though the immediate pandemic population spike was far less strong than for Hastings.



Central Hawke's Bay is one of the very few locations in the country to reveal essentially no population growth impact from the pandemic. An aging population suggests this dynamic could easily continue.

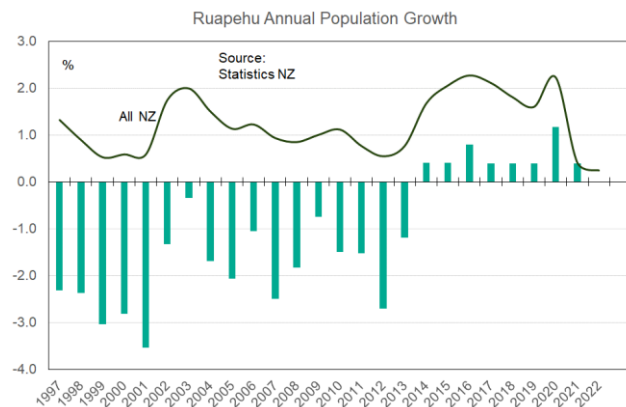


	Excess population	
	3 year %	# people
Central Hawke's Bay	3.7	553
Rangitikei District	1.3	201
Hastings District	1.1	934
Napier City	-0.9	-604
New Zealand	-1.5	-75124

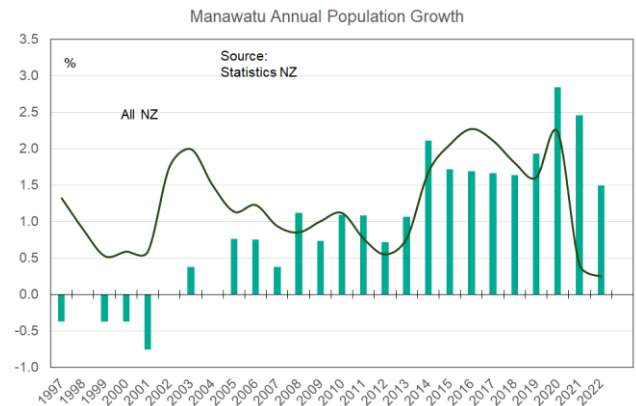
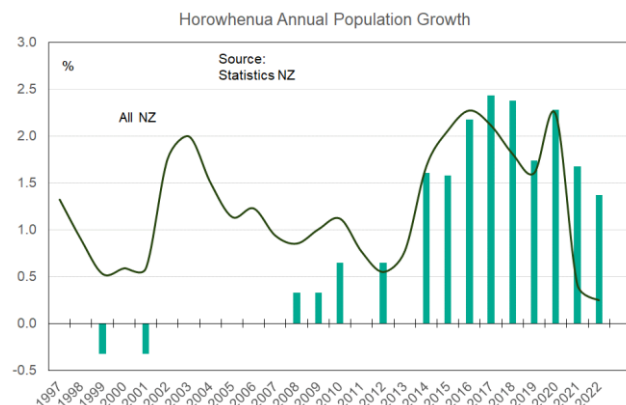
Manawatu-Wanganui

All but Palmerston North boosted

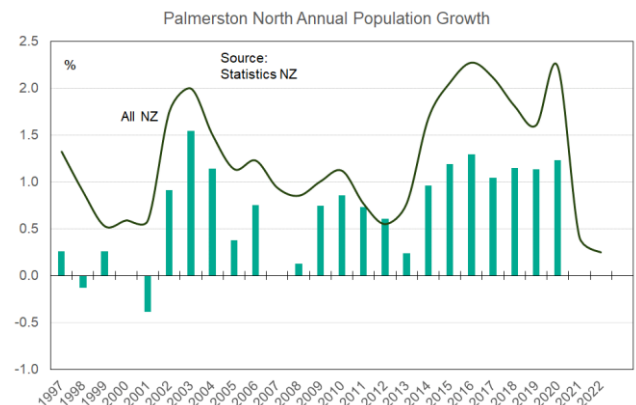
The Ruapehu District has about 359 extra people as a result of the pandemic. But the recent near cessation of the traditional gap between the district's population growth rate and that for the country overall is unlikely to continue.



Horowhenua and Manawatu districts have firmly benefitted from the pandemic but the challenge now will be maintaining good population growth near the NZ average as the early retirement and shift of first home buyers for affordability effects wane.

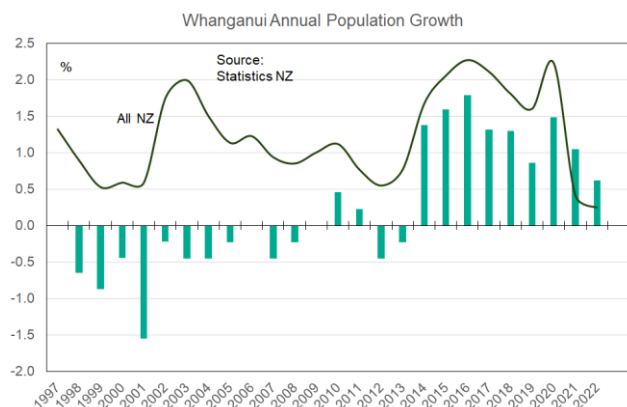


Palmerston North is reported as having no population growth since 2020. The consistency of the numbers makes one think that some statistical analysis may be missing, especially in the context of many anecdotes regarding people shifting to the city. Lack of foreign students may be a factor and if so the reopening of borders should see a growth rebound.





Wanganui has seen its population growth hold up reasonably well through the pandemic. But unless net migration inflows boom again, which seems unlikely, the only slightly below average population growth rates from 2014 may not soon return.



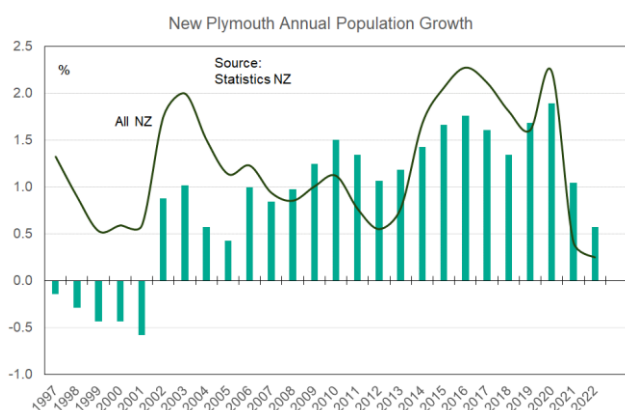
	Excess population	
	3 year %	# people
Ruapehu District	2.8	359
Manawatu District	2.5	803
Horowhenua District	1.5	511
Wanganui District	0.7	335
Palmerston North City	-1.5	-1361
New Zealand	-1.5	-75124



Taranaki

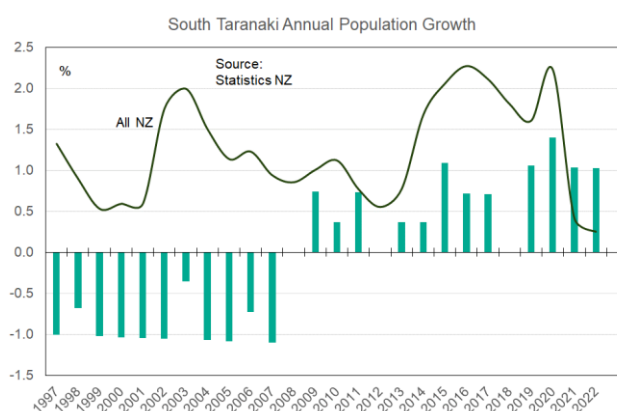
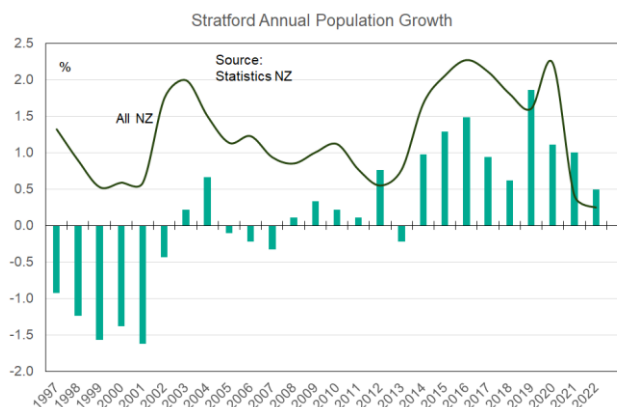
Underlying slow growth

The Stratford and South Taranaki local council areas have gained some extra people as a result of the pandemic. But New Plymouth has a population about 700 smaller than if the long-term rate of growth had continued. The Taranaki region is far less affected by international tourist flows than much of the rest of the country. So, reopening the borders will not provide much stimulus. The land is also already heavily developed, and farming sector expansion seems not highly likely, especially given the proposed emissions controls.



Taranaki also has not surfaced as much in discussions about shifting to the regions as other locations – unfounded rumours about the Prime Minister notwithstanding.

In Stratford and particularly South Taranaki, population growth traditionally sits well below the national average. It seems reasonable to expect that this relationship will soon restore itself and the out-performance of these two locations will not persist.



	Excess population	
	3 year %	# people
South Taranaki District	1.9	536
Stratford District	0.2	21
New Plymouth District	-0.8	-700
New Zealand	-1.5	-75124

Wellington

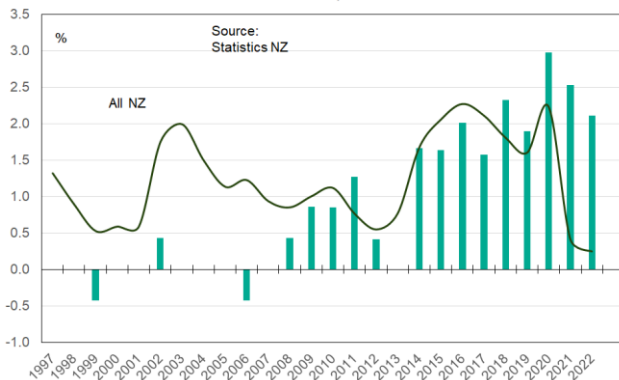
Extremely diverse pandemic impacts

The three Wairarapa local council areas which fall into the Wellington region have seen firm population growth continue during the pandemic period, though only Masterton has received an extra special population boost beyond what might otherwise have been expected based on long-term trends – some 1,000 people.

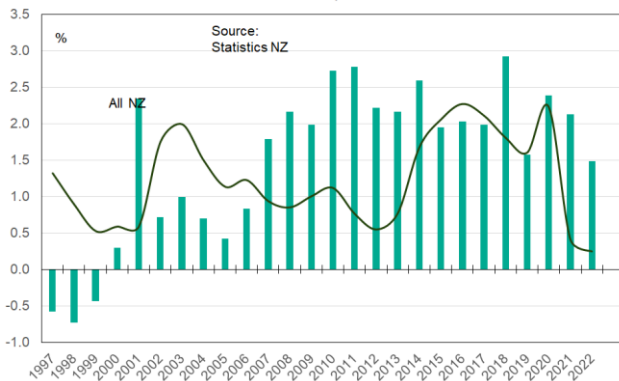
Excess population

	3 year %	# people
Masterton District	3.7	1000
South Wairarapa District	0.8	91
Tararua District	0.2	39
Lower Hutt City	-0.1	-107
Carterton District	-0.8	-75
Upper Hutt City	-0.8	-376
Kapiti Coast District	-1.4	-760
Porirua City	-1.4	-832
Wellington City	-2.9	-6270
New Zealand	-1.5	-75124

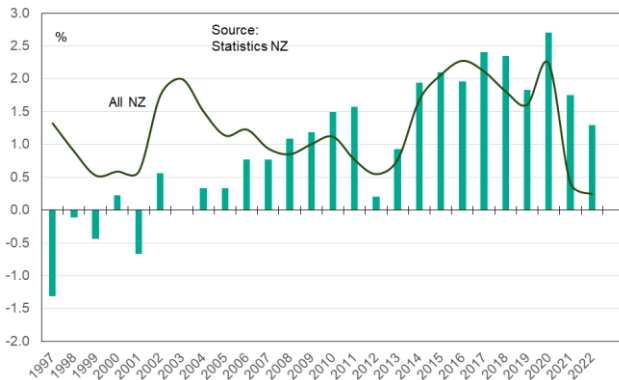
Masterton Annual Population Growth



Carterton Annual Population Growth

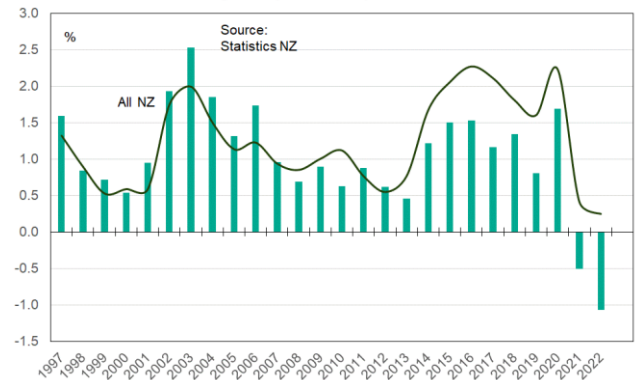


South Wairarapa Annual Population Growth



But at the other end of the spectrum from Masterton lies Wellington City which has shown the fifth worst population performance relative to trend in these past three years. Some 6,270 people are “missing”.

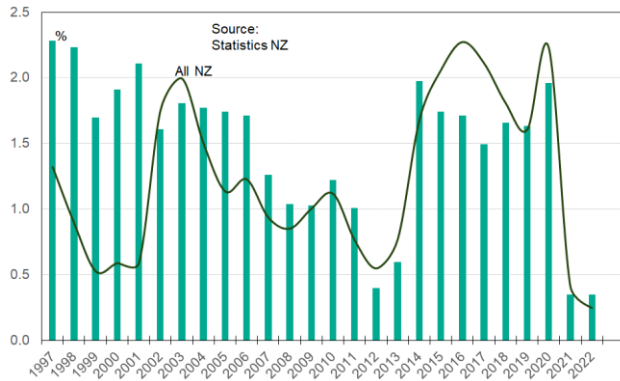
Wellington City Annual Population Growth



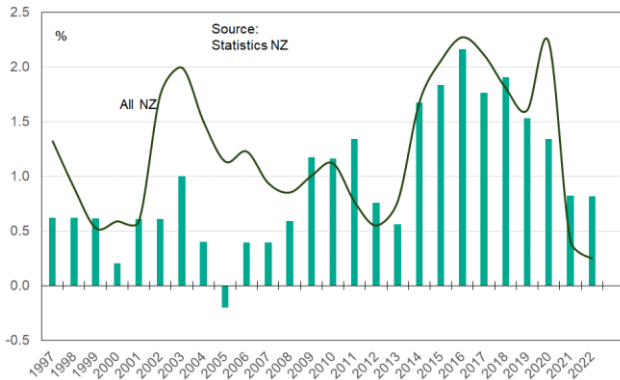
Note the actual decline in Wellington City’s population of 1.1% in the year to June 2022 and 0.5% the year before.

The other four main parts of Wellington region have also seen some people “disappear”, but nowhere to the same degree.

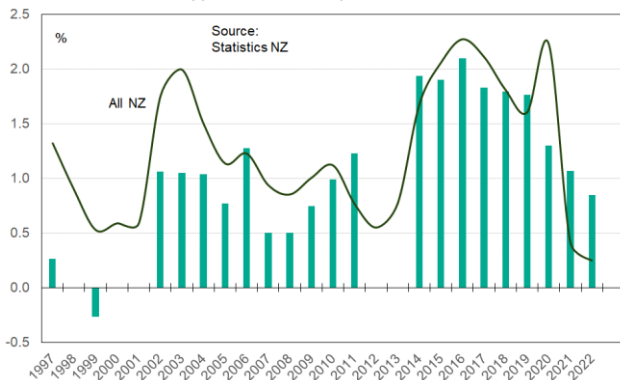
Kapiti Coast Annual Population Growth



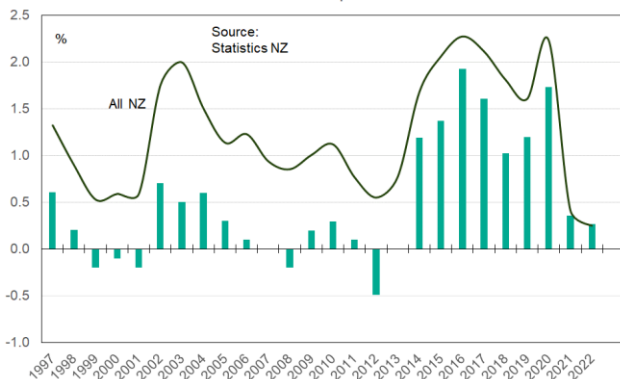
Porirua Annual Population Growth



Upper Hutt Annual Population Growth

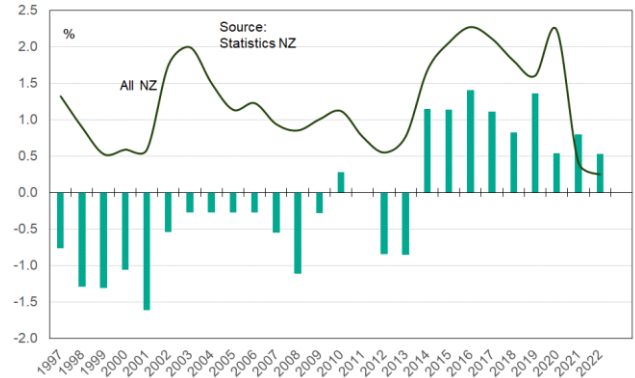


Lower Hutt Annual Population Growth



That leaves the Taranaki District for which we can see that a small gain above trend has been recorded.

Taranaki Annual Population Growth

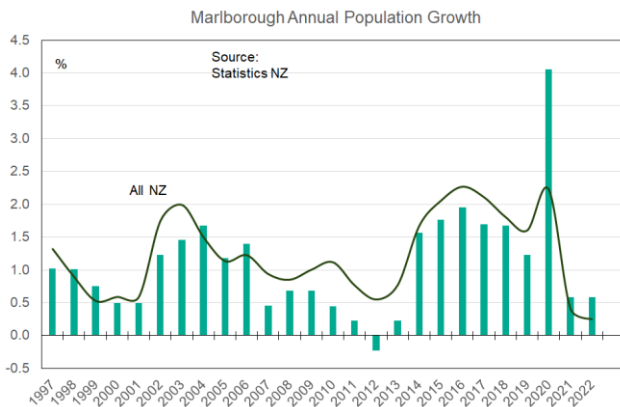
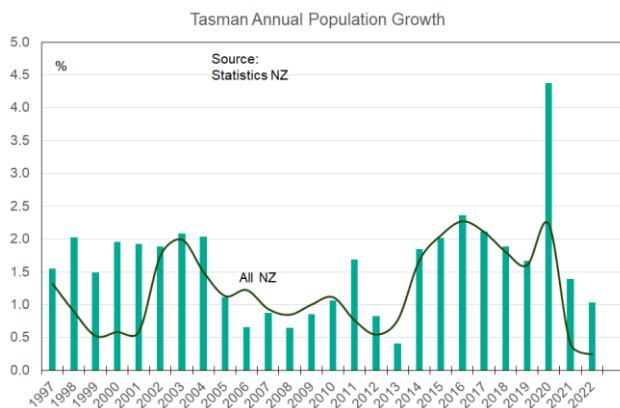


Nelson, Tasman, Marlborough

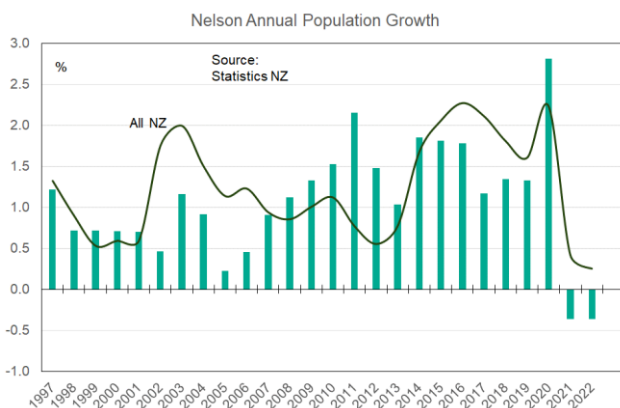
Two out of three ain't bad

The distinguishing characteristic of the three top of the South Island council areas is the surge in population over the year to June 2020 as the pandemic struck.

Tasman and Marlborough managed to keep on growing after that surge.



But Nelson did not.



The result is that for the Tasman and Marlborough areas populations now are over 1,000 above what they would have been without the pandemic.

In contrast, Nelson is about 1,379 people smaller with population shrinkage of 0.4% in each of the past two years.

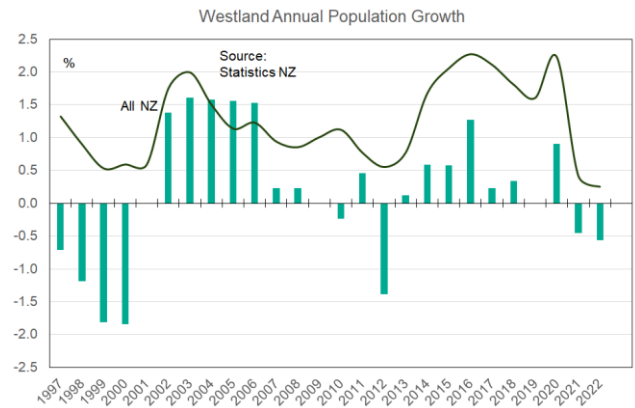
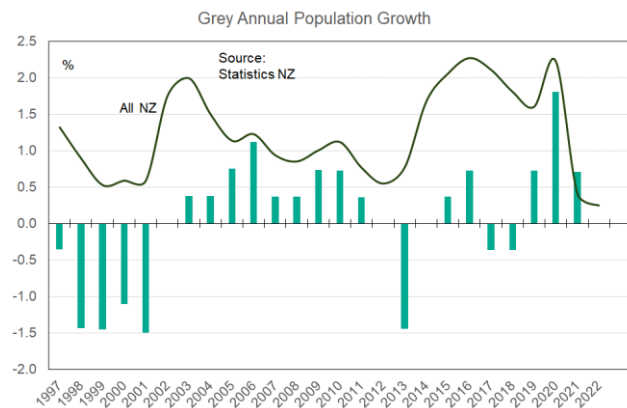
	Excess population	
	3 year %	# people
Tasman District	2.2	1183
Marlborough District	2.1	1039
Nelson City	-2.6	-1379
New Zealand	-1.5	-75124

As noted in this publication many times before, Nelson is constrained by a lack of developable and residential zoned land. Marlborough and Tasman (flatter) are not.

West Coast

Pandemic surges very temporary

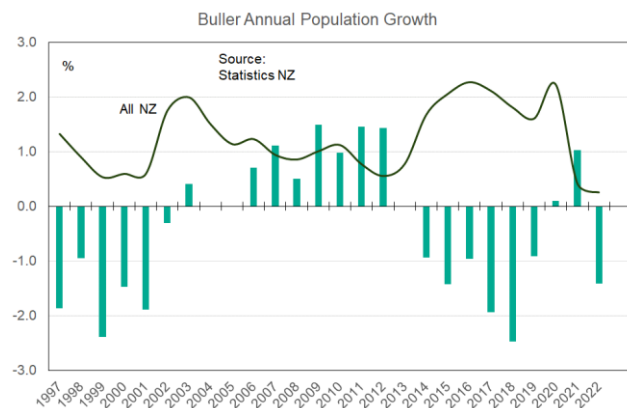
There are three council areas on the West Coast. The Grey District is middle amongst them and received a boost to its population beyond what long term trends would suggest during the pandemic.



	Excess population	
	3 year %	# people
Grey District	2.3	319
Buller District	1.1	111
Westland District	-0.7	-62
New Zealand	-1.5	-75124

But the recent growth is unusual by the location's standards and although border reopening will boost the tourism sector, low population growth looks likely going forward.

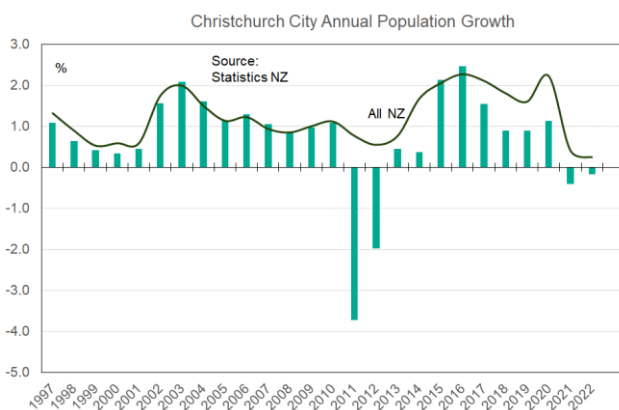
In the Buller and Westland districts populations have fallen recently and outright shrinkage is the underlying trend. For Buller this is perhaps accentuated by flooding in Westport.



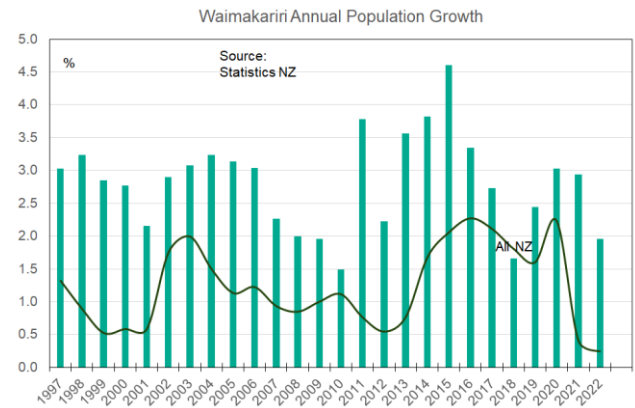
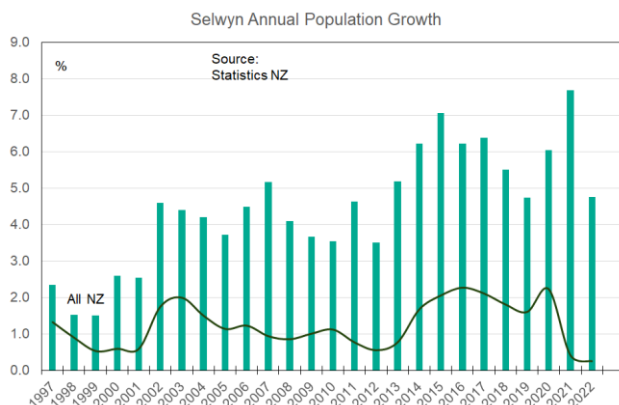
Canterbury

Earthquake impacts evident

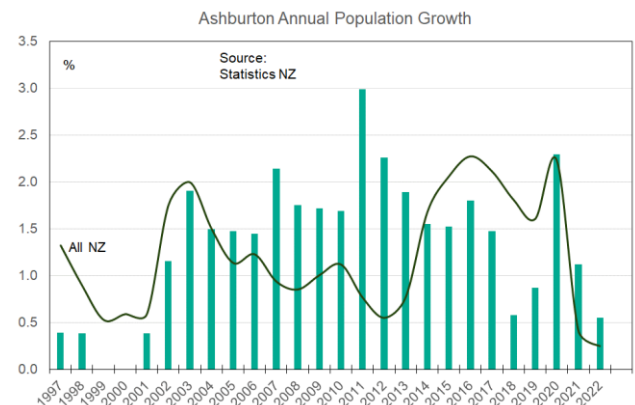
There are ten local council areas in the Canterbury region, plus I am putting Chatham Islands here but discussing the Mackenzie District in the Queenstown section. The most unique graph amongst all presented in this month's RPI is for Christchurch City. It shows the population decline post-earthquake of early-2011. Population has shrunk again these past two years.



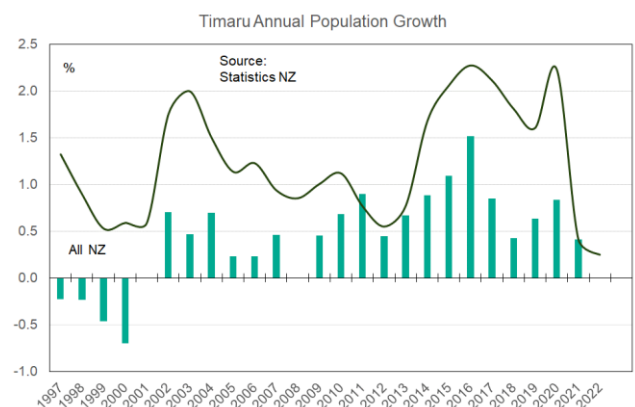
However, affordability of housing in Christchurch, rejuvenation of the inner city, and the return of tourists with a full post-earthquake recovery still due suggest that a return to population growth near the NZ average is likely soon. Because of the earthquake and longer running roading infrastructure developments, areas like Selwyn have enjoyed an ongoing population surge. Waimakariri is also showing strong population growth.



Ashburton enjoyed a post-earthquake boom which has faded. The recent out-performance of NZ population growth is unlikely to continue.



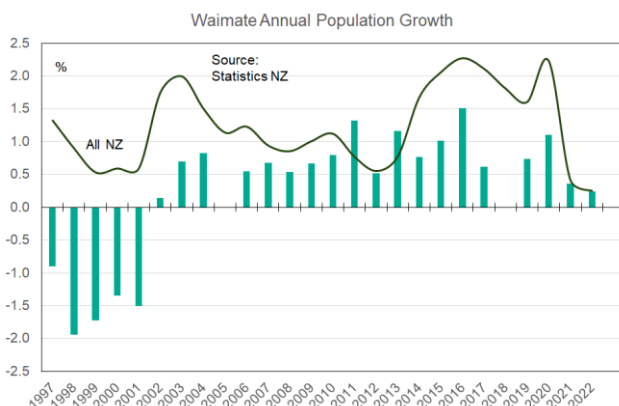
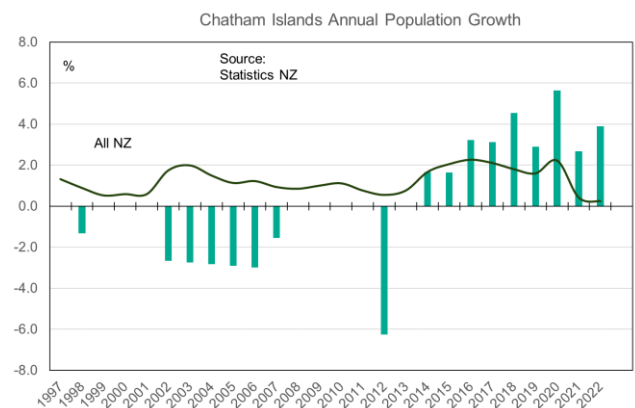
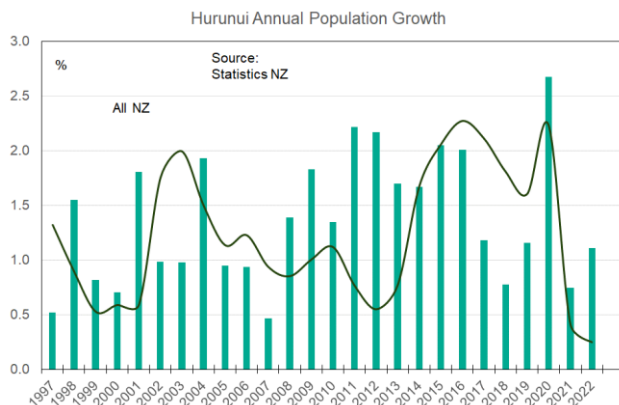
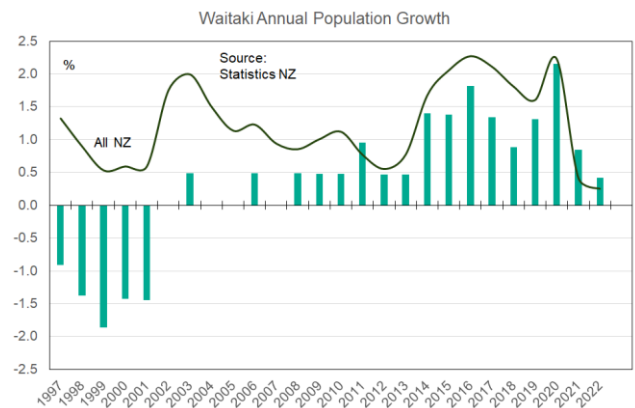
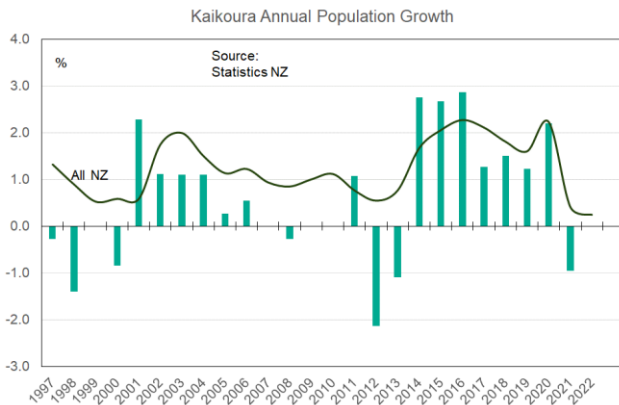
Timaru benefitted less from the earthquake than more nearby Ashburton for which roading development will also deliver a growth advantage going forward.



Growth in the Mackenzie area has been negatively affected by the closure of the borders to tourists.

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Graphs for the other areas follow. Note the recent weakness in Kaikoura – affected by earthquakes as well as the absence of visitors.



The pandemic has boosted populations in only three Canterbury areas including the Chatham Islands.

	Excess population	
	3 year %	# people
Chatham Islands Territory	9.4	67
Selwyn District	3.7	2468
Waitaki District	0.3	69
Hurunui District	-0.3	-39
Christchurch City	-0.7	-2656
Waimakariri District	-0.8	-490
Waimate District	-0.8	-68
Ashburton District	-1.0	-341
Timaru District	-1.2	-561
Kaikoura District	-1.8	-75
New Zealand	-1.5	-75124

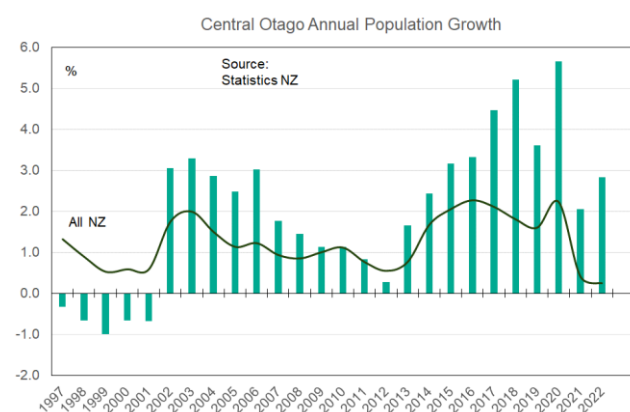


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Dunedin City/Otago

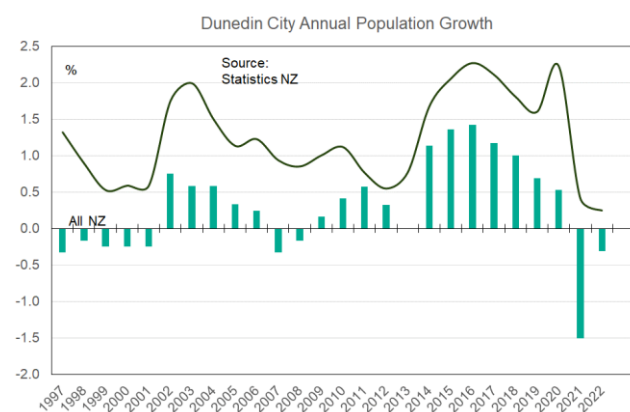
Many people absent from Dunedin

The Central Otago area has enjoyed firm population growth for the past two decades and has grown faster than its long-term pace over the past three years as shown here.

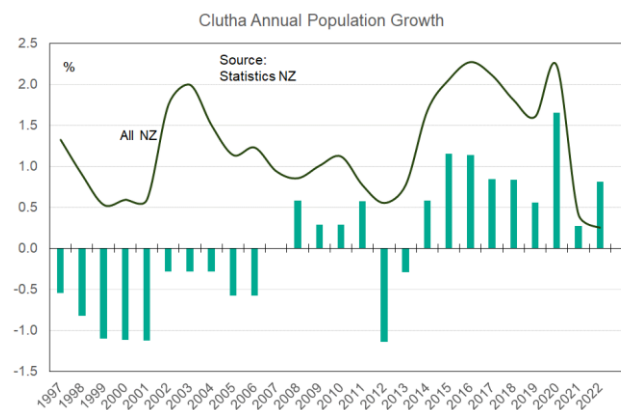


This dynamic looks likely to continue.

Contrast this situation with that for Dunedin City where the population shrank 1.5% in the June 2021 year and 0.3% in the June 2022 year.



In fact, as our table shows Dunedin has lost about 4,900 people due to the pandemic. There was not a movement from the other cities for early retirement living as has benefitted many other smaller parts of the country. Absence of foreign students will have given a downward bias to the recent population growth rates and there may be scope for some recovery now the borders are open again.



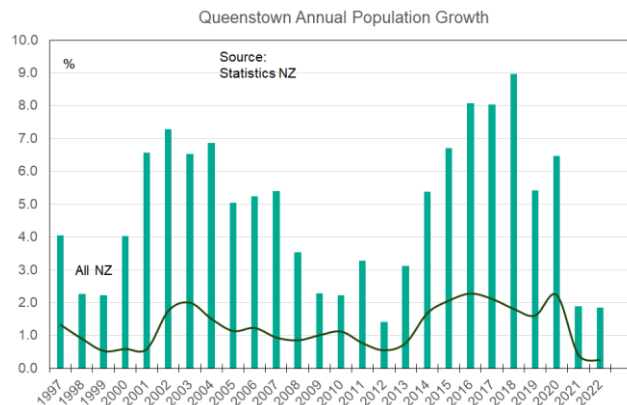
	Excess population	
	3 year %	# people
Central Otago District	3.0	701
Clutha District	1.4	253
Dunedin City	-3.7	-4901
New Zealand	-1.5	-75124

Queenstown Lakes

A substantial pandemic effect

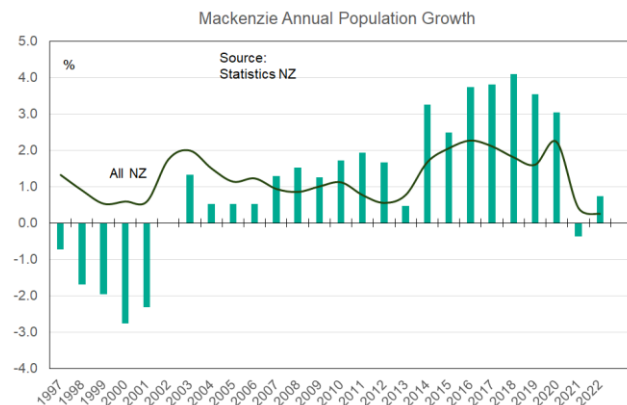
Even with the pandemic and closed borders depriving Queenstown of its key economic sector – tourism – the rate of growth in the Queenstown Lakes District has remained positive. However, growth has been far lower than long-term averages and running the numbers we can calculate that some 2,374 people are missing. This 5.3% under-performance is the greatest for all NZ locations tracked here.

The old population growth rate is likely to re-establish itself soon, with some long-term underpinning from the aging population.



This has taken some pressure off the housing market for now, but also left the location bereft of staff now that visitor numbers are rising again.

In the Mackenzie District population growth has similarly collapsed, with a worse performance for the June 2021 year with shrinkage of 0.4%.



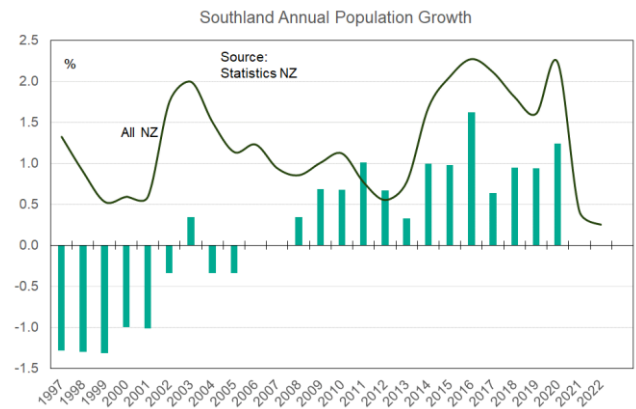
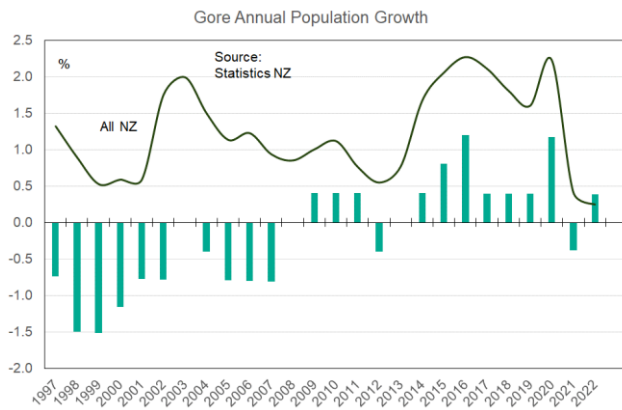
Excess population

	3 year %	# people
Mackenzie District	-4.6	-243
Queenstown-Lakes	-5.3	-2374
New Zealand	-1.5	-75124

Southland

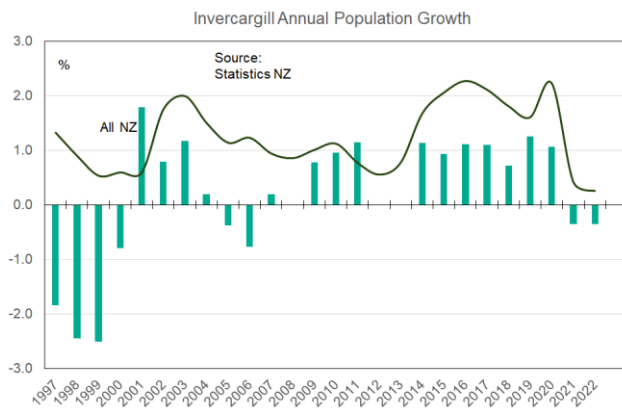
No regional benefit evident from the pandemic

There are three council areas in Southland. Gore tends to grow faster than Invercargill and has certainly outperformed over the past two years.



	Excess population	
	3 year %	# people
Gore District	0.0	-4
Southland District	-1.4	-450
Invercargill City	-2.1	-1214
New Zealand	-1.5	-75124

But this out-performance is only relative, and the calculations presented in our table further on show that some people are still missing from the June 2022 population if the long-term growth rate had been achieved and the pandemic had not happened.



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This publication is written by Tony Alexander, independent economist. You can contact me via LinkedIn or email tony@tonyalexander.nz

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Caroline Olagues
Auckland
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Cameron McLachlan
Auckland
cameronm@fmt.co.nz
027 544 5569



Lawrence Russo
BOP / Waikato /
Central North Island
lawrencer@fmt.co.nz
027 573 5554



Mark Beams
Wellington /
Lower North Island
markb@fmt.co.nz
027 544 5561



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TONY ALEXANDER Regional Property Insights

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