

Summer will always be coming



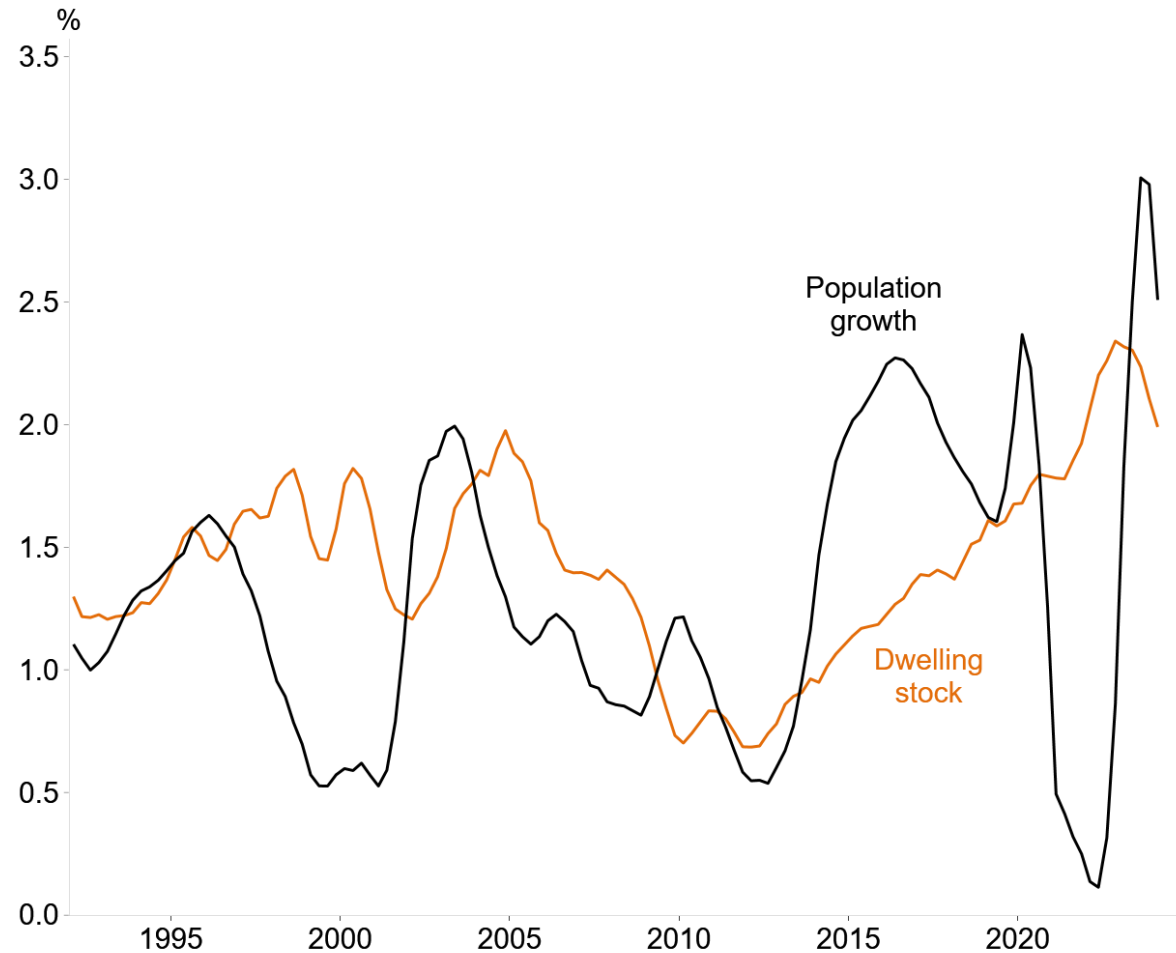
Constructive, Aug 2024, Wellington, Bernard Hickey

Demand is waaaaay > than supply

- A legacy of systematic underbuilding for 20 years.
- Prospects for more very fast population growth.
- New Zealand is a climate haven. If we want it to be.
- Household & bank balance sheets very strong.
- Household & bank incomes & appetites very strong.
- YIMBYs are starting to beat the NIMBYs everywhere.
- Productivity surge could be NZ's super power
- Go dense, go big, go now and go everywhere.

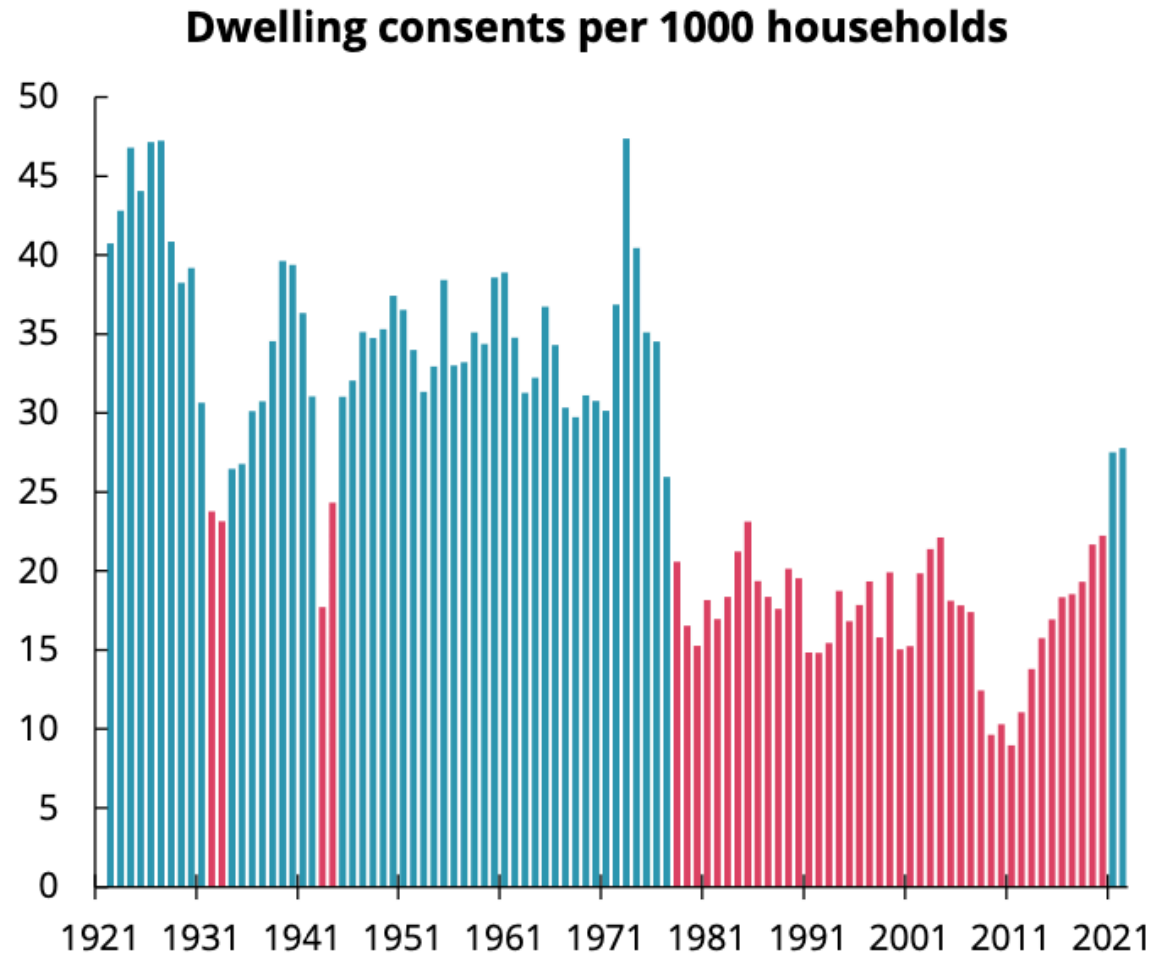
A history of demand > than supply

New Zealand - Growth in Population & Dwelling Stock
Year-ended



Source: Macrobond, StatsNZ, Antipodean Macro

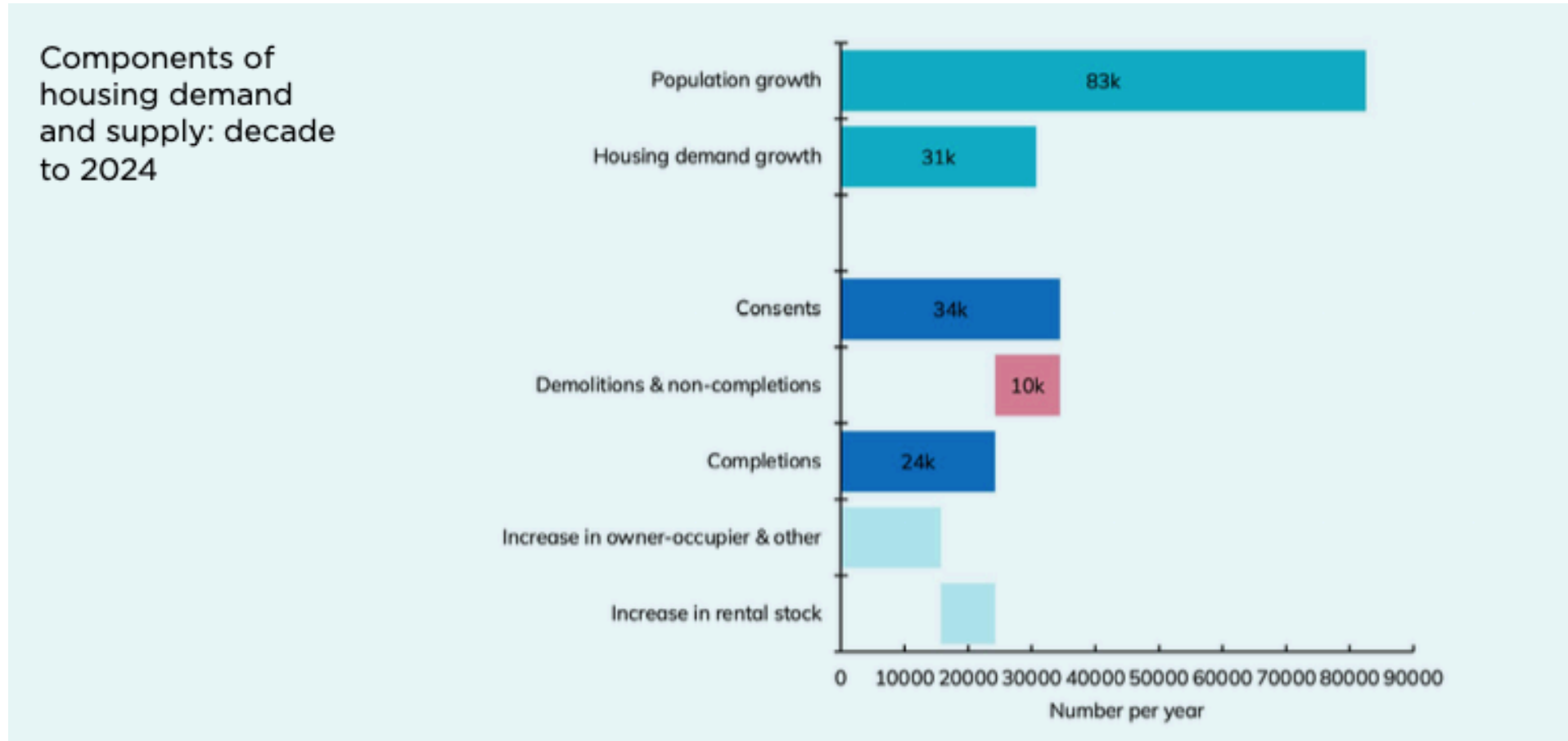
A history of under-building



Source: Te Ara, Statistics NZ, Sense Partners

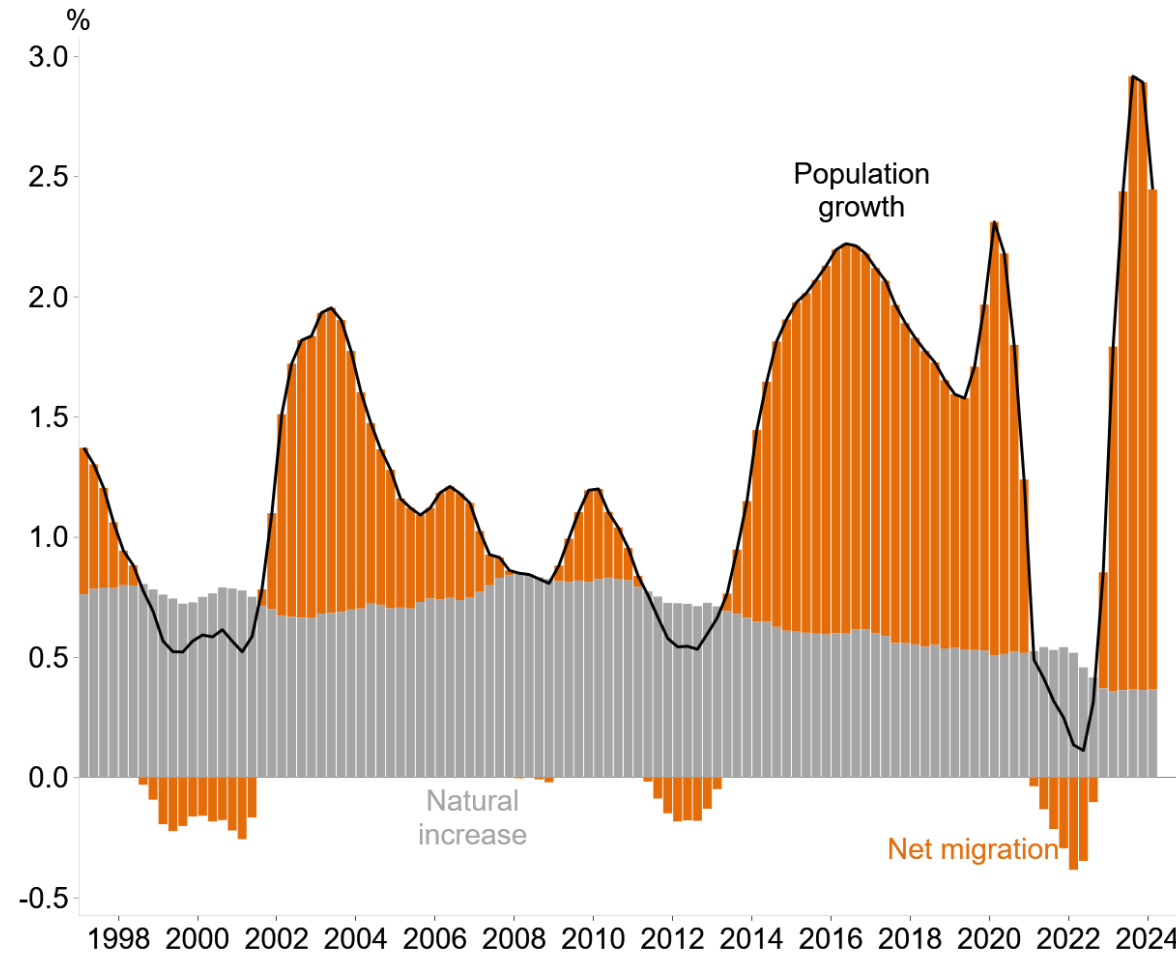
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114k new homes needed. 24k built



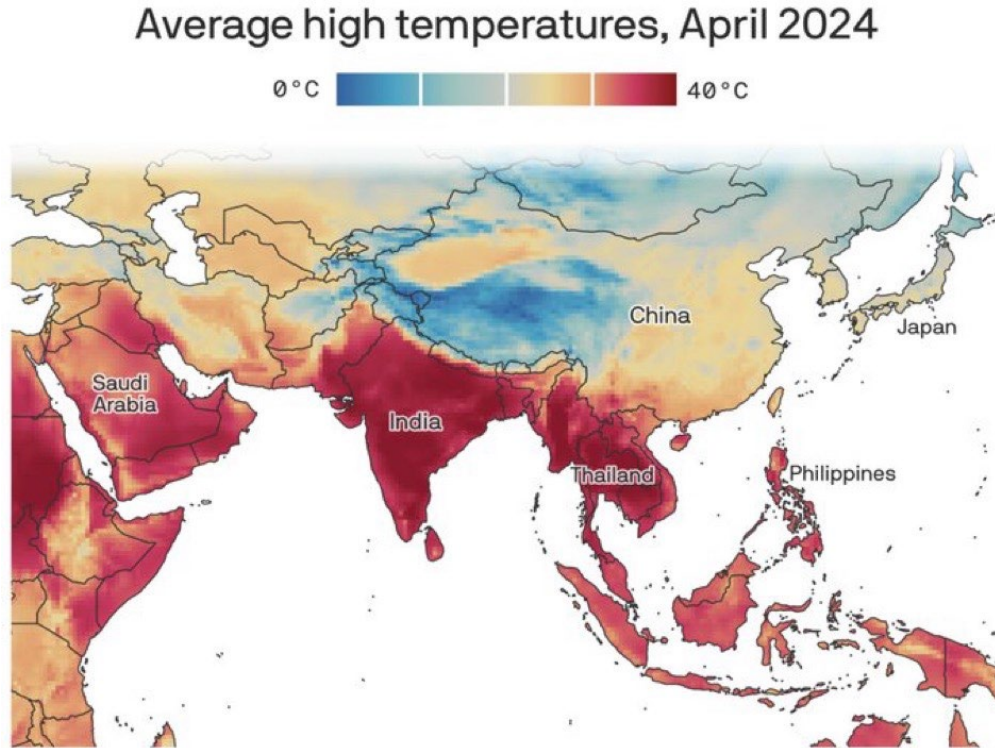
We are a high-growth country

New Zealand - Population Growth
Year-ended contributions



Source: Macrobond, StatsNZ, Antipodean Macro

Reasons to be cheerful



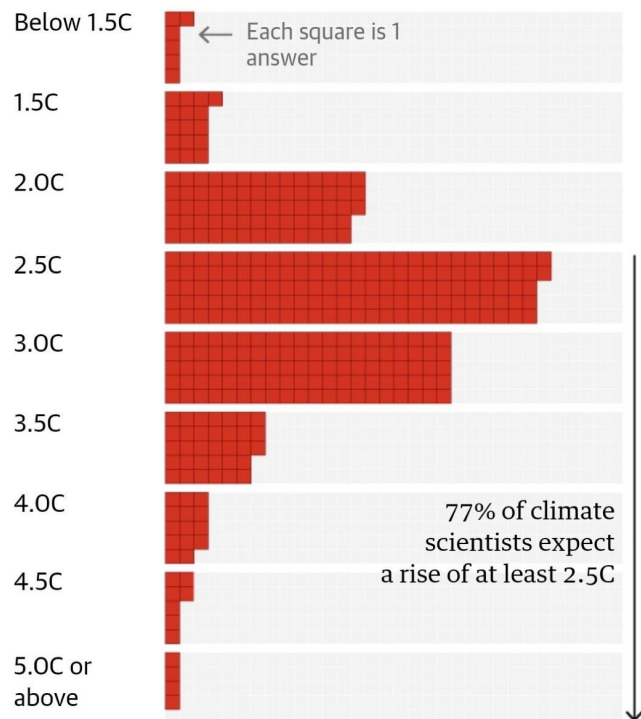
- Geography + demography = destiny. All are good.
- NZ Inc is rich.
- Govt is not heavily in debt.
- We all want more homes.
- Our population is growing fast, and not ageing fast.
- We are a climate refuge.

Our wet, cool(er) & valuable country

How high will global heating go?

How high above pre-industrial levels do you think average global temperature will rise between now and 2100?

Count of answers given by IPCC climate experts

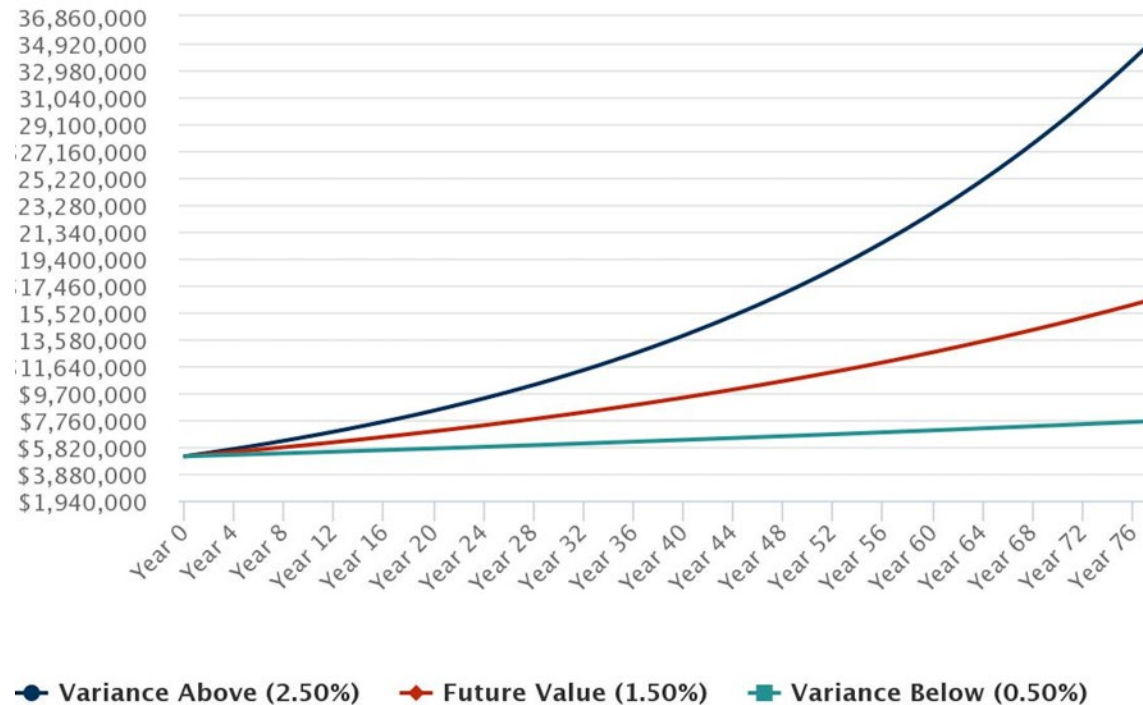


Guardian graphic. Source: Guardian survey of climate experts. 380 responses

What to think about:

- Extreme climates
- 100 m rich will want to come and live in NZ
- Our population will grow to 17-20m by 2100
- Are we ready for this?

The elephant is 17m by 2100 at 1.5%

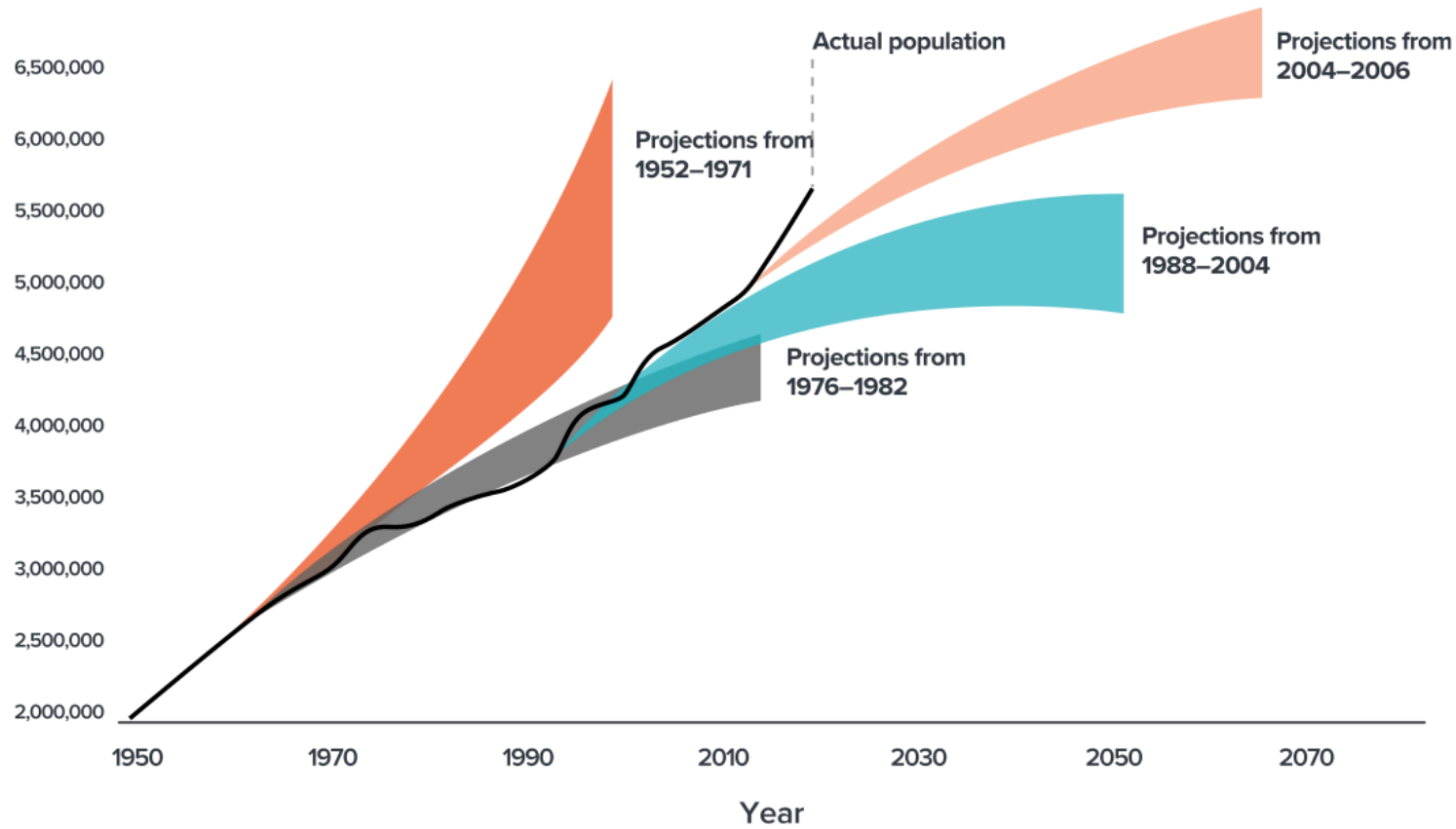


- Pop'n growth was 1.5% from 2003-2020 = 1m
- Same rate to 2100 = 16m. 2.5% = 33m
- Stats NZ sees just 0.5% a year over next 50 years

We've been here before

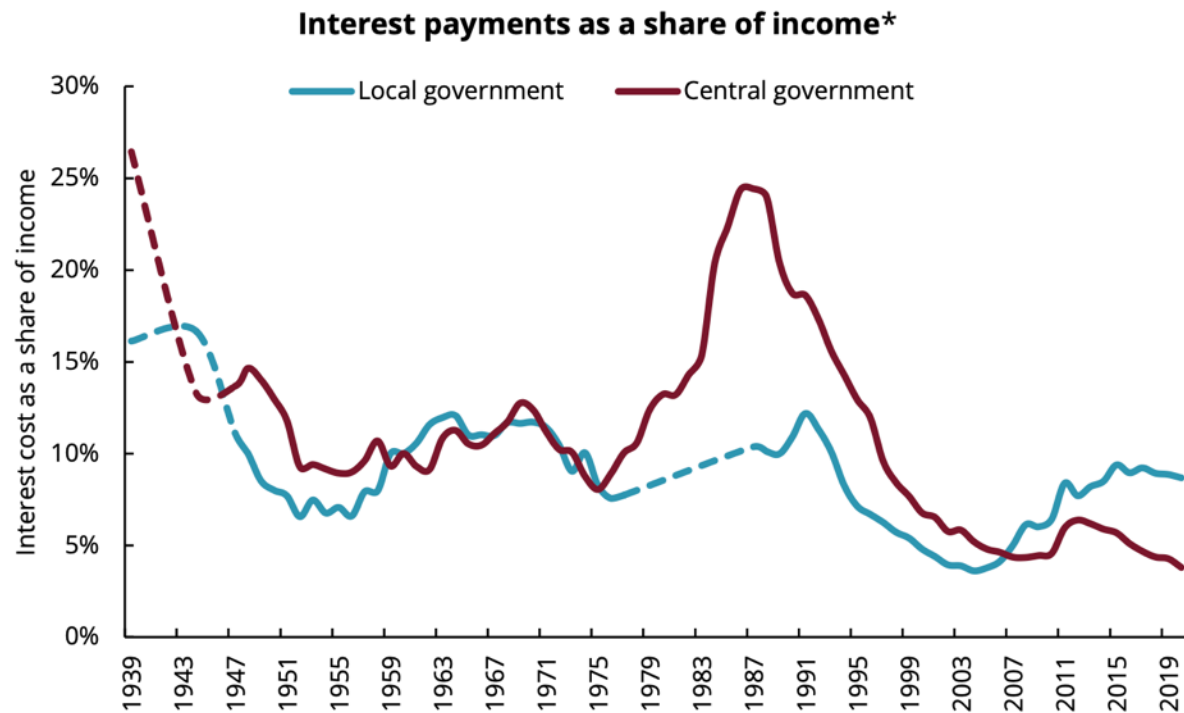
Predictions of future population are uncertain

Figure 19: Historical population growth compared with historical population projections



Source: Te Waihanga, adapted from Statistics New Zealand (2021)¹²⁴

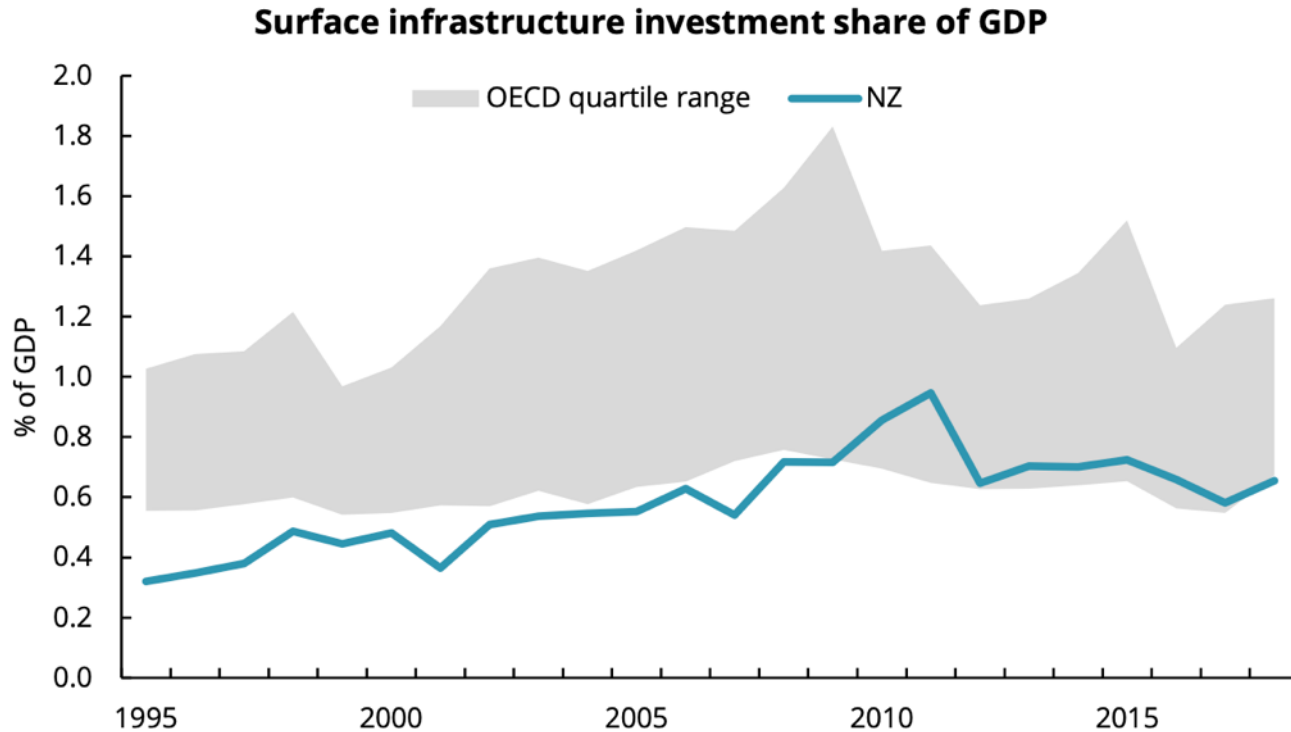
Why have we under-invested?



* Local government income = primary income in national accounts.
Central government income = core Crown revenue; taxation revenue pre-1972.

- The political consensus
- The 30/30 fiscal rules
- Core tax < 30% GDP
- Net debt < 30% GDP
- Keep debt low to keep mortgage rates low
- Tax-free capital gains cannot be touched

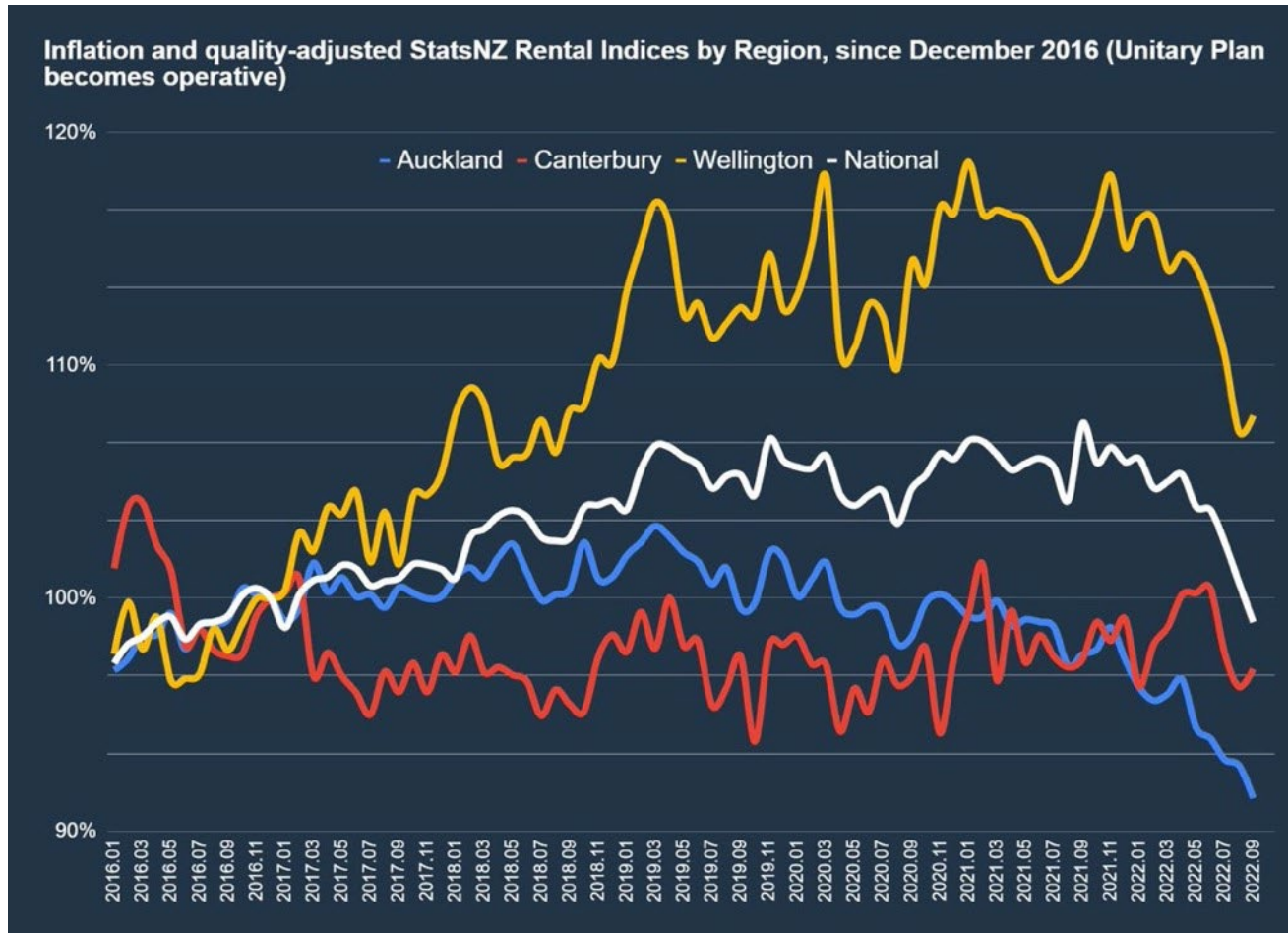
So the end result = < investment/GDP



Source: OECD, Stats NZ, Sense Partners

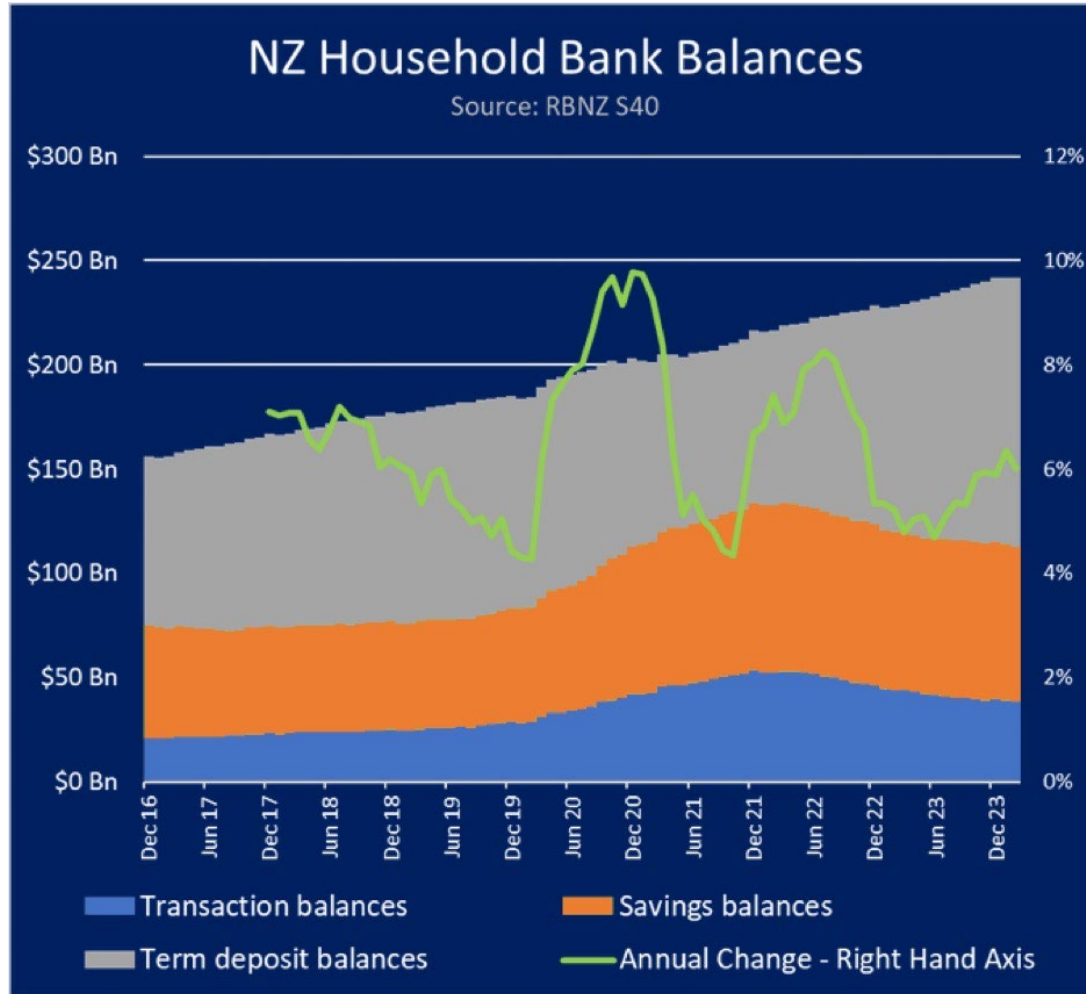
- Key funding points
- Water(s)
- Roads, rail, schools, hospitals & clinics
- Help for councils?
- GST share? IFF?
- 'Time of use' charging?
- Vehicle tracking

Supply is solving the problem



- Auckland Unitary Plan
- More medium density
- Rents falling in real terms in AKL & WLG
- Falling rents does not equal falling land prices near the centre

There's no shortage of money



- \$250b in the bank
- Household net worth equals \$2.3 trillion
- Bank capital levels doubled since 2009
- Bank lending growth half pre-covid levels

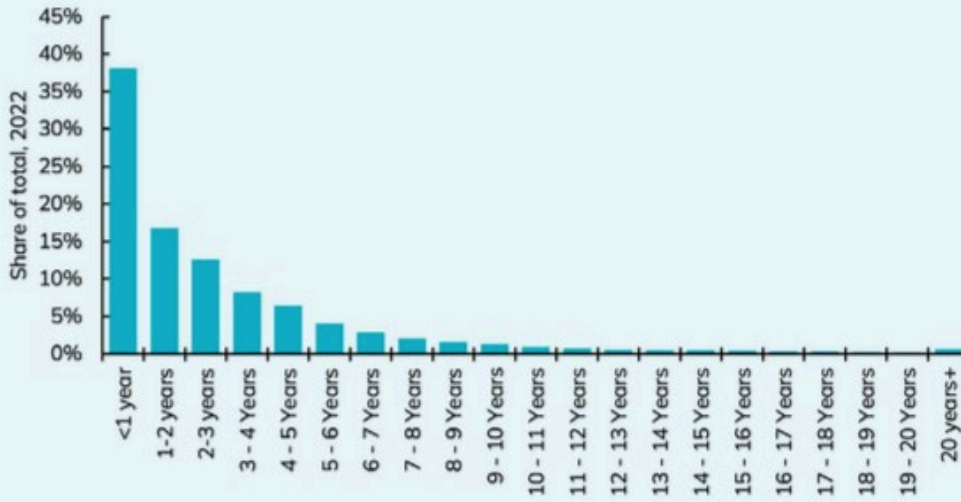
Productivity surge as a supercharger?

Productivity
(GDP per
Worker)



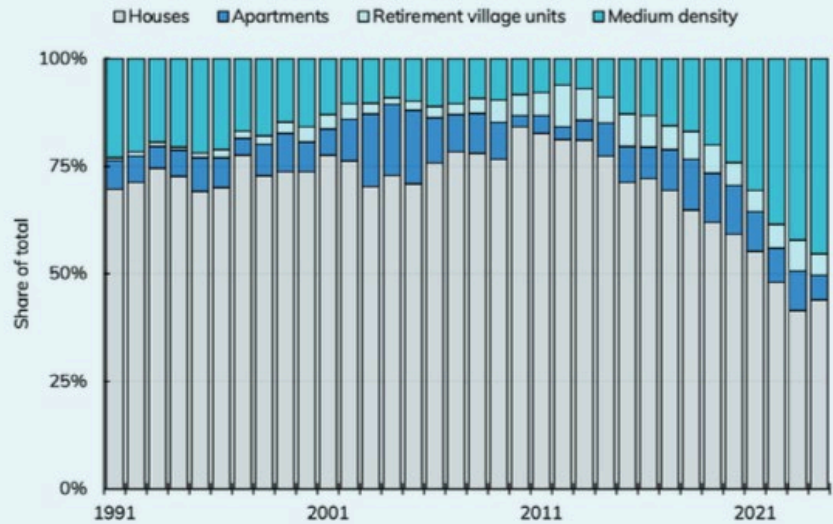
- A step-change in productivity makes NZ richer & cheaper
- Building denser, cheaper, faster, healthier and sooner
- Watch this space

Share of workers
by duration in job

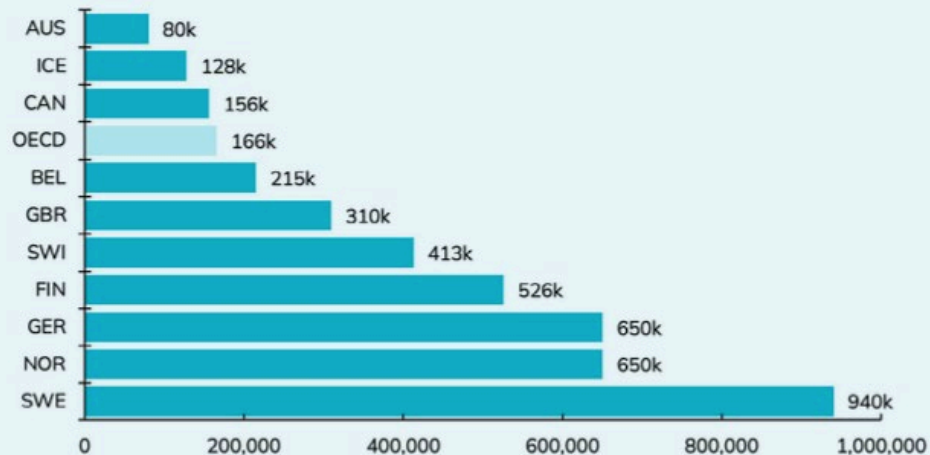


Build apartments for all everywhere

Composition of residential consents



Additional houses to match selected countries



- Build-to-rent
- Simplicity Living ++
- Open source IP
- Full stack building
- Go fast, go big and go now everywhere
- Now here's the expert