



Mackenzie Housing Stocktake

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Mackenzie Housing Stocktake

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Executive Summary

Why are we doing this work?

This Housing Stocktake has been developed to provide Mackenzie District Council (MDC) with a detailed, evidence-based view of housing in the district. This report provides a snapshot that details a wide range of measures and factors that influence housing, as well as a look at what sort of housing stock is present in the district, who is buying houses and what they are being used for.

This work will be used to help inform significant strategic projects due to be undertaken in 2020 and beyond, notably the Mackenzie Spatial Plans and the District Plan Review. The evidence gathered will be combined with further research, analysis and stakeholder engagement to develop an informed view that will help shape and drive these key strategic projects and will act as an evidence base for MDC to use to inform future work.

By having a clear understanding of the demand and supply of housing stock in the Mackenzie District, MDC can better understand where the pressures lie, where the vulnerabilities are, and what levers it can use to help ensure a balanced housing portfolio that provides for its residents, ratepayers and visitors.

The Mackenzie District

The Mackenzie District has long attracted domestic visitors looking to spend time amongst its world-class scenery. Home to mountain framed lakes, dry alpine plains, ski fields and the Aoraki/Mount Cook National Park, it is no surprise the District has been known to kiwis as a holiday spot for many years. In recent years however, it seems the secret is out, and international visitor numbers have soared.

The district has evolved in the last decade from a more traditional rural area to a tourist hotspot with the highest number of guest nights per capita in the country. This has created growth in the area, in population, jobs and the economy. But growth does not occur without challenges.

Population

The population has grown by 17% since 2013 to 4,854 in the 2018 Census. However, this growth has not occurred uniformly - the populations of Tekapo and Twizel have grown at a much higher rate than Fairlie and the rest of the district. The structure of the population has also changed, with tourism hotspots – Lake Tekapo, Twizel and Mt Cook welcoming increasing numbers of international migrants, particularly in their early working years. At the same time, Fairlie has an aging population, with a higher proportion of elderly or those who will be elderly within the next decade.

House Prices

Growth in the tourism industry and the high number of holiday homes has caused house prices to increase significantly in the last decade. Additionally, prices are further pushed upwards by demand created through the rapid deterioration of affordability in the Queenstown Lakes District. Rapidly increasing prices in this traditional resort area has pushed many prospective holiday home buyers from Christchurch (and the rest of New Zealand) into Mackenzie as an affordable alternative. Between 2010 and 2018 house values across the Mackenzie District increased by 104% (in the same time values across New Zealand increased by 69%).

Fairlie

Fairlie is the most 'traditional' rural town in the district. It has a stable, balanced population with a larger proportion of elderly. The population structure has not changed significantly over time nor has it experienced any marked growth.

Fairlie has a mixed housing stock largely made up of residential dwellings and lifestyle properties. In the last ten years the number of dwellings has increased by 10%, the majority of which is through the development of lifestyle properties.

Lake Tekapo

In recent times, Lake Tekapo has experienced rapid growth due to the influx of visitors to town and the development of the tourism industry. The population has grown by 55% since the 2018 Census. This growth has been driven by international migrants, particularly in their young working years, who are likely moving to town to support the tourism industry.

Tekapo's housing stock is newer, on average, than elsewhere in the district and is also denser. The predominant housing typology is residential dwellings, but there are more apartments and flats than elsewhere.

The housing stock has rapidly grown in the last ten years, with 148 dwelling being constructed, growing the stock by 21%. The majority of this new construction was traditional residential dwellings.

Those purchasing homes in Tekapo are typically multiple homeowners, i.e. those who own a house somewhere else in New Zealand and 53% of the housing stock is unoccupied, either used for holiday homes or short-term investment.

Tekapo has a higher than average percentage of long-term rental properties, which corresponds with a lower homeownership rate. This also reflects the structure of the population – a high proportion of international migrants in their early working years.

Twizel

Similarly, Twizel has experienced significant growth since 2013, with its population growing by 26%. This growth has been largely driven by people in their late working and early retirement years moving to town, with a smaller proportion of international migrants. Multiple homeowners are also the most prevalent buyer type in Twizel, and the town also has a high rate of unoccupied homes, at 52% of the housing stock.

The housing stock in Twizel is older, smaller and stems from the town's inception in 1968 for hydro-power generation. Over the last decade, two thirds of the homes built in the district were built in Twizel. 390 houses have been constructed, growing the number of dwellings by 19%, with the majority of these new builds being lifestyle properties.

Tourism

Mackenzie has a high number of multiple homeowners who are buying property in the area. With a very high unoccupied rate (no one permanently living in them), it is clear they are largely being bought as second homes/holiday homes or potentially holiday accommodation investments. Data secured through provider AirDNA shows that 15% of the district's dwellings, or 37% of the district's unoccupied dwellings are rented out as private accommodation on Airbnb or Bookabach.

Affordability

Determining whether housing is affordable, or not, is not a perfect science. There is not an agreed level at which housing is affordable, or not, depends on each household's circumstances and expectations of what qualifies as a socially accepted standard of living. This is a challenge common to all efforts at measuring material hardship.

The measures used by the Ministry of Housing and Urban Development to identify potential affordability issues and high financial stress show Mackenzie being well below national averages. This may mean that the pressure of increased prices is not yet being felt by renters or first home buyers in the district.

COVID-19 Implications

Mackenzie will be more affected by COVID-19 than most of the rest of the country, due to the indefinite closure of New Zealand's borders, essentially turning off international tourism for the short to medium term. Whilst the future is uncertain, and there will be a significant reduction in the number of visitors (and spend), Mackenzie does have some silver linings to focus on:

- A strong primary sector which is still in business albeit with some supply chain and global demand challenges. Lamb, beef and dairy exports over the past six weeks (to 30 April) are up on their 2018 levels and are close to their 2019 level.
- Based on the Alert Level system, domestic travel may soon be allowed. In 2018 30% of all visitor commercial guest nights were domestic.
- A trans-Tasman bubble, if it were to proceed, would welcome back one of the District's largest tourism markets.

Overall, COVID-19 has not decreased or diminished Mackenzie's desirability as a place to live, work and play. When looking over the long-term, 20-30 years, Mackenzie will recover, and it is likely that the growth pressures that have been faced in recent times will be seen again.

Introduction

Mackenzie District has increasingly felt the pressures of growth in recent times; rapidly expanding townships, new commercial and residential building, rising house prices and anecdotal evidence of affordability and availability issues, particularly of long-term rentals.

In a bid to “get ahead” of the effects of growth, Mackenzie District Council (MDC) are currently looking to develop Spatial Plans for the main townships (Twizel, Tekapo and Fairlie) which will provide strategic direction for future growth and transformation in the Mackenzie District over the next 30 years. MDC have commissioned this housing stocktake to provide evidence that will inform not only these Spatial Plans, but a review of the District Plan and other strategic initiatives.

A housing stocktake takes a range of different data sets and combines them to understand who lives in the Mackenzie District, how old they are, how they live, what kind of jobs they have, what their income is. This data is compared with the housing available in the district, both for both rentals and owner-occupied houses. The aim of this assessment is to identify any gaps in the market and understand what the district's housing portfolio looks like.

Additionally, in this stocktake we are looking at visitor accommodation¹ to understand the impact this is having on the affordability and availability of long-term accommodation.

This work will help inform the Spatial Plans and District Plan review, in terms of what types of housing could be developed in Mackenzie to achieve a balanced portfolio that meets the needs of both residents and visitors.

Supporting Evidence

The Mackenzie Housing Stocktake will provide key supporting evidence to a number of projects that are currently ongoing, including:

- Mackenzie District Spatial Plans
- Growth and capacity projections
- District Plan Review
- Infrastructure planning, funding and financing.

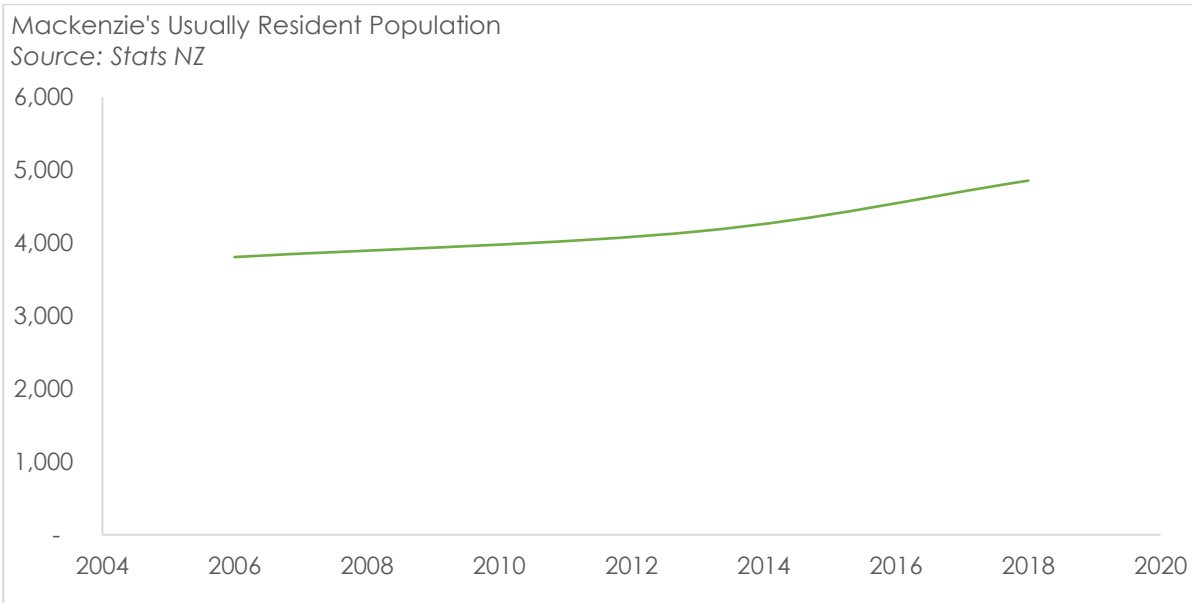
This report will also serve as a reference document for future projects in the Mackenzie District.

Demand Assessment

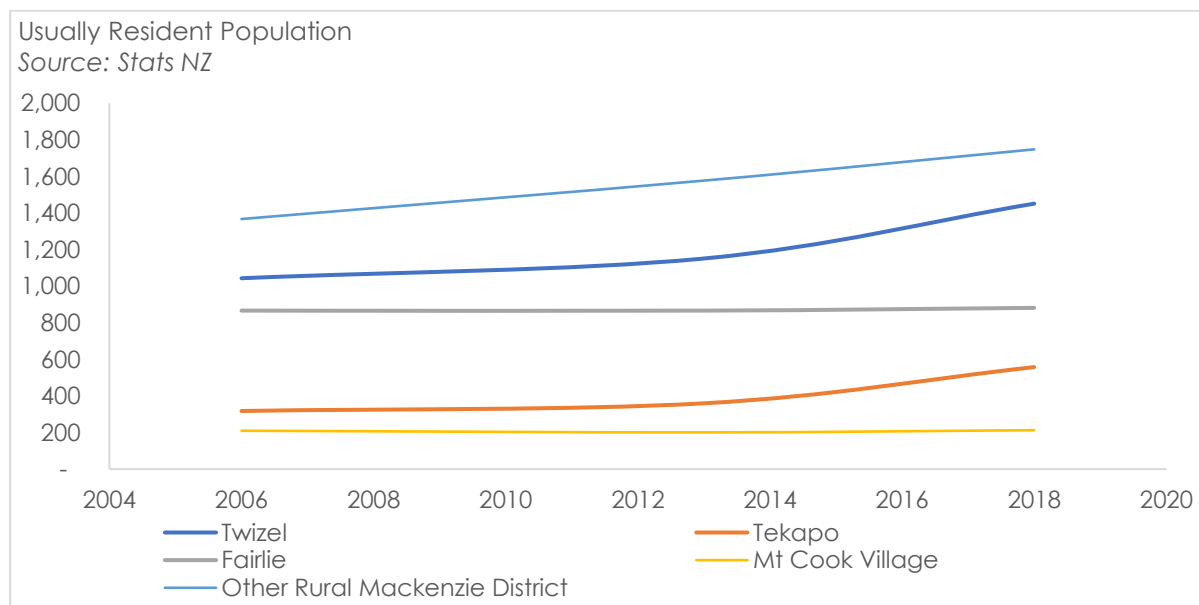
Population

Mackenzie's population was estimated at 4,854 in the 2018 census, which increased from 4,158 since the 2013 census.

¹ Visitor accommodation includes hotels, motels, backpackers which are reported to MBIE's accommodation survey. Properties listed on Airbnb are also considered through data made available by AirDNA.



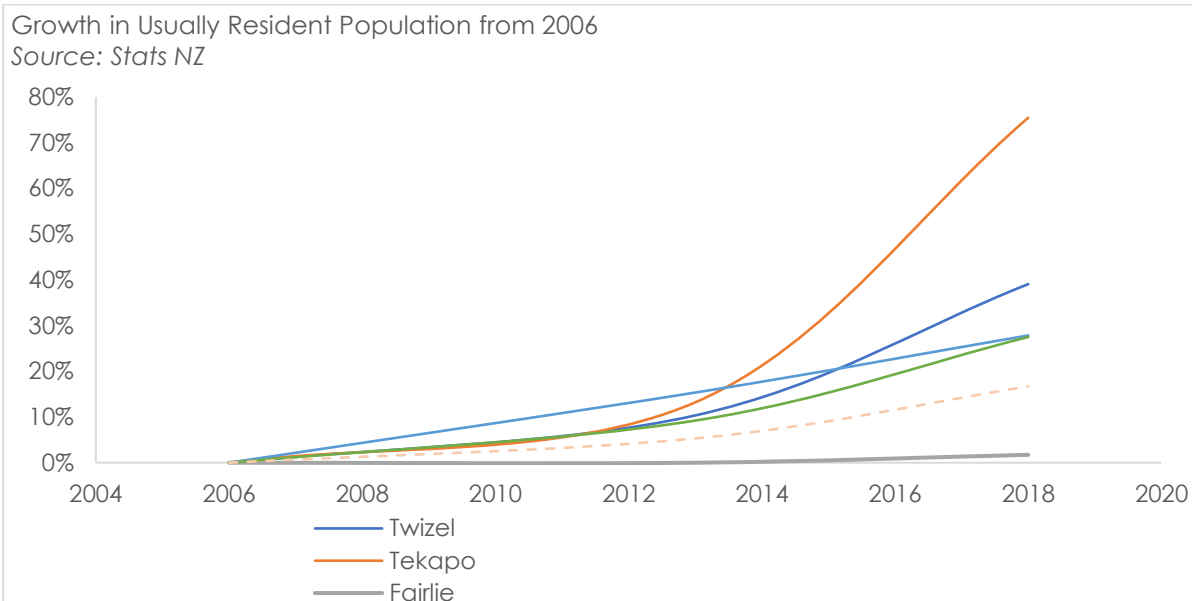
Twizel is the districts largest centre with 1,749 residents, followed by Fairlie with 882 residents and Tekapo with 558 residents.



Population Growth

Some areas of the district have experienced significant growth since 2006, whilst others have remained steady. Over the same period New Zealand's population grew by 17%.

Tekapo and Twizel have experienced particularly large growth since 2013 with 55% and 26% respectively. Over this time period Fairlie's population has been stable.

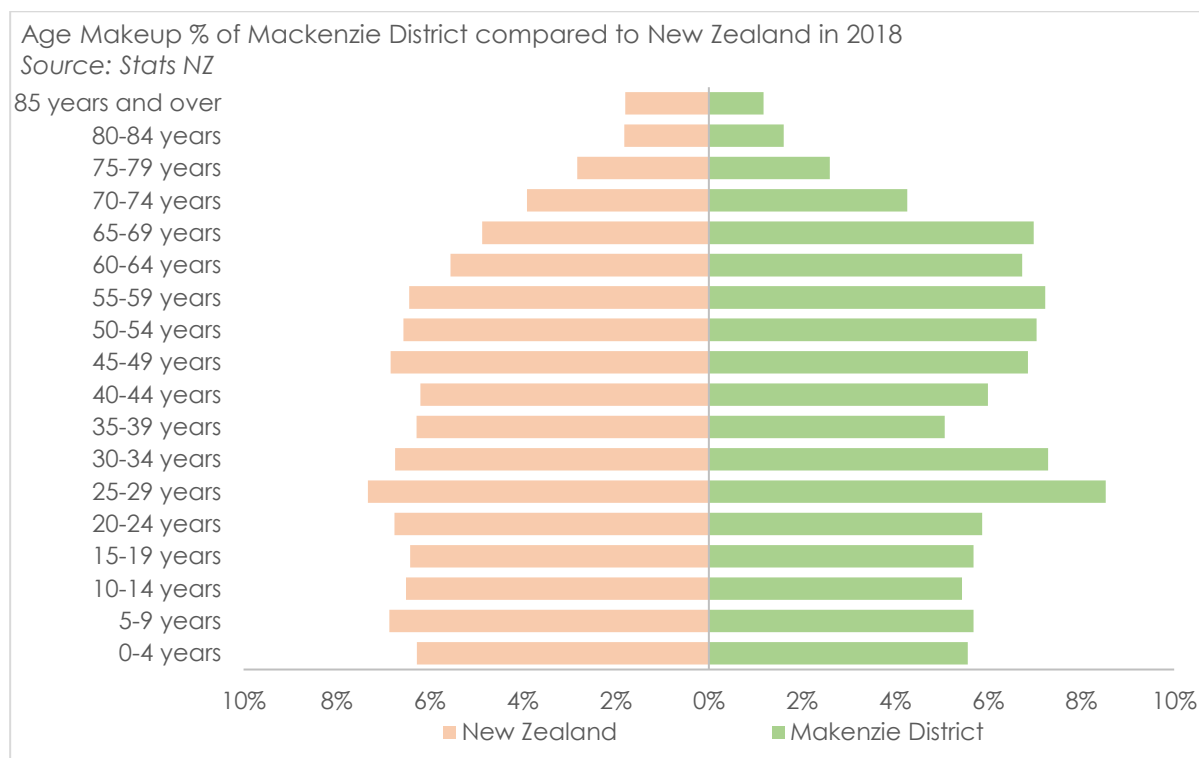


Population Structure

The age structure of Mackenzie's population is slightly different to the rest of New Zealand, and there are interesting differences between the age structure of each township.

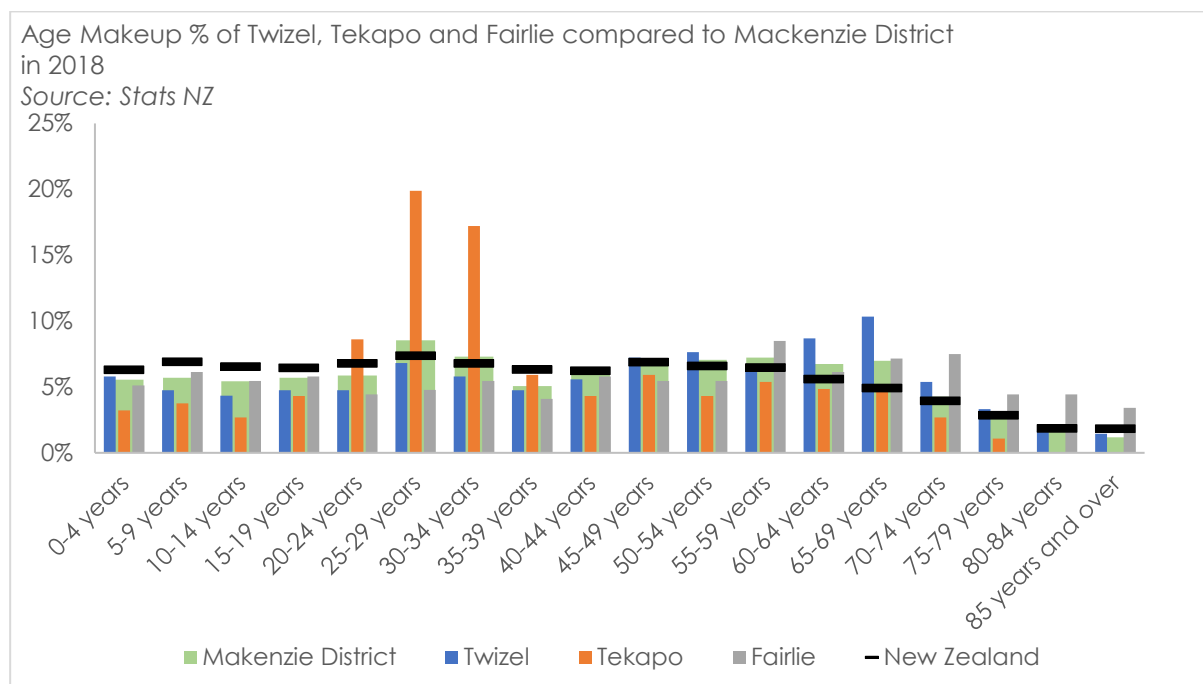
The district's population has two prominent components, which differ from New Zealand's population. These are:

- A large proportion of residents in the district are in their early working years, 20 – 35 years old and do not appear to have started a family, yet.
- The population swells again late in a person's working life, from 49 – 65.

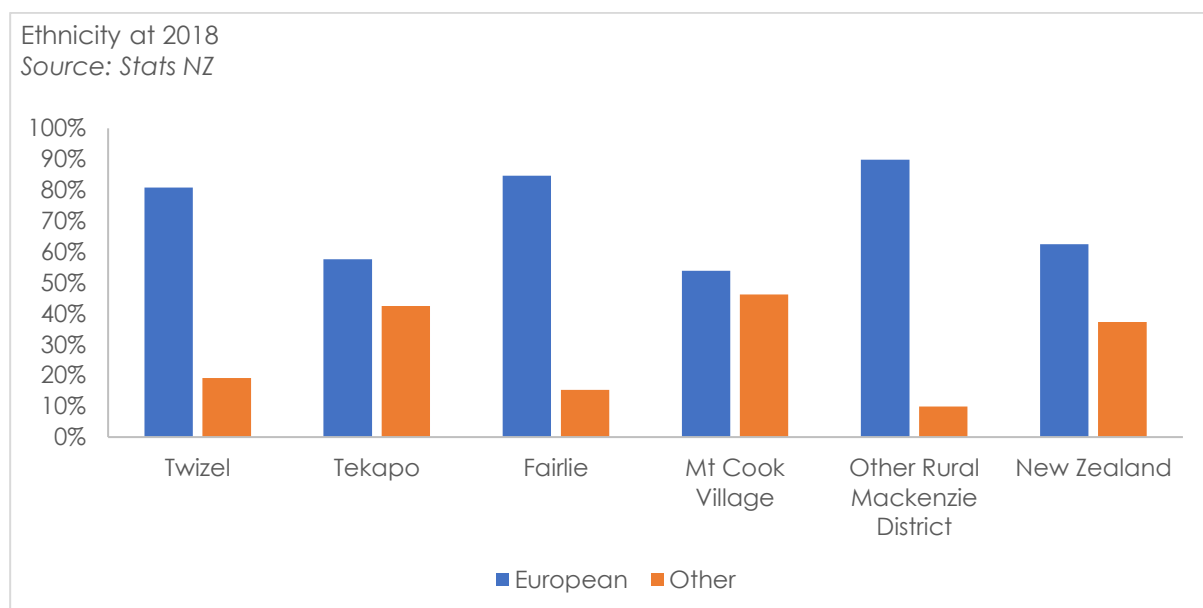


Breaking the data down by township, each township has a markedly different population structure. Tekapo has a very large proportion of residents aged between 20 and 35, whilst Twizel has a higher proportion of

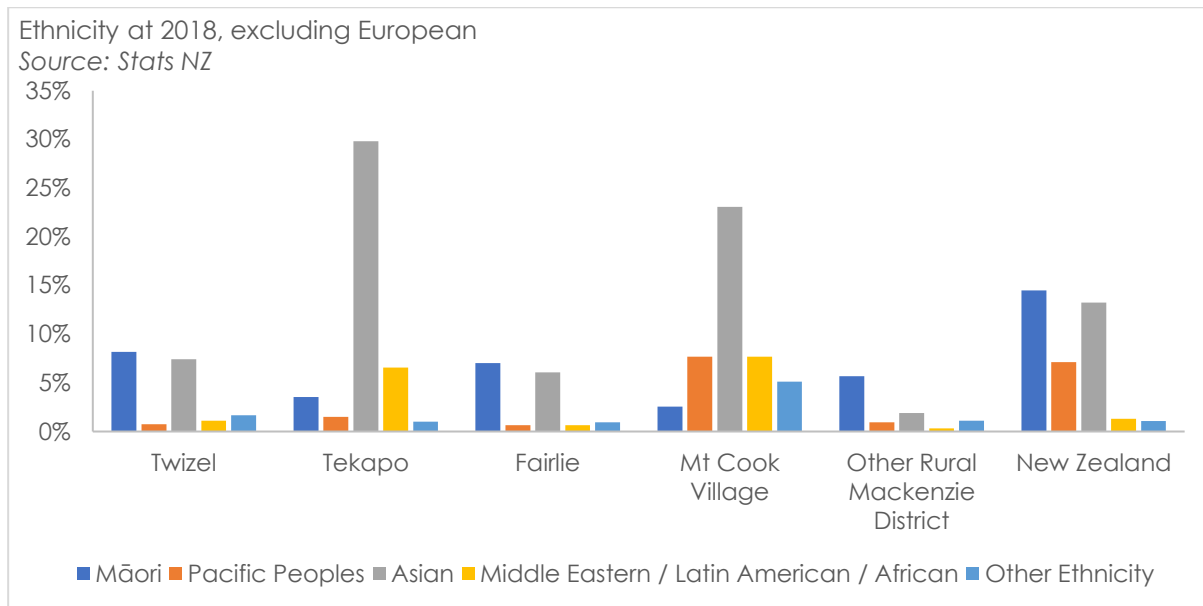
early retirees and Fairlie is more balanced with a high proportion of elderly or those who will be elderly within the next decade.



There are some areas within Mackenzie that are very multicultural, again these are the tourism hotspots of Tekapo and Mt Cook Village.



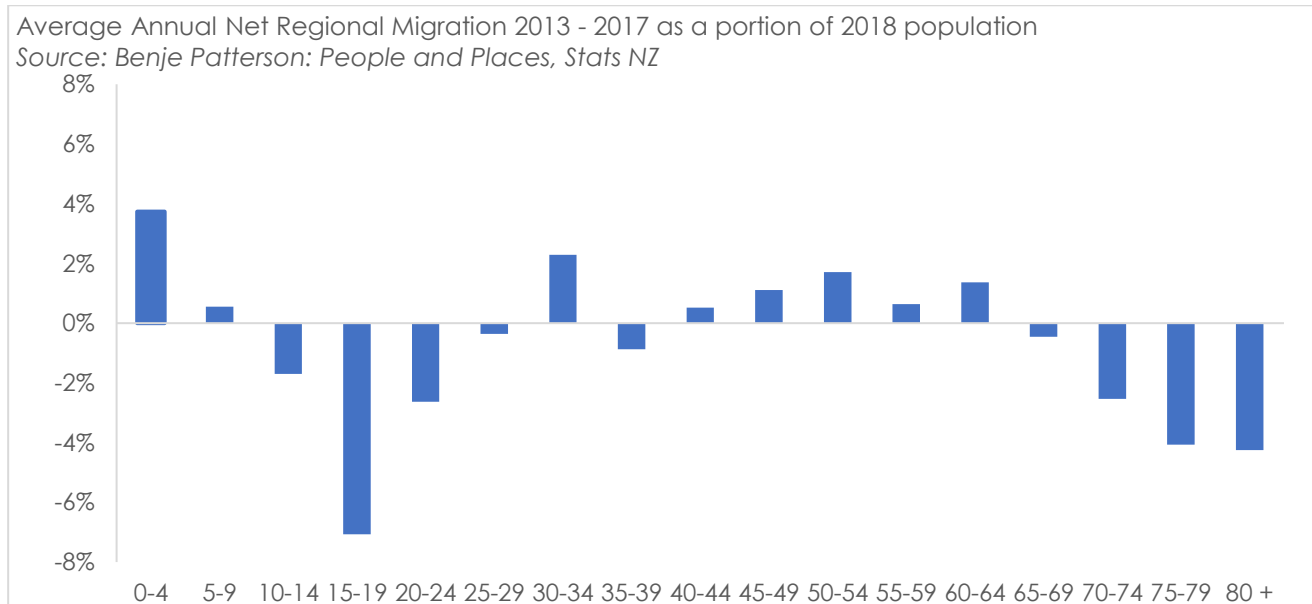
The 'European' categorisation comes from StatsNZ and includes both New Zealanders and those from European countries. In Mt Cook Village, 50% of the population's ethnicity is 'other', and similarly 40% of Tekapo's population are categorised as 'other'. As seen below, when breaking down what constitutes 'other', Asian is the most predominant ethnicity.



Migration

Net regional migration is calculated as the sum of domestic migrants to the district minus those leaving the district. The trends observed tell a similar tale to many rural districts around New Zealand. A net loss occurs as children leave for boarding school and further education or employment opportunities and a further net loss in the later years of retirement, 70+, as people move to be closer to family and health care facilities.

Overall, there is a net regional migration of negative 21 people between 2013 and 2017. However, digging deeper into the data over the four years 978 moved to Mackenzie and 999 moved away. This represents a large churn equating to 20% of the population in 2017.

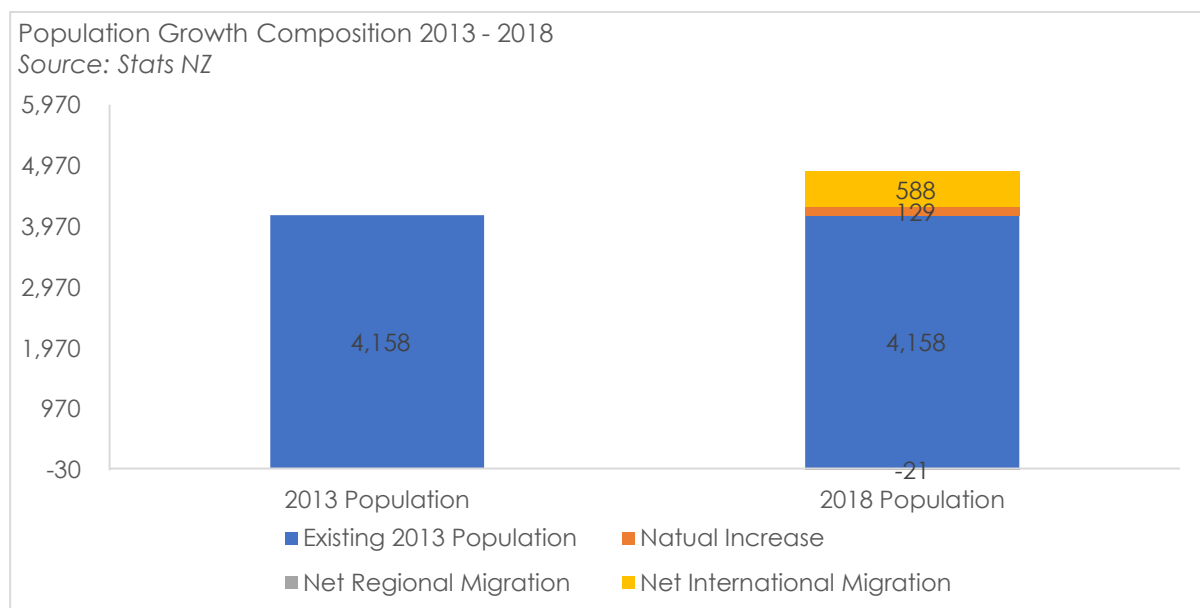


Of note, is this net regional migration does not align with that of the growth trends that Mackenzie has been experiencing. In fact, the above results show a net loss. Therefore, growth must be occurring from one of the two other means – natural increase (births) or international migration.

Table 1. Net regional migration from 10 territorial authorities with highest migration in, between 2013 - 2017.

Area	Migration In	Migration Out	Net Migration
Timaru District	180	216	-36
Christchurch City	150	168	-18
Dunedin City	87	90	-3
Selwyn District	75	54	21
Ashburton District	57	60	-3
Auckland	57	39	18
Waitaki District	54	66	-12
Waimakariri District	39	33	6
Queenstown-Lakes District	39	33	6
Southland District	24	42	-18
Total	978	999	-21

Whilst there is a small amount of natural increase, international migration has created 82% of the growth in Mackenzie (or 14% of the population in 2018). This growth was largely concentrated in Tekapo and Mt Cook Village where 45% and 50% of residents lived overseas five years ago respectively.



Digging deeper into what this international migration looks like:

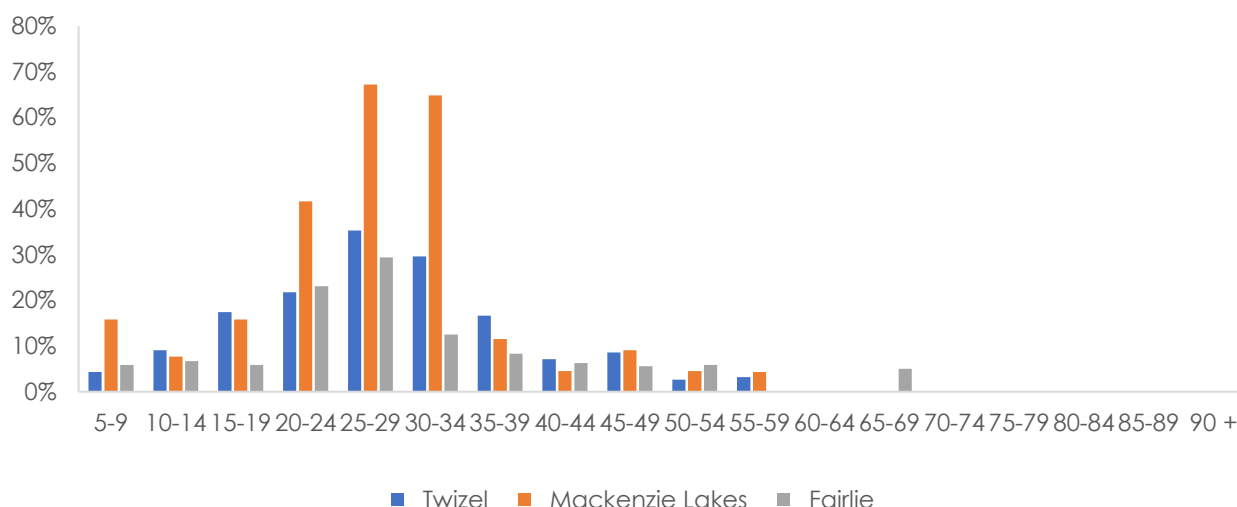
- The majority of migrants are between 20 and 35 years old, including some families.
- They are predominately moving to Mackenzie Lakes, i.e. Tekapo and Mt Cook Village but there has been international growth in each town. The chart shown below only illustrates inbound migration i.e. is not a net figure.

Immigration New Zealand data is not available to inform readers on why these people are coming to New Zealand, or on what premise they are able to stay here. For example, are the population between 20 and 35 on working holiday visas or is there a proportion of families that are becoming residents?

Further analysis (noting the data is not currently available) would need to be undertaken to confirm conclusively.

International Inbound Migration 2013 - 2018 as a portion of 2018 population

Source: Stats NZ



As seen in the population structure section above, these international migrants come from all over the world. European is the most prominent ethnicity, this group includes both New Zealanders and those from Europe. Asians are the next most prominent ethnicity in the district. These two data sources suggest that those immigrating to Mackenzie are largely either from Europe (45%) or Asia (45%).

Household Size

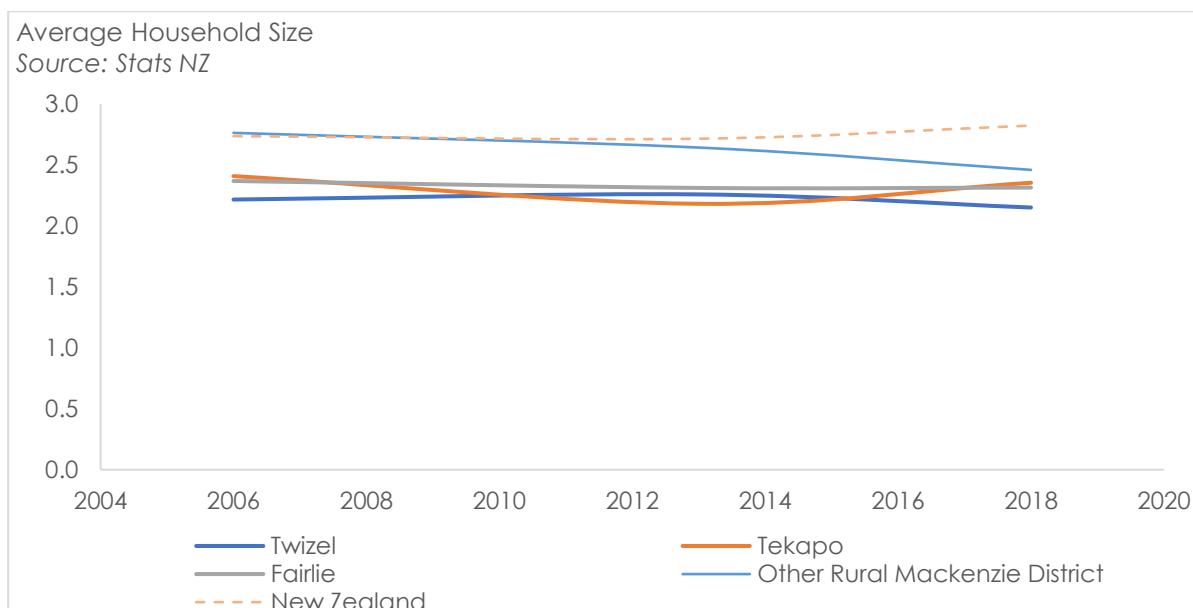
The average household size has been calculated using only occupied houses in the district. Meaning that household size is not being unfairly lowered by the large proportion of unoccupied homes.

Household size is quite unique in the Mackenzie. Some areas are seeing a slow decline, suggesting households are getting smaller, whilst, in other areas household size is increasing.

Across the district, the household size is lower than New Zealand's. This is to be expected due to the population structure, a higher proportion of those in their late working years or retirement. These people are likely to be living as a couple or alone, which is reinforced below – 34% of the district households are couple only and 27% are single person.

Focusing in on Twizel, the household size has decreased. This is likely due to the higher proportion of residents that are in their retirement years, likely living as a couple or alone. Whilst in Tekapo, household size has increased, slightly. This is likely due to the large increase of those in their early working years who are likely living in a share house.

Increased household size can be a warning indicator for housing availability and/or affordability issues. This is due to potential overcrowding to make house costs more affordable or due to housing not being available for rent and therefore more people living under one roof.

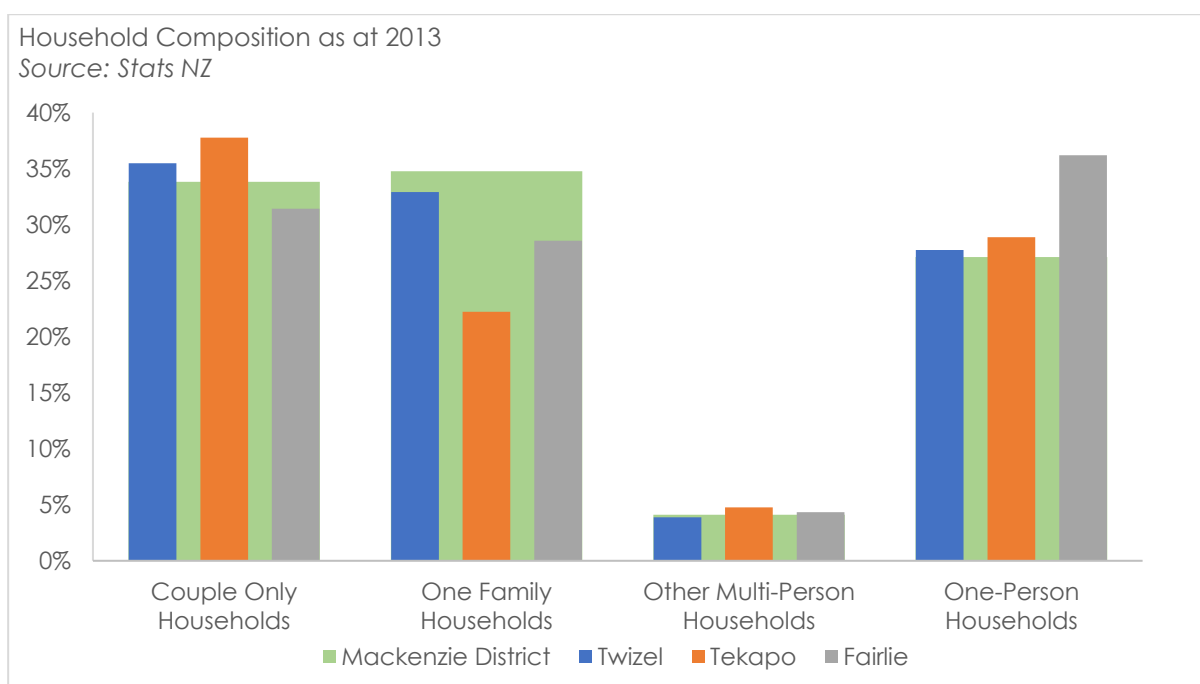


Household Composition

The household composition data has not yet been updated by Stats NZ. This is expected to happen towards the end of May, in which case this data will be updated.

However, in 2013 the district households comprised predominantly couples or single families. Fairlie also had a high number of one-person households.

Based on the migration data and change in population age structure it is expected that there has been an increased proportion of multi-person households (i.e. shared living arrangements), particularly in Tekapo.



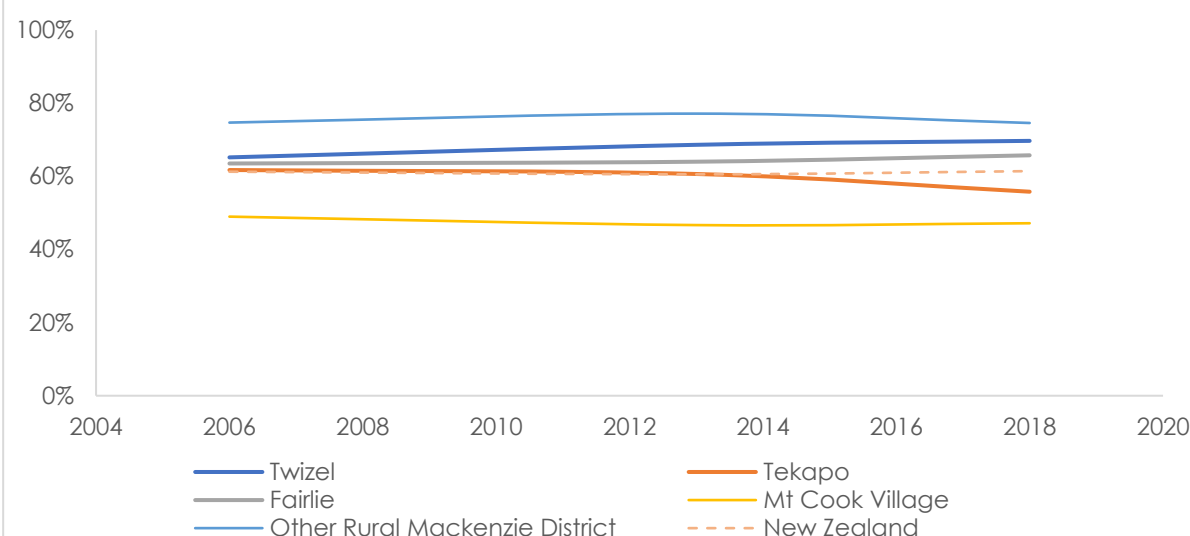
Partnership

63% of Mackenzie's population have a partner compared to 52% of people throughout New Zealand. This rate is even higher in Fairlie, Twizel and rural Mackenzie.

The lower rates in Mt Cook and Tekapo is likely due to the younger population and higher level of international migrant, who may only be in New Zealand for a short time e.g. a working holiday visa.

Portion of Residents over 15 years who have a Partner

Source: Stats NZ



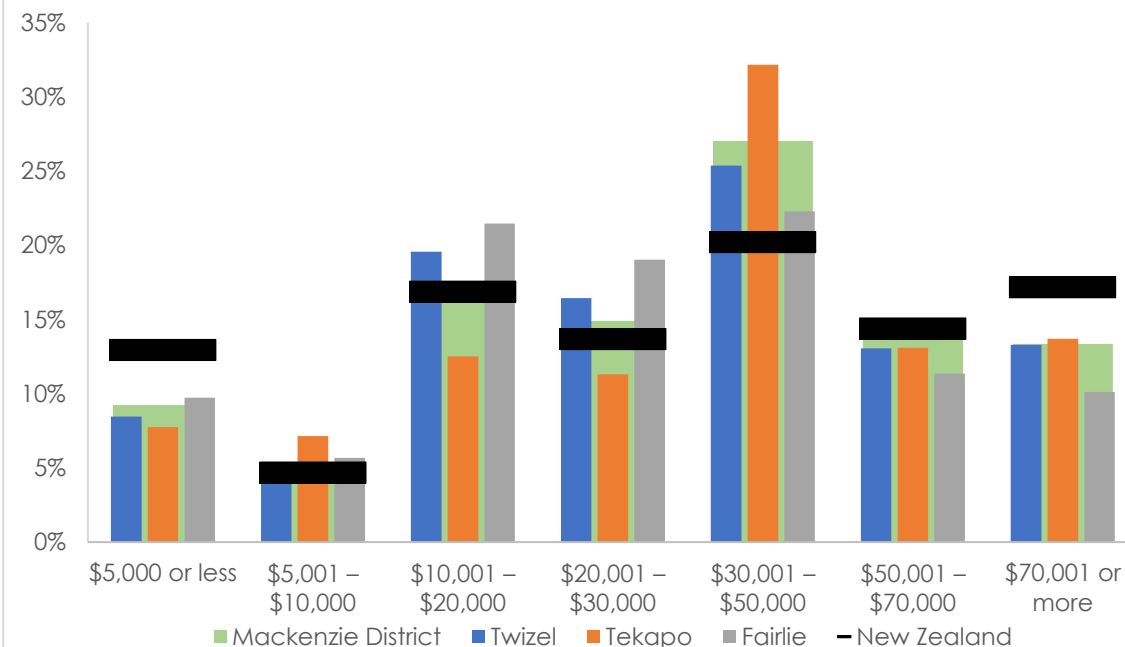
Income

The average income of residents in Mackenzie is \$51,420 which is below the New Zealand average of \$62,480. The New Zealand average is pushed up by major urban areas such as Auckland and Wellington. This occurs due to the nature and types of higher paying roles available in urban centres.

As a comparison, Central Otago's average income is \$52,309. Central Otago also have strong primary industries and tourism sectors.

Income Makeup % of Twizel, Tekapo and Fairlie compared to Mackenzie District and New Zealand in 2018

Source: Stats NZ

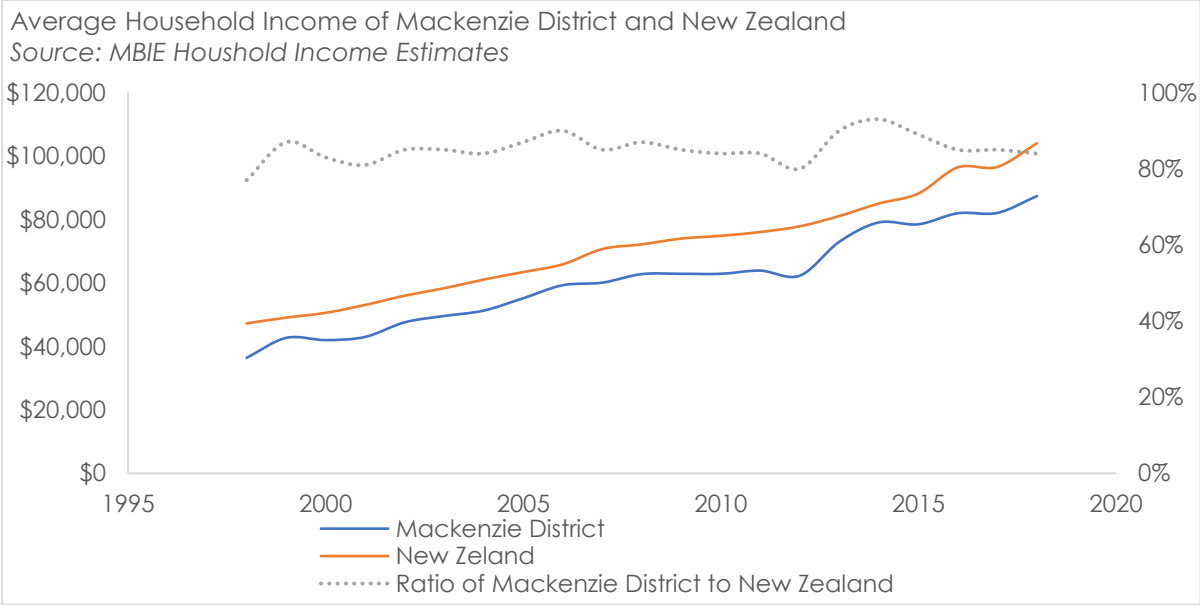


There are a number of reasons why there are less high paying jobs in Mackenzie. The predominance of tourism, which is a traditionally low paying industry is one such reason.

Fairlie and Twizel have large shares in the \$10,000 - \$30,000 range due to the proportion of the population receiving superannuation with some residents also having additional income streams.

Tekapo has a large share in the \$30,000-\$50,000, encapsulating a full-time equivalent minimum wage job. Minimum wage in New Zealand, at the time of writing, is \$18.90, the equivalent full-time salary is \$39,312.

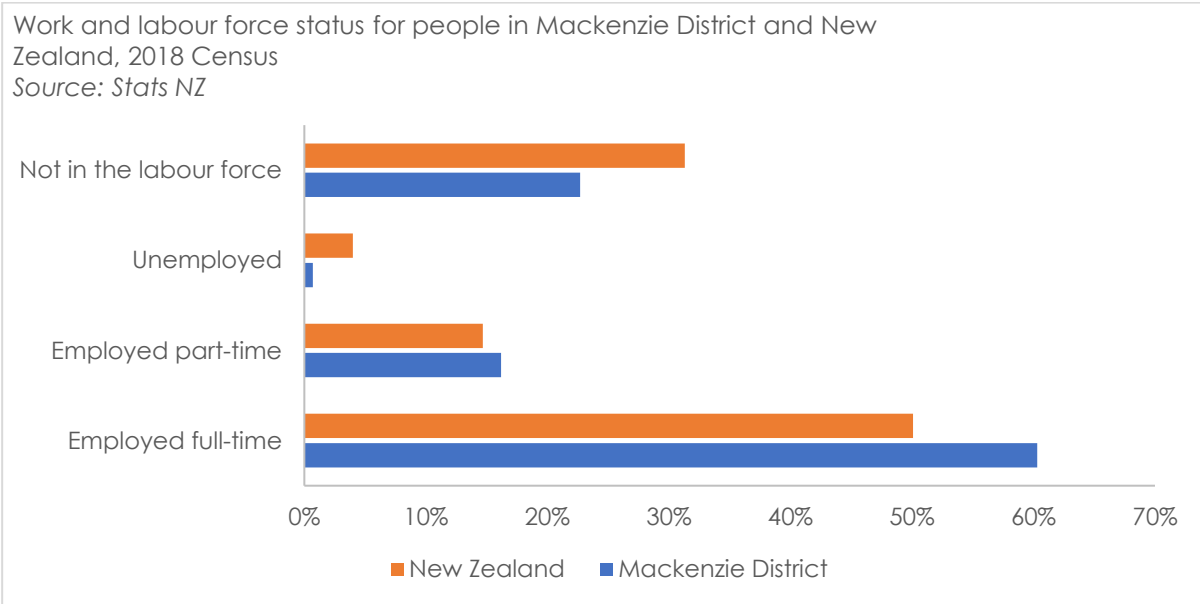
Over time, incomes have steadily increased in Mackenzie, shown in the household income chart below. The ratio of Mackenzie district to New Zealand, shows what percentage household income in Mackenzie is of the national average. Mackenzie households earn approximately 85% of the average New Zealand household income. Whilst, household income has continued to increase over time, the gap between what households in Mackenzie earn and the rest of the country is widening i.e. household income in Mackenzie is increasing at a lesser rate than the rest of New Zealand.



Employment

UNEMPLOYMENT

At the time of the 2018 Census, Mackenzie District had a very low unemployment rate, 0.7%, compared to New Zealand, 4%. These numbers are from 2018, before the COVID-19 pandemic.



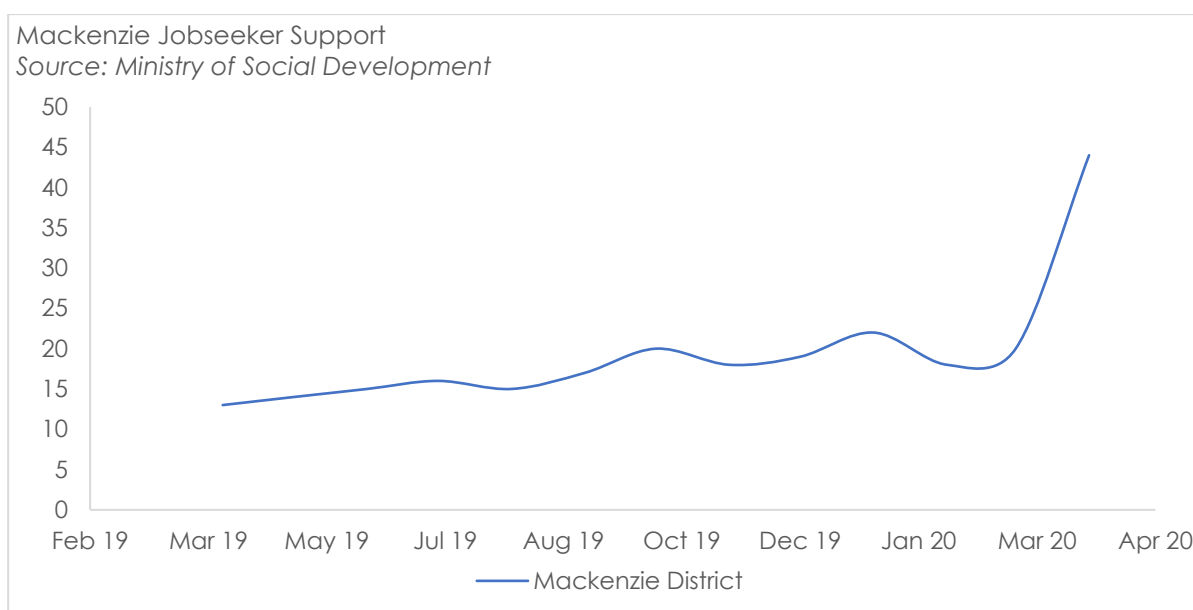
The “not in the labour force category” comprises anyone in the working-age population who is neither employed nor unemployed. This residual category includes people who:

- are retired,

- have personal or family responsibilities such as unpaid housework and childcare,
- attend educational institutions,
- are permanently unable to work due to physical or mental disabilities,
- were temporarily unavailable for work in the survey reference week, or
- are not actively seeking work.

This differs from unemployment, which includes all people in the working-age population who, during the census week:

- were without a paid job, and
- were available for work, and
- had either actively sought work in the four weeks ending with the Census week, or had a new job to start within the next four weeks.



It is worth noting that this number differs from the number of people registered as unemployed or the number of unemployment benefit recipients. The number of people registered to receive Jobseeker Support is a narrower definition of unemployment. To qualify for Jobseeker Support, one must first apply and as part of the process assets, other household income and other income sources are evaluated. The Jobseeker Support recipients are a vulnerable subset of the unemployed. In April 2020, 44 people in Mackenzie received Jobseeker Support.

The effect of COVID-19 on unemployment is already being felt in Mackenzie and across the country. The number of people seeking out some form of support, either the main benefit, jobseeker support or emergency benefit, has increased rapidly over the last month (April 2020). It is expected that these figures will continue to rise, and a potential sharp increase might occur when the governments employment subsidy ends in June 2020.

OCCUPATION

Almost 50% of the working population of Mackenzie work in one of two occupations – labourers or managers. It is typical in areas with large amount of farming or small business to have a high proportion of managers, i.e. systems managers rather than corporate managers. This is likely to be the same in the tourism industry.

The proportion of skilled professionals is less than half that of the rest of New Zealand. These statistics explain the income trends observed.

Occupations for people in Mackenzie District and New Zealand, 2018 Census
Source: Stats NZ

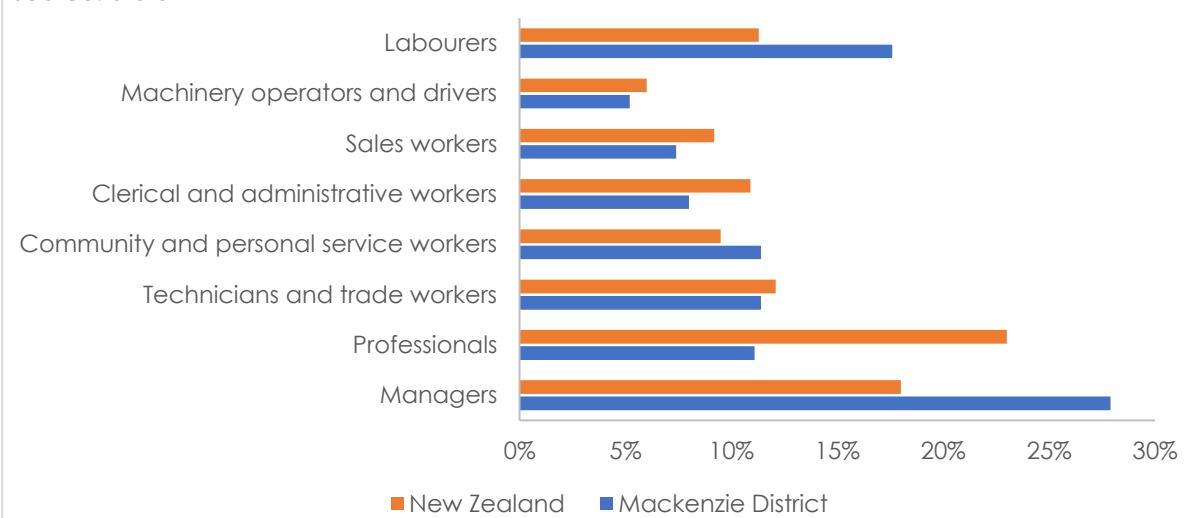


Table 2. Jobs by ANZSIC06 Industry Classification, Source: Stats NZ.

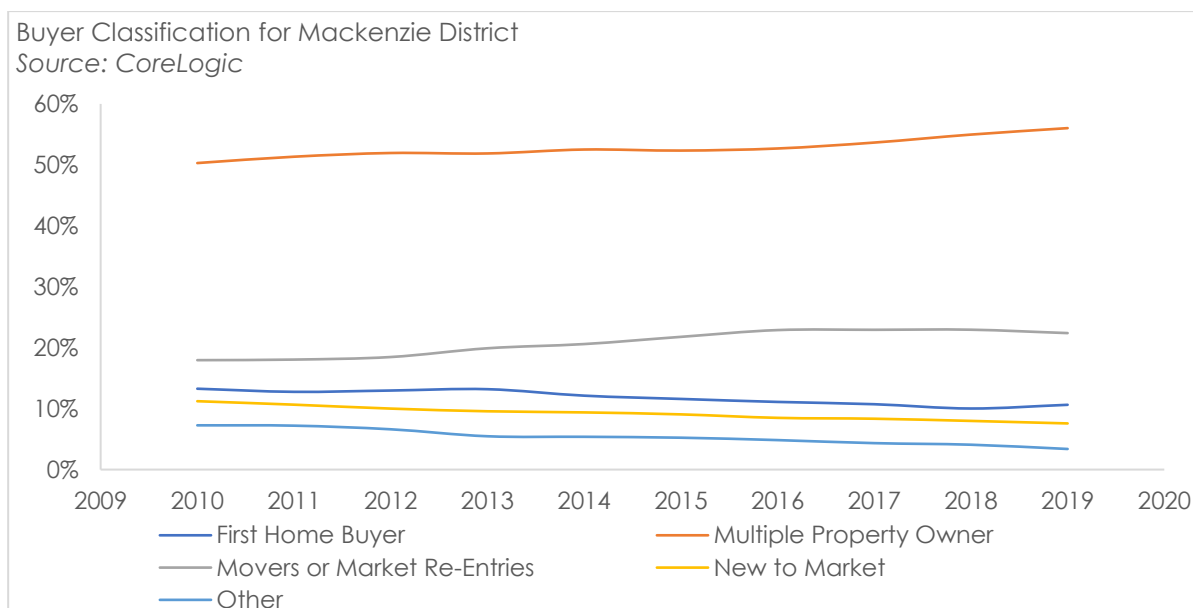
	Mackenzie District	Fairlie	Mackenzie Lakes	Twizel	Opua (Mackenzie District)
Agriculture, Forestry and Fishing	430	12	200	18	200
Mining	0	0	0	0	0
Manufacturing	75	45	3	25	0
Electricity, Gas, Water and Waste Services	95	0	3	90	0
Construction	150	70	3	70	6
Wholesale Trade	18	6	0	0	12
Retail Trade	230	65	50	100	12
Accommodation and Food Services	810	25	520	240	25
Transport, Postal and Warehousing	85	18	65	0	0
Information Media and Telecommunications	12	6	9	0	0
Financial and Insurance Services	3	0	0	3	0
Rental, Hiring and Real Estate Services	6	0	3	3	0
Professional, Scientific and	35	15	6	15	0

Technical Services					
Administrative and Support Services	120	3	95	12	12
Public Administration and Safety	40	30	3	9	0
Education and Training	140	70	12	50	9
Health Care and Social Assistance	35	21	0	12	0
Arts and Recreation Services	130	6	80	40	0
Other Services	40	15	3	6	15
Total Industry	2450	410	1050	700	290

Home Buyer Classification

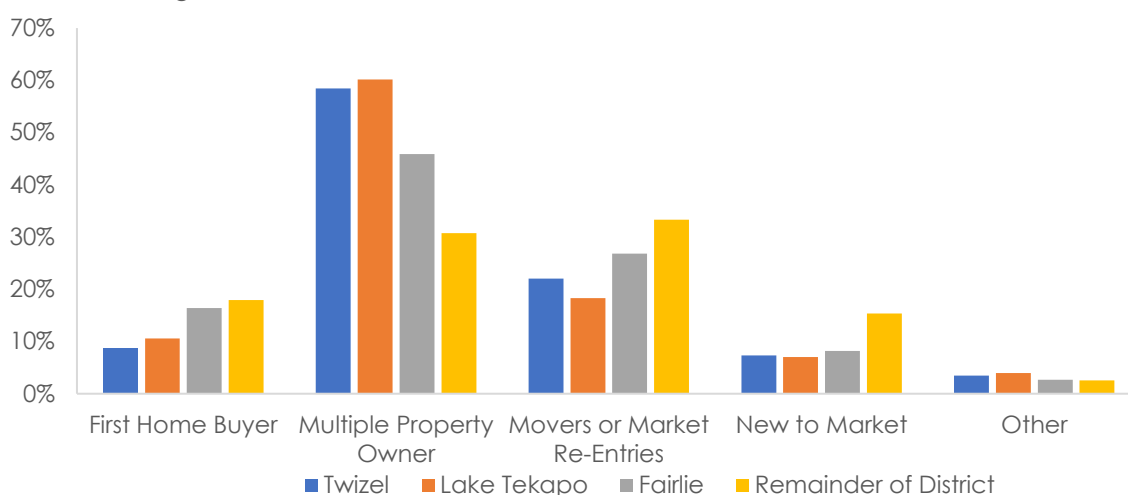
The most prominent home buyer group is multiple property owners. These people are buying homes across the district with the most popular locations being Lake Tekapo and Twizel.

The reverse trend is seen among first home buyers, with Fairlie and the rest of the district being more popular locations. This could be an indication of affordability.



Snapshot of Buyer Classification at 2019

Source: CoreLogic

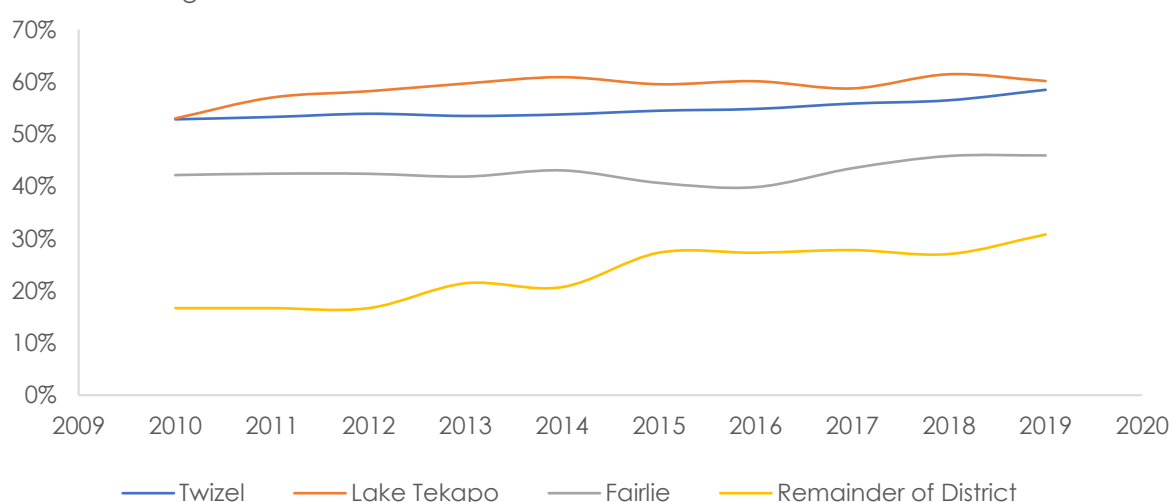


MULTIPLE PROPERTY OWNERS

Lake Tekapo and Twizel have the highest proportion of multiple homeowners, i.e. those who own more than one home in New Zealand. These areas are well known for their holiday houses.

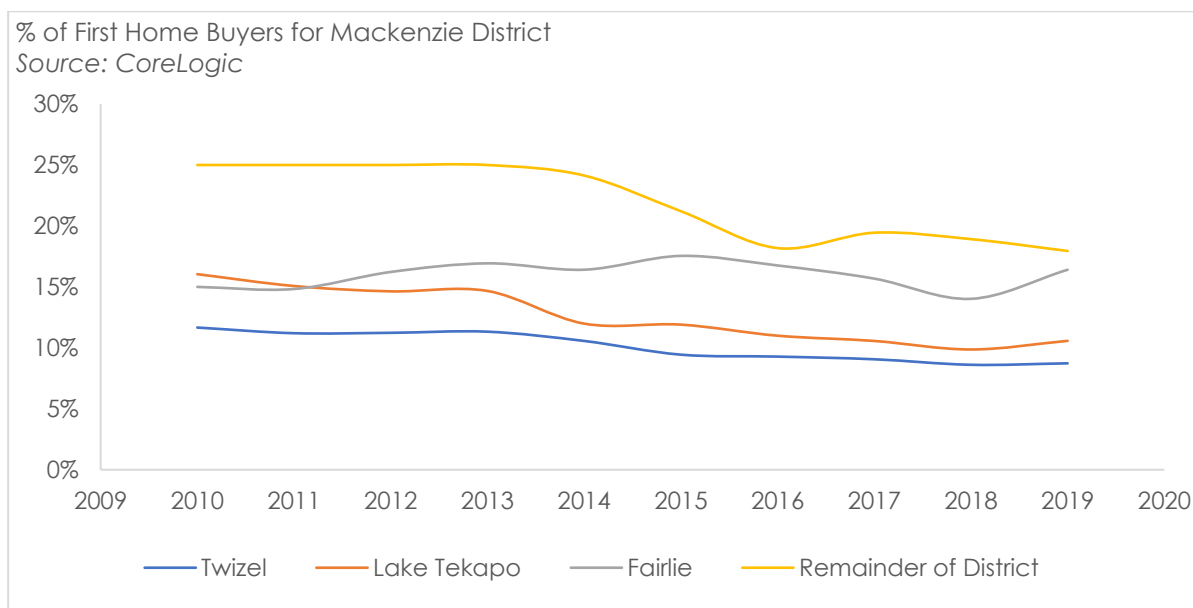
% of Multiple Property Owners for Mackenzie District

Source: CoreLogic



FIRST HOME BUYERS

The number of first home buyers has decreased throughout the district with an exception of Fairlie.



NEW ZEALAND

Mackenzie's buyer profile differs significantly from the rest of New Zealand. Whilst the data for Mackenzie does not spill out how multiple homeowners are purchasing property in 2019, 56% of sales were completed by this group compared with 38% nationwide.

The most notable difference is the size of the first homeowner share, in Mackenzie only 11% of sales are by first homeowners compared with 24% nationwide.

These differences impact how the market looks but could also be indicative of some deeper trends such as affordability, types of housing available including new builds, or simply demand patterns in the district related to it being perceived as a lifestyle or holiday destination.

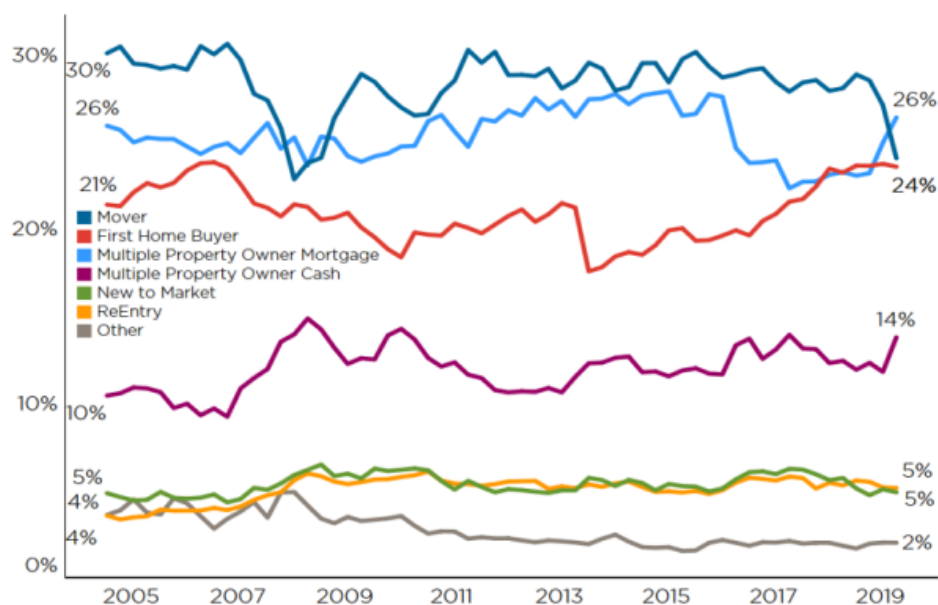


Figure 1. New Zealand buyer classifications percentage share of purchases²

² CoreLogic, 2019-20 could be the 'year(s) of the investor', <https://www.corelogic.co.nz/news/2019-20-could-be-years-investor#.XqdBOcgzaUk>, accessed 28 April 2020

Projections

Growth projections for the Mackenzie district are currently being developed. This portion of the report will be updated following the completion of this tranche of work.

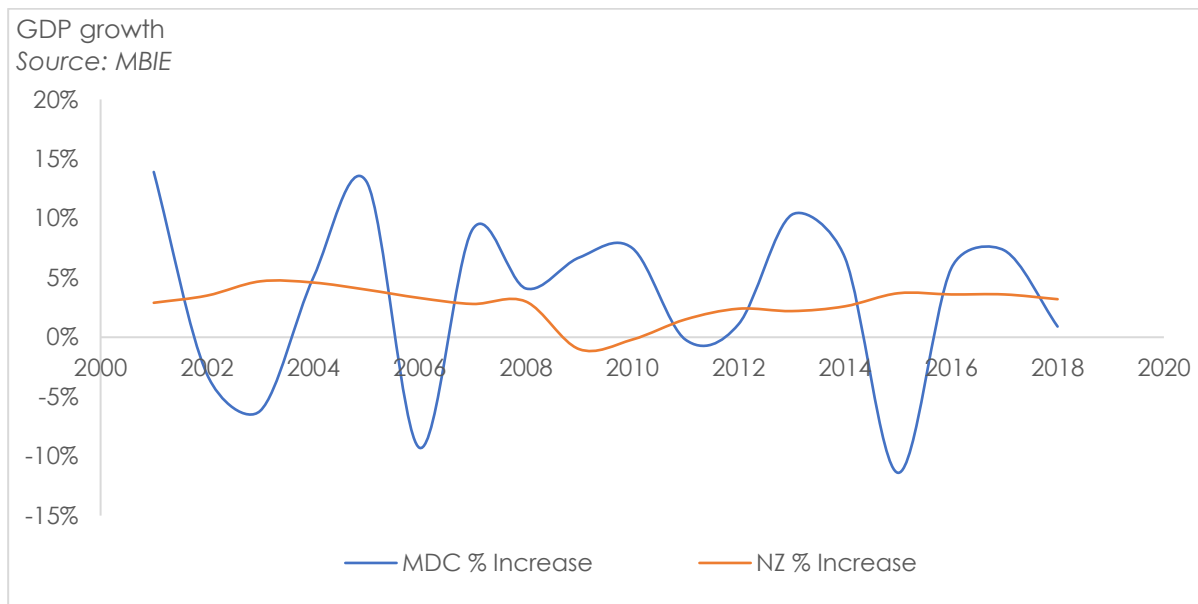
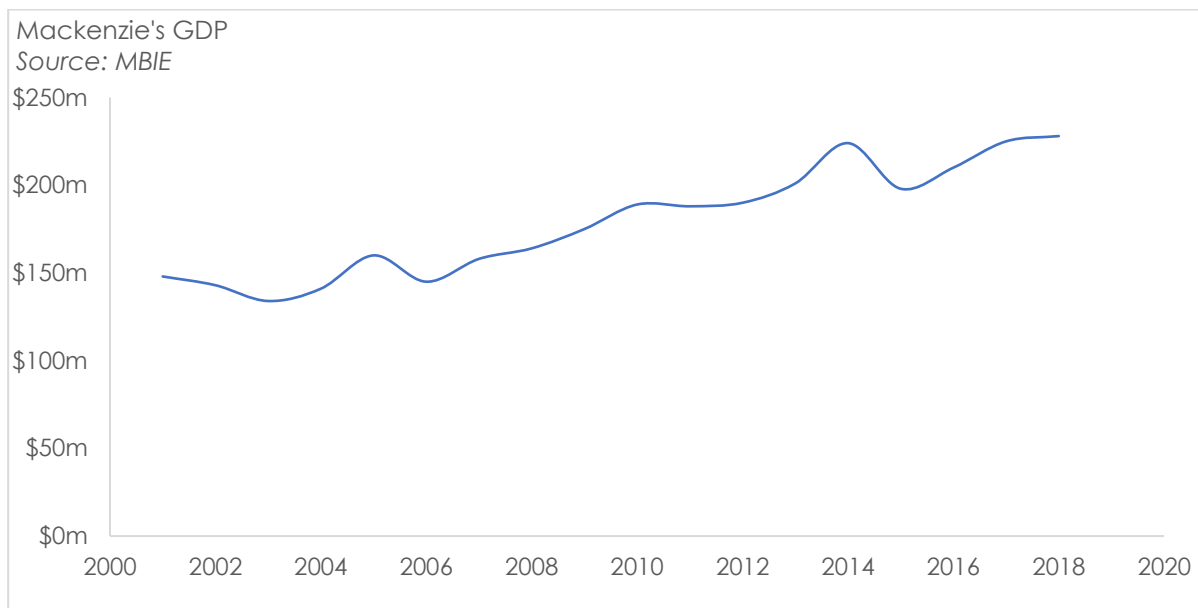
Economic Assessment

GDP

In 2018, Mackenzie's GDP³ was \$228m (2012 prices). In the same year, the country's GDP was \$243,117m (in 2012 prices). This means Mackenzie contributes only 0.09% to the country's total economy.

Mackenzie's economy significantly less diverse, relying on a few key markets, namely, tourism, primary industries and electricity generation. This causes the more volatile nature of Mackenzie's annual GDP growth.

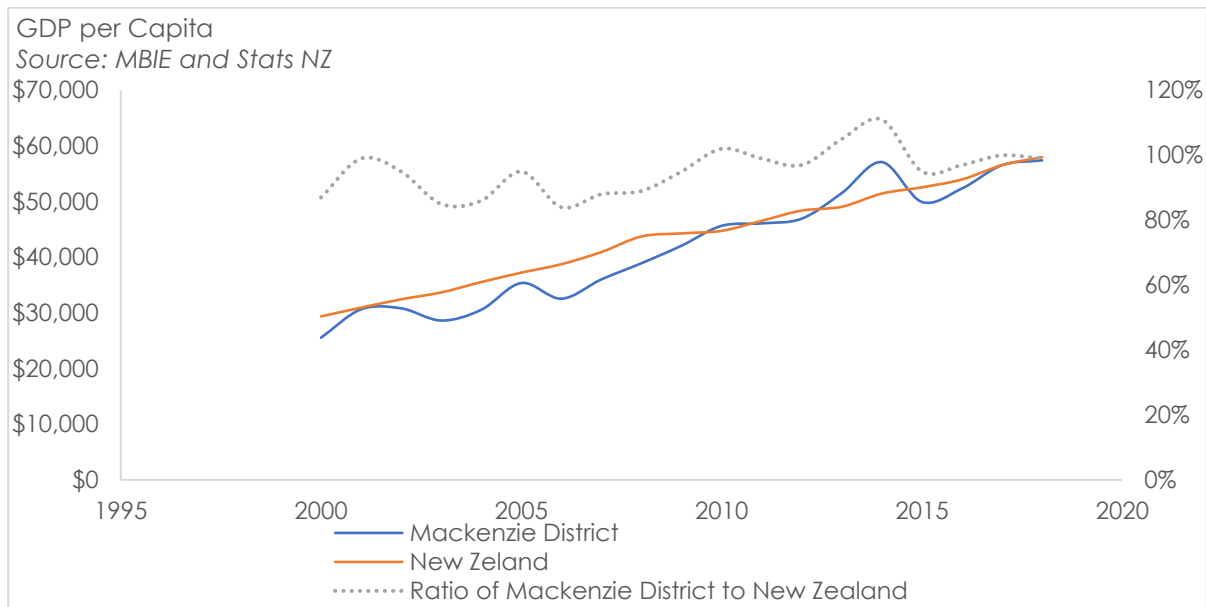
On average; however, Mackenzie's GDP has grown faster than New Zealand's. Mackenzie has experienced an average of 3.2% growth per annum since 2000. Whereas, over the same period New Zealand's GDP has grown on average by 2.8%.



³ MBIE and StatsNZ use the production approach to calculate GDP. This approach "measures the total value of goods and services produced, after deducting the cost of goods and services used in the production process. This is also known as the

Productivity

The Mackenzie district's productivity is on par with New Zealand's, using GDP per capita as a proxy. In 2018, Mackenzie's GDP per capita was \$57,428.



Industries

Using this high-level industry classification, Mackenzie District is most distinctive for 'Accommodation', which accounts for 10% of local GDP or an estimated \$26m (2012 pricing), compared to 1% of New Zealand's GDP.

The largest industry in absolute terms is 'Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services' with estimated total value-added of \$64m (2012 pricing), making up 25% of local GDP.

The fastest growing industry in Mackenzie District is 'Food and beverage services' which grew 16% per year for five years to reach \$9m (2012 pricing) in 2017.

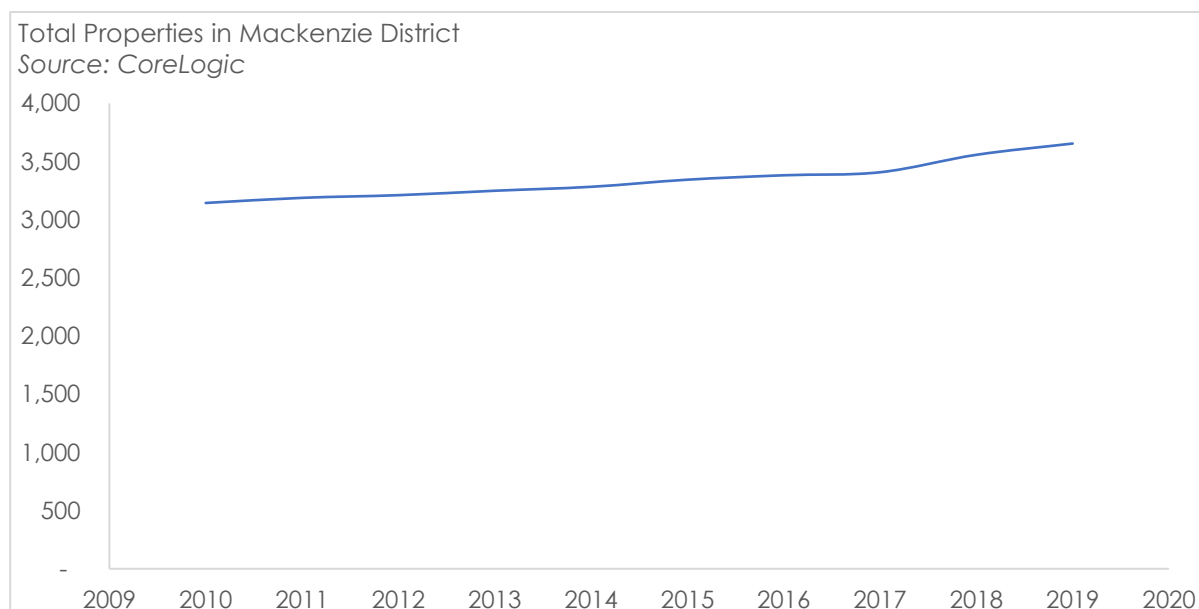


Figure 2. Real GDP by industry, Mackenzie District (\$m)⁴

Supply Assessment

Current Housing Stock

The Mackenzie district currently has 3,655 dwellings and has been building 58 houses per year, on average, equating to increasing the stock by 1.4% per annum.

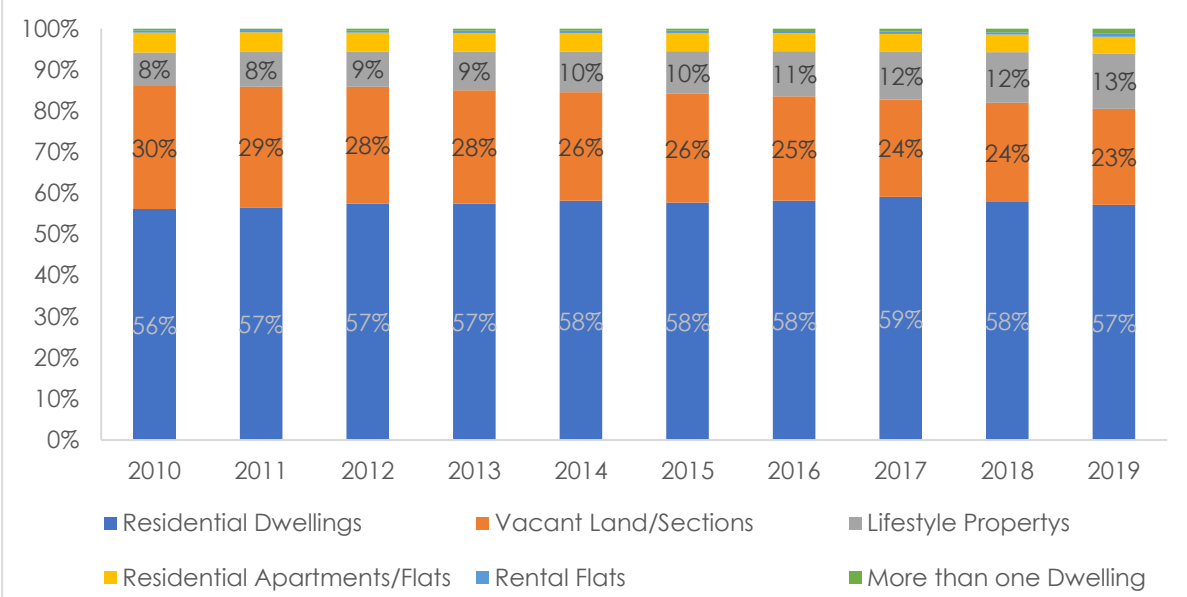


In 2019, 57% of all dwellings in the Mackenzie District were 'residential dwellings' i.e. a standalone house, for example, 3-4 beds on 500-1000sqm. There is also a large number of vacant sections, comprising 23% of the market. The market share for both property types has been falling as there has been construction of more lifestyle properties, flats/apartments and sections with more than one dwelling.

⁴ MBIE, Modelled Territorial Authority GDP, <https://mbienz.shinyapps.io/mtagdp/>, accessed on 28 April 2020.

Dwelling Stock Makeup for Mackenzie District

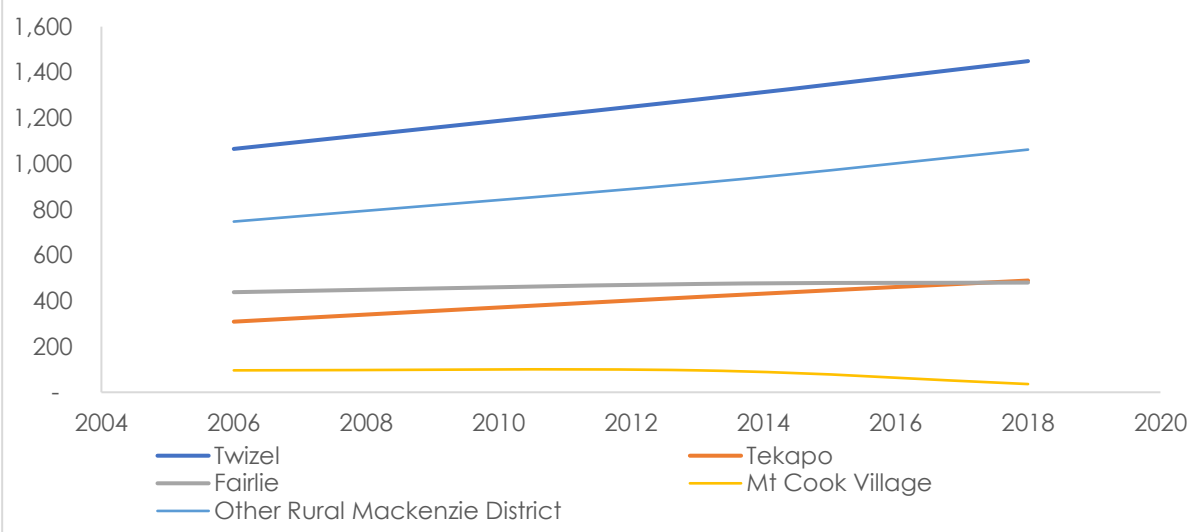
Source: CoreLogic



The total number of dwellings is not increasing equally in each town. Tekapo has experienced the most growth in recent times (17% between 2013-18, 3.4% per annum), followed by rural Mackenzie (16% growth between 2013-18, 3.2% per annum), and Twizel (13% between 2013-18, 2.6% per annum). The number of houses in Fairlie has stayed relatively static.

Total Private Dwellings

Source: Stats NZ



Equally, the types of houses are not the same in each town. Whilst, all have a high proportion of residential dwellings, Twizel and Fairlie have very high numbers of lifestyle properties and Tekapo has more dense housing typologies.

Snapshot of Dwelling Makeup at 2019

Source: CoreLogic

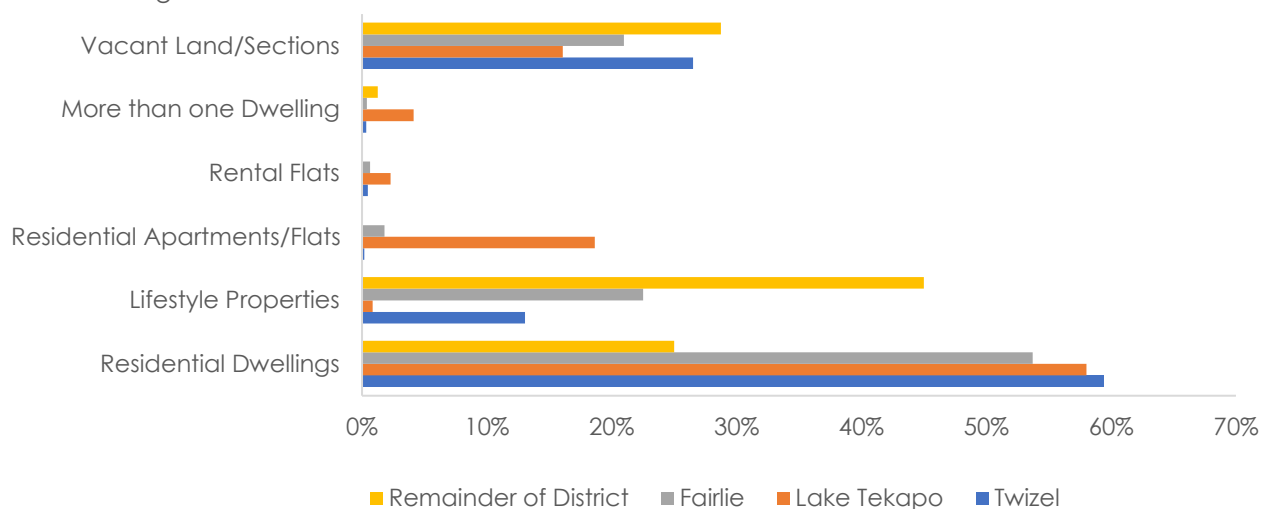


Table 3. Summary of the types of dwellings by town in Mackenzie, 2019. Source: CoreLogic.

	Residential Dwellings	Vacant Sections	Lifestyle Properties	Residential Apartment	Rental Flats	More than one Dwelling	Total
Twizel	1242	554	273	4	10	7	2090
Lake Tekapo	408	113	6	131	16	29	703
Fairlie	420	164	176	14	5	3	782
Remainder of District	20	23	36			1	80
Total	2090	854	491	149	31	40	3655

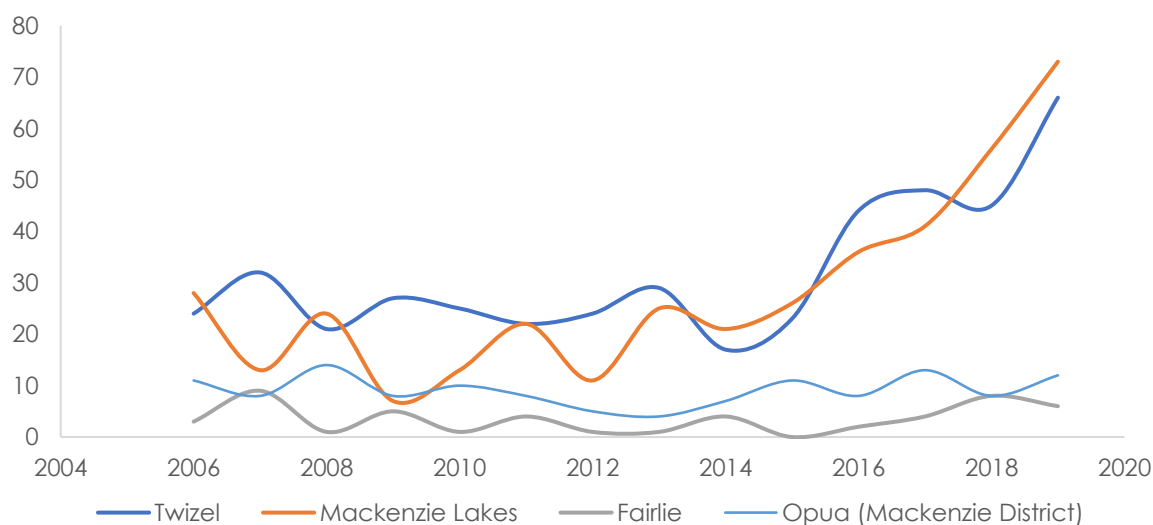
NEW DWELLINGS

Over the last decade a significant amount of construction has occurred in the district, on average 50 new houses have been built each year, growing the housing stock by 16.3% since 2010.

This development has been occurring predominantly in Twizel and Lake Tekapo (Mackenzie Lakes). The number of new consents in these areas has increased significantly over the last five years. In Lake Tekapo the number of new dwelling consents has increased by 248% from 2014 to 2019 and in Twizel over the same period new dwelling consents have increased by 288%

New Dwelling Consents by Statistical Area 2

Source: Stats NZ



In the last 10 years, two thirds of the homes built in the district, were built in Twizel, and almost half of the homes built in the district were lifestyle properties.

The large increase in lifestyle properties is of particular concern when looking at land use and land zoning, as these properties “use up” a lot of land quickly. This can lead to issues of running out of land as the town/district grows. Currently, most of these properties are located outside the three main towns but Fairlie and Twizel housing stock comprises 45% and 13% proportion of lifestyle sections respectively.

Table 4. New Dwellings – types and location.

	Twizel	Lake Tekapo	Fairlie	Remainder of District	Total
Residential Dwellings	177	122	24		323
Vacant Sections	34		5		39
Lifestyle Properties	172	1	49	3	225
Residential Apartment		2			2
Rental Flats	3	9			12
More than one Dwelling	4	14			18
Total	390	148	78	3	619
% Growth since 2010	19%	21%	10%	4%	17%

Furthermore, whilst the overall housing stock remains dominated by residential dwellings and lifestyle properties, there has been significant growth in the numbers of rental flats and properties with more than one dwelling. Whilst, the actual numbers of flats and properties with more than one dwelling are small, it does however, represent a change in trend; some people are choosing to build smaller homes, whilst others are building more than one on the same section.

Table 5. Change in housing types from 2010 to 2019. Source: CoreLogic.

	2010	2019	Percentage Growth
Residential Dwellings	1,765	2,090	18%
Vacant Land/Sections	947	854	-10%
Lifestyle Properties	250	491	96%
Residential Apartments/Flats	153	149	-3%
Rental Flats	17	31	82%
More than one Dwelling	12	40	233%
Total Properties	3,144	3,655	16%

AVERAGE DWELLING AGE

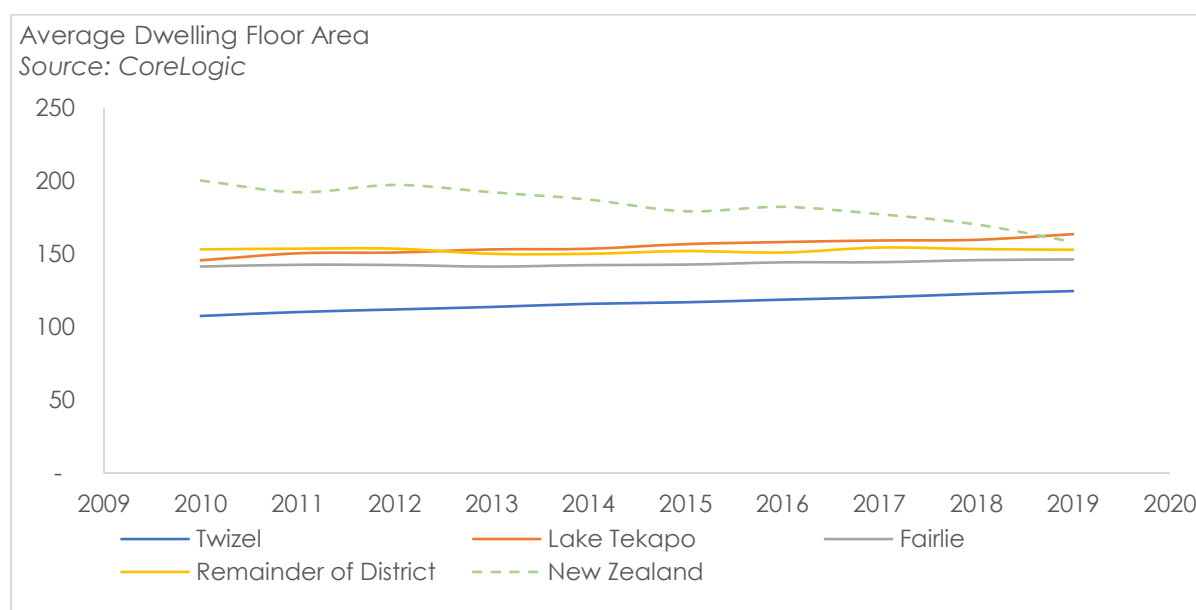
The average dwelling age differs significantly across the district, the oldest housing stock is found in Fairlie, and the newest in Tekapo – with the exception of lifestyle properties in Tekapo.

The amount of construction occurring in Lake Tekapo and Twizel will increase the average age of properties.

	Residential Dwellings	Lifestyle Properties	All Properties
Twizel	1983	2008	1988
Lake Tekapo	1993	1998	1996
Fairlie	1953	1976	1961
Mackenzie District	1978	1991	1983

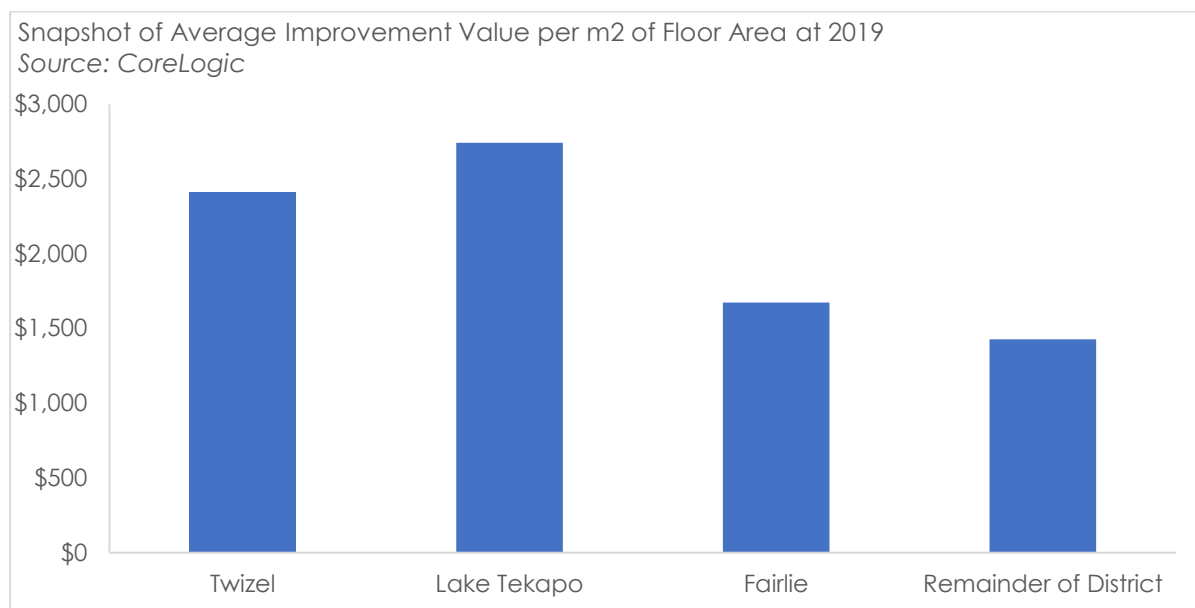
DWELLING SIZE

Across the district, house size is increasing slowly. Nationally, new houses have fallen after peaking at 200 square metres in 2010. In 2019 new homes consented were around 21% smaller, 158 square metres. This size is more in line with what is being built across Mackenzie. However, interestingly Twizel houses have remained small over time – a historic nod perhaps to the days of state housing provided for workers during the construction of the hydro lakes and power generation schemes which formed the town.



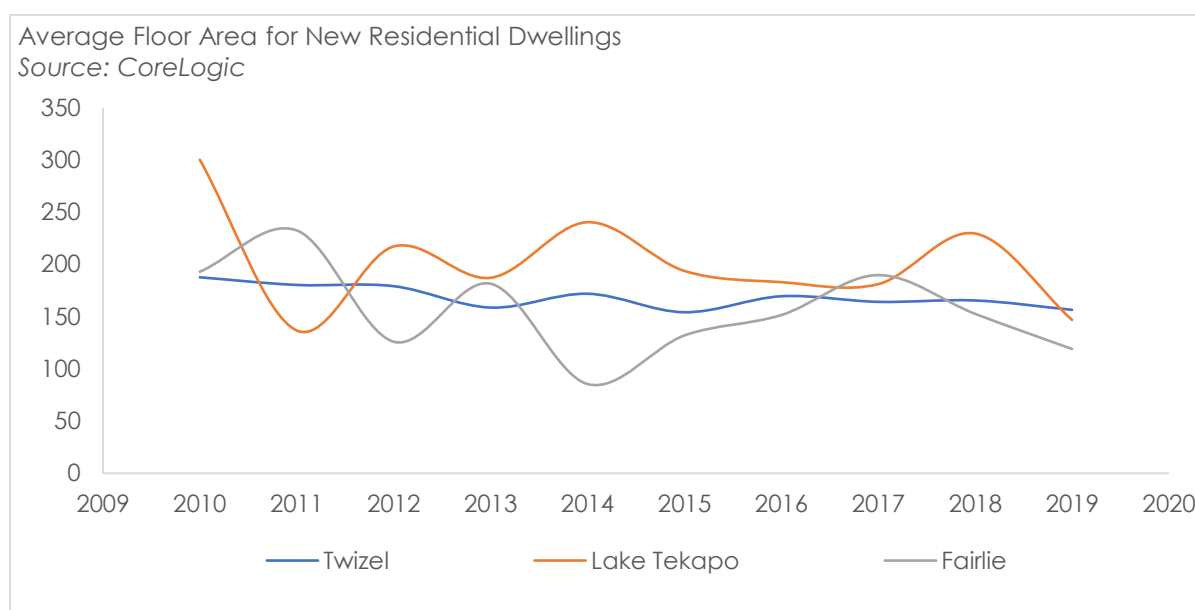
The snapshot of average improvement value per square metre adds to the story. This tells us how much houses are worth per square metre. Houses in Tekapo and Twizel are worth more per square metre. This

could be for a number of reasons; however, one factor to consider is the average age of housing is likely newer in Lake Tekapo and Twizel and therefore, the housing stock is not as depreciated



New Dwelling Size

There is a slight downwards trend in average floor area for new residential dwellings, there does not appear to be an obvious trend distinguishing each township.



PROPERTY SIZE

The average property size in the rest of the district is significantly larger than the three main towns. In 2019, it was 39,973 sqm or 4 ha and therefore, was not shown on the chart below.

Tekapo, has the smallest average property size, demonstrating as seen above, a higher proportion of residential dwellings but also the move into more dense housing typologies such as apartments and flats.

Fairlie and Twizel's average property size leans more towards a small lifestyle property at around 1 ha. This too is represented above, in the types of houses found and being constructed in these towns.

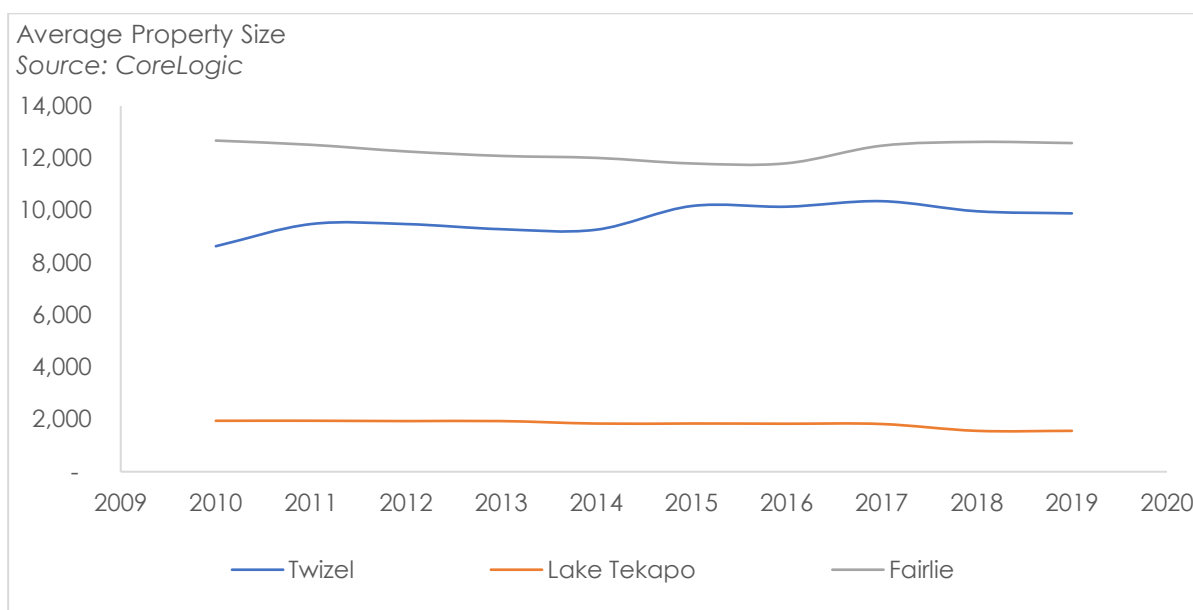


Table 6, breaks down land area further by property type and town. Residential dwelling sections are smallest in Twizel, as are the floor areas.

Table 6. Average land area by property type, in each town in square metres. Source: CoreLogic.

	Residential Dwellings	Lifestyle Properties	Residential Apartments	Rental Flats	More than one Dwelling	Vacant Sections
Twizel	807	33,769	-	750	843	21,431
Lake Tekapo	927	36,786	11	832	1,373	4,656
Fairlie	1,347	40,038	-	1,168	1,005	15,542
Remainder of District	1,595	49,284	-	-	1,012	54,527

DENSITY

The three towns have a similar density of housing. They are all denser around the main street/shopping area with decreasing levels of density as you move further away from the centre of town.

In Tekapo, density seems to vary based on when and how the development was undertaken. There are lots of green public spaces within the urban area, broken up by pockets of housing.

At present, density is not an problem in any of the three main towns, however it could become an issue in Tekapo in future if development and demand were to continue at recent levels, largely due to a lower capacity of residentially zoned land.

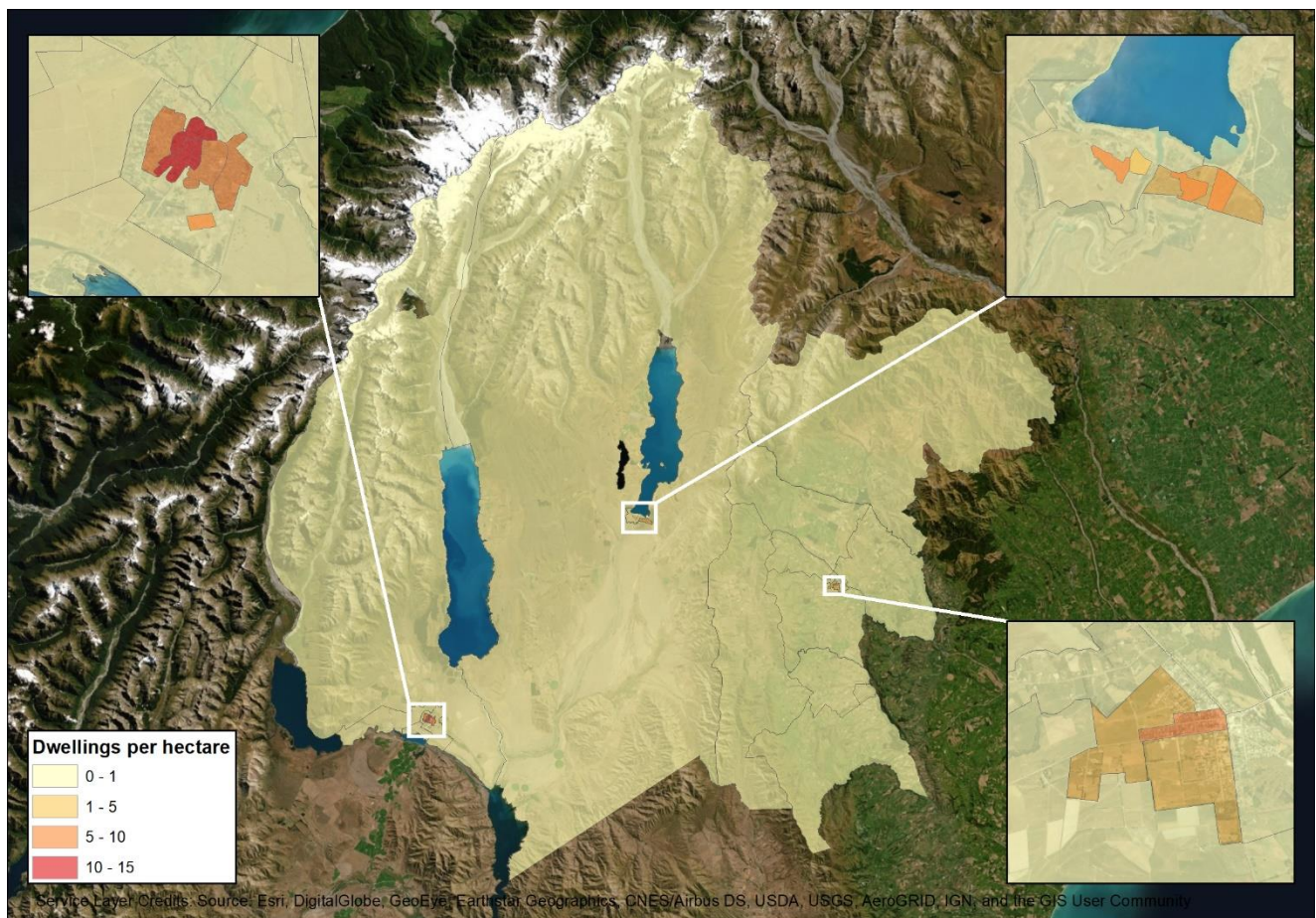
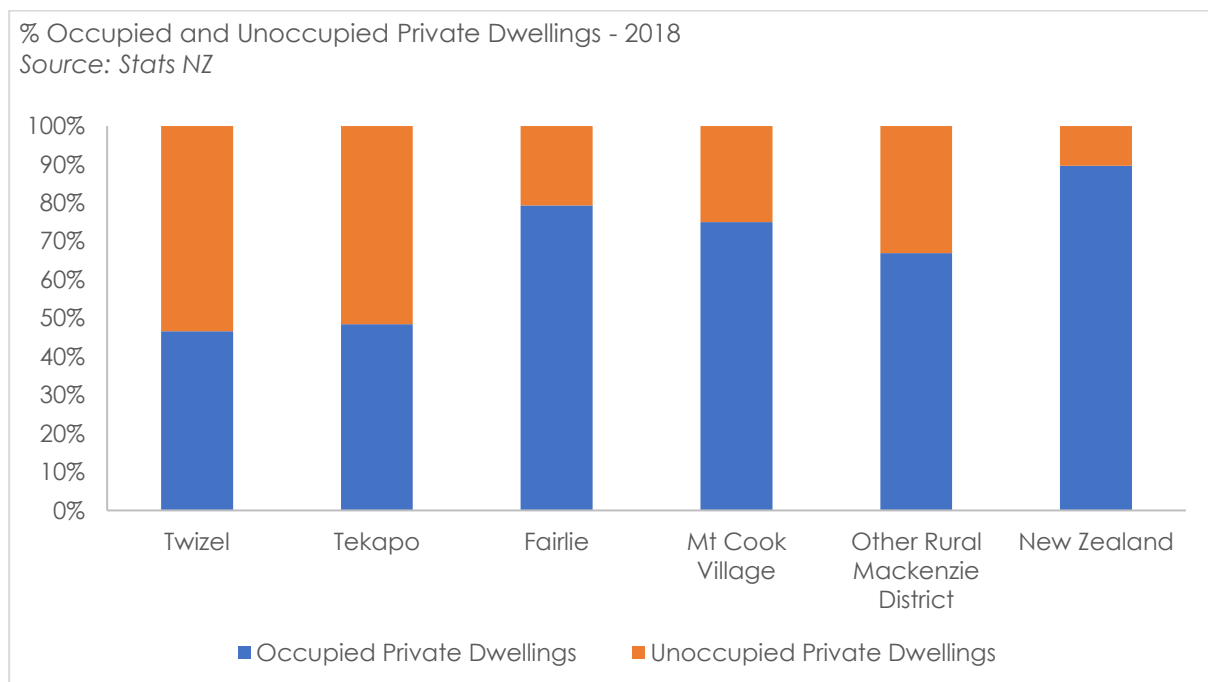


Figure 3. Density of housing in Mackenzie.

Unoccupied Dwellings

Compared with the rest of New Zealand, some areas in Mackenzie have a very high percentage of unoccupied homes, particularly Tekapo and Twizel. This creates challenges within the community and affects housing availability and affordability.



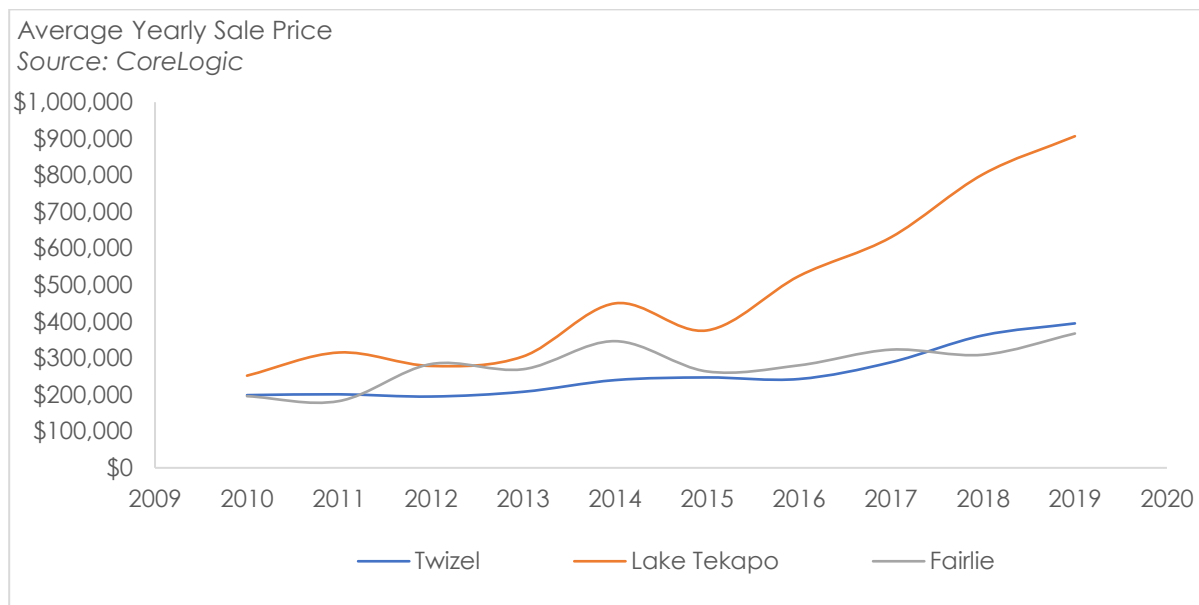
Housing Tenure and Affordability

Value of Land and Housing

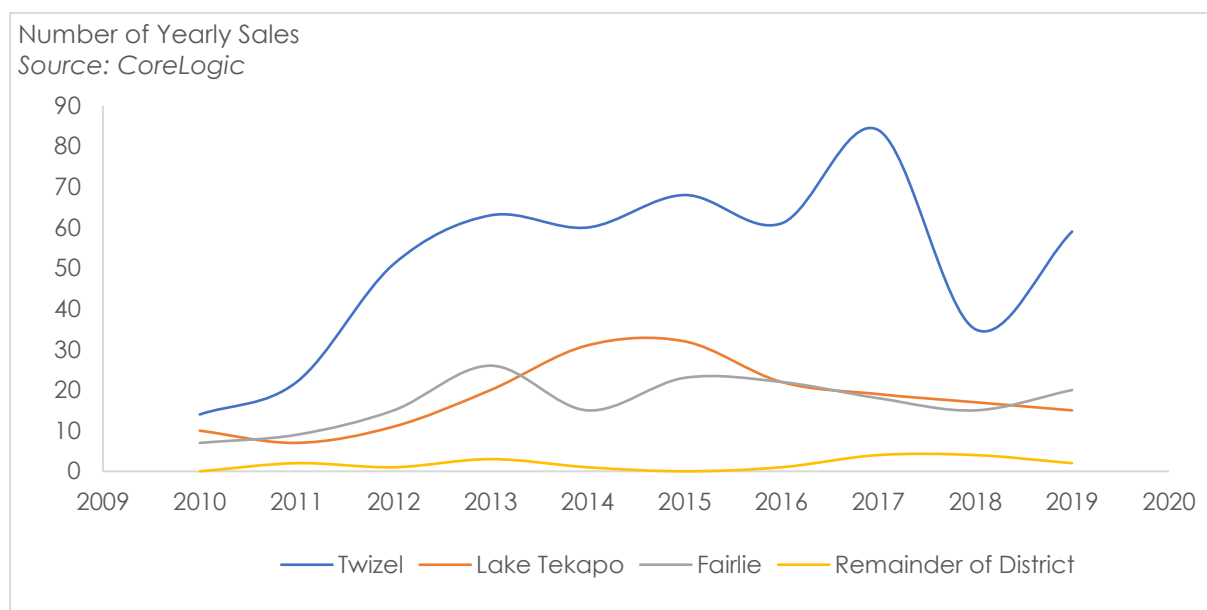
SALE PRICES

The number of sales occurring in Mackenzie each year is low; therefore, similarly to other statistics presented in this model a small increase in the number of sales or a single sale of higher or lower price can influence the data more so than in other areas around New Zealand.

The average sale price in Lake Tekapo increased by 141% between 2015 and 2019 (35% per annum), clearly this is significant. In the same time period, sale prices in Fairlie increased by 28% (7% per annum) and Twizel by 60% (15% per annum).

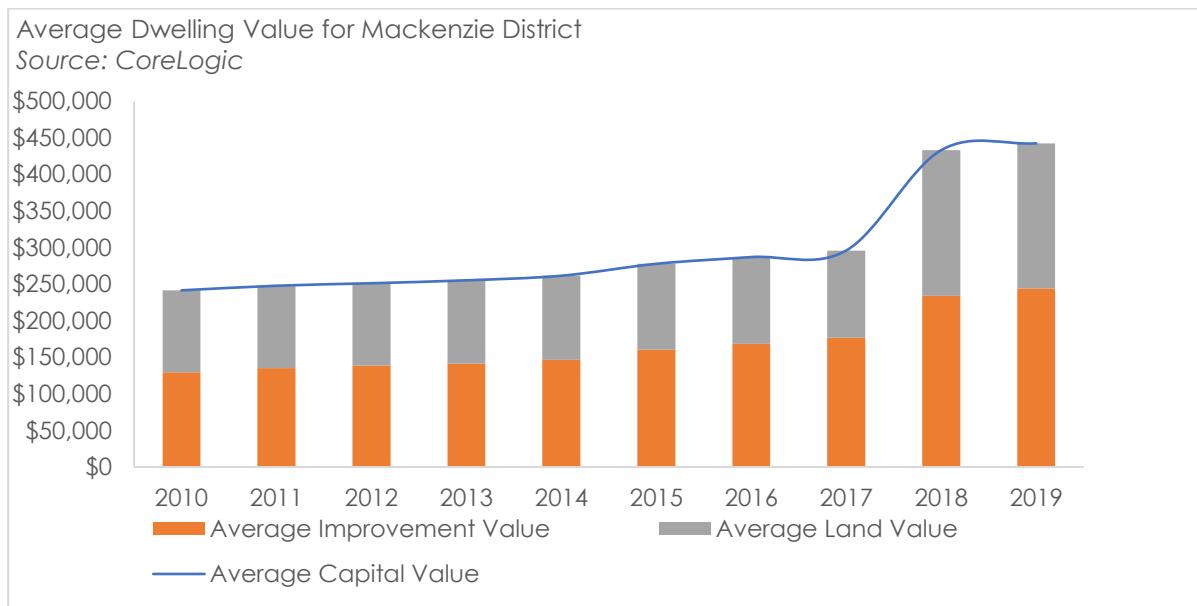


This growth has occurred whilst the number of sales has decreased in Lake Tekapo from 32 in 2015 to 17 in 2018, total sales for 2019 will be higher than shown, as data is only to June 2019. Fairlie and Twizel have both experienced some fluctuations, Twizel more so.

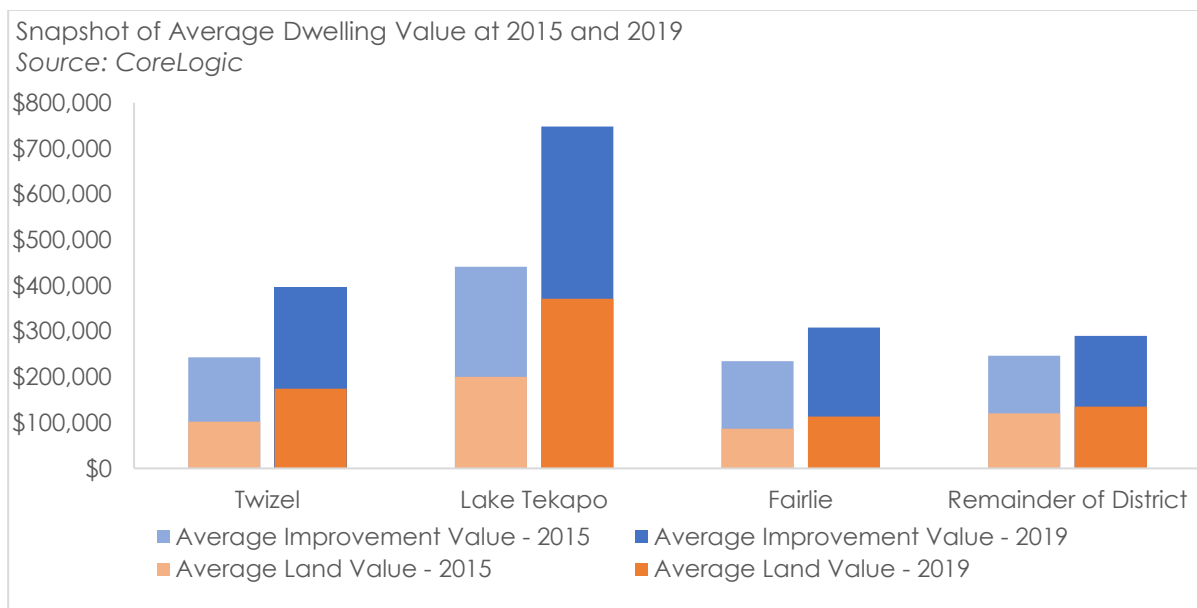


RATEABLE VALUATION

When rateable valuations were revised in 2017 this increased the average value of property in Mackenzie by 46.4%. This is driven through the increased demand for property in the Mackenzie, largely as a result of tourism and lifestyle or holiday properties.



Lake Tekapo had the largest increase in average dwelling value in the district, which was the key contributor to the increase in average values across the district.

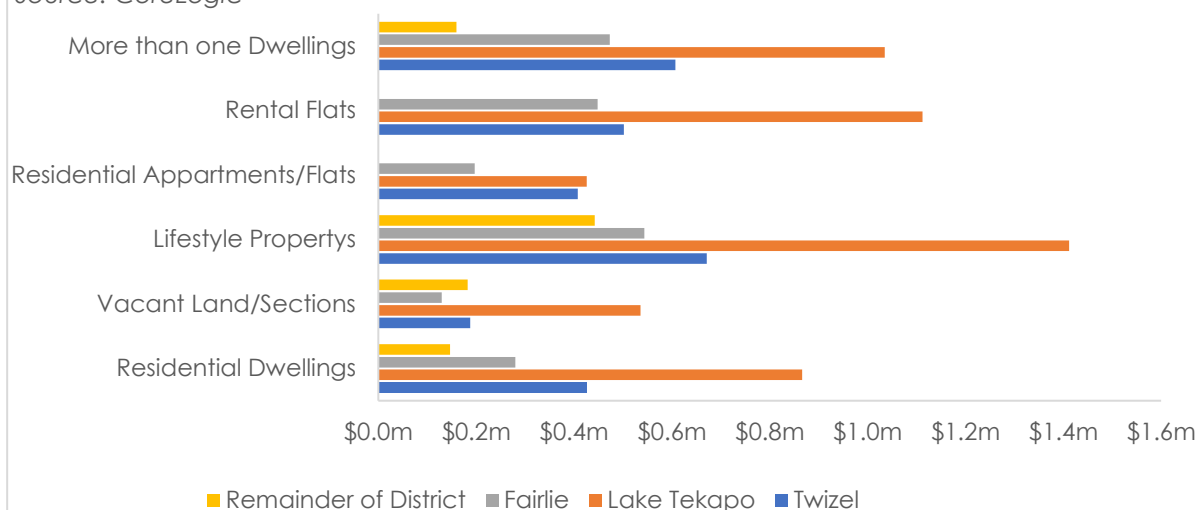


Looking at the average capital value by property type, again, Lake Tekapo has the highest capital value across the board.

The two types of properties with the highest capital values are lifestyle properties and properties with more than one dwelling. This makes sense as these properties are likely to be either larger or built to a higher quality.

Snapshot of Average Capital Value by Property Type at 2019

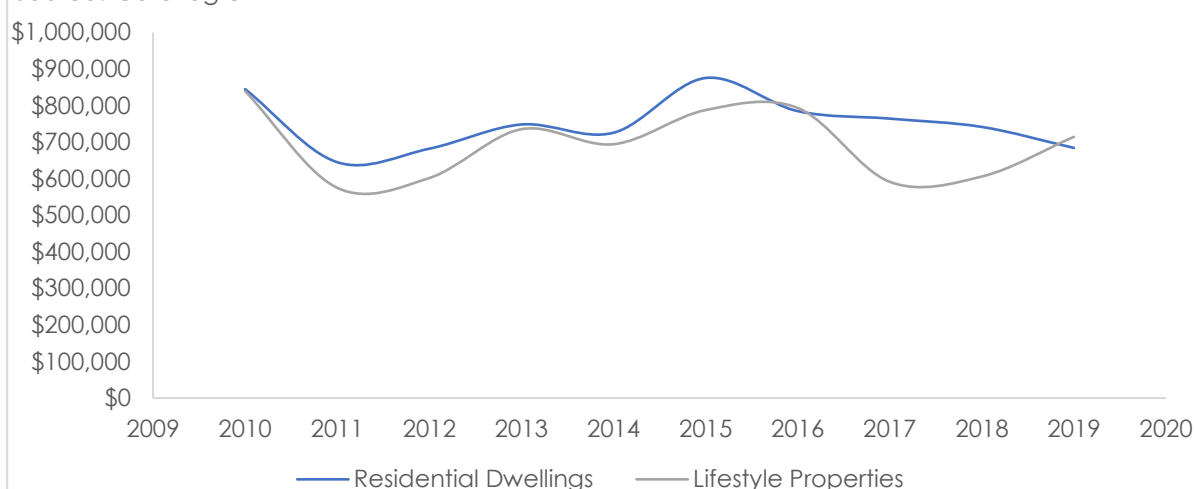
Source: CoreLogic



The average capital value of new property is significantly greater than the district average capital value.

Capital Value of New Property Types for Mackenzie District

Source: CoreLogic

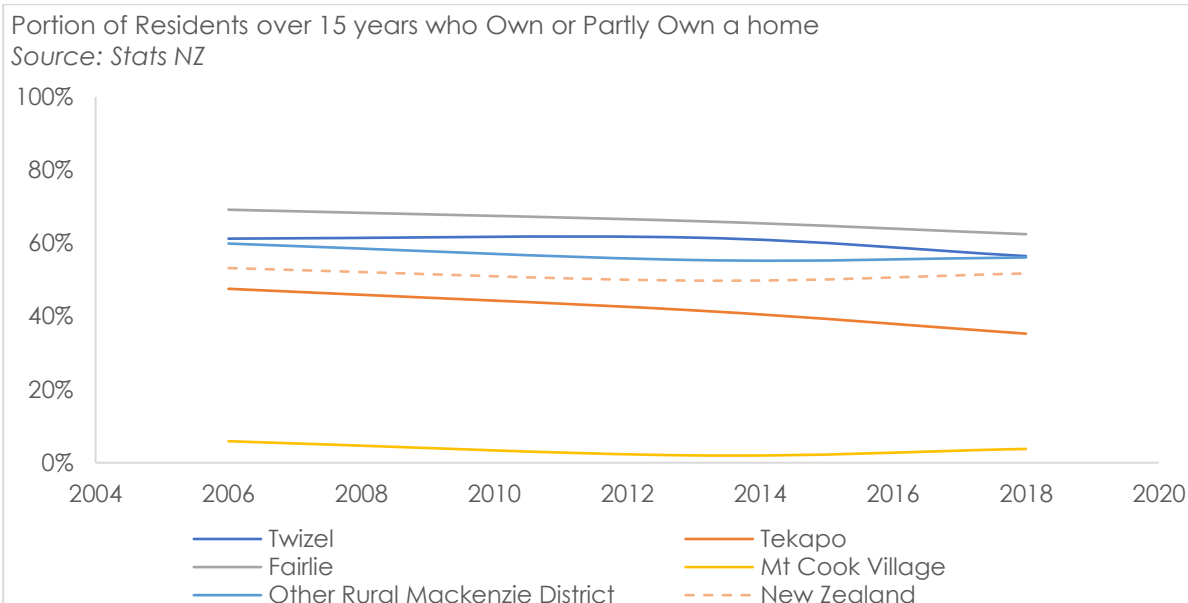


Home ownership

The proportion of the community who own their own homes both in Mackenzie and across the country has been relatively static over the last three census periods (2006 – 2018). As of 2018 in New Zealand, 52% of the population owned or partly owned a home, compared to 43% of Mackenzie residents.

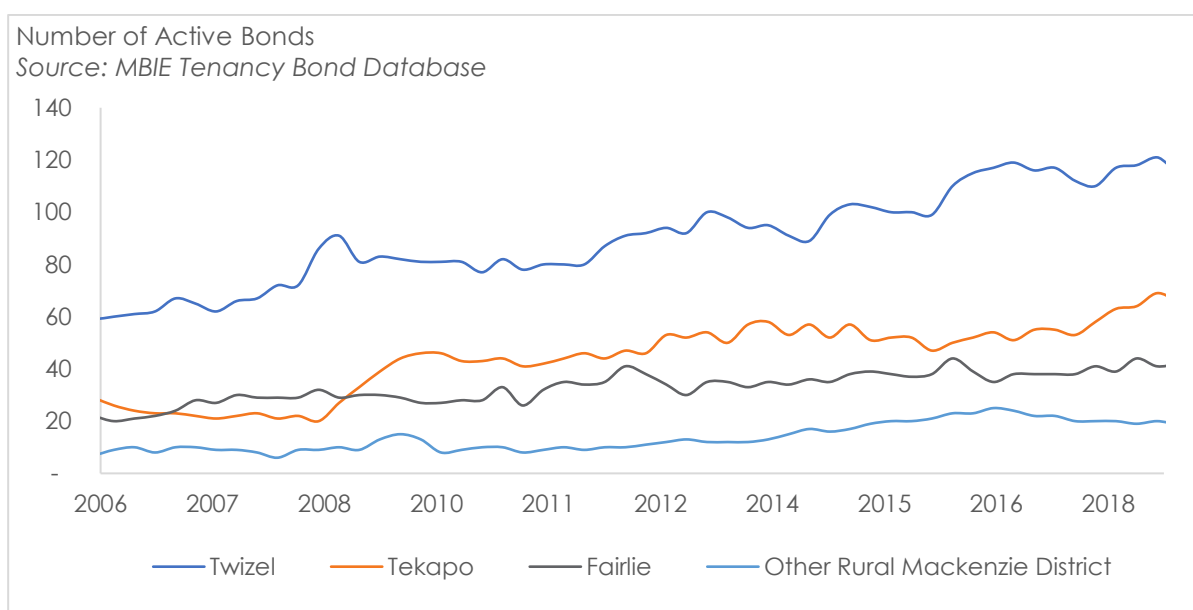
Fairlie, Twizel and rural Mackenzie all have high home ownership rates, of 63%, 57% and 56% respectively. The most markable changes in home ownership has been in Tekapo where rates have fallen from 42% in 2013 to 35% in 2018.

Mt Cook Village has very low home ownership rates, 4% in the 2018 census.

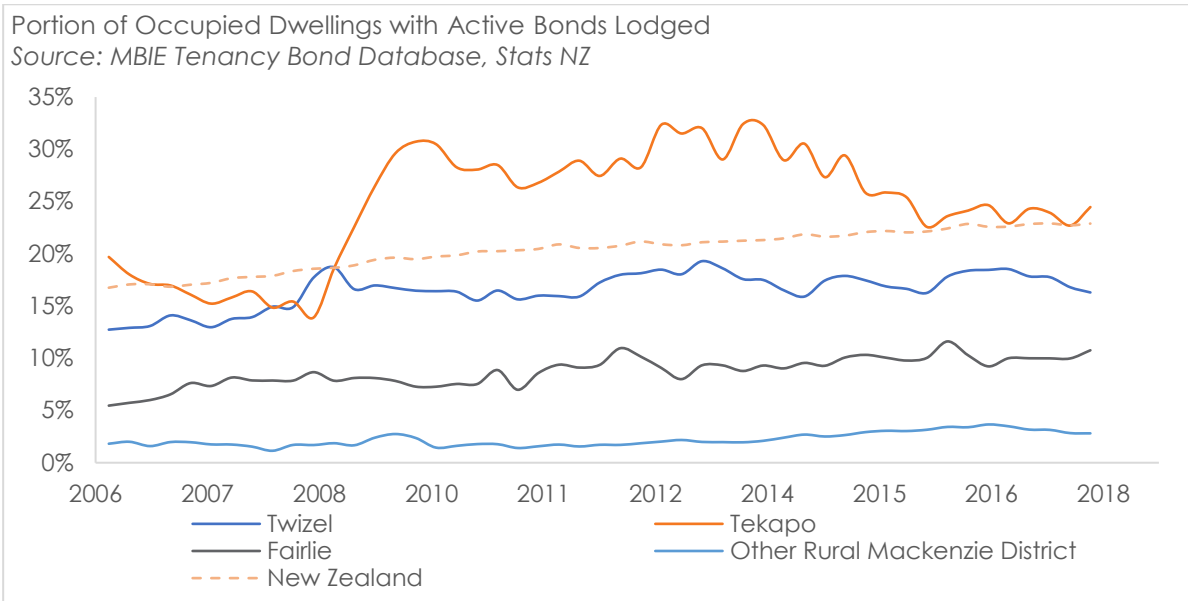


Rental Properties

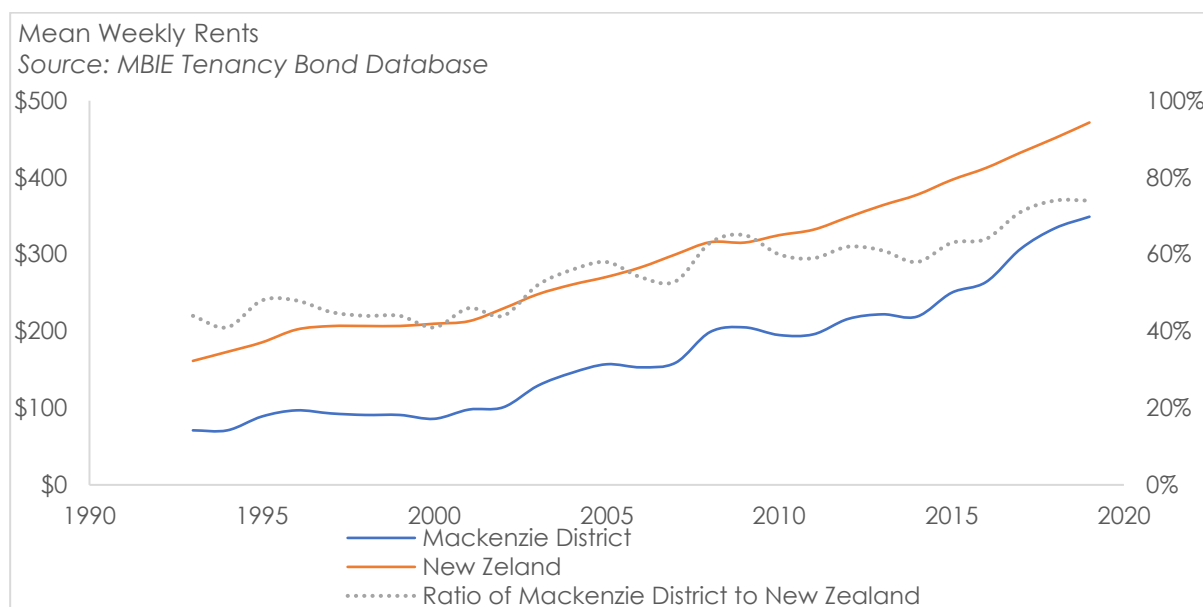
In 2018, Mackenzie had an average of 241 long-term rental properties throughout the district, as measured by bonds lodged with MBIE. As shown below these properties are not equally distributed around the district.



The percentage of long-term rental properties in Tekapo has reduced but is still above the national average. The percentage of long-term rentals is below the national average in other areas through the district, as typically with many rural and provincial areas around the country. This can contribute to affordability and availability issues, particularly when popularity of an area increases.



Weekly rent in Mackenzie is approximately 75% of the average rent for the rest of the country, equating to \$350 per week.



Comparison between House and Rental Prices and Incomes

The average house value in the Mackenzie District has increased by 104% between 2010 and 2018⁵, while house values across New Zealand increased by 69% in the same timeframe. Weekly rentals have increased by 71% compared to New Zealand's 39%. These higher increases will put pressure on Mackenzie residents as income has not increased at the same rate, particularly if interest rates rise.

This is a similar story to the rest of the country, and it raises the the question – is this a housing crisis or an income crisis?

⁵ This value differs from that quoted above due to the vulnerable data that can be influenced by small changes in sale numbers and prices. (comment: at a district level it is surprising that you would have such differences, are you sure it is not because one is average value vs the other was average sale price? The difference is that average value attributes a value to each property after controlling for its characteristics)

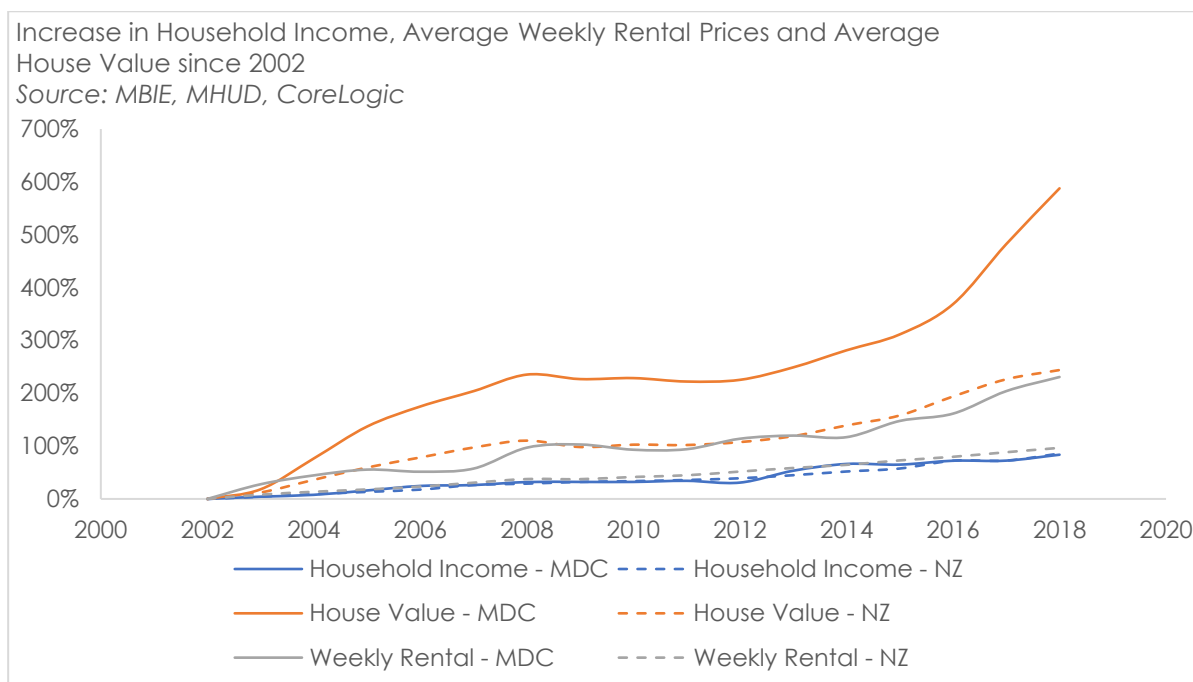


Table 7. Comparison of rental, house value and household income between Mackenzie and New Zealand.

	2010	2018	% Increase
MDC Average Weekly Rental	\$195	\$334	71%
MDC Average House Value	\$206,467	\$421,702	104%
MDC Household Income	\$62,900	\$87,400	39%
NZ Average Weekly Rental	\$325	\$451	39%
NZ Average House Value	\$404,793	\$686,841	69%
NZ Household Income	\$74,881	\$104,048	40%

Using median personal income in 2018 the ratio of house value to personal income was calculated for the three largest townships in Mackenzie. The same calculation could not be completed for rental accommodation as the available data sample is too small, resulting in volatile results.

This demonstrates, that whilst across the board, housing affordability is not of significant concern. In isolated pockets in the district, such as Tekapo housing pressure and financial stress may be occurring.

Table 8. Comparison of house value and personal income between Mackenzie townships.

	Twizel	Tekapo	Fairlie
MDC Average House Value	\$390,000	\$719,000	\$300,000
Median Personal Income	\$32,500	\$36,000	\$27,500
Ratio of House Value to Personal Income	12	20	11

Affordability

The trends show more households in Mackenzie have a higher income after housing cost for both renters and homeowners compared with the national average. Whilst, financial pressure and stress of housing will still exist, these measures show that on average, Mackenzie residents have a high proportion of income left over after housing costs, that elsewhere in the country.

This is discussed in detail below using the Ministry of Housing and Urban Development's Housing Affordability Measure (HAM)

Ministry of Housing and Urban Development – Housing Affordability Measure

The Ministry of Housing and Urban Development (HUD) have produced a Housing Affordability Measure (HAM) using Stats NZ's Integrated Data Infrastructure to measure household income and understand shifts in housing affordability.

The HAM includes a series of different data sets to understand housing affordability for both renting and potential first home buying.

In this section housing costs refers to rent, mortgage payments, body corporate fees, rates and insurance.

It should be noted that when reading the below data there is a large amount of variability in the Mackenzie statistics. This is due to the small population and therefore the significant influence one or two households can have on the data.

Housing Percentage Measure

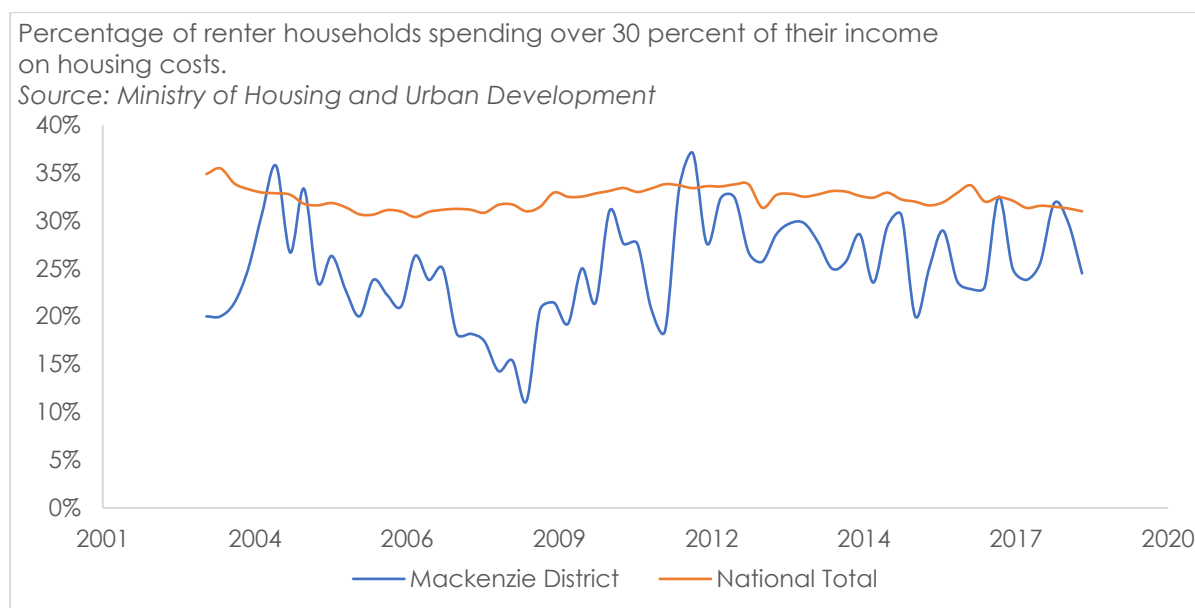
The Housing Percentage Measure identifies whether each household in New Zealand is spending more than 30% of their income on housing costs.

The rent version identifies the proportion of renters in an area whose rent is more than 30% of their household income. This helps to understand housing affordability pressures experienced.

The buy tool looks at the same incomes of the same renters and estimates how many renters would spend more than 30% of their income if they brought a lower quartile home with the same number of bedrooms as their current house, in the same district as they currently live. This helps to understand whether renters can afford to buy a home in their area.

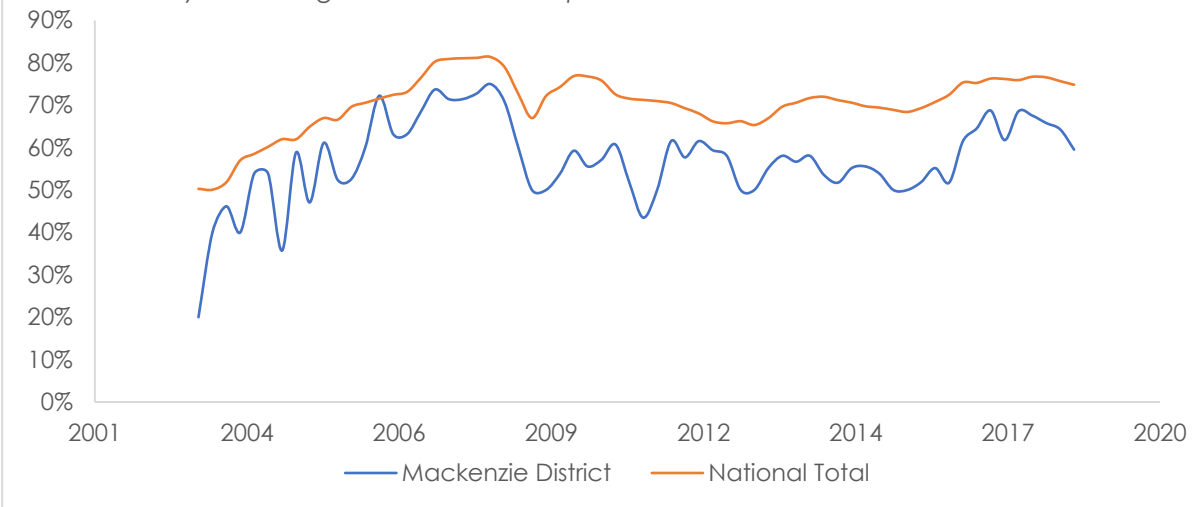
In Mackenzie in 2018, 24% of renters spent more than 30% of their income on housing cost, compared with 31% nationally.

Similarly, 60% of renters would be spending more than 30% of their income if they were to buy a house in the Mackenzie District, compared to 75% nationally.



Percentage of first home buyer households that would be spending over 30 percent of their income on housing costs.

Source: Ministry of Housing and Urban Development



Housing Affordability Measure

The housing affordability measure for renters (HAM rent median) identifies the proportion of renters in the Mackenzie whose equivalised income after housing costs is below the estimate national median equivalised income after housing costs for all households (renters and homeowners).

Similarly, the housing affordability measure for first home buyers (HAM buy median) identifies the proportion of renters in Mackenzie whose equivalised income after housing costs for a similar-sized lower quartile house in their area is below the estimate national median equivalised income after housing costs for all households (renters and homeowners).

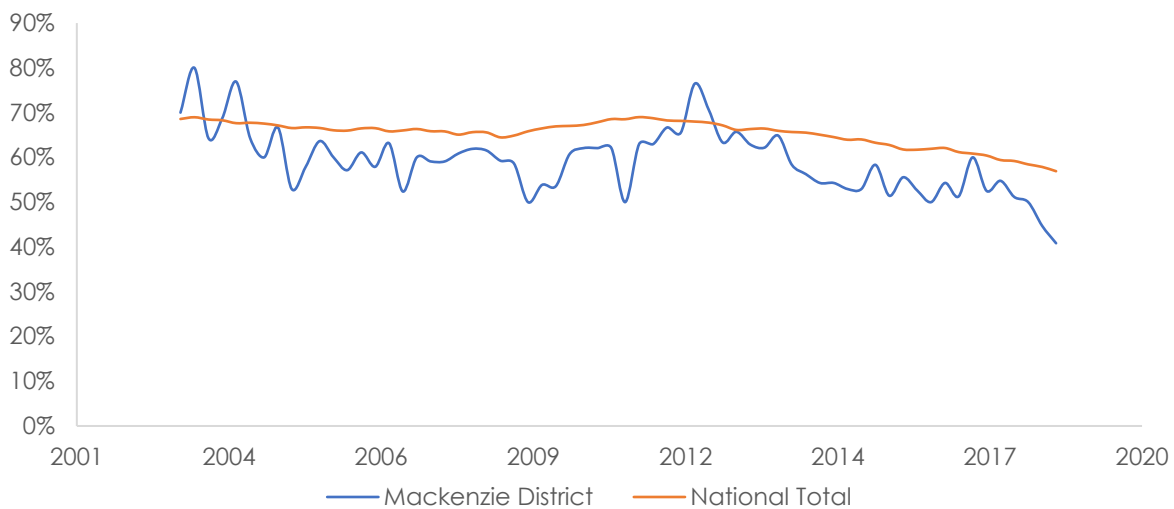
An equivalised income has been adjusted for the number of adults and children in the household.

The HAM rent or buy median does not set a level at which housing is or is not affordable. Determining affordability depends on each household's circumstances and expectations of what qualifies as a socially accepted standard of living. This is a challenge common to all efforts at measuring material hardship and housing affordability.

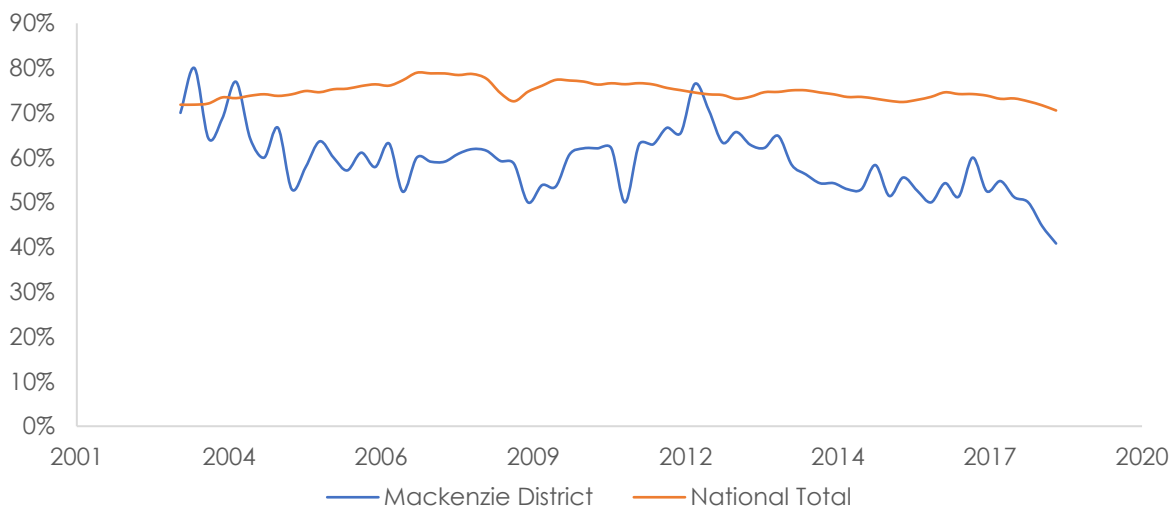
These tools help understand the affordability picture in the Mackenzie compared to the rest of New Zealand.

In Mackenzie, the HAM rent median and HAM buy median are the same. This is due to the similar housing costs associated with both renting and buying, as well as the small sample size.

Share of renter households with below average incomes after housing costs.
Source: Ministry of Housing and Urban Development



Share of buyer households with below average incomes after housing costs.
Source: Ministry of Housing and Urban Development



Affordability Index

The Housing Affordability Index re-scales the household data from the HAM rent median and HAM buy median so that affordability for rents at the start of the time series is 1000. The HAM buy median has been scaled so that it remains in the same position relative to HAM rent median.

Higher index values indicate that housing has become less affordable. This tool helps to understand the trends over time of housing affordability for renters and first home buyers.

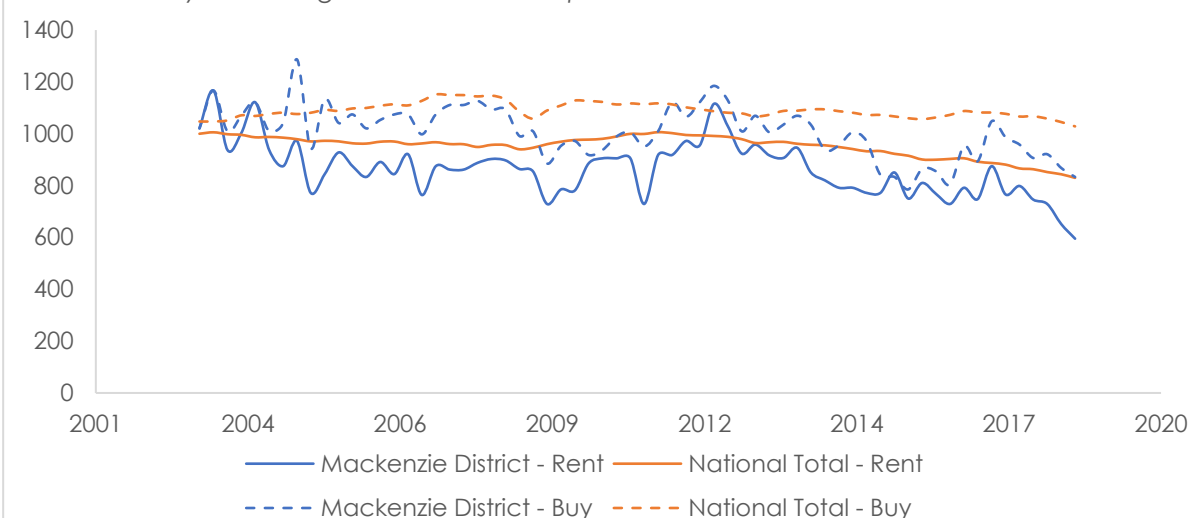
In Mackenzie and New Zealand housing, both renting and homeownership, is slowly becoming more affordable.

In Mackenzie renting affordability improved by 25% between December 2017 and December 2018. Over the same time period, the national average renting affordability improved by 4.2%

For first home buyers in Mackenzie affordability improved by 13% in the 12 months between December 2017 and December 2018. Over the same period, the national average improved by 3.6%.

Housing Affordability Index.

Source: Ministry of Housing and Urban Development



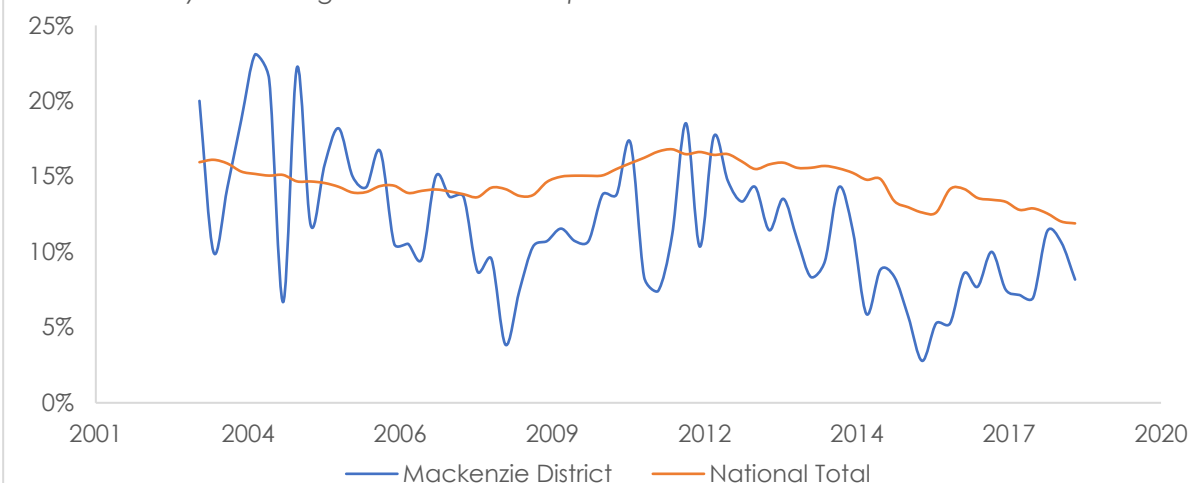
Tenth Percentile Measure

The HAM tenth percentile measure for renters and first home buyers identifies the proportion of renters/homeowners in Mackenzie whose income after housing costs is below the estimated tenth percentile for all households (renters and homeowners) in New Zealand. This has been used to understand the relative number of households who are likely to be experience high financial stress.

Again, residents in Mackenzie are in a better position than the New Zealand average, with both the proportion of renters and first home buyers in the tenth percentile significantly less than the national averages. This indicates that less households in Mackenzie are likely to be experiencing high financial stress.

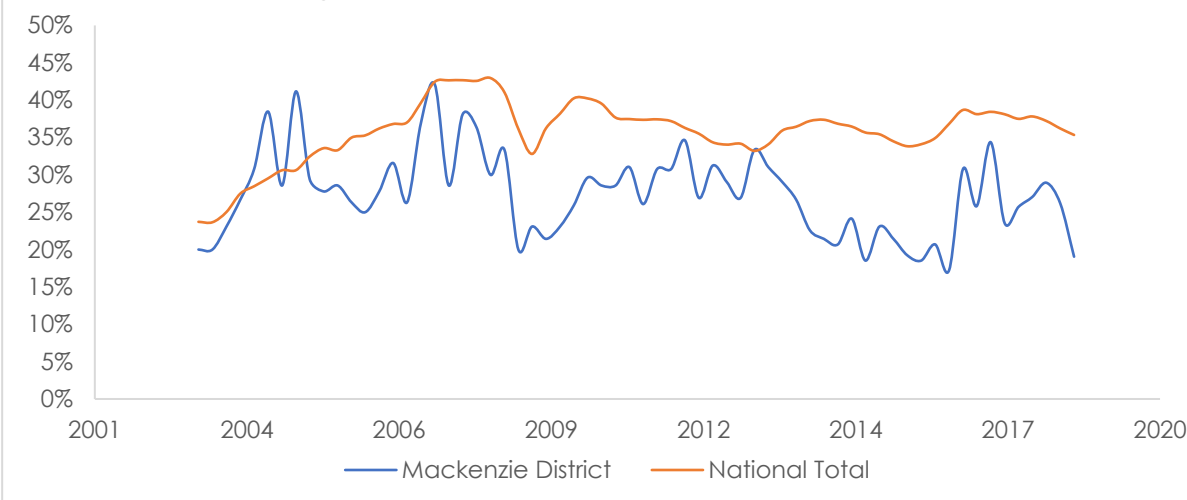
Proportion of renters whose income after rent is in the estimated tenth percentile equivalised income after housing costs.

Source: Ministry of Housing and Urban Development



Proportion of first home buyers whose income after housing costs is in the estimated tenth percentile equivalised income after housing costs..

Source: Ministry of Housing and Urban Development



Lower Quartile Housing Production

To provide some context on what might causing the housing affordability challenges across New Zealand, the National Science Challenge report by Dr Kay Saville-Smith, *Revitalising the Production of Affordable Housing for Productive, Engaged and Healthy lives: Integrated Report* was referred to.

In 2012 the New Zealand Productivity Commission undertook a review of housing affordability. The study made three notable points.

- It suggested New Zealand has a major housing affordability problem, the first public agency to do so in several years.
- Identified the problem as both a failure in productivity and a hand brake on New Zealand's productivity.
- Documented the significant shift in residential new build productivity from low cost, lower quartile to high cost, higher quartile house, Figure 4.
- Finally, it reinforced the well-established narrative that the cause of the housing affordability problem was a rigid and distorting land-use planning regime which disincentivised land release and development, driving up cost.

The regulatory argument as the cause of housing affordability issues in New Zealand does not quite fit. The Resource Management Act 1991 (RMA) is an effects-based piece of legislation which could be argued to be significantly less rule bound than its predecessors. The same line of thinking stands true for the Building Act 2004.



Figure 4. New builds 1960-2014 by quartile of housing stock value⁶.

This preoccupation with the RMA and land-use planning takes attention away from government investment. Figure 5, displays the data related to government investment in low cost housing since 1960, revealing a significant change in spending behaviour.

The capital assistance (\$2017) for low cost housing in 1960 was approximately \$1.89 billion. Following the housing reforms in 1990/91 investment dropped to \$0.5b, before falling further to around \$0.03b where it stayed until 2012 with only modest increases through this period.

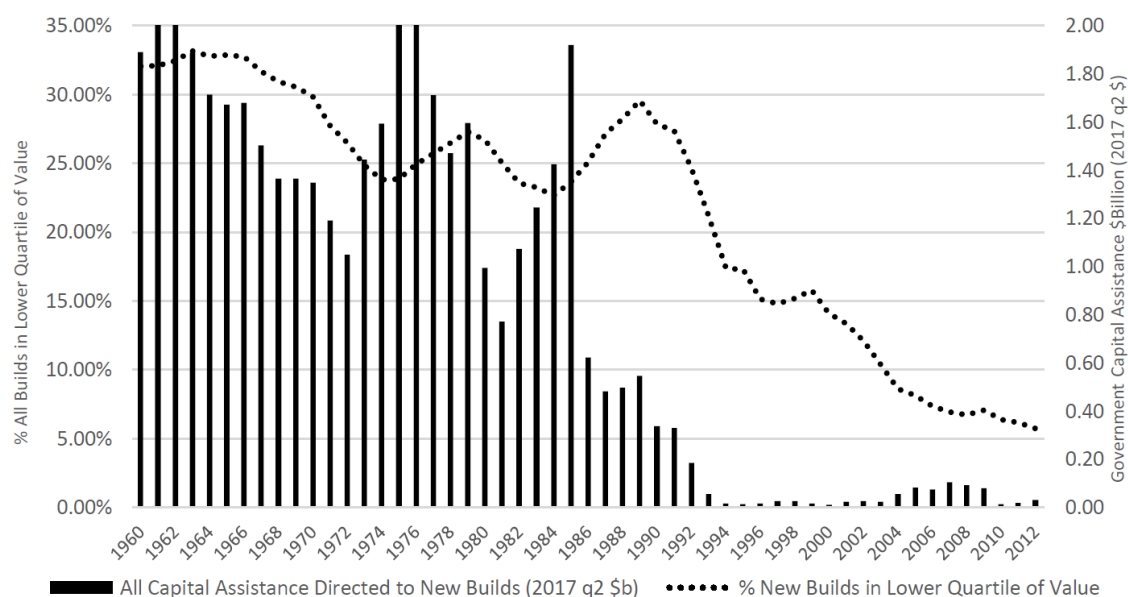


Figure 5. Estimated government capital assistance to new builds and proportion of all new builds delivered in New Zealand in the lower quartile of value⁷.

⁶ National Science Challenges, Dr Kay Saville-Smith, Revitalising the Production of Affordable Housing for Productive, Engaged and Healthy lives: Integrated Report, November 2019

⁷ National Science Challenges, Dr Kay Saville-Smith, Revitalising the Production of Affordable Housing for Productive, Engaged and Healthy lives: Integrated Report, November 2019

Government investment in lower quartile housing came through a number of sources including:

- Low interest loans to councils to produce pensioner housing
- Community housing providers
- Accessible properties – the size of this portfolio is more than 2,700 properties.

Tourism Assessment

Visitor Numbers

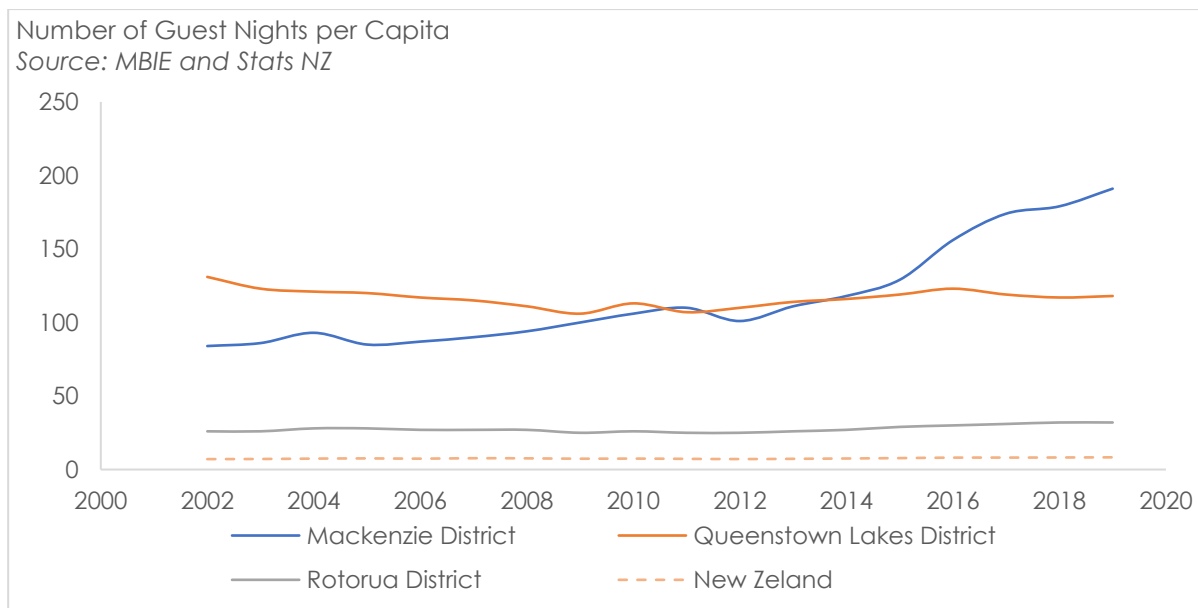
COMMERCIAL GUEST NIGHTS

A guest night is the equivalent of one guest spending one night at an establishment. For example, a couple's two-night stay in a hotel would equate to four guest nights.

Mackenzie has the highest number of commercial guest nights per capita in the country. In 2019 there were 191 guest nights for each resident.

Whilst this level of tourism and the pace at which the number of guest nights has increased (average growth of 10.2% per annum between 2013 and 2018), creates economic benefits for the district. The situation also creates challenges for residents and infrastructure. Such as:

- the ability to attract and retain staff
- increased pressure on infrastructure and public services e.g. water, wastewater, public toilets
- housing affordability and availability
- increased vehicle traffic

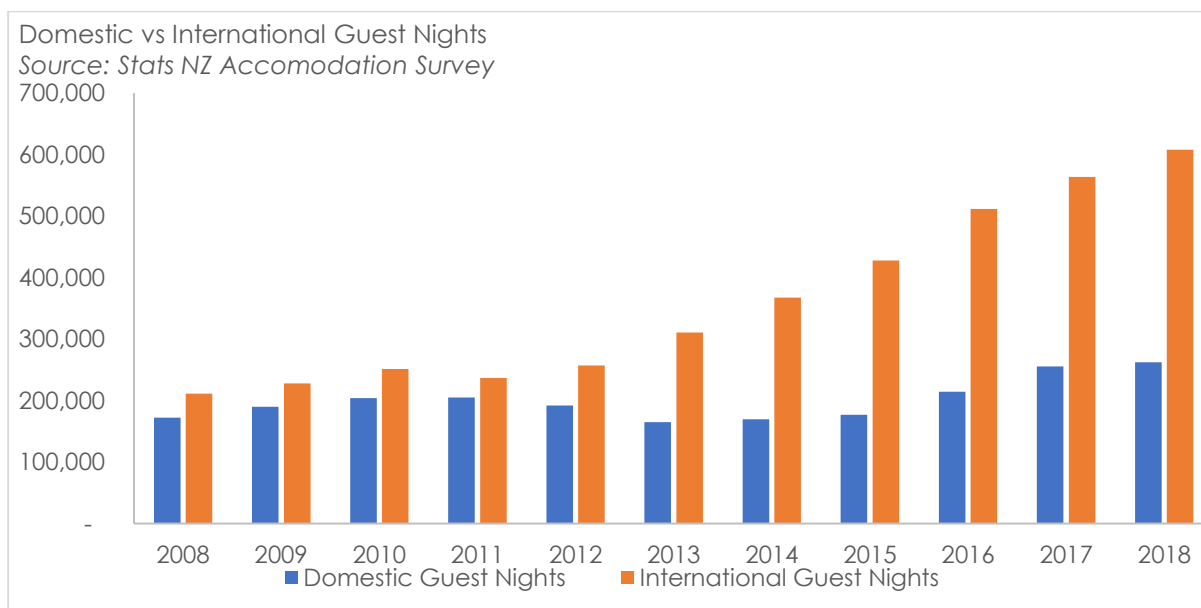


The number of visitors to Mackenzie varies throughout the year. Guest nights peak in the summer months, both for international and domestic guests, and slow down over winter. There are smaller domestic peaks over the New Zealand school holidays in April, July and September-October. The most pronounced of which is July, when domestic guests come to the area for winter snow sports and skiing.

INTERNATIONAL V. DOMESTIC

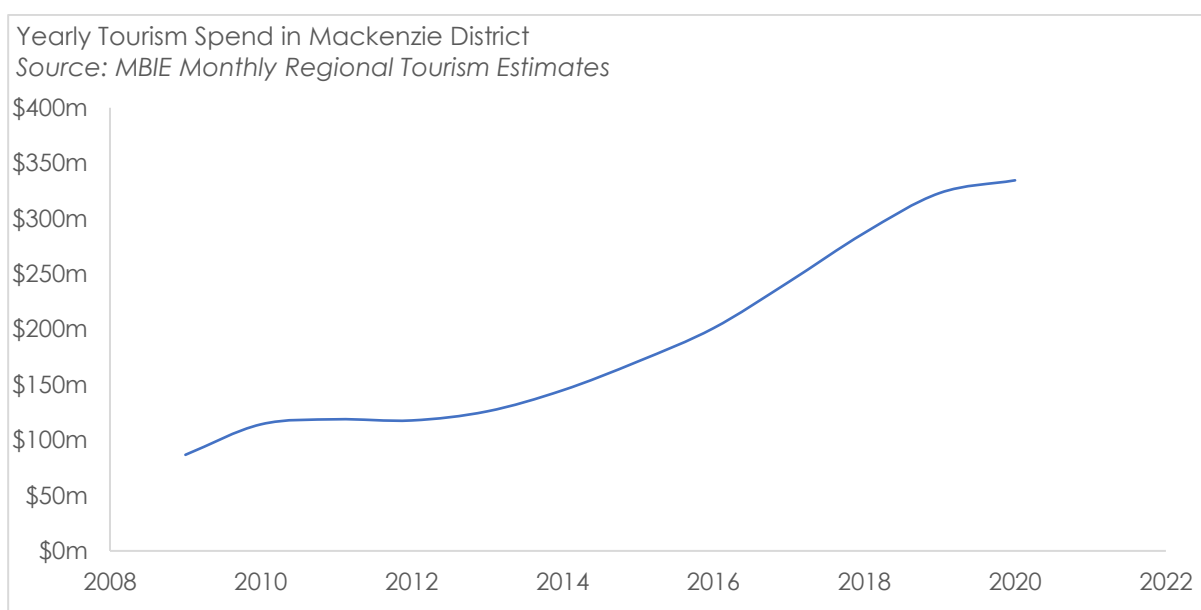
In 2018, there was over double the number of international guest nights than domestic guest nights in the Mackenzie.

International guest nights have been increasing rapidly, growing by 16% per annum on average between 2013 and 2018. Over the same period, domestic guest nights grew by 6% per annum on average.

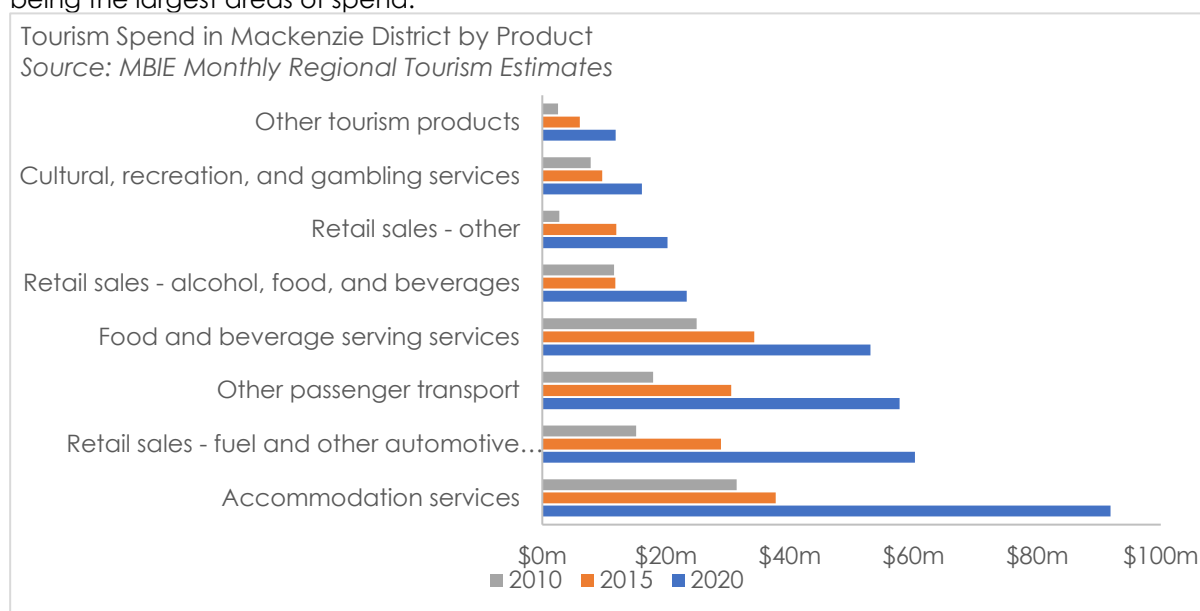


Tourism Spend

Tourism spend in Mackenzie has more than doubled since 2010. Whilst, growth appears to have fallen away in 2019 and the first quarter of 2020, 13% growth occurred in 2019 which is still significant.



This tourism spend is split across a number of services and offerings, with accommodation and transport being the largest areas of spend.



The spending shown above comprises both international and domestic spending.

Interestingly, whilst domestic commercial visitor guest nights are well behind international numbers the largest single group to spend tourism money in Mackenzie are from Canterbury. It is important to remember a commercial guest night does not need to be attached to the spend, these people could be staying in personal holiday homes or private rentals such as Airbnb or bookabach.

Furthermore, while there are more commercial guest nights from Australian visitors, those visiting from China or the rest of Asia (excluding Japan) spend significantly more whilst in the region.

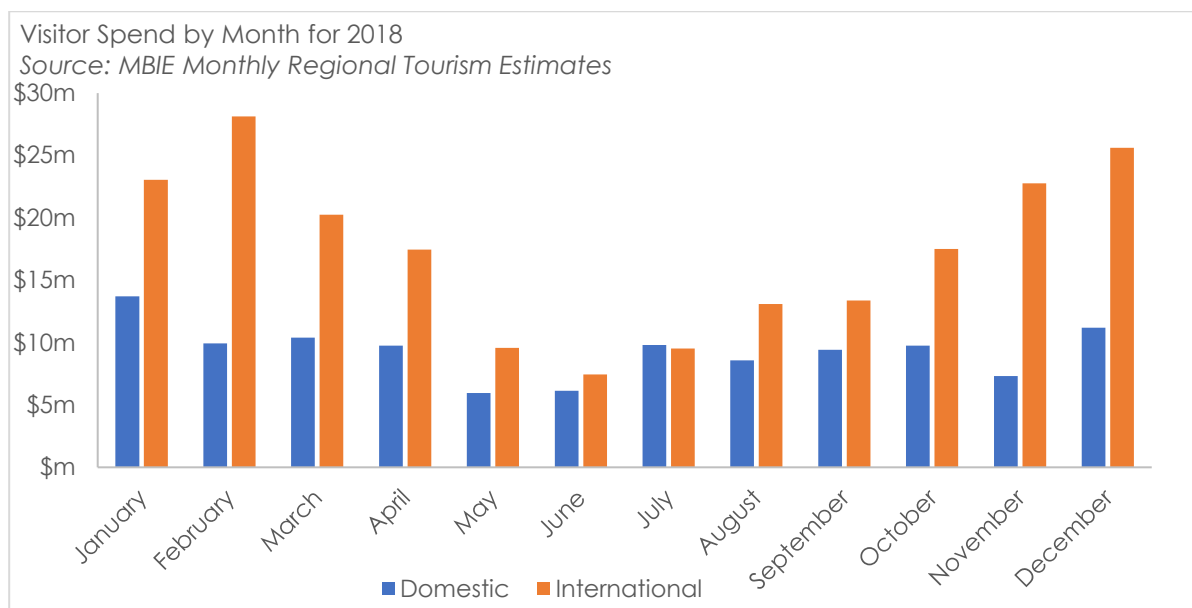
The monthly spend in Mackenzie experiences significant seasonal differences, being highest over the summer months. This is true for both domestic and international tourism.

Table 9. Seasonal comparison between guest nights and spending.

	Feb - Guest Nights	Feb - Spending	Jul - Guest Nights	Jul - Spending
Domestic	19,831	\$ 9,941,293	21,499	\$ 9,800,016
	24%	26%	40%	51%
International	64,438	\$ 28,125,484	31,988	\$ 9,526,676
	76%	74%	60%	49%

The domestic spend has peaks in the summertime but also smaller peaks at each of the school holidays (April, July and September). It is more consistent across the year.

Internationally, the spending differences are significant, with a defined summer peak and a slowdown in winter.

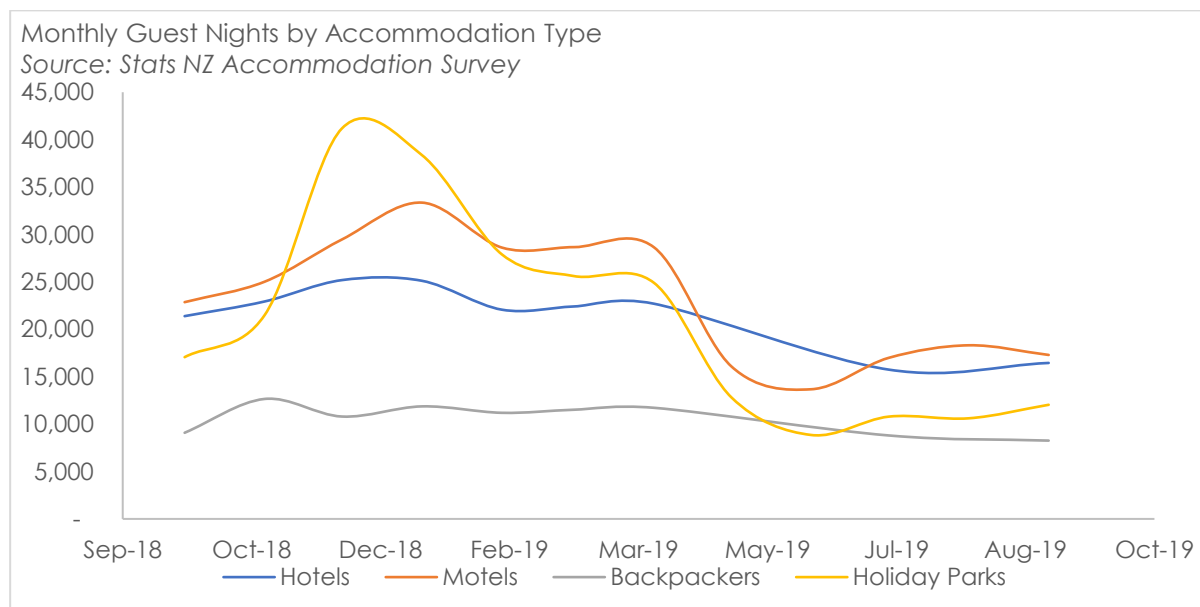


Accommodation

Analysing guest nights by accommodation type provides insight into where visitors are staying when visiting the district. Over the summer months, there is an increase in demand for all types of accommodation, particularly holiday parks. This indicates that over the summer people are spending less on accommodation, which correlates to the higher domestic guest nights and lower proportional spend. Demand for holiday parks picks up slightly over the winter.

Hotels have a steady demand through summer into early Autumn, which picks up slightly for winter snow sports.

Interestingly, the guest nights for backpackers is relatively constant throughout the year.



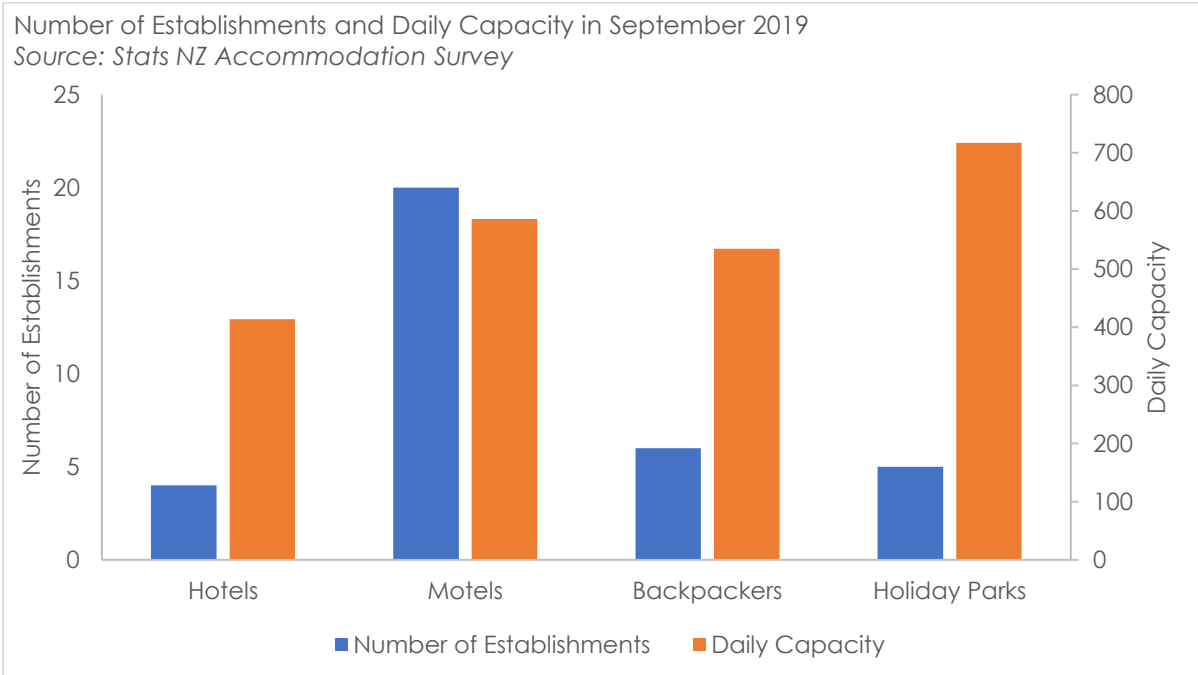
CAPACITY

Accommodation capacity is a basic measure of available stay unit nights (i.e. units for rent). This measure does not consider occupancy, but rather the number of rooms available.

Overall, Mackenzie has a daily capacity of 2,252 units available for rent each day. This capacity is spread across four accommodation types:

- Hotels – 18%

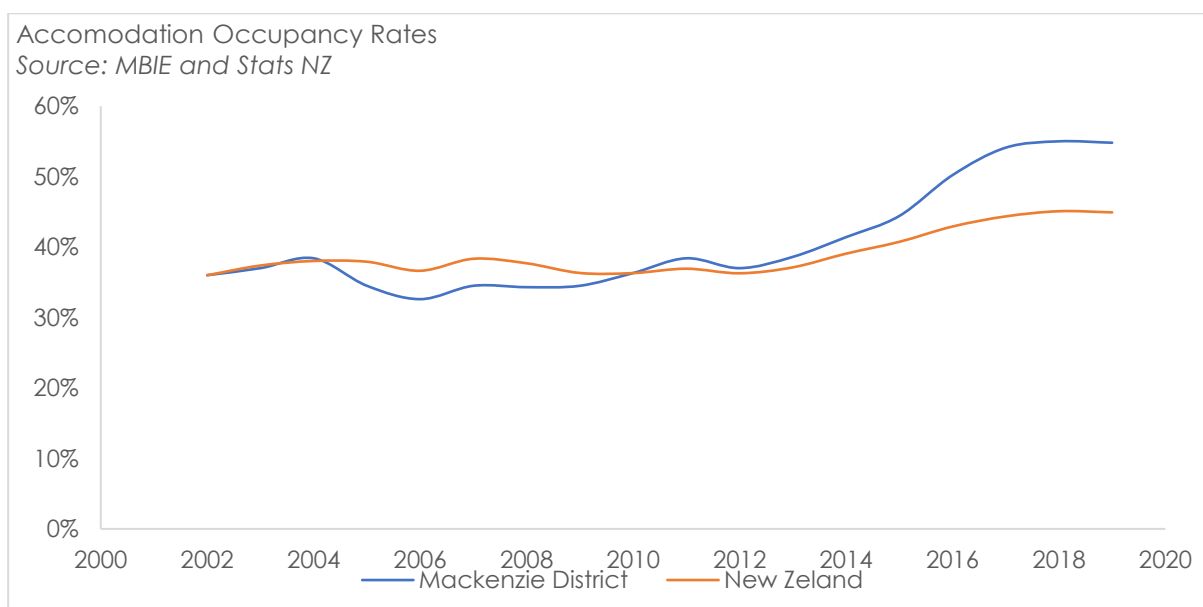
- Motels – 26%
- Backpackers – 25%
- Holiday Parks – 32%



OCCUPANCY RATES

The occupancy rate explains how full available accommodation is. Mackenzie's accommodation occupancy rate increased to 55% in 2018 and has been in a steady state since.

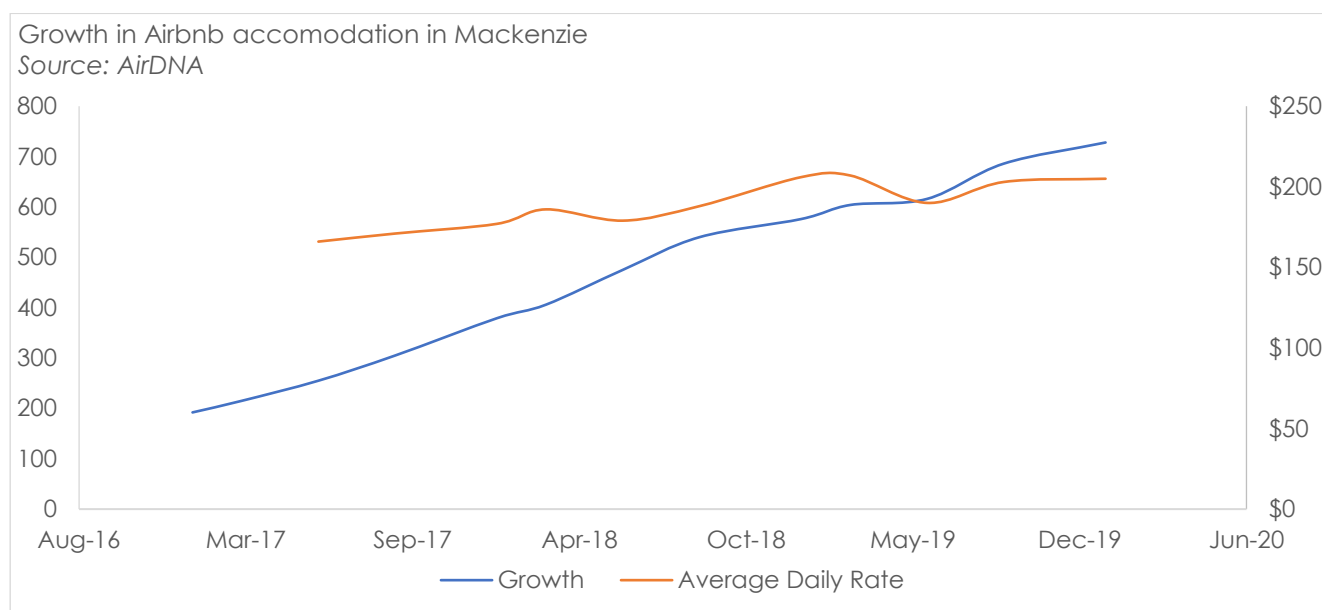
This means one of two things – the number of visitors has been constant, or the number of units being developed is keeping pace with growth in visitor numbers. Guest nights have been increasing over the same period and at the same time the number of accommodation units have also increased, therefore, development is keeping up to demand.



PRIVATE ACCOMMODATION

Anecdotally, the district has felt an increase in homes available for short term rent in response to the increased tourism demand. In particular, there is anecdotal evidence pointing towards investors

purchasing homes and renting them out on websites such as Airbnb, thus removing the house from the long-term rental or homeowner market.



Using data from AirDNA, a data company that tracks private accommodation trends on Airbnb and Bookabach, there are 626 unique active listings in the Mackenzie District (728 total listings), 87% of which are entire homes i.e. 545 listings. This equates to 15% of the total number of private dwellings in the Mackenzie District or 37% of the unoccupied private dwellings. This is a significant portion of available housing.

On average, the number of homes available for rent has increased by 12% per annum since January 2017, when the data was first made available. Over the same period price in the peak season has increased by 7% and the in the low season by 8%. If seasonal variation is not accounted for, price has increased by 2%.

Using the map shown in Figure 6, the number of properties listed for short-term rent on Airbnb and Bookabach was estimated. There are some listed properties which are outside of the townships. These properties comprise a significant proportion of the unoccupied properties in the district, even more so in Tekapo.

Table 10. Number of listed, private short-term rentals. Source: AirDNA.

	Number of list properties	Percentage of unoccupied properties
Fairlie	39	31%
Tekapo	168	55%
Twizel	258	31%

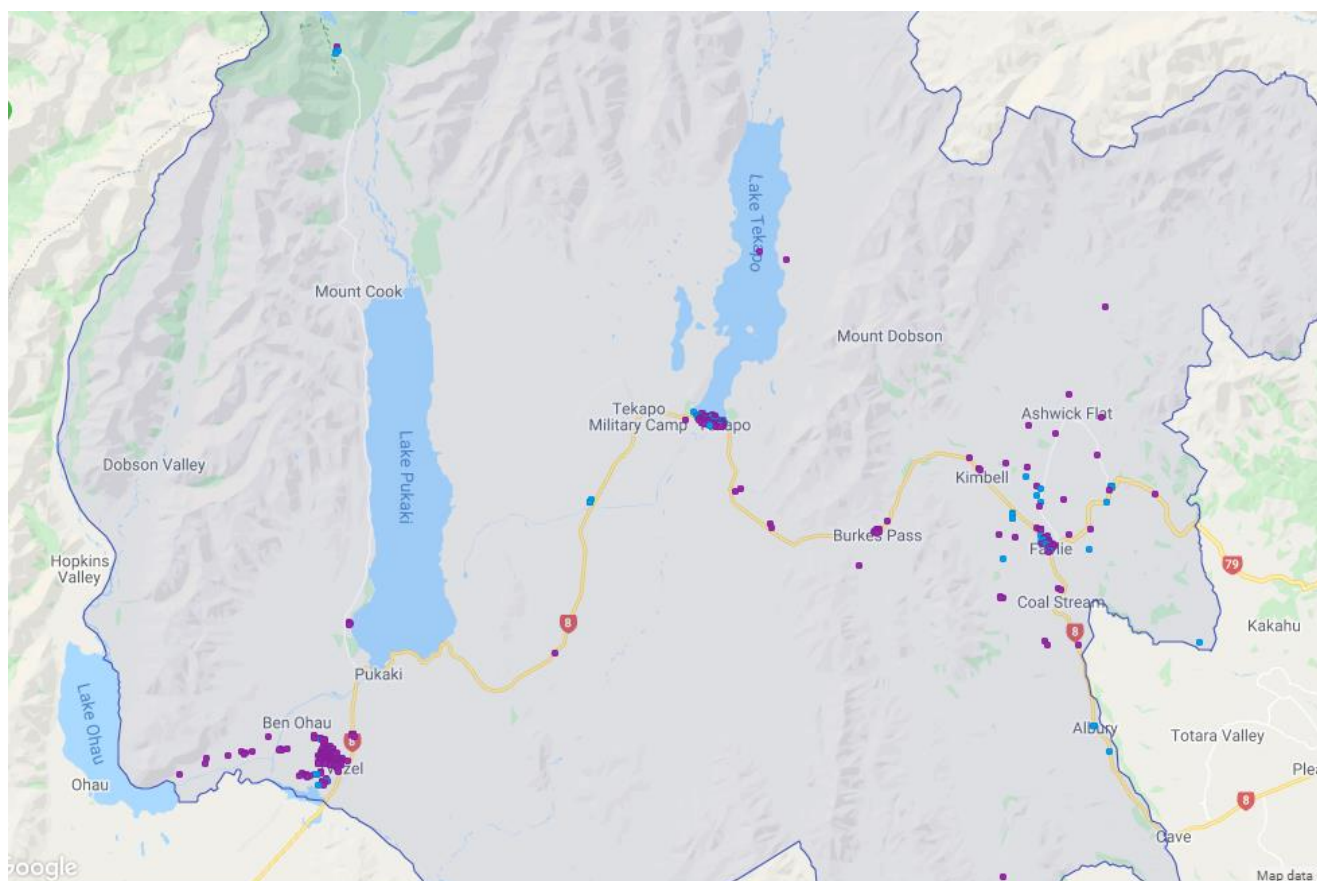


Figure 6. Airbnb properties in the Mackenzie District, Source: AirDNA.

Impact of COVID-19

This report was written during the Level 3 and 4 lockdown of the COVID-19 pandemic. A once in a century public health emergency that has and will continue to disrupt the social, economic, financial and environmental fabric of the planet.

This section of the report will focus on what is currently known about the economic and financial impacts of the pandemic and how these may continue to effect New Zealand and the Mackenzie in the coming months and years.

Government Support Package

Over the four weeks of the Level 4 lockdown the Government progressively announced the following support package as the situation involved:

- \$9-12b in wage subsidies so affected businesses can continue to employ staff. In the Ministry of Social Development's COVID-19 report for the week ending 24 April, it was reported that \$10.5b had been paid in wage subsidies, to over 1.6 million New Zealanders (employed or self-employed)⁸.
 - \$126m in COVID-19 leave and self-isolation support for people who are unable to work because they're sick, self-isolating or caring for dependents. This was later rolled into the wage subsidy.
 - A leave scheme for essential workers who take leave from work to comply with public health guidance, to ensure they will continue to receive income.
- \$500m boost for health

⁸ Ministry of Social Development, April 2020, Income Support and Wage Subsidy Weekly Update, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/benefit/2020/income-support-and-wage-subsidy-weekly-update/income-support-and-wage-subsidy-weekly-update-24-april-2020.pdf>, accessed 8 May 2020.

- \$2.8b income support package for New Zealand's most vulnerable, including a permanent \$25-per-week benefit increase and doubling the Winter Energy Payment for 2020.
- \$100m redeployment package, to keep more New Zealanders in work.
- \$2.8b in business tax changes to reduce cashflow pressure, including a provisional tax threshold lift, reinstatement of building depreciation and writing off interest on late payment on tax.
 - Further support was then provided in the form of a \$3.1b tax loss carry-back scheme, changes to the tax loss continuity rules and further business constancy support.
 - Greater flexibility for affected businesses to meet their tax obligations.
- \$600m initial package to support the aviation sector and protect New Zealand's supply chains.
- \$6.25b Business Finance Guarantee scheme for small and medium sized business.
- \$27m package for the social sector services and community groups so they can continue to provide essential support.

The following measures have also been taken:

- The Government, Reserve Bank and retail banks have agreed on a six-month mortgage principal and interest payment deferral for affected individuals and small and medium sized business.
- To protect renters during this difficult time, they froze all rent increases for six months, prohibited no-cause terminations for an initial period of three-months and evictions cannot occur for unpaid rent for up to 60 days.
- Measures were also put in place to support commercial tenants and landlords.

Treasury Modelling

On April 13, 2020 Treasury released some initial economic scenarios to understand what long-term recovery may look like. Whilst many commentators have pointed out a number of flaws in the analysis, they act as a good high-level view of what economic recovery may look like.

Treasury considered several alternative scenarios which were based on different assumptions about the time spent at different COVID-19 Alert Levels.

Since the release of this paper this has become more certain and therefore, this commentary will focus on Scenario 1.

Table 11. New Zealand Treasury COVID-19 Alert Levels.

Scenario	COVID-19 Alert Level	Other
Scenario 1	Level 4 – 1 month Level 3 – 1 month Level 1/2 – 10 months	Borders assumed closed to foreign visitors for up to 12 months. World annual average real GDP growth is lower than HYEPU ⁹ by 6% in calendar 2020.
Scenario 2	Level 4 – 3 months Level 1/2 – 10 months	May be interpreted as a number of shorter periods at Level 4 linked by periods at Level 1 and 2.

The initial scenarios completed by Treasury assumed no additional fiscal support from the government beyond the \$20b that had been announced. They did run two further scenarios - scenario 1a that assumes an additional \$20b of support and scenario 2a which assumes an additional \$40b support.

At the time of writing this stocktake report the government have provisioned \$52b to spend, if necessary, including the support already announced.

⁹ HYEPU – Half Year Economic and Fiscal Update

Scenario 1a currently best models the actual situation due to the timeframes in each Alert Level.

The key findings of scenario 1a are:

- Falls in annual GDP are the greatest in the year to March 2021, under scenario 1a the loss in nominal GDP could be restrained to around \$20b.
- In both scenario 1a and 2a the unemployment rate remains under 10% as opposed to scenario 1 where it peaks at 13%.
- Real GDP and unemployment rates will have recovered back to predicted trajectories by 2024.

Figure 5: Real GDP, Scenario 1a

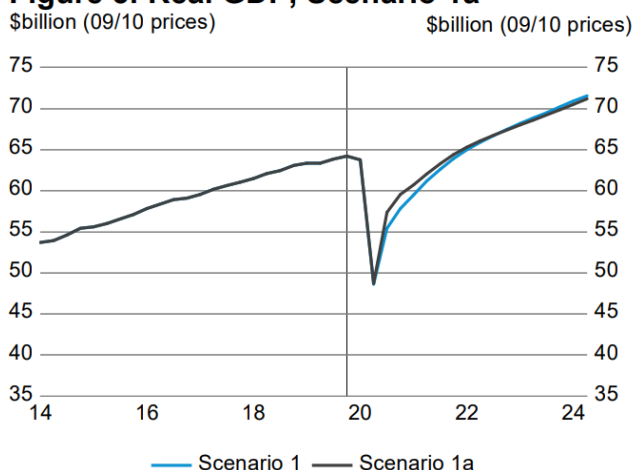


Figure 6: Unemployment rate, Scenario 1a

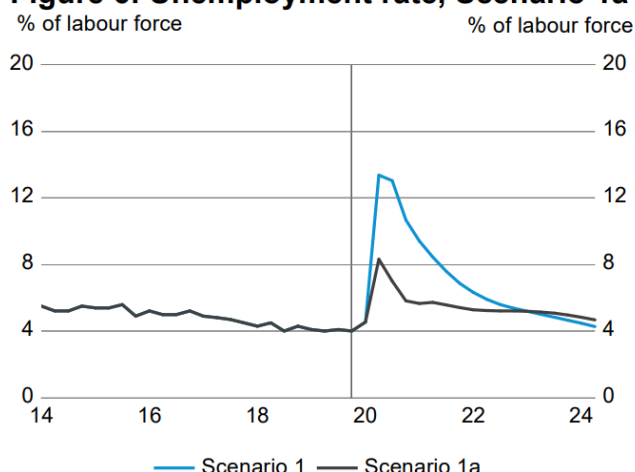


Figure 7. Scenario 1a, Treasury modelling of COVID recovery¹⁰.

The Treasury scenarios only differ by the magnitude of the initial shock i.e. the time to return to 'open for business' and assume that there is a return to the same normal, i.e. the previously projected paths. This has resulted in the 'V' shape in Figure 7.

The scenarios do not model or consider the impact of any structural changes to the economy, such as changes to market demand for services, business supply chains or business practices. Some of New Zealand's big banks have also produced alternate scenarios that consider some structural changes which would make a 'U' or 'Nike Swoosh' shape.

Westpac made the following statements in their economic bulletin, 28 April 2020¹¹

- Due to the tighter restrictions on Level 3, than previously allowed for in Treasury's assumptions, they expect a deeper decline in the June quarter GDP.
- The country may transition into Level 2 faster than previously thought and therefore allow a more vigorous rebound in GDP, predicting a rise in the September quarter.
- Beyond an initial rebound, they are expecting a slower recovery phase due to unemployment and business failure.
- Expect recovery to be more rapid than in past recessions.

¹⁰ NZ Treasury, Economic Scenarios, <https://treasury.govt.nz/sites/default/files/2020-04/c19-4265378-t2020-973-economic-scenarios-v3.pdf>, 13 April 2020

¹¹ Westpac NZ, Economic Bulletin, <https://www.westpac.co.nz/assets/Business/Economic-Updates/2020/Bulletins-2020/Change-of-OCR-call-April-2020-Westpac-NZ.pdf>, accessed 29 April 2020.

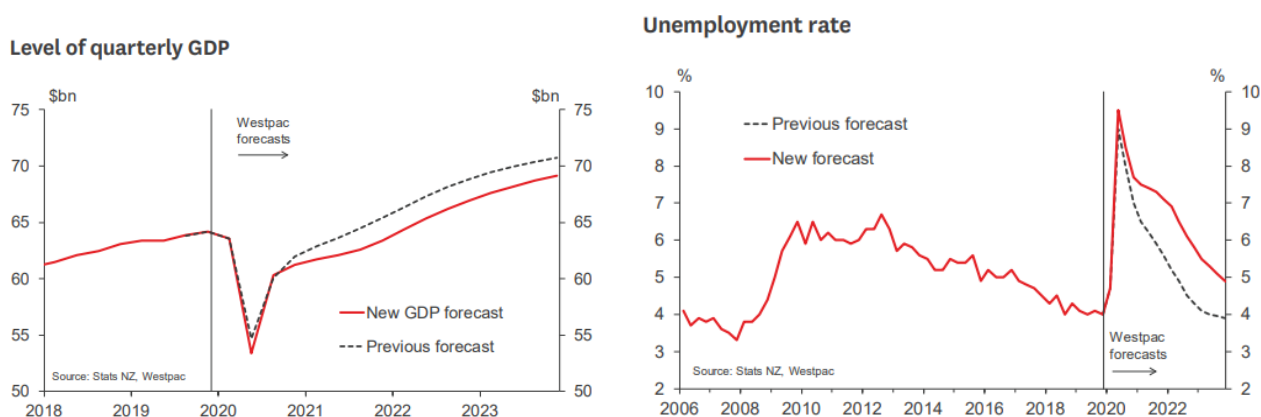


Figure 8. Westpac NZ modelling of COVID-19 recovery, Source: Westpac, Economic Bulletin 28 April 2020.

It is important to remember through all scenarios and recovery that the world outlook is also highly uncertain. Internationally, the trend has been towards longer periods of public health interventions to limit physical interaction. This will affect tourism but could also affect trade and financial linkages between countries, impairing global recovery.

What this means for Mackenzie

TOURISM

Before the COVID-19 pandemic employment in industries highly dependent on tourism totalled approximately 1,170 people or 48% of all jobs across the district.

Additionally, in the last five years, almost all growth in visitor spending within the district has been internationally driven. This coupled with the high share of international spending is likely to mean that until the borders are reopened and tourism resumes, population growth and the resulting housing demand is likely to slow down.

This data is taken from the Business demography data produced by Stats NZ which does not capture data on those who are self-employed. Nationally, 16.2% of all employment is self-employed. It is likely due to the industry structure of Mackenzie that this could be slightly higher. However, assuming it is 16.2%, then the data captures 83% of jobs.

Table 12. Jobs within the Tourism Sector by ANZSIC06 Industry Classification, Source: Stats NZ.

	Mackenzie District	Mackenzie Lakes	Twizel	Opua (Mackenzie District)	Fairlie
Retail Trade	230	50	100	12	65
Accommodation and Food Services	810	520	240	25	25
Arts and Recreation Services	130	80	40	0	6
Tourism Total	1170	650	380	37	96
All Industry	2450	1050	700	290	410
%	48%	62%	54%	13%	23%

Whilst the borders are closed for the foreseeable future, international tourism seems to be non-existent there is a silver lining for Mackenzie:

- In 2018 30% of all visitor commercial guest nights were domestic.
- For 2020 thus far, Domestic Spend was 30% of total, and Domestic + Australian spend was 41%.
- Based on the Alert Level system, domestic travel may soon be allowed.
- Canterbury residents can drive to the region, this allows for spontaneous behaviour to visits to the district.

- A trans-Tasman bubble will open New Zealand's borders to Australia, one of Mackenzie's largest tourism markets.

HOUSING

House prices are also expected to drop, Westpac, one of the most conservative declines, are predicting by 7% this year as an average. This of course will be felt more drastically in areas with high numbers of second homes and also investment in short-term rentals for visitor accommodation. This is due to an affordability challenge; investors potentially will have purchased homes with up to 100% borrowing based on elevated returns through the likes of Airbnb and will not be able to sustain a reduced level of income.

Again, there may be some softening of these trends in Mackenzie due to support from the rest of Canterbury, with residents who have fared well able to purchase a second home at slightly reduced prices or in lieu of a home in the likes of Wanaka.

What can be certain, is that the natural beauty of the area is not diminished by COVID-19 and with a long-term view, say 20-30 years, the areas popularity will certainly have returned to expected, if not greater, levels. Thus, reinforcing the need to develop strong land-use planning within the district.

PRIMARY INDUSTRIES

The primary industries employ 430 people across the Mackenzie district, or 18% of all employment, not including self-employment. Whilst there have been disruptions to supply chains, the primary industries have been essential workers and this industry has been able to continue to operate.

In their April 2020 Agribusiness monthly report, Rabobank¹² commented on how the primary industries are likely to fare, noting the following points.

- Global demand will be significantly impacted. They are expecting global demand to weaken in the coming months, particularly as panic-buying fades and the negative effects of reduced incomes are felt across the world.
- Commodity-specific developments will partly offset the demand problems.
 - China is also currently handling an African swine fever, reducing domestic pork production, bolstering demand for other animal proteins.
 - In dairy, the dry end of the 19/20 season in New Zealand, aligns with the current supply chain issues and lower demand, partially offsetting the impact in the near term.
- In the global market, supply typically fails to adjust quickly with negative demand shocks. This results in a build-up of inventories. Prices eventually fall in an effort to balance the market. It is expected that significant USD prices in quarter 2 of 2020 will occur.
- In Level 4, the efficient operation of local supply chains maybe be impeded by necessary restrictions.
- New Zealand farmers are in good shape entering the crisis. They are coming to the end of a fourth good season in terms of market conditions, processing sector and farm debt.
- The New Zealand dollar depreciation will provide some shelter from falling prices for New Zealand Producers.
 - The worse the pandemic gets, the lower the New Zealand dollar will fall. This will ensure the contraction in farmgate prices in local currency terms is less than what is seen on world markets.
- New Zealand farmers are adaptable. In stark contrast to the situation in many countries, New Zealand farmers have had to survive market volatility for decades without government protection or subsidies.

Additionally, exports have remained very strong, particularly for lamb, beef and dairy through the crisis, currently nearing their 2019 levels. Overall, Mackenzie's strong primary sector will likely support the local economy in the short term and aid in local recovery.

¹² Rabobank, Agribusiness Monthly and COVID-19 Update April 2020, file:///C:/Users/User/Downloads/2462394_NZ_Agribusiness_Monthly_Apr2020.pdf, accessed 29 April, 2020.

Conclusion

In recent years, the secrets of the Mackenzie district have been revealed to the world – it is a place of great beauty and opportunity. The tourism industry has grown significantly, creating increasing demand for housing and short-term accommodation. This has in turn driven up the cost of homeownership.

Fairlie/Rest of the District

Fairlie and the rest of the district have not experienced the same exponential growth in visitors or population as Twizel and Tekapo.

Fairlie has a balanced population structure that leans towards an aging population, meaning there are a mix of young people and families with a large proportion retirees. Housing is relatively inexpensive, yet there is still an uplift in value occurring.

These areas are still dominated by the more traditional sectors of the Mackenzie economy, namely the primary industries.

Lake Tekapo

The Lake Tekapo township has played host to most of the international visitors to the Mackenzie District. To service this demand the town has experienced significant growth.

- Population growth has occurred mostly through international migration of young people. There are many resulting effects of this including:
 - increasing household size
 - multicultural community
 - lowering homeownership rates in the town
 - lowering partnership rate
- House prices have risen quickly, and those in construction are typically high cost as well.
 - There are a large number of unoccupied houses and those available on Airbnb.

Tekapo is potentially the most exposed to tourism, the effects of international tourism.

Twizel

Twizel is a changing place, since 2013 the population has grown by 26%. Welcoming early retirees and a number of international migrants in their early working years.

Additionally, two thirds of all construction in the district, in the last 10 years, has occurred in Twizel. These houses are predominately traditional residential dwellings or lifestyle properties.

Over half of Twizel's houses are unoccupied dwellings on a regular basis, many of which are used as short term rentals.

Affordability

Affordability does not appear to be a major issue for the district at present. Isolated pockets within Tekapo or Mt Cook may begin to emerge. However, increasing costs of housing, a high number of unoccupied homes, and below median incomes does create a cause for concern that there may be housing affordability issues on the horizon.

COVID-19

This was all true before the COVID-19 pandemic. Whilst the future is uncertain, Mackenzie do have some silver linings to focus on:

- They have a strong primary sector which is still in business.
- In 2018 30% of all visitor commercial guest nights were domestic.
- For 2020 thus far, Domestic Spend was 30% of total, and Domestic + Australian spend was 41%.
- Based on the Alert Level system, domestic travel may soon be allowed.
- A trans-Tasman bubble will open New Zealand's borders to Australia, one of Mackenzie's largest tourism markets.

Overall, COVID-19 has not decreased or diminished Mackenzie's desirability as a place to live, work and play. When looking over the long-term, 20-30 years, Mackenzie will recover and the growth pressures that have been faced in recent times will be faced again.