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TONY ALEXANDER

Regional Property Insights

NOVEMBER 2023



Contents

Introduction	2
Northland	3
Auckland.....	4
Bay of Plenty	5
Waikato.....	6
Gisborne.....	7
Hawke's Bay	8
Manawatu-Wanganui	9
Taranaki	10
Wellington.....	11
Nelson, Tasman, Marlborough.....	12
West Coast	13
Canterbury	14
Dunedin City/Otago	15
Queenstown Lakes	16
Southland	17



Introduction

Welcome to the November issue of Regional Property Insights for 2023, prepared by Tony Alexander with the support of First Mortgage Trust.

In this month's Regional Property Insights I look at graphs which may help people get a feeling for whether the area they are looking at making a purchase or sale might display a level of prices well above or well below some concept of trend. In my experience, no single measure gives deep insight into where prices will actually head. But when we put various gauges together, we can get a feel for where the probabilities might suggest greater or lesser scope for price change than in other locations.

So, this month I look at the long-term trend in prices for each region versus the country as a whole. This is an exercise undertaken here every few months and regular readers should note that these measures based on 12-month averages do not shift all that quickly. That is not surprising because they focus on long-term cyclical developments and not the quick ups and downs which tend to dominate media headlines.

I also include graphs for this measure at the local authority level. These are the graphs which I publish in my Tview Premium weekly publication on a rotating basis from the top of the country to the bottom over a two-month period.

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.

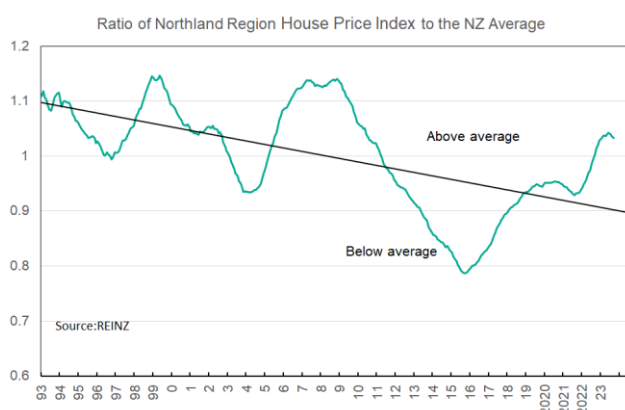
Previous issues of Regional Property Insights are available here. [First Mortgage Trust Articles](#)

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

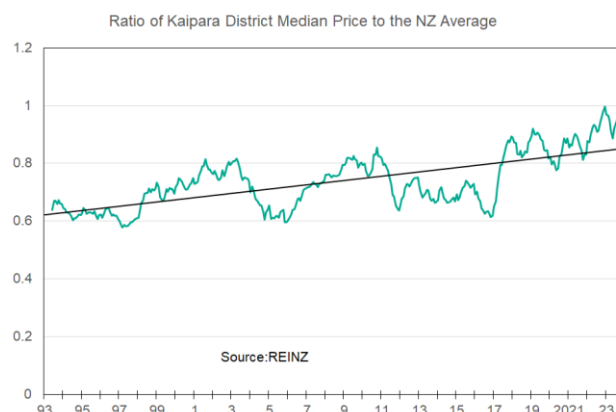
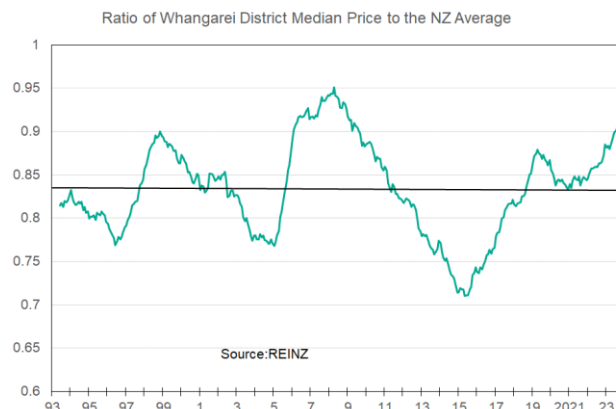
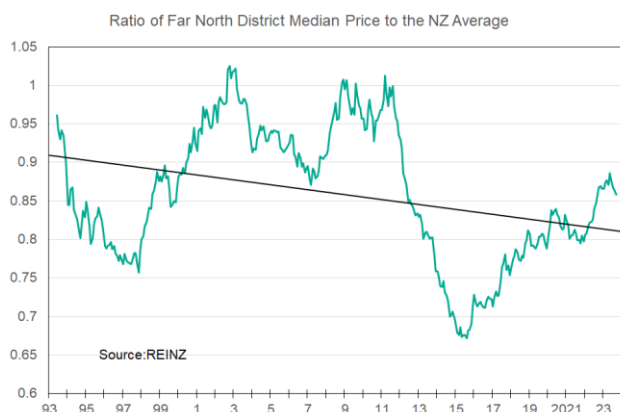
Northland

A strong price run from 2016

The Northland property market has displayed stronger than average growth in house prices since 2016, apart from a small pause over 2021. Prices are well above the long-term trend suggested by the black straight line, but not so much above if one runs a horizontal line through.



There are three local authority areas in the Northland region and the graphs for their prices relative to NZ on average are now shown here. All three are above average but Kaipara District less so.

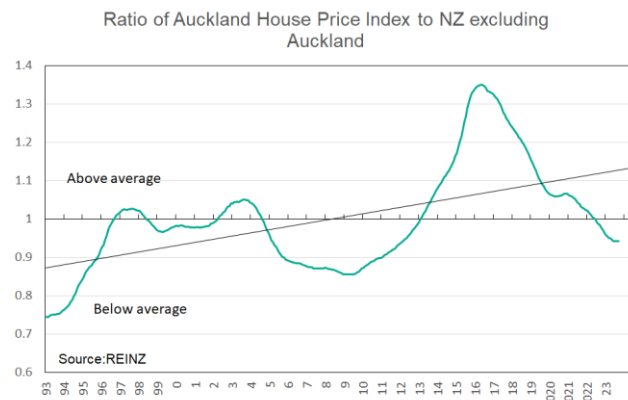


Northland's housing market tends to follow Auckland's which is strengthening quite well now. The region has capacity to benefit to an above average degree from retiring Baby Boomers. Gen Xs will join in from 2030 and probably sooner.

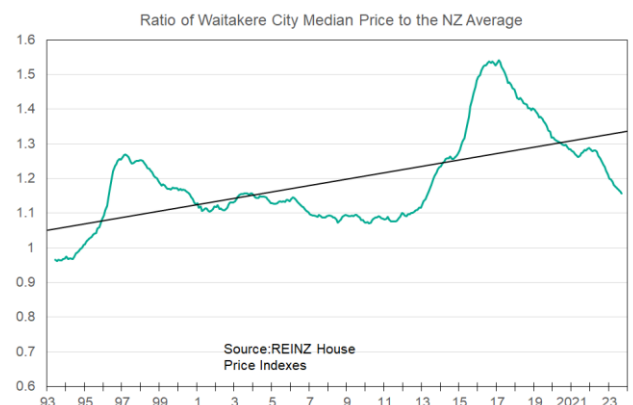
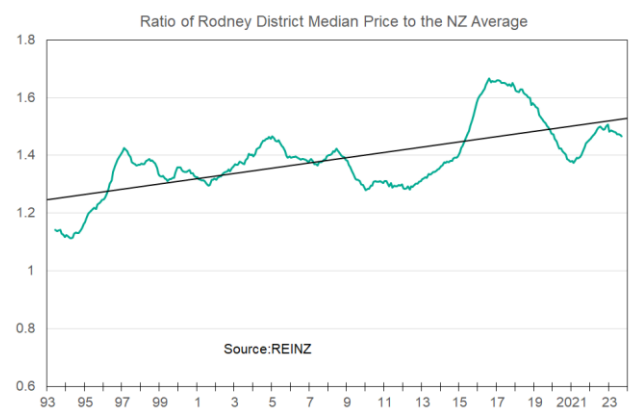
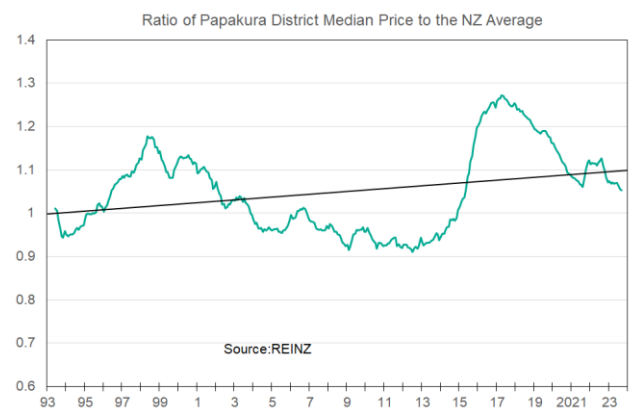
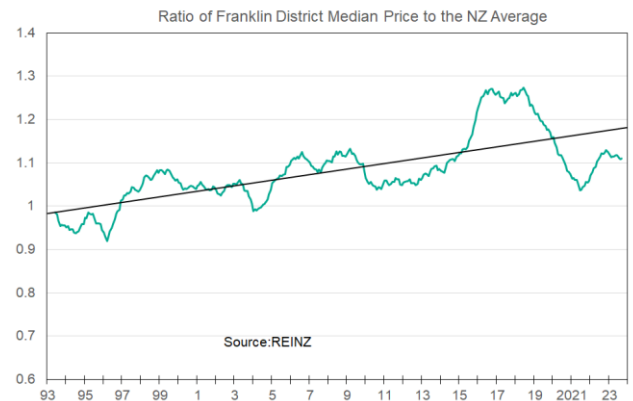
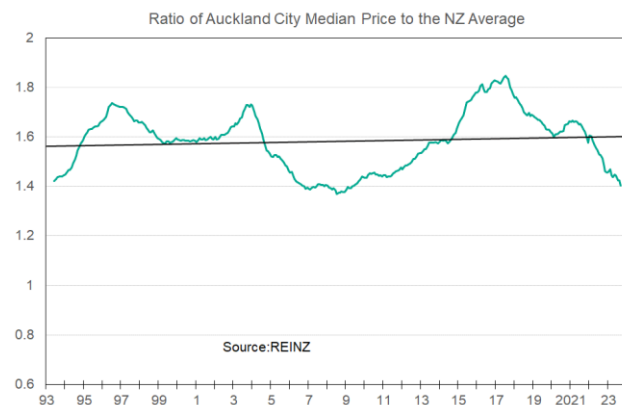
Auckland

Catch-up due

Auckland house prices soared following the Global Financial Crisis of 2008-09, sat roughly flat from 2017-19 as the rest of the country surged, then rose to a lesser degree than the rest of the country through the pandemic. Recently, house price growth has exceeded that for most other parts of NZ with assistance from the migration boom. This boom is likely to continue through 2024 and may contribute towards Auckland's price level on average moving back closer to the long-term trend.



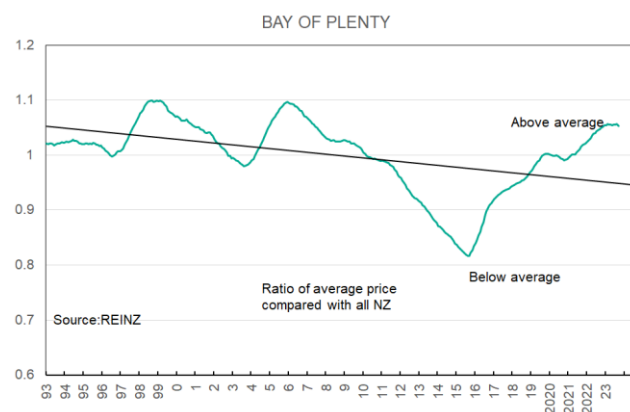
These graphs show price relativities for the old seven Auckland cities and districts. Manukau and North Shore look exactly like Auckland City, but for completeness you will find them in the Queenstown Lakes section at the end of this document.



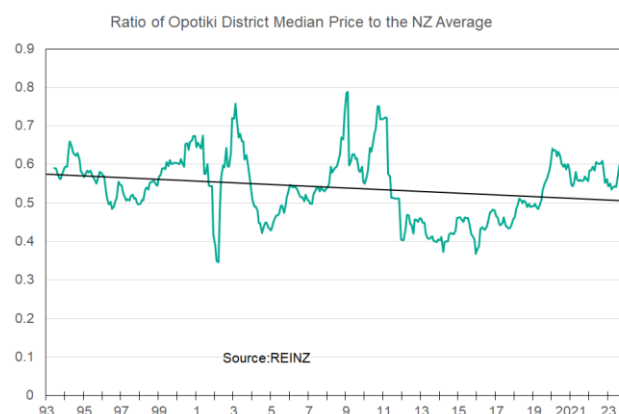
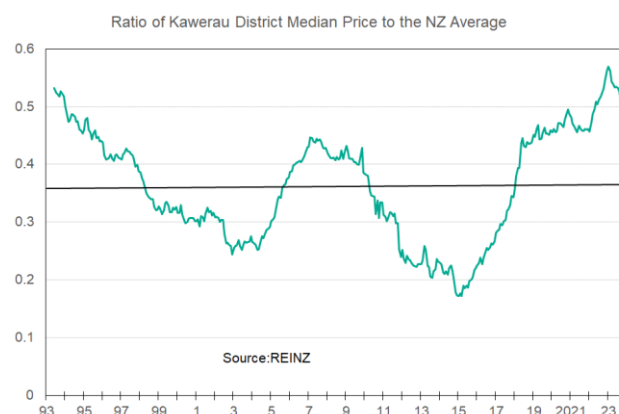
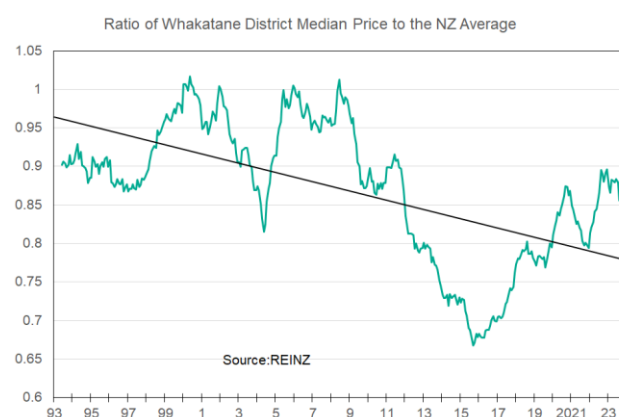
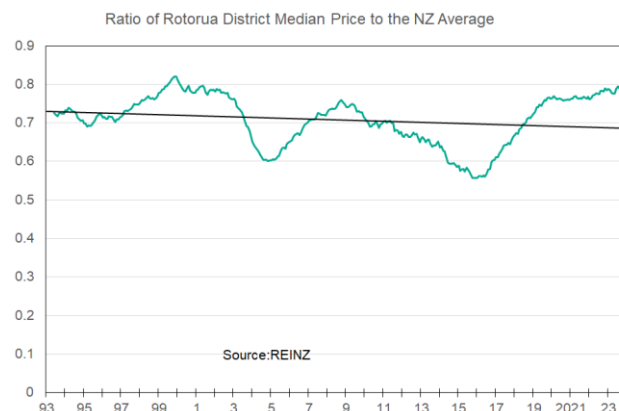
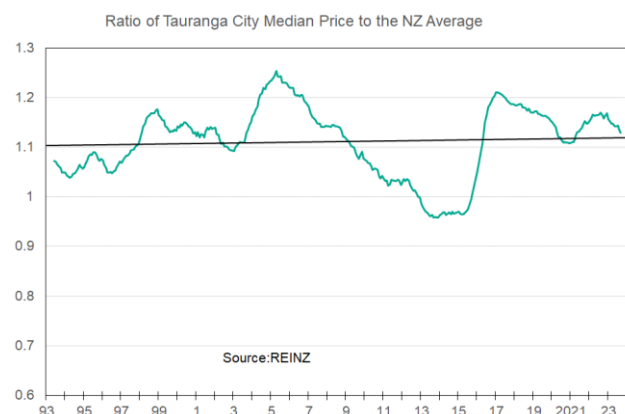
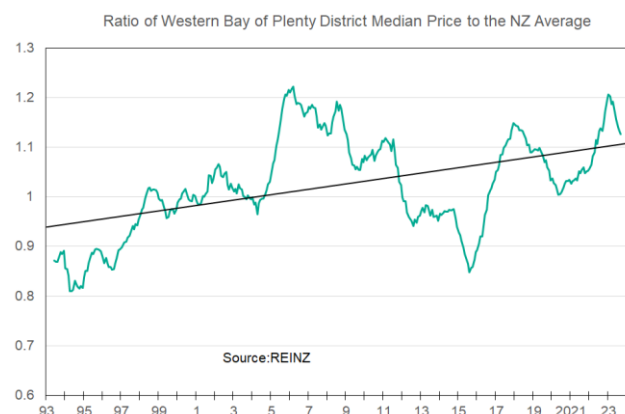
Bay of Plenty

Some areas over-stretched

Bay of Plenty prices have risen at an above average rate up until recently. Now they are tracking the NZ average with scope for under-performance because of the distance away from trend.



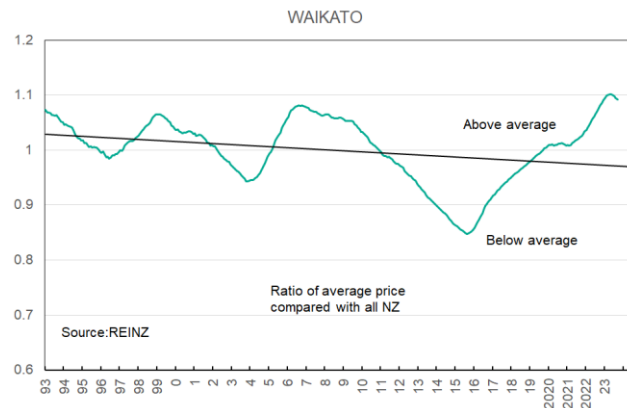
Note that some of the territorial authorities in the Bay of Plenty region are almost on trend, others not so.



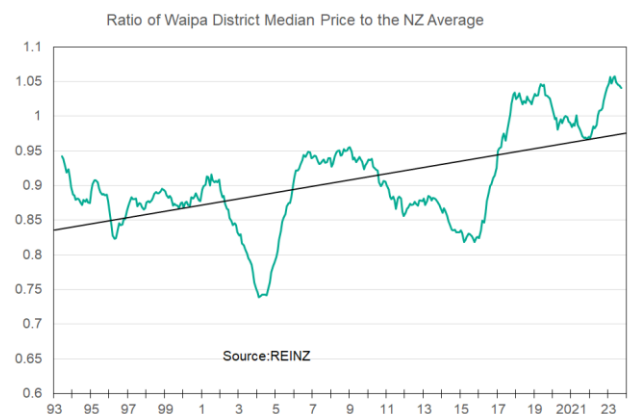
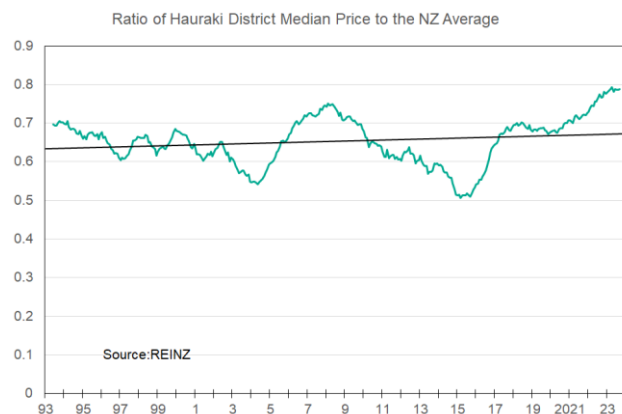
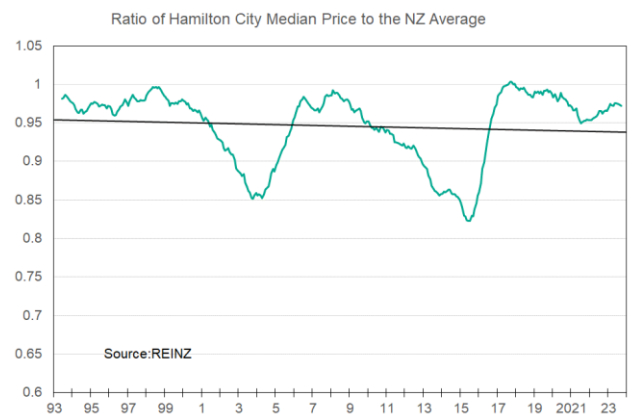
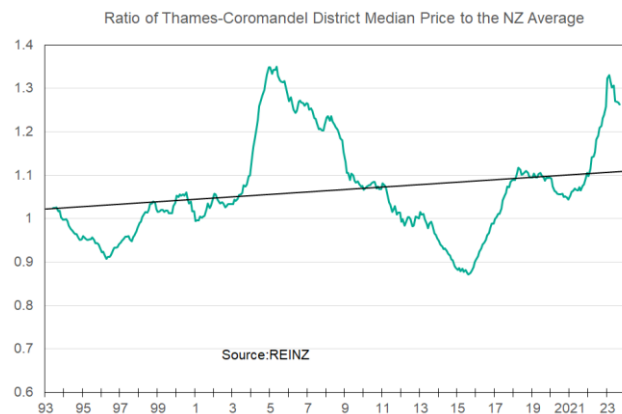
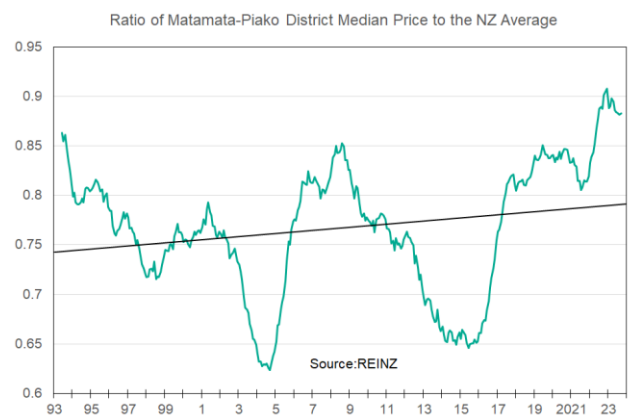
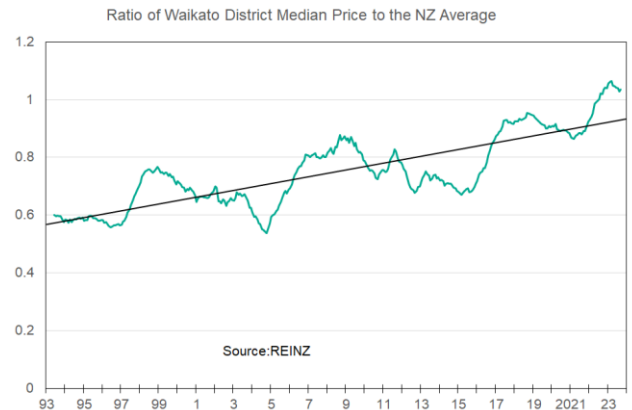
Waikato

Relative correction underway

Average Waikato house prices remain at above average levels. But our first graph shows a correction is underway.



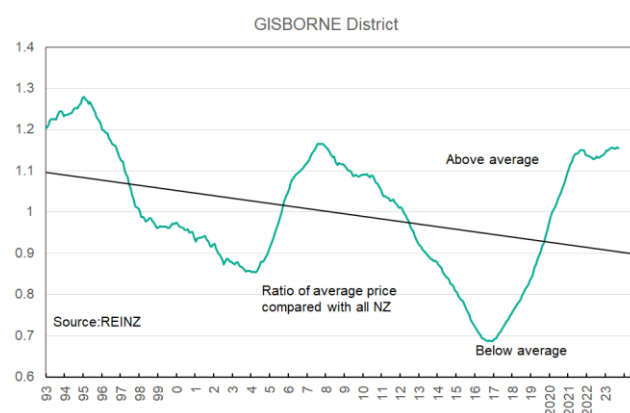
Some territorial authority areas have prices at well above trend levels. Otorohanga, South Waikato, and Waitomo graphs are in the Gisborne section.



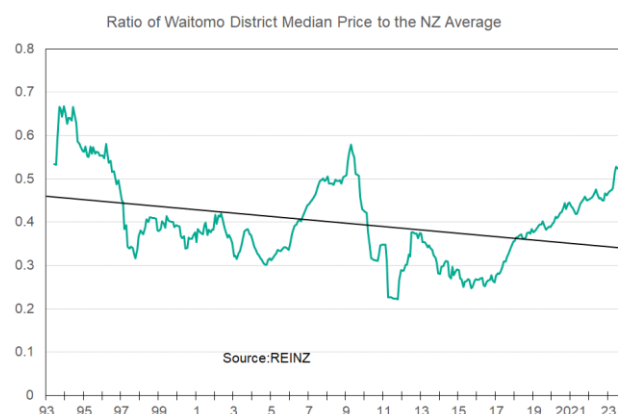
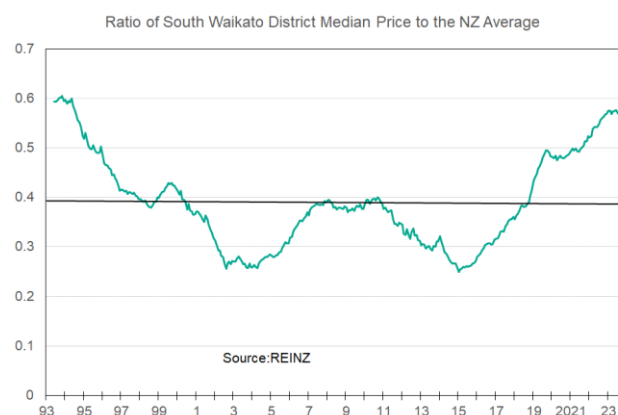
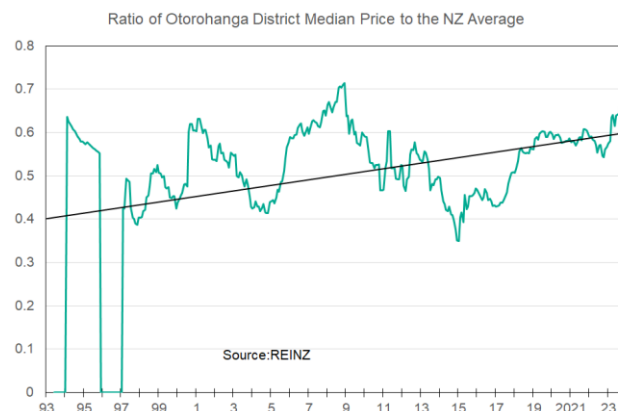
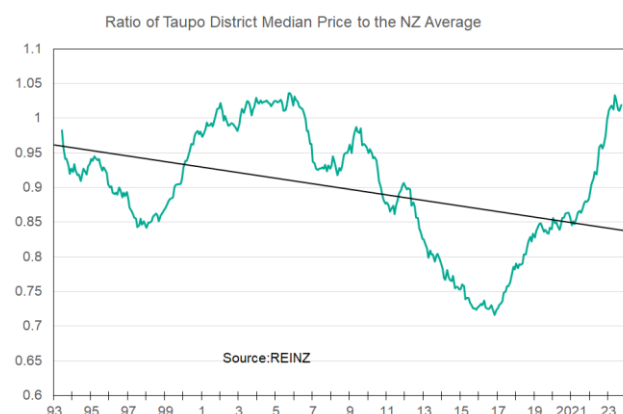
Gisborne

Correction one day

Gisborne house prices relative to all the country soared from 2016 to 2021. They have about tracked the country since then but may now be relatively vulnerable to city price gains driven by the migration boom along with unwinding of some of the pandemic internal migration effect and caution following recent climate events.



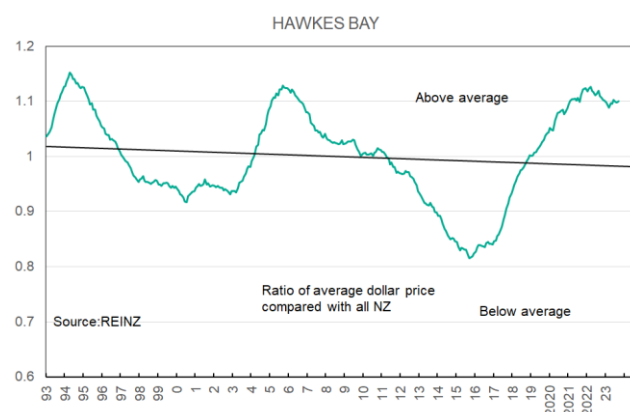
Graphs from some other regions are included here as Gisborne is a unitary authority. Note how prices have soared relative to the country overall in Taupo.



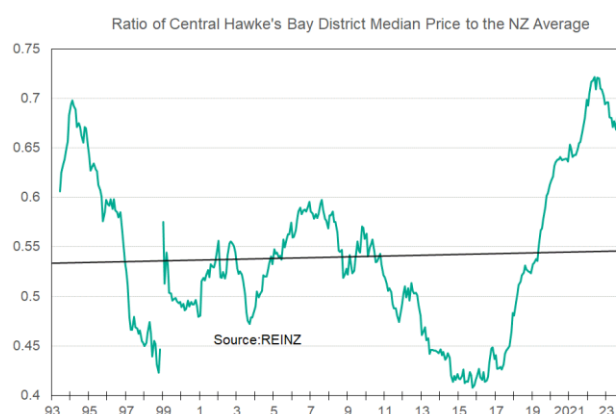
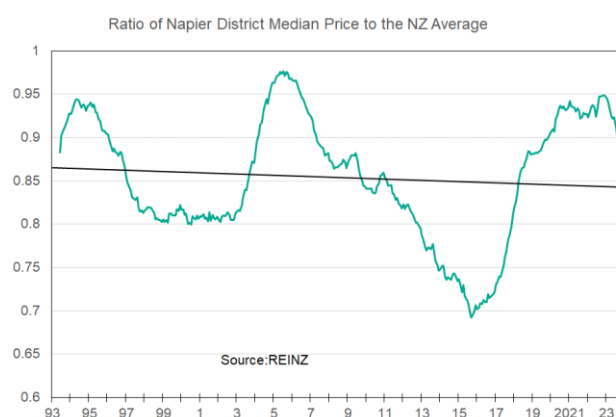
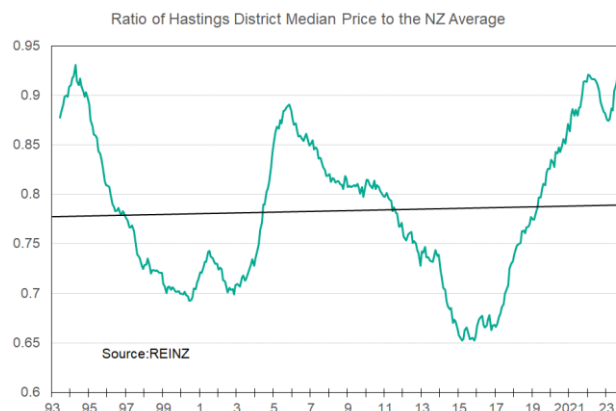
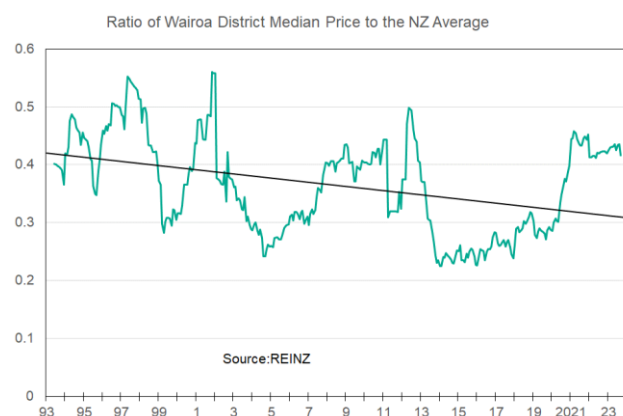
Hawke's Bay

Highly priced versus trend

Hawke's Bay's period of out-performance ended in 2022 and the question now is how much the change in relative population growth rates combined with low export prices and El Nino may leave the region behind for a while with regard to imminent price appreciation.



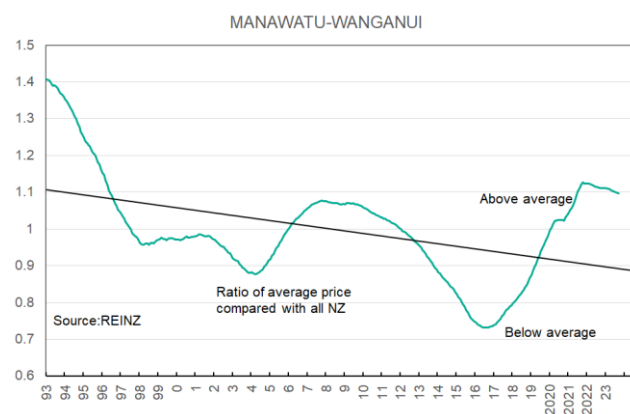
Napier's correction in relative prices appears to be well underway already. Hastings not at all and that may reflect the impact of internal migration related to Baby Boomers retiring.



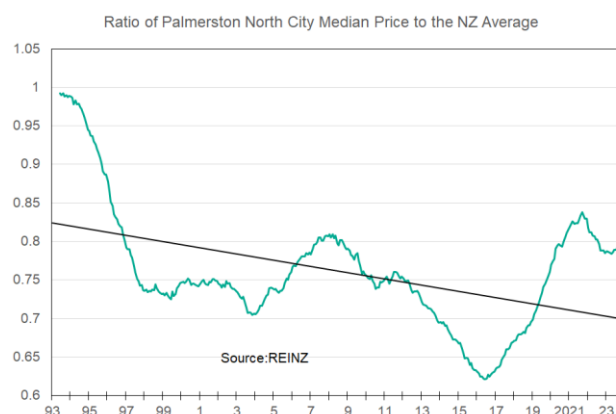
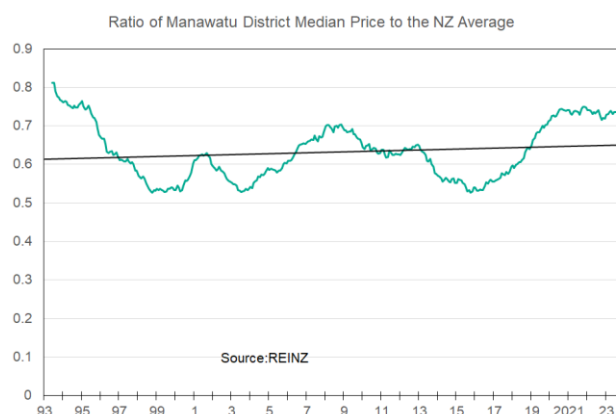
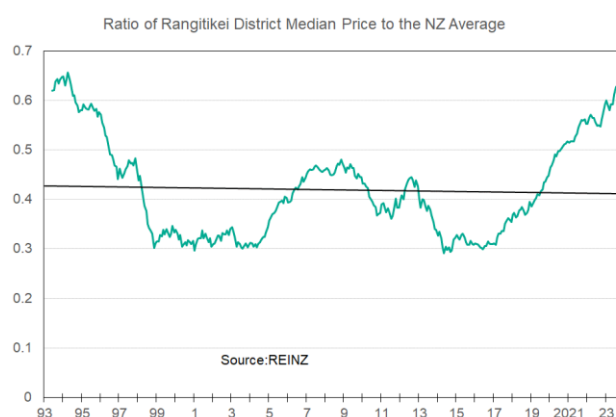
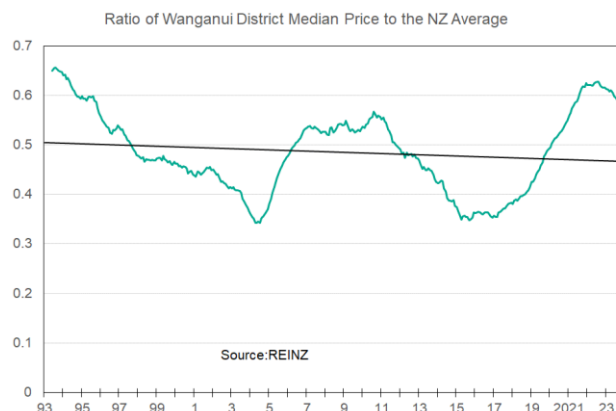
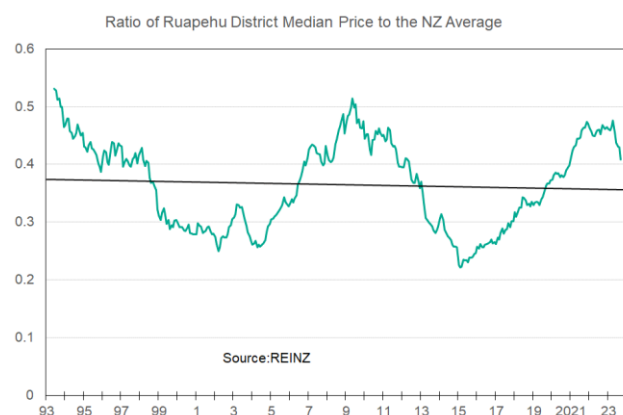
Manawatu-Wanganui

Mild correction

The extent to which average house prices in the Manawatu-Wanganui region sit above trend has been easing at a very slow pace for a couple of years now. It seems reasonable to expect this slightly below average price performance to continue. The relative price correction so far is strongest in Ruapehu District. The Horowhenua graph is included in the Taranaki section below.



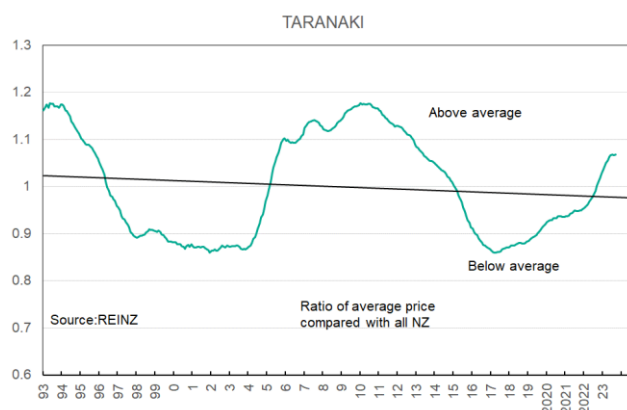
The relative price correction so far is strongest in Ruapehu District. The Horowhenua and Taranua graphs are included in the Taranaki section below.



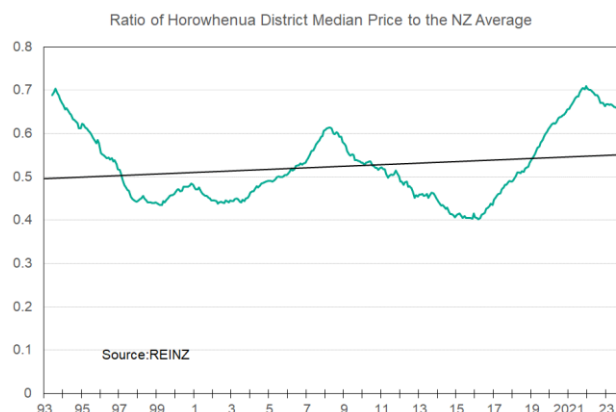
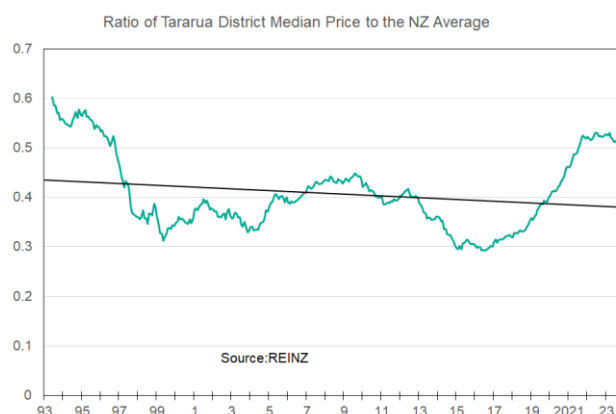
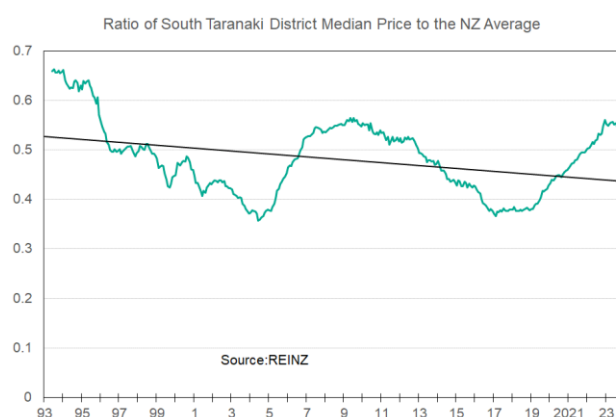
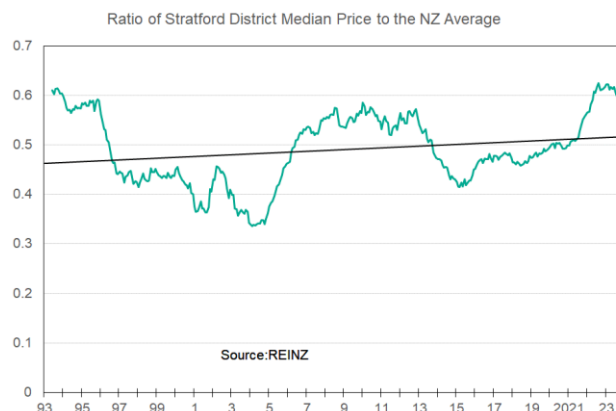
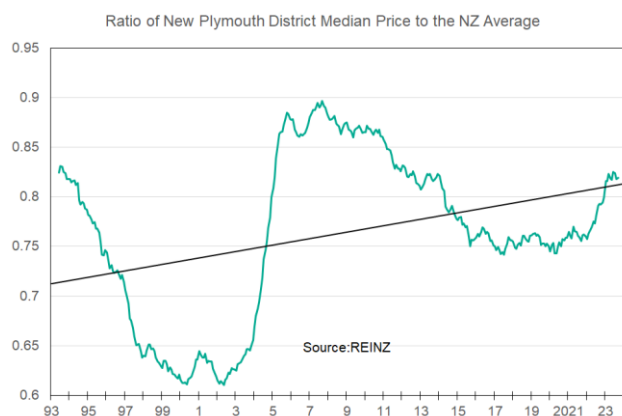
Taranaki

Good affordability as support

The relative gain in Taranaki residential property prices from 2017 was far less than for all other non-Auckland North Island regions. The impetus therefore for correction is relatively small. However, with the region unlikely to enjoy the same migration-driven population growth as the main urban areas of NZ, price under-performance might still occur to some limited degree. The location is after all relatively affordable, and first home buyers will likely place greater emphasis on this a year from now.



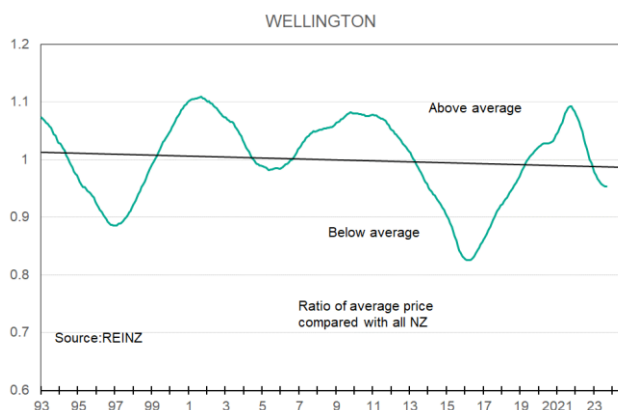
New Plymouth City shows no hint of long-term over-pricing.



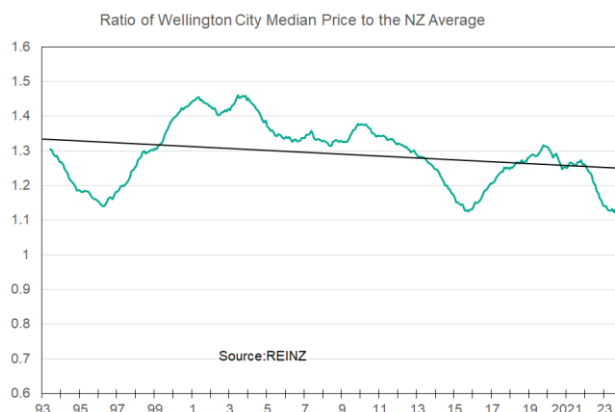
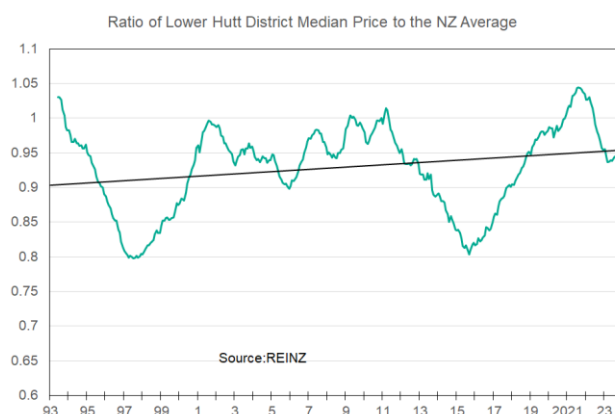
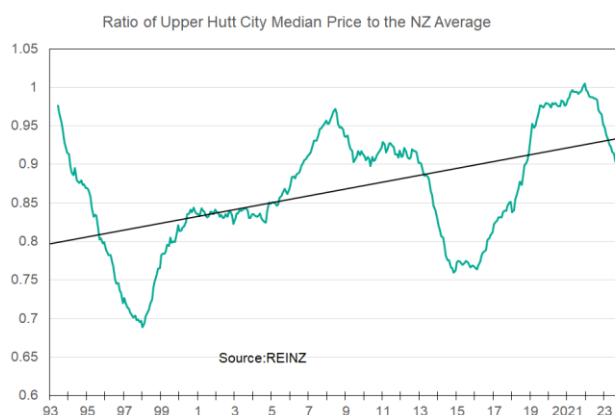
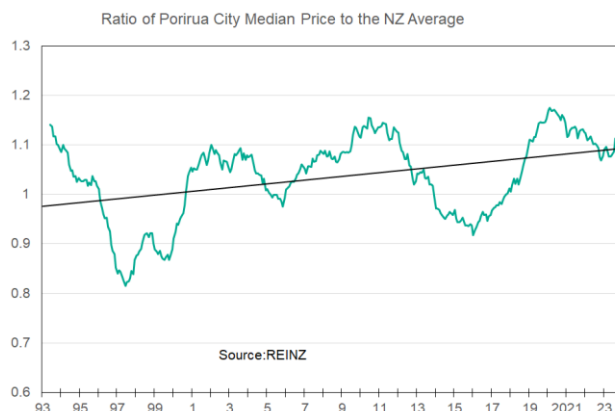
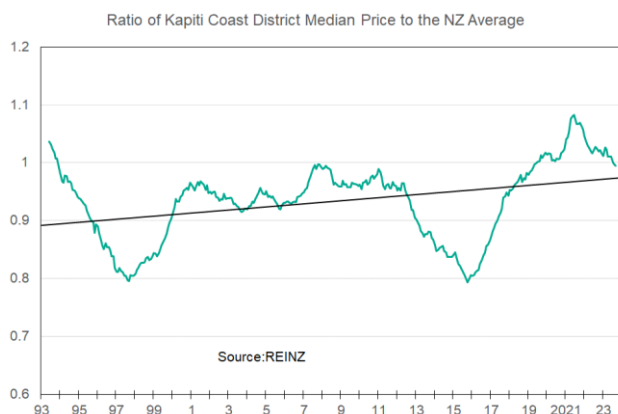
Wellington

Price correction ended

This graph gives some insight into why Wellington is leading the house price cycle up this time around. Not only are listings down 30% from a year ago but prices are not above trend as is the case for most other non-Auckland regions.



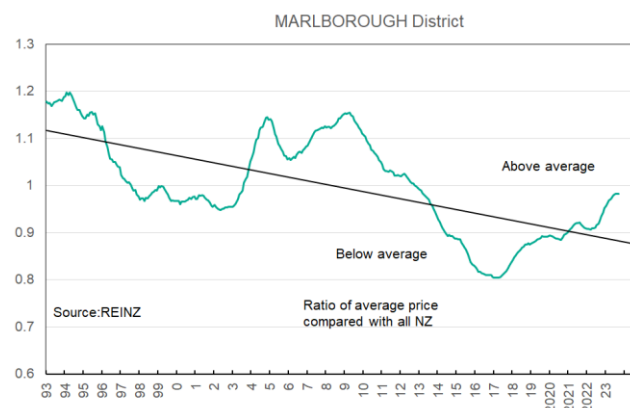
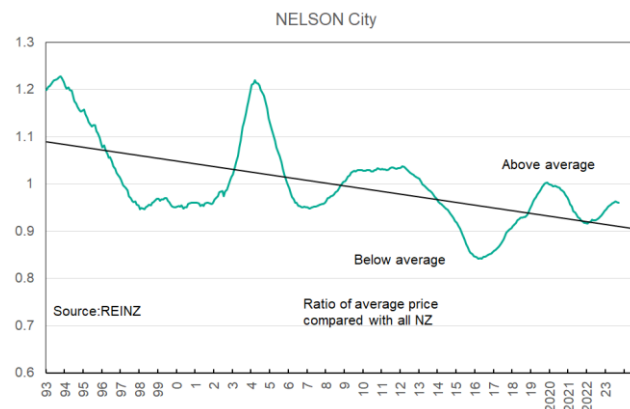
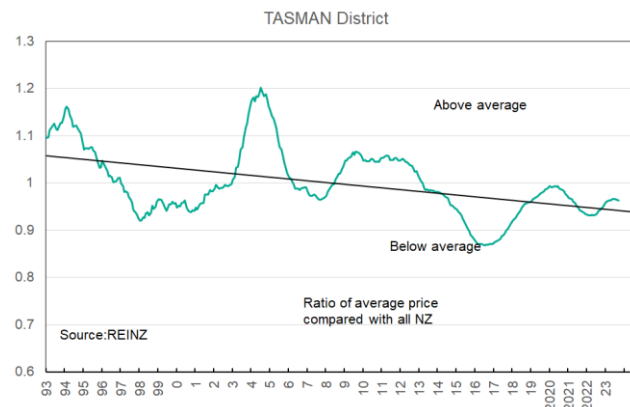
No territorial authority in the Wellington region presents with prices well above trend. I have placed the three Wairarapa graphs in the Nelson etc. section on the next page.



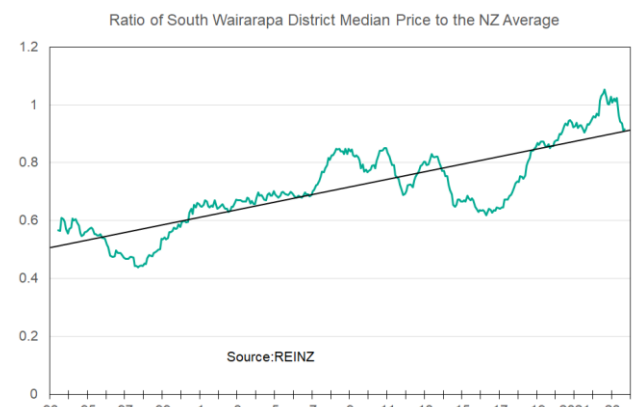
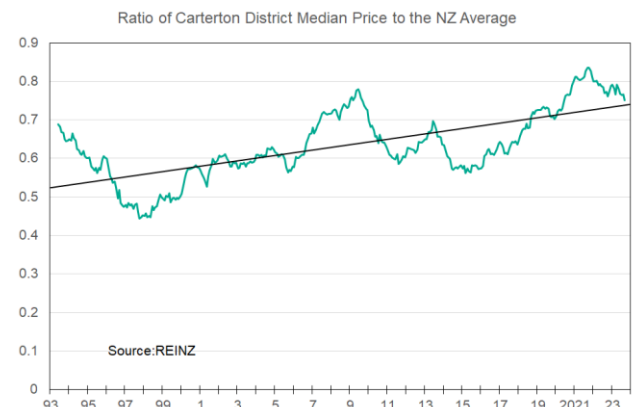
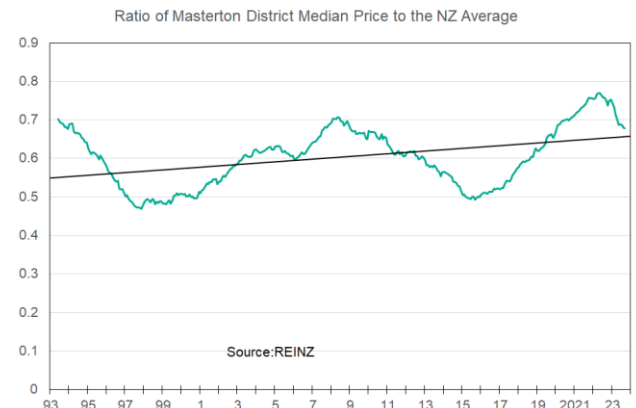
Nelson, Tasman, Marlborough

No large correction needed

The three top of the South Island unitary authorities failed to experience soaring prices relative to the rest of the country (particularly Auckland) from 2016. They do not present as due for a correction to any great degree if at all in the case of Tasman.



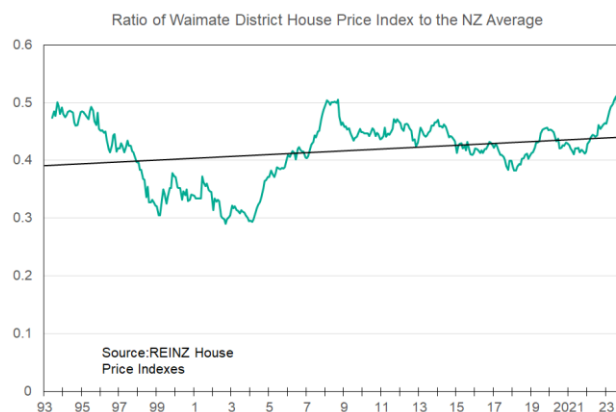
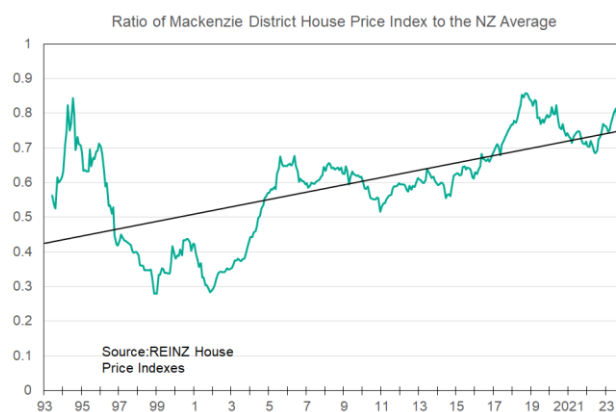
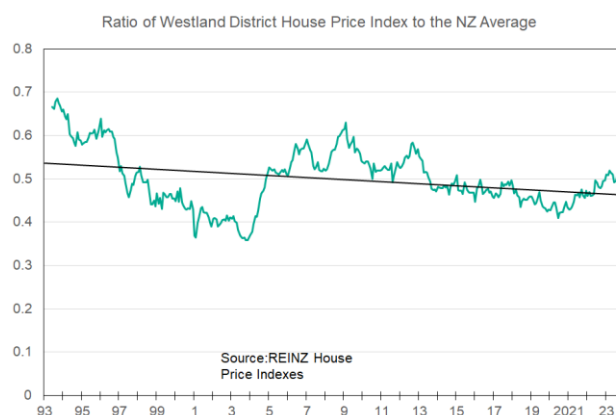
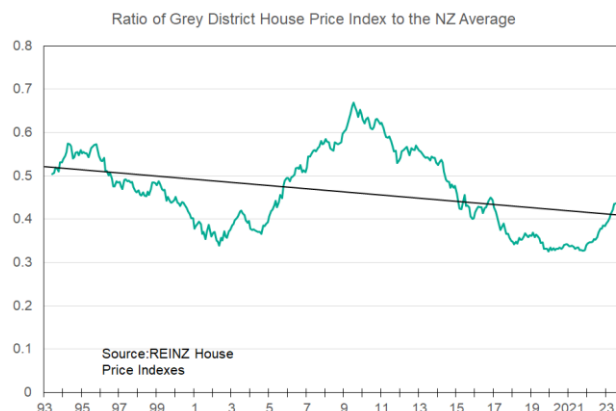
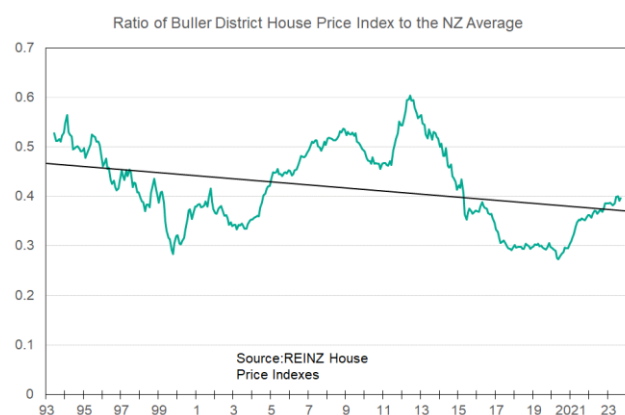
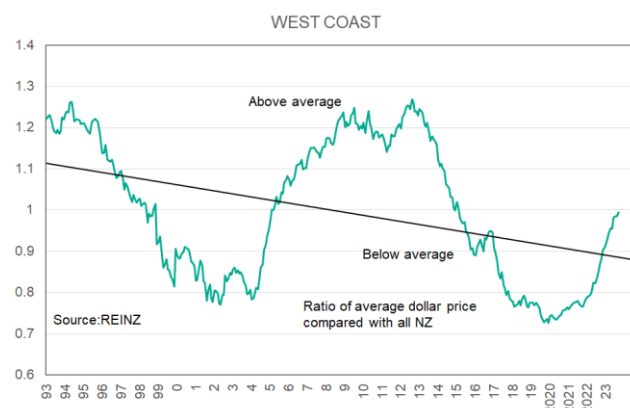
Graphs are included here for the three Wairarapa districts. None present as due for a period of relative price weakness.



West Coast

Not over-priced much if at all

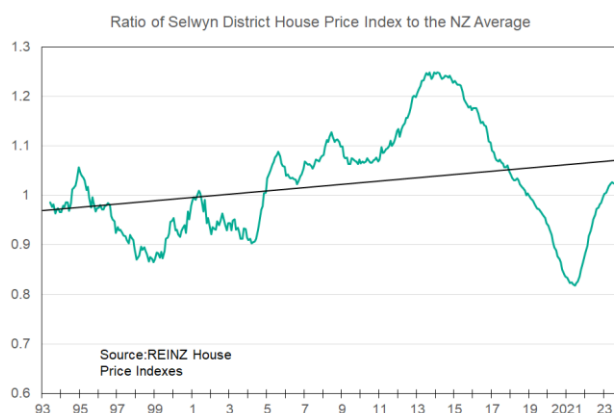
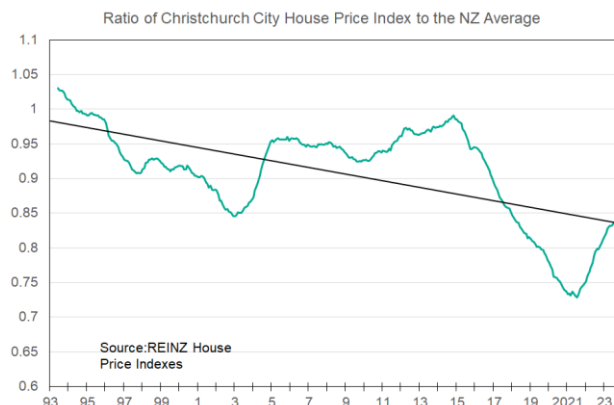
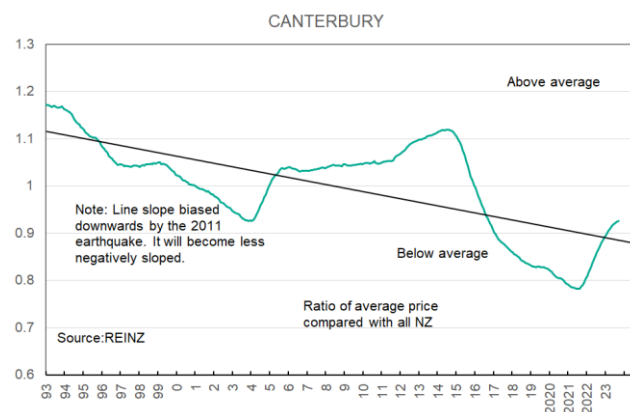
Prices on the West Coast of the South Island rose strongly relative to the rest of the country during the pandemic. But no particular territorial authority looks at risk of a price correction of any great magnitude. While the migration boom will generate extra price pressure in the cities, the tourism upturn will be positive for West Coast house prices. Of relevance will be how much Christchurch house prices rise in the next couple of years as any strong growth will likely cause some young buyers to look at the likes of the coast.



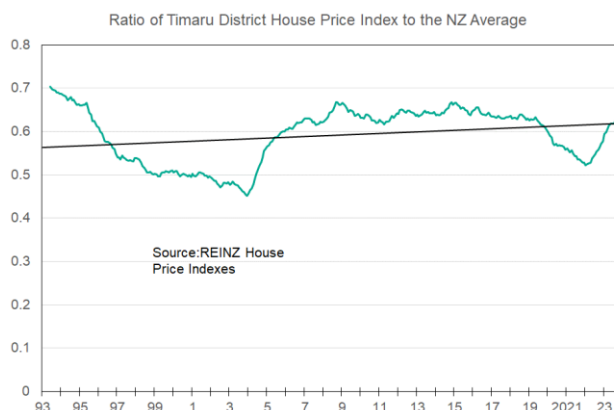
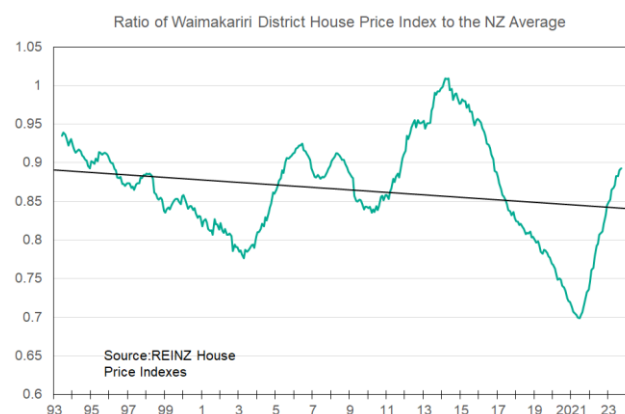
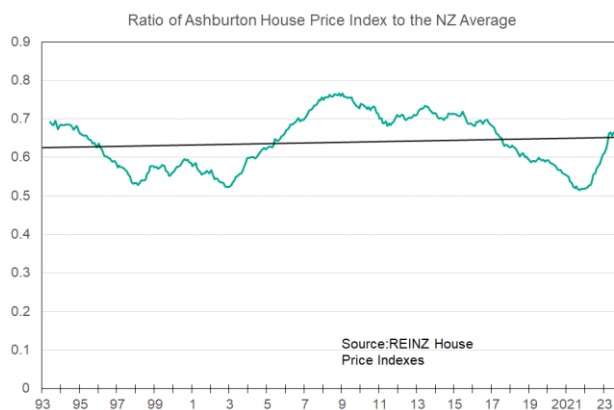
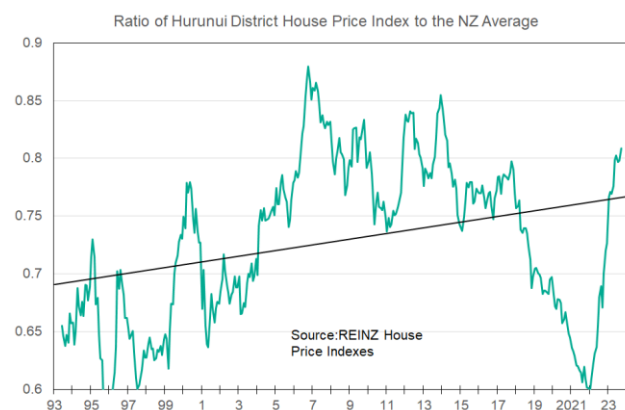
Canterbury

Still looking firm

If we allow for the black trend line in the first graph being biased downward by the effects of the 2011 earthquake, then Canterbury – mainly Christchurch City – has scope for out-performance during the just-started upward leg of the house price cycle.



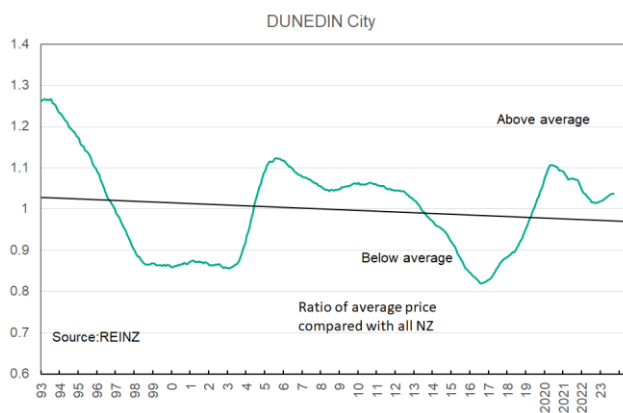
Graphs for Mackenzie and Waimate are included above in the West Coast section.



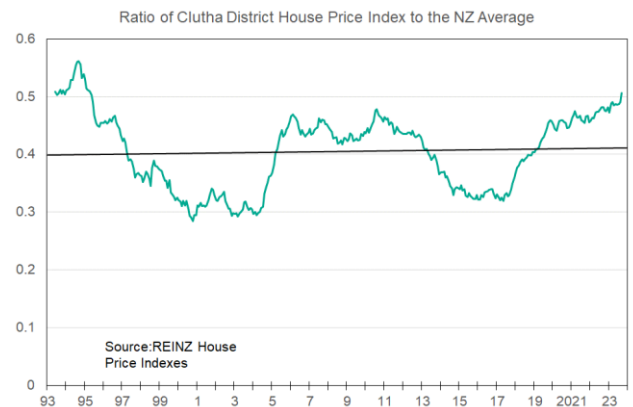
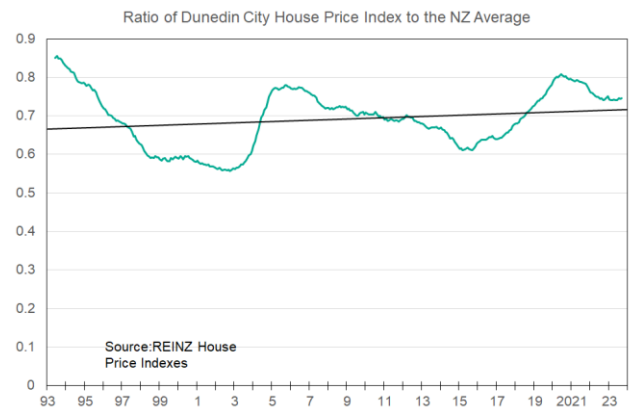
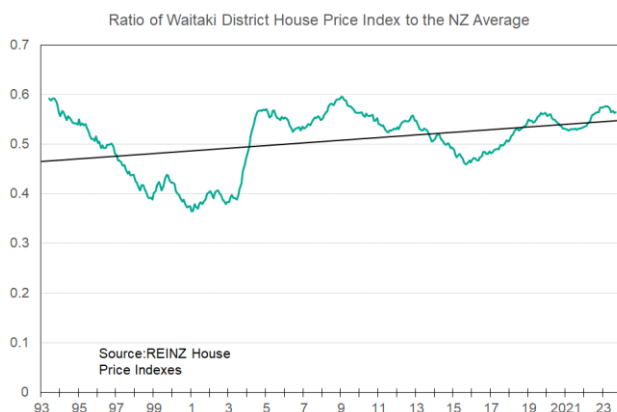
Dunedin City/Otago

Little pressure for price corrections

Like most of the rest of the South Island Dunedin does not present as having prices much out of line with the long-term trend. However, scope for out-performance is implied by the graph as being low and the role being played elsewhere by booming inward migration may see the city lag a bit this cycle – then catch-up later on for affordability reasons.



Apart from maybe the Clutha District to a minor degree, no other part of Otago looks vulnerable.

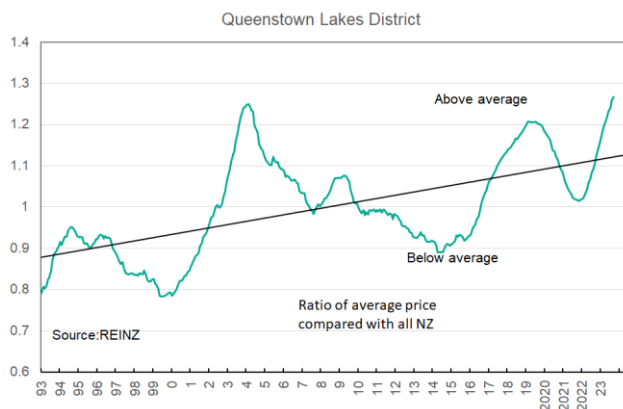


Queenstown Lakes

Firmly supported

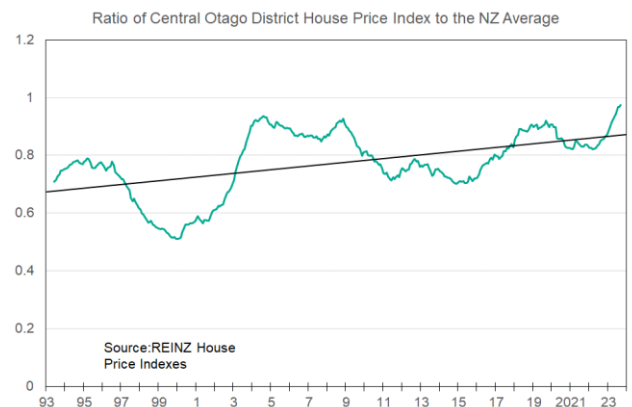
It is probably more risky to base one's decisions on some concept of prices relative to trend in the Queenstown Lakes District than in any other part of the country. There are some very specific and strong factors which influence the residential real estate market. These include fluctuations in internal migration related to demographic trends and the likes of the pandemic, fluctuations in the international visitor market, changes in the ability of foreigners to purchase NZ property, and the usual list of economic factors like interest rates and the pace of economic growth and business profits growth in particular.

With these big caveats in mind we can see from the graph here that the district has experienced well above average growth in prices since 2021. There is no indication of this relative out-performance ending.

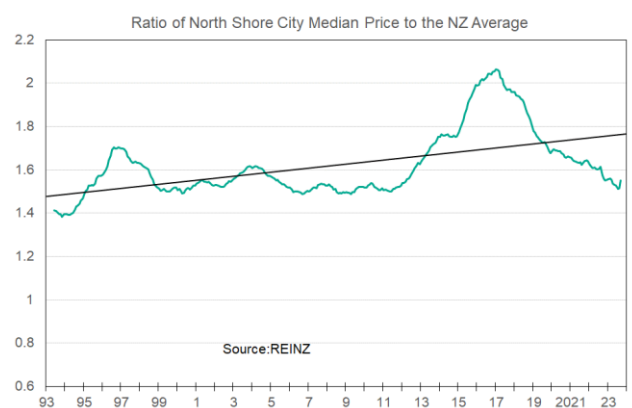
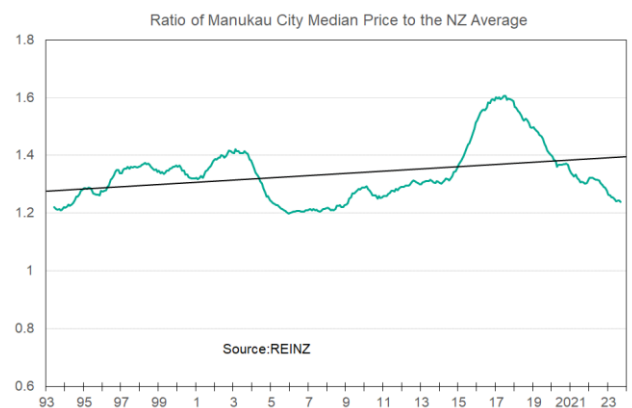


Over the past year the Queenstown District population has grown over 8% compared with 2.1% for all of New Zealand. This pace of growth won't continue given the special factors involved of borders reopening and tourism returning. But with constraints on construction including rising costs and low labour availability, a period of supply growth falling below growth in housing demand is probably again at hand.

Price prospects for the area remain positive, but the cost of entry into the housing market in Queenstown Lakes is high by NZ standards.



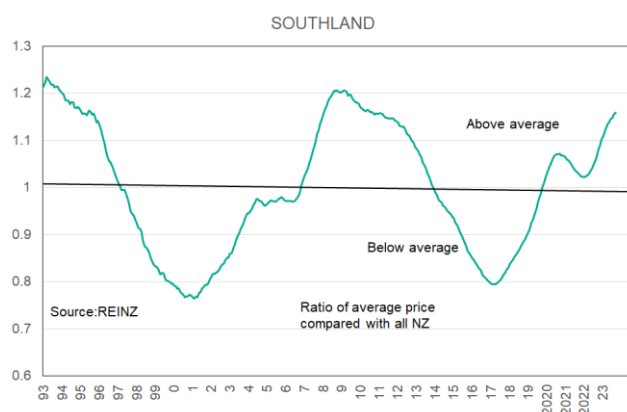
Here are the two Auckland areas not able to be fitted into the Auckland section above.



Southland

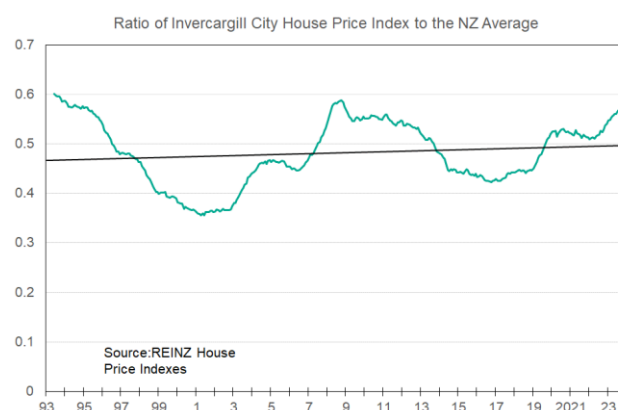
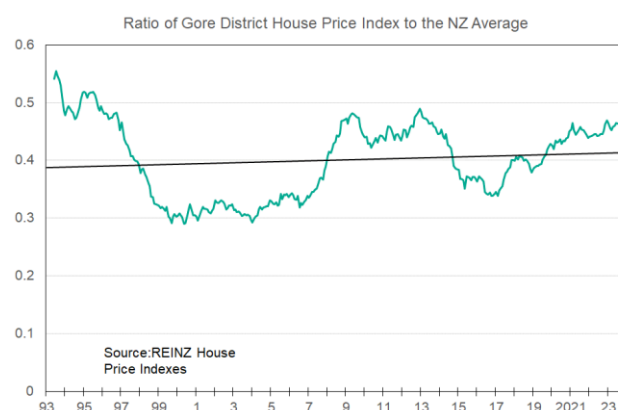
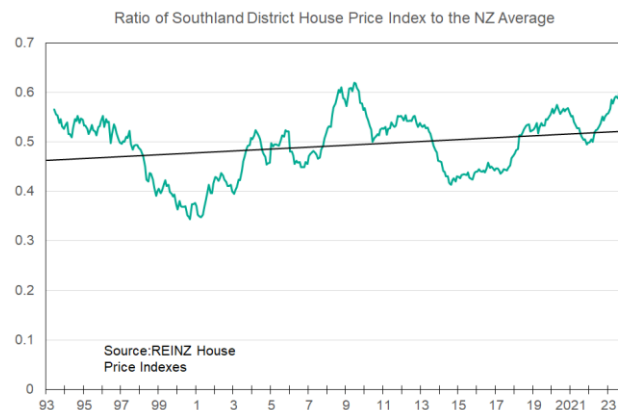
Mild correction one day

The relative pace of price increase in Southland region has sat above the NZ average since 2017 and as yet there is no solid indication of this changing. Our first graph shows that in the past the region has achieved a distance from trend greater than the current situation. Therefore, while the odds appear to favour a relative correction, momentum from the likes of investors seeking yield may keep some relative strength in play for a while longer.



Three issues which potential buyers and sellers need to juggle are the extra strength from recovery in the tourism sector, extra strength elsewhere from migration inflows which won't affect Southland to the same positive degree, and low incomes for a while in the farming sector. While elsewhere I might add the negative effects of El Nino into this farm income outlook, the region has shown a tendency not to be as badly affected as the eastern coasts of the North and South Islands.

All three districts in the region show above trend prices, but not necessarily by all that much.



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