



PwC Cities Institute

Competitive Cities: A Decade of Shifting Fortunes

Presentation by Geoff Cooper

Chief Economist & Director, PwC Cities Institute



Key findings

01

New Zealand's smaller cities have a unique opportunity

02

The largest cities are hitting road bumps

03

New Zealand is falling behind the Australia



The background of the slide is a composite of four images. The top-left and top-right images show a blue sky with light, wispy clouds. The bottom-left and bottom-right images are aerial views of a city, likely Tokyo, showing a dense urban landscape with a river (the Arakawa River) winding through it. White smoke or steam is rising from various points in the city, suggesting industrial activity or a fire. The central part of the slide is a dark, semi-transparent rectangle containing the title and subtitle.

Introduction

Competitiveness in the epoch of cities

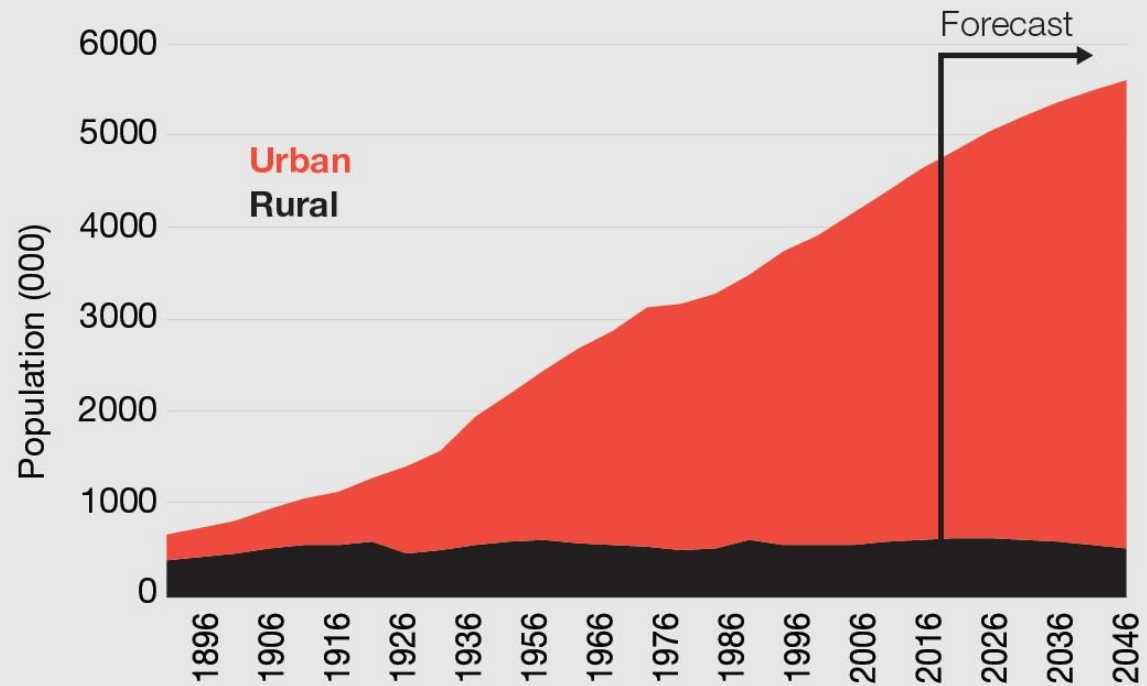
1

The urban juggernaut

87%

Of New Zealand's population currently live in urban areas. A figure which is growing.

No signs of slowing



Source: New Zealand Institute of Economic Research (NZIER),
United Nations: World Urbanization Prospects (2018)

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Cities have no option
but to strive to be
competitive in a new
marketplace forged by
globalisation and new
technology

Martin & Simmie

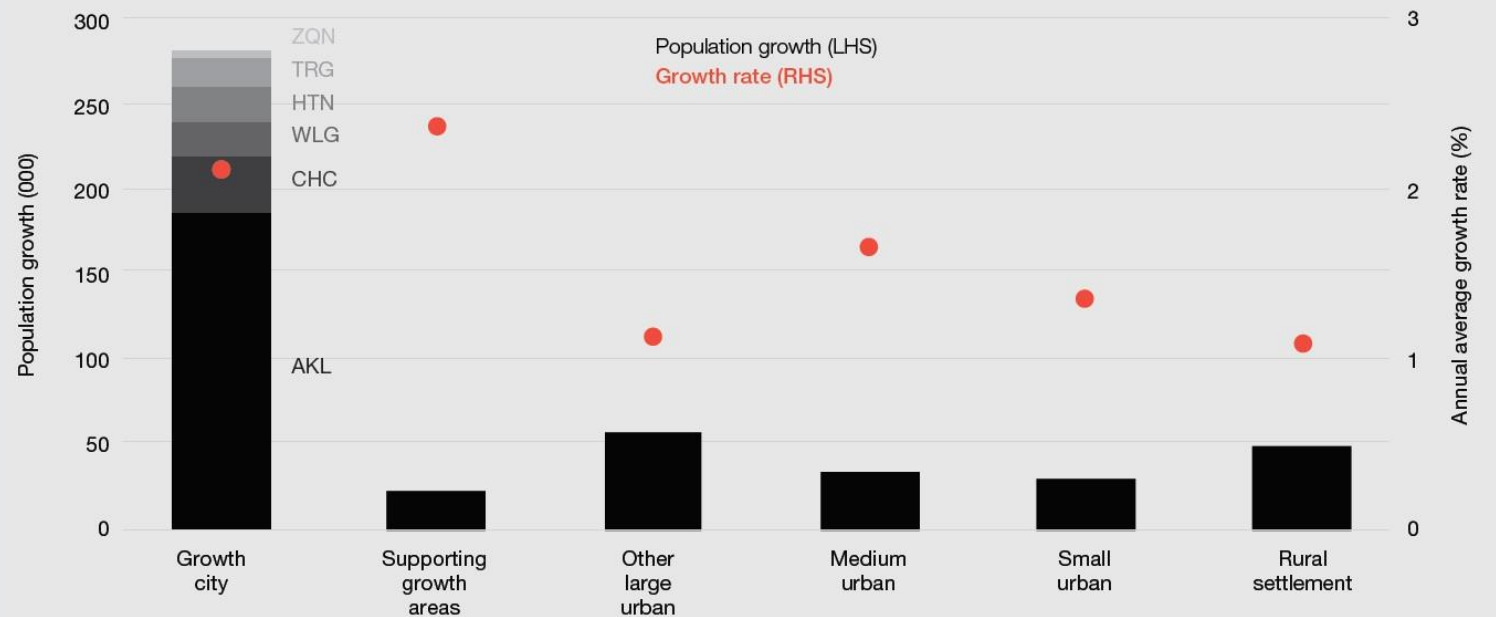


Concentration intensifies

72%

Of New Zealand's population growth is in six cities.

Population growth by category (2012-2018)

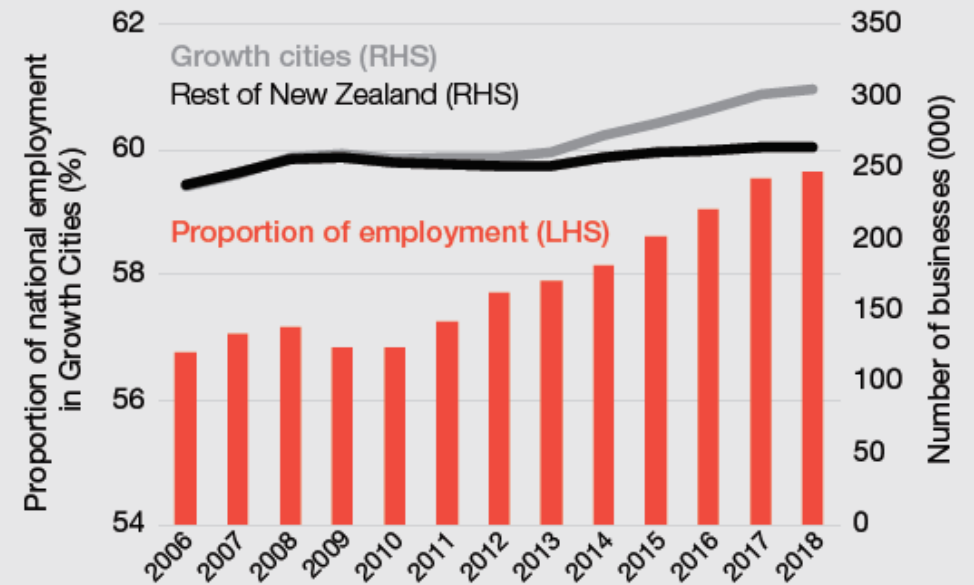


Urbanisation is driven by productivity

High value business wants to co locate

- For every new business established in the rest of New Zealand over the last six years, five were established in six Growth Cities
- Population growth is linked to ever concentrating employment and business.

Business and employment concentration in growth cities over time



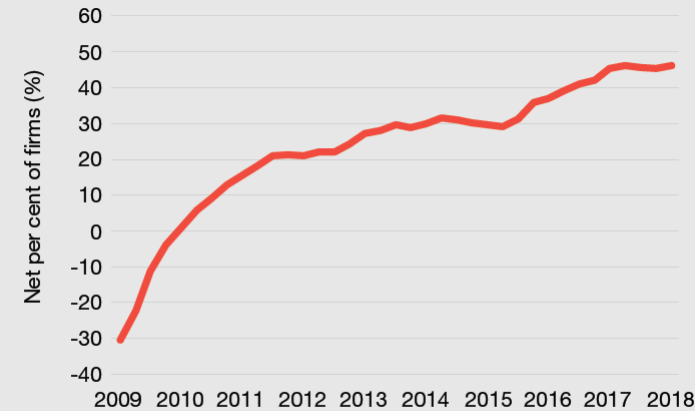
Source: Statistics New Zealand, PwC

Urban competitiveness is complex and multifaceted

Cities compete across various dimensions:

- Environment
- Culture
- Investment
- Education
- Tourism
- Public funds
- Events
- Infrastructure

New Zealand labour shortages are at record levels



Source: NZIER

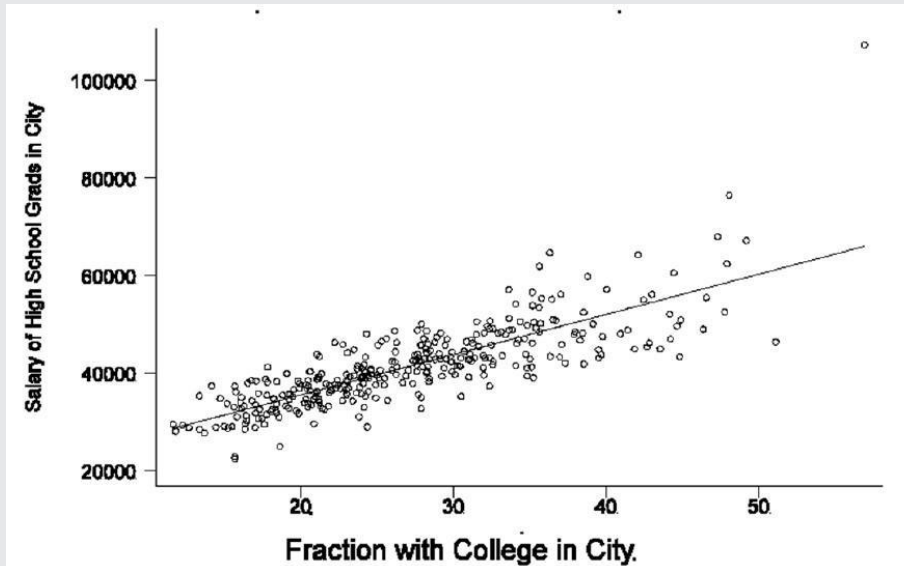
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The rise of cities has led to a fresh and fierce competition for the smartest minds

Why compete?

- Cities with skilled workers have higher wages for everyone.
- A percentage point increase in the supply of college graduates raises high school drop-outs' wages by 1.9%, high school graduates' wages by 1.6%, and college graduates wages by 0.4%.
- Has the case for urban growth in New Zealand really been made?

It raises the wages of everyone



“

The effect is larger for less educated groups



Methodology

Measuring the concept of urban competitiveness



2



Urban competitiveness in New Zealand and Australia



Median households



Time period

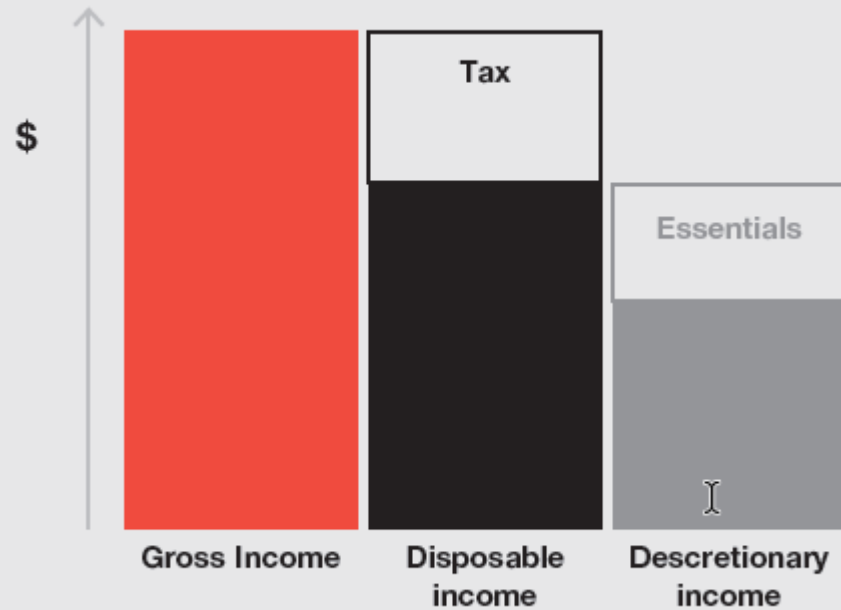


Growth cities



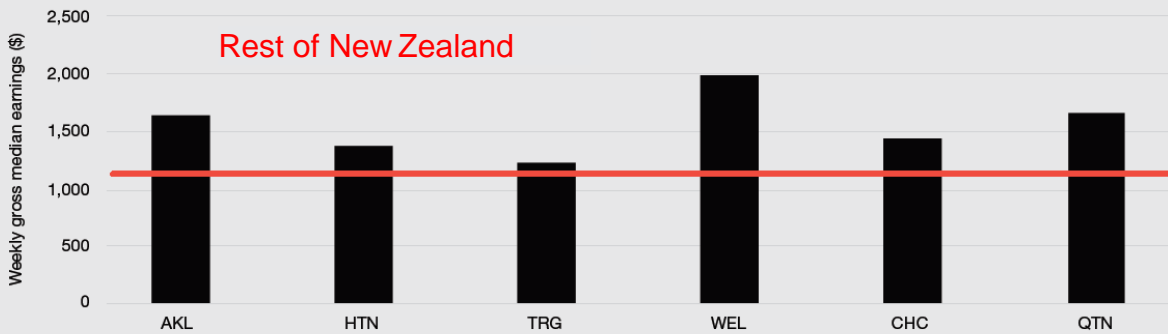
Supporting growth areas

Discretionary Income: Getting to the bottom line



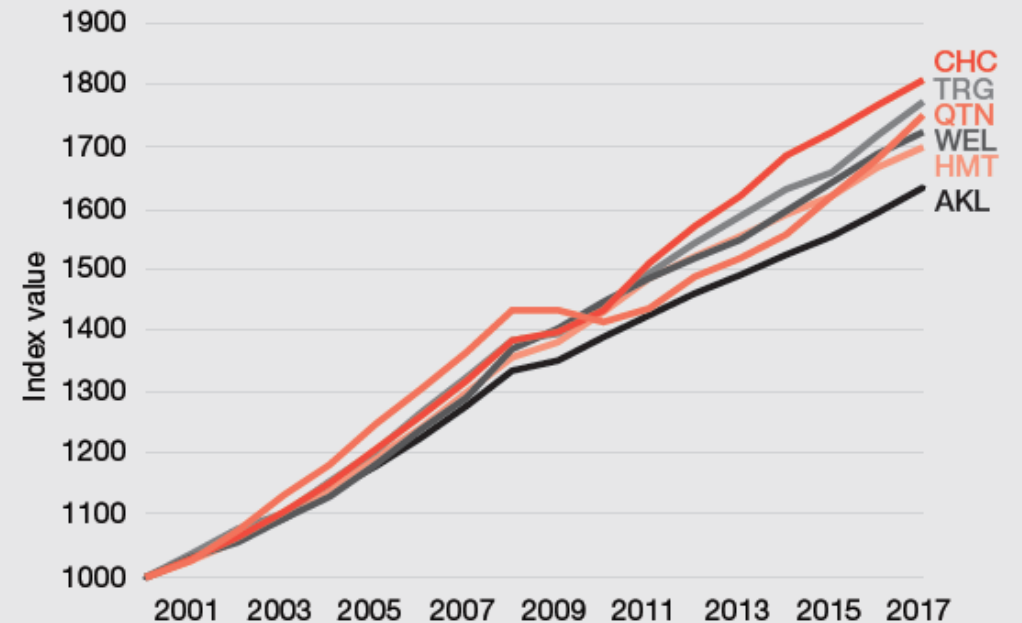
Income varies across New Zealand cities

Median household income by city, 2018



Source: 2013 census, Statistics New Zealand (Linked Employer-Employee Data), PwC

Median household income, 2000-2018 (Index, 2000=1000)



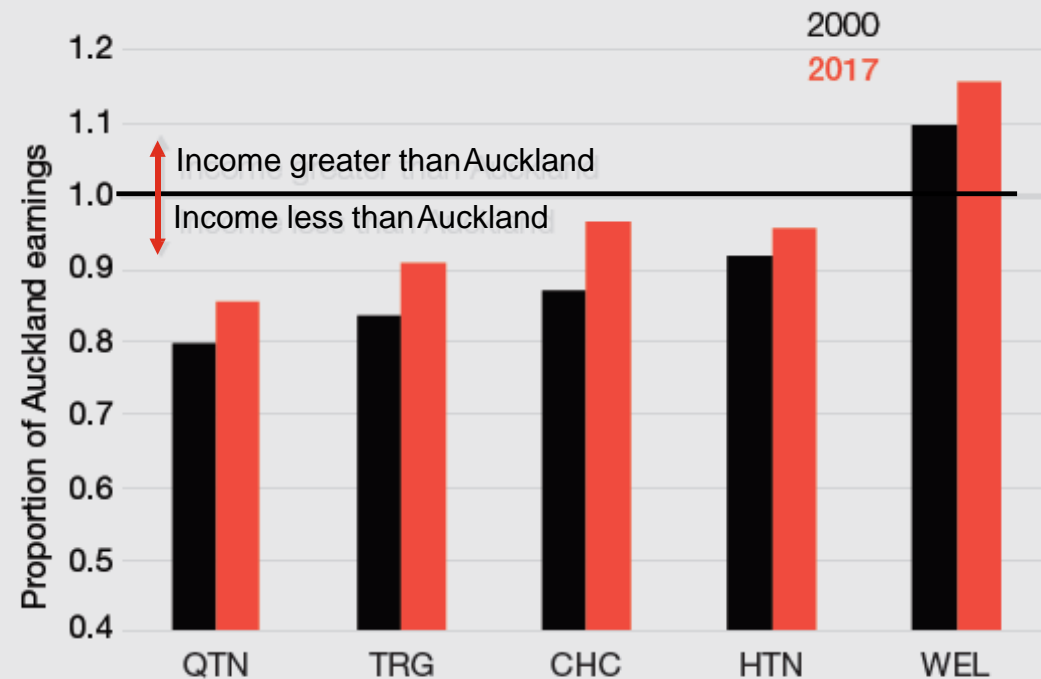
Source: Statistics New Zealand (Linked Employer-Employee Data), PwC

Auckland is losing its income advantage

Cities outside Auckland are catching up

- Auckland has traditionally had a wage premium over other urban areas.
- Auckland household income growth lags other cities.
- In 2000, Christchurch incomes were 87% of Auckland. By 2017, they were approaching parity.

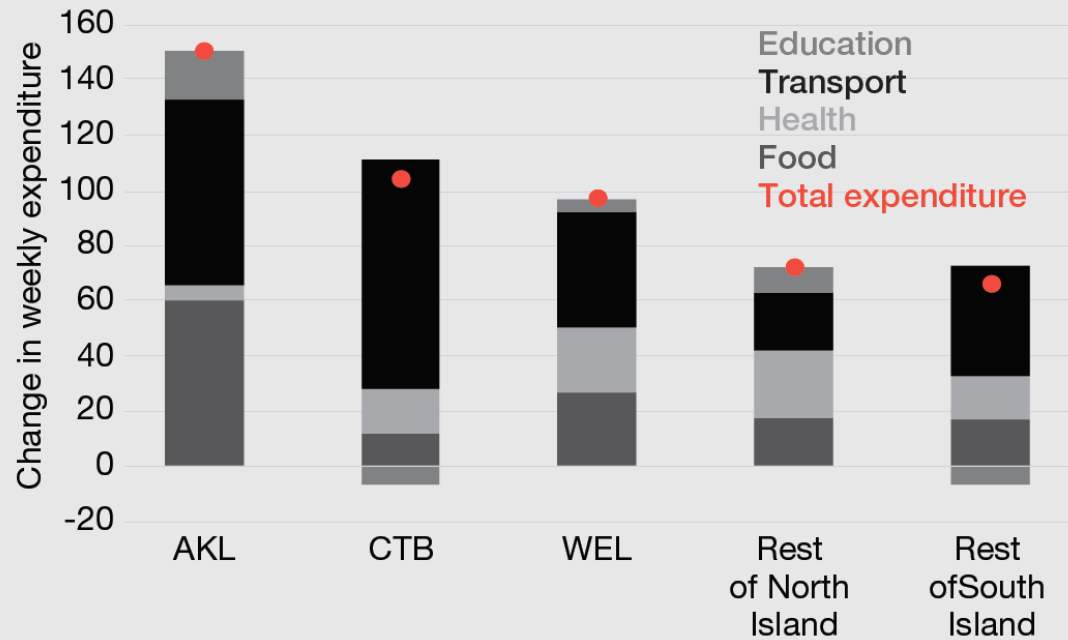
Ratio of median earnings relative to Auckland in 2000 and 2017



Source: Statistics New Zealand (Linked Employer-Employee Data), PwC

Basic expenditure has grown faster in regions with large cities

Real changes in estimated expenditure (2008-2018)



Source: Statistics New Zealand (Household Expenditure Survey), PwC

Cities growing outward are also facing rising transport costs

3.5x

Surrounding towns of Christchurch are growing 3.5x faster than the city average.

Surrounding towns of Auckland are growing 1.4x faster than the city average.

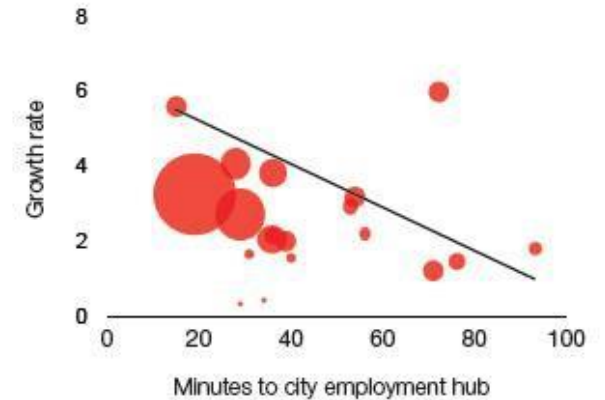
Urban Auckland

Population: **1,467,800**

Growth Rate: **2.3%**

SGA Population: **119,110**

SGA Growth Rate: **3.3%**



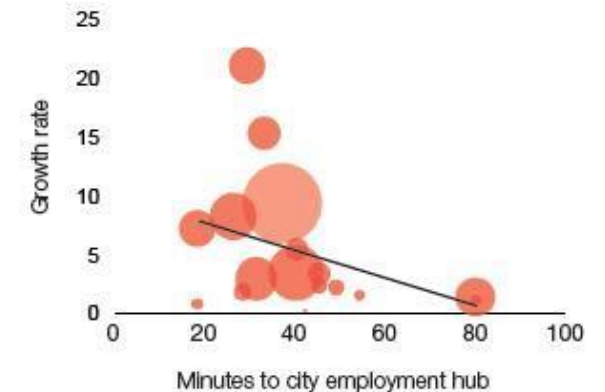
Christchurch

Population: **377,200**

Growth Rate: **1.6%**

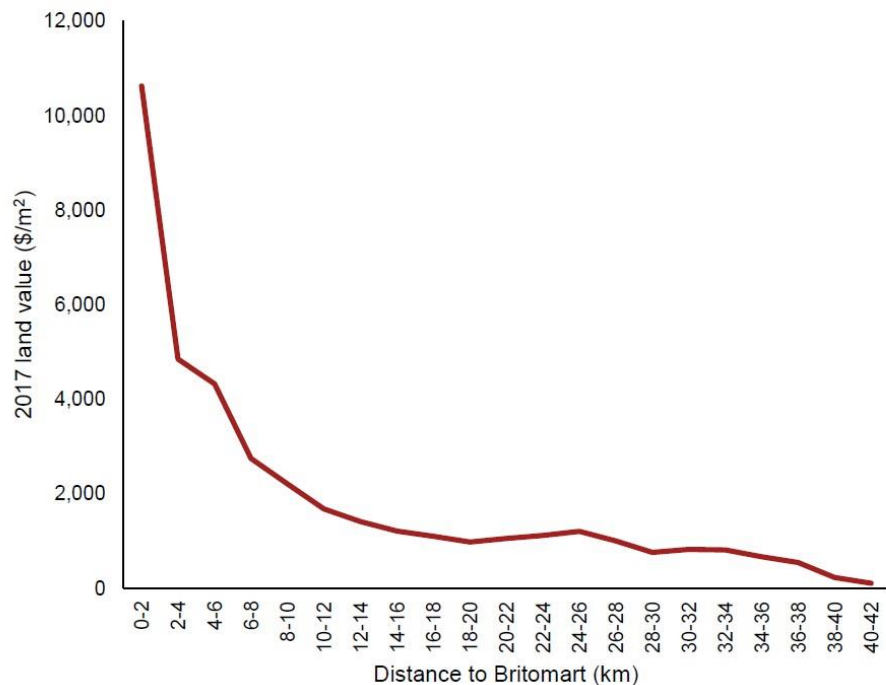
SGA Population: **69,330**

SGA Growth Rate: **5.7%**



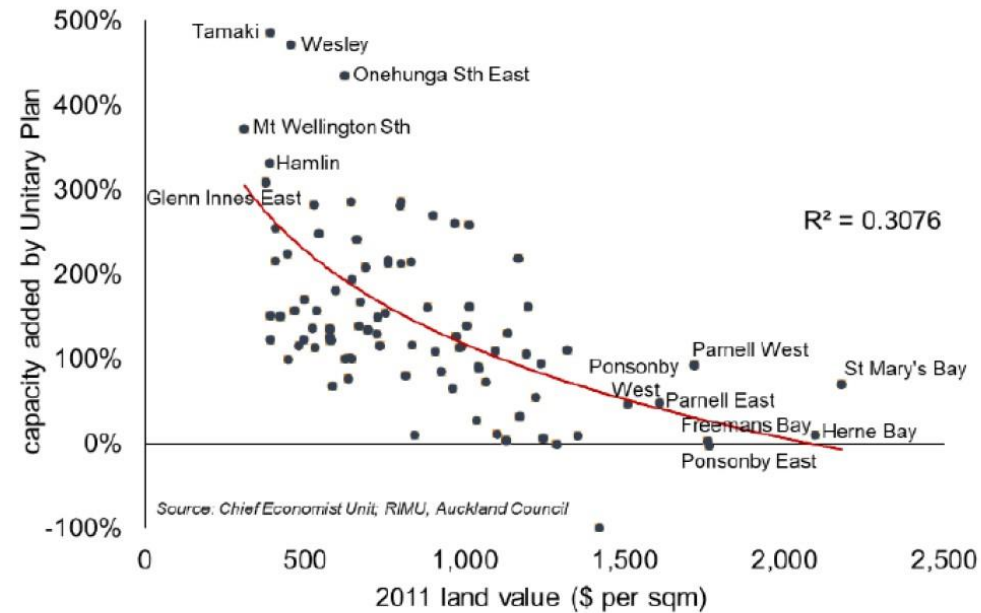
New Zealand cities add housing supply in high transport areas

Land values by distance to Britomart



Capacity by land value

Auckland isthmus - housing capacity added vs 2011 land values



The Single Dwelling Zone

- A policy that makes it illegal to build terraced housing, multiunit low income housing, student housing, well-designed modern duplexes and triplexes.
- Requires residents to consume large quantities of land
- 36% of all residential land within 5km of the city centre in Auckland
- 91% in Tauranga
- Land prices have risen 500% in two decades in some cities. Wages have risen just two times.

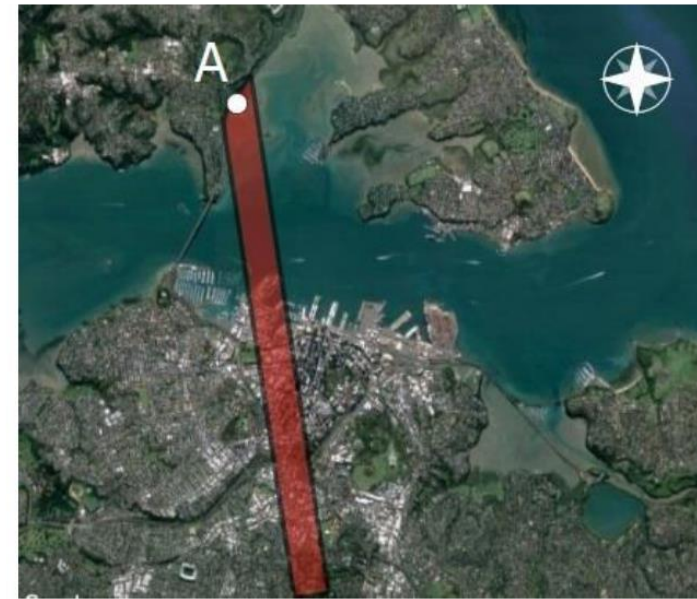
“Limit new development to single-family homes with large yards, and poor people cannot afford to move into your community”

Brookings Institute

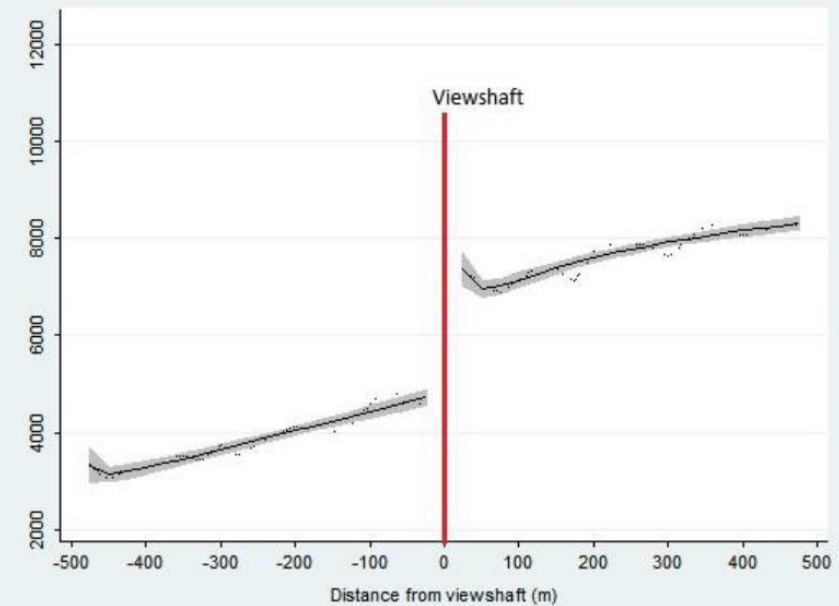
Optimising Regulations



Competitive Cities: A Decade of Shifting Fortunes
PwC Cities Institute



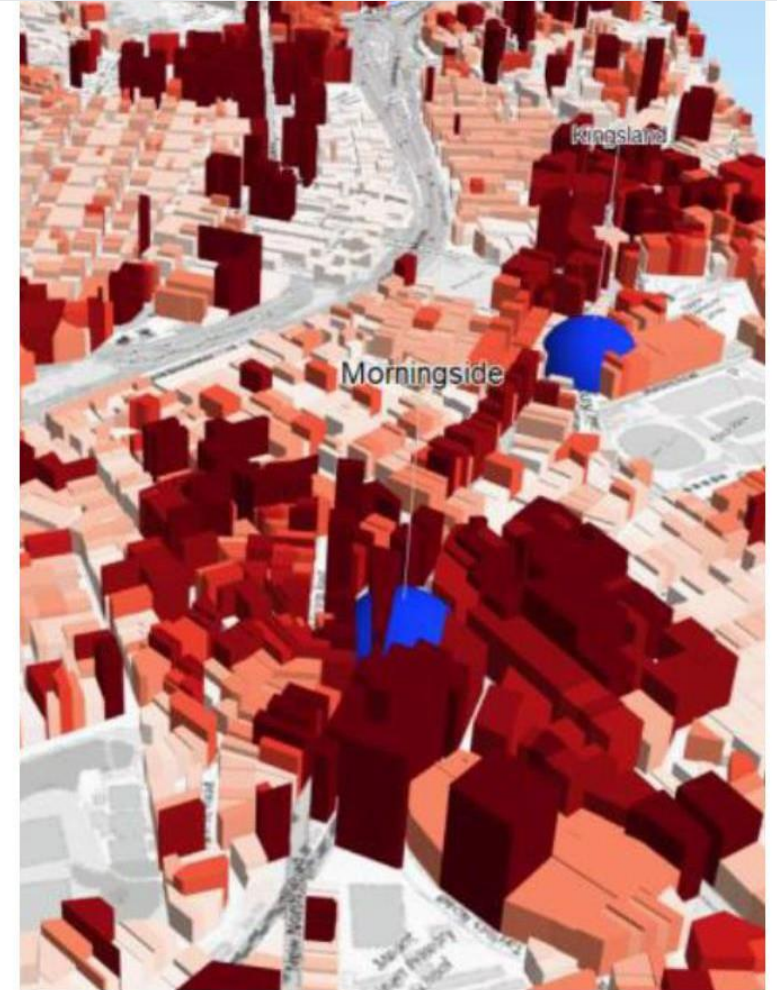
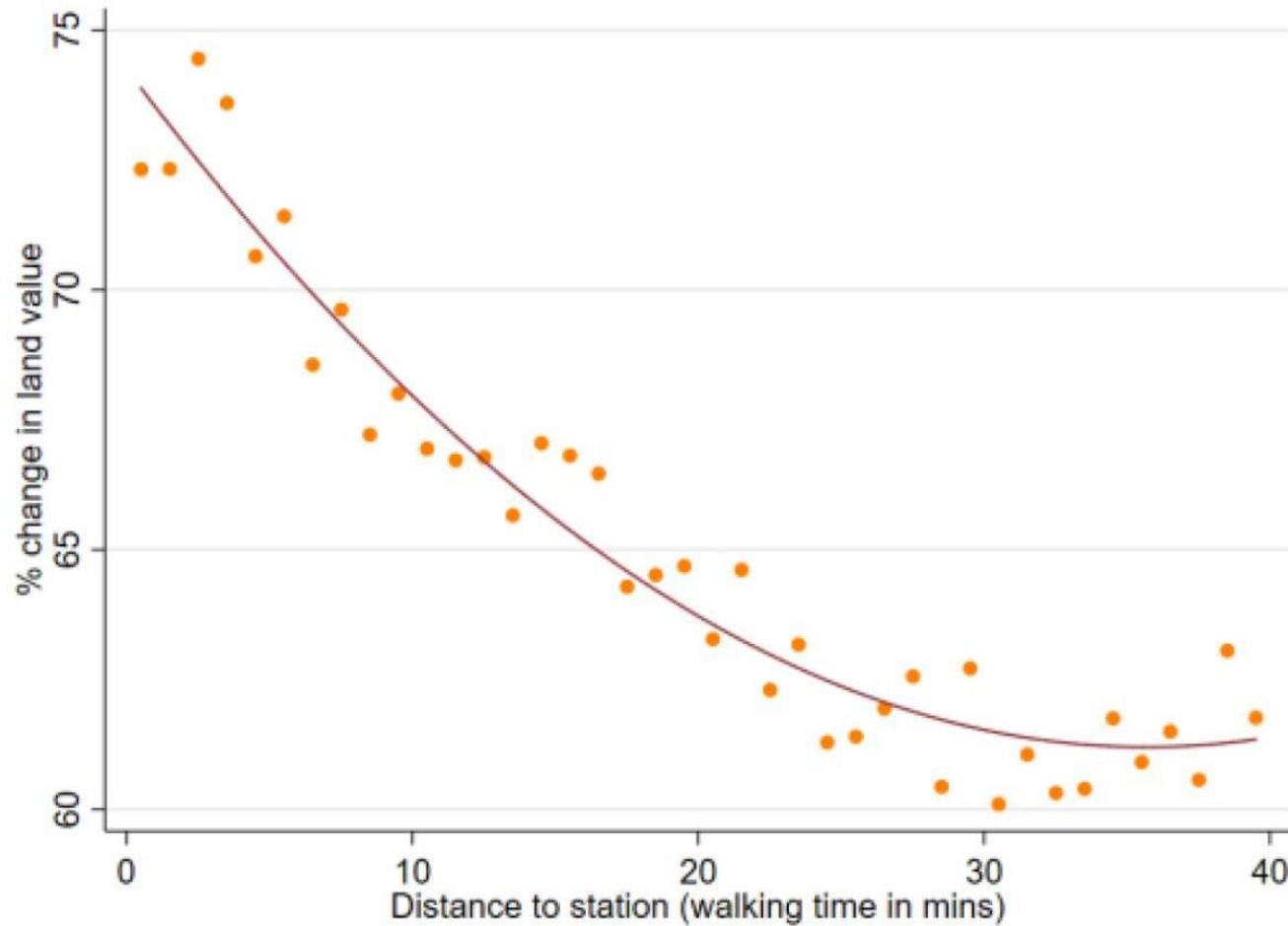
(b) Predicted values (Model 2)



The Billion Dollar View You Can't See

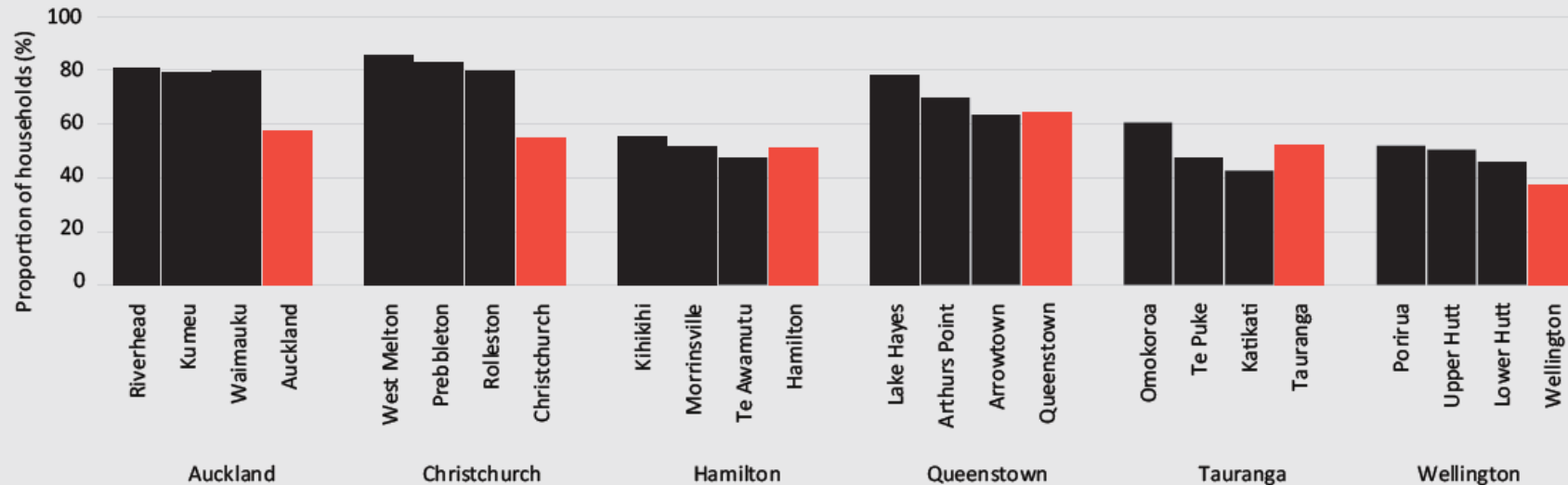


Transit Orientated Development: Density and transport infrastructure should go hand in hand



Supporting Growth Areas have more cars per person

The effects are largest in Christchurch and Auckland



Source: Statistics New Zealand, PwC

In Christchurch

The proportion of household with two cars or more is up to 58% higher in supporting growth areas

In Auckland

The proportion of households with two cars or more is up to 40% higher for supporting growth areas

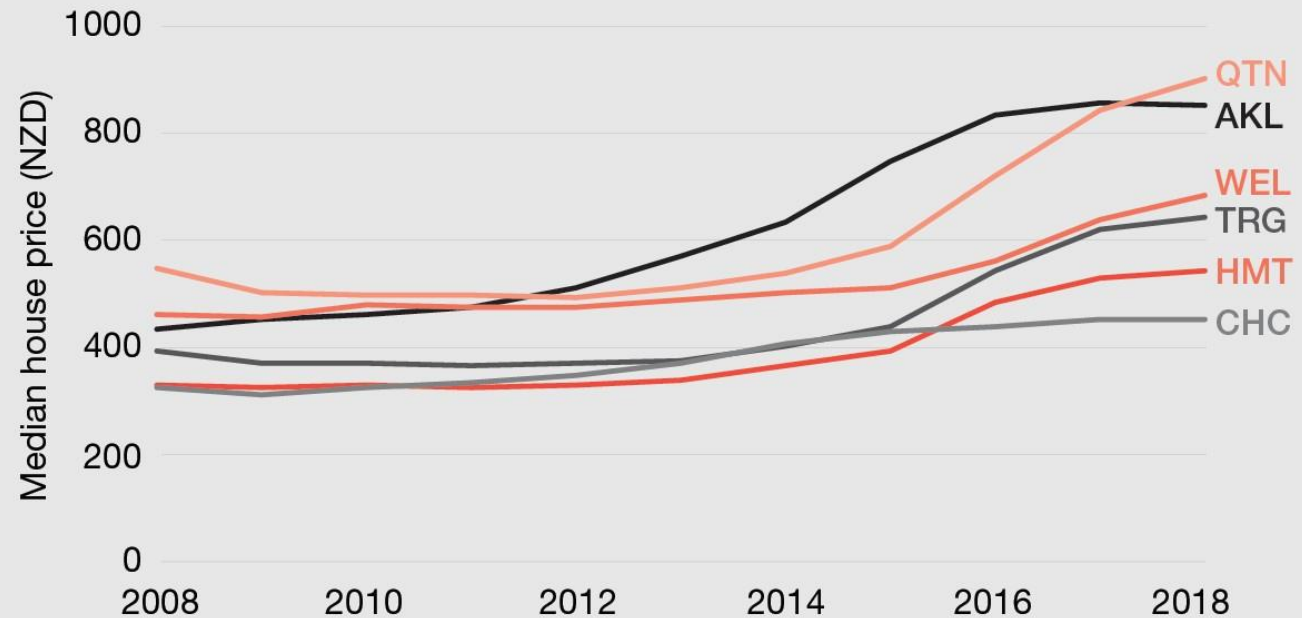
The housing divergence

96%

Increase in Auckland's median house price since 2008.

The difference between Auckland and Tauranga increased 3-fold, from \$65,000 in 2008 to \$209,000.

Nominal median house prices, 2008-2018



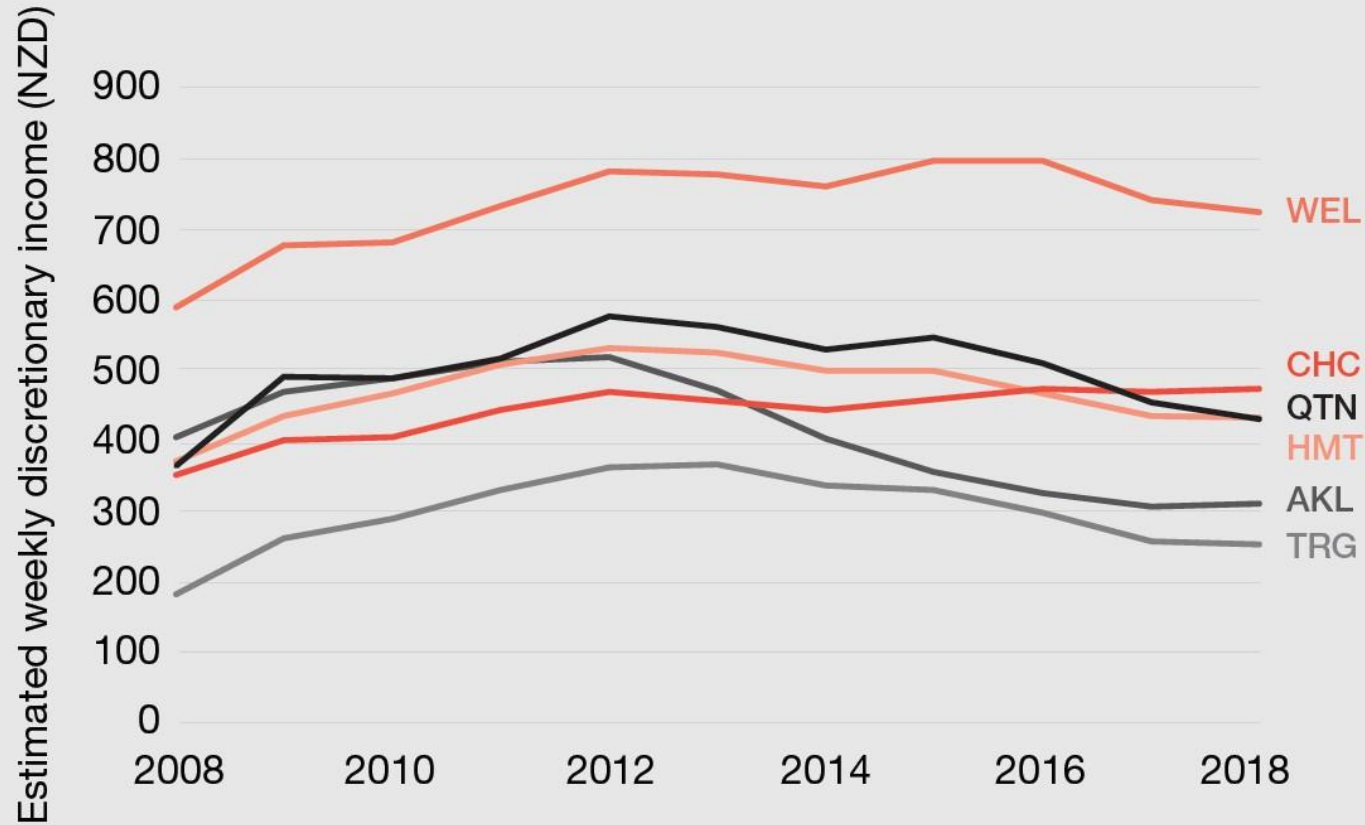
Source: Real Estate Institute of New Zealand (REINZ)

Discretionary income: The bottom line



There are secular trends common to all cities.

Estimated weekly discretionary income



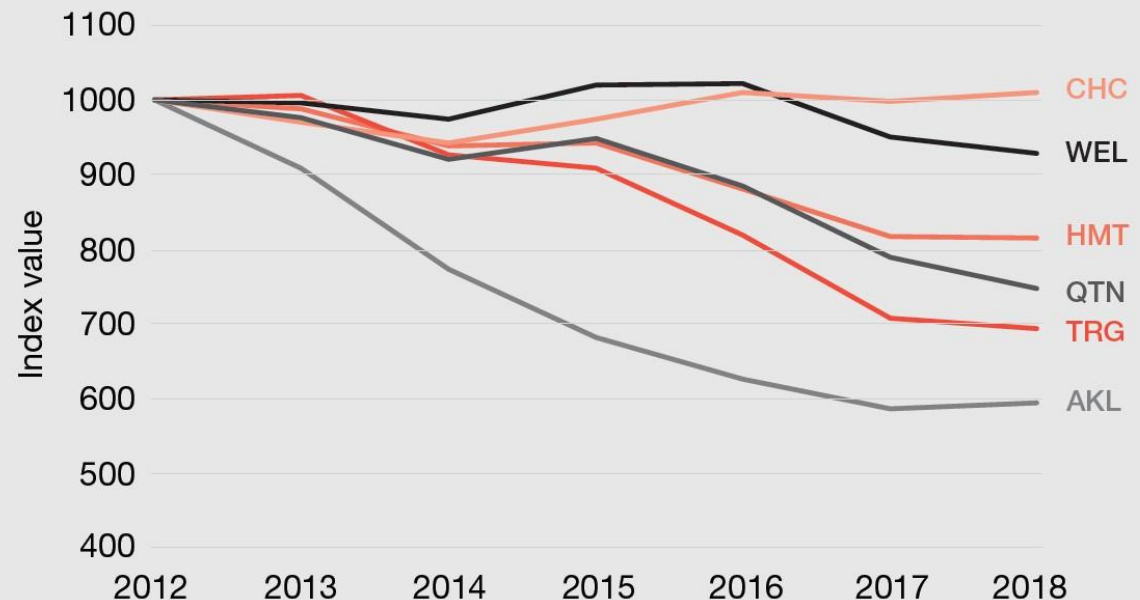
Source: REINZ, Reserve Bank of New Zealand (RBNZ), Statistics New Zealand, PwC

Substantial differences emerge between Growth Cities after 2012

Key insights:

- Auckland experienced the biggest and earliest falls, commensurate with significant house price growth, sluggish income growth and rising basic expenditure.
- Tauranga and Hamilton experienced falls starting later, as house prices began to rise from 2015
- Wellington and Christchurch fared better relative to the other growth cities

Estimated real New Zealand discretionary income index

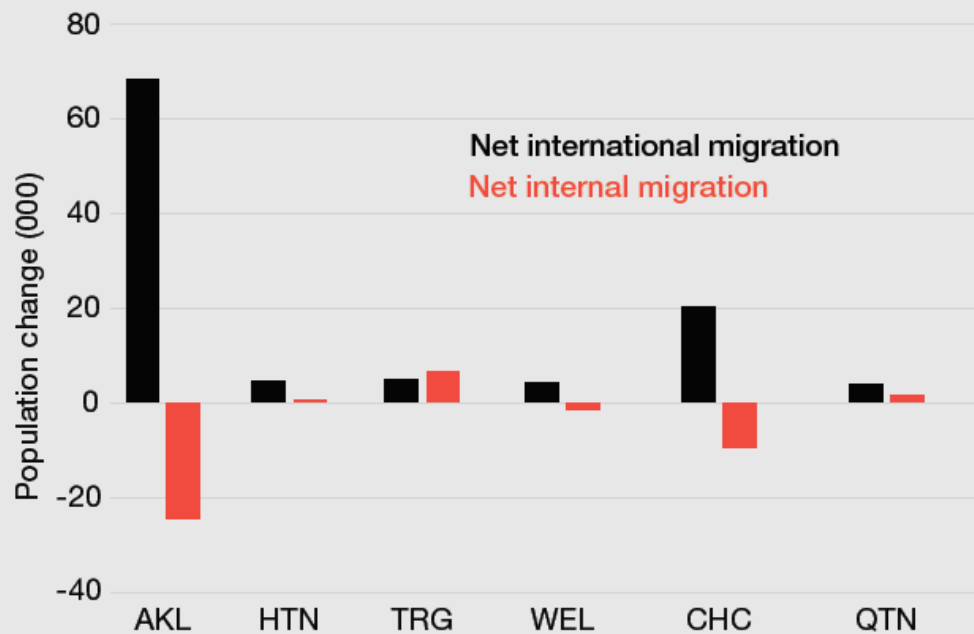


Source: REINZ, RBNZ, Statistics New Zealand, PwC

Aucklanders are leaving Auckland: Are you competing for them?



Figure 2: International and internal migration by city 2012 – 2016



Source: New Zealand Treasury (Insights)

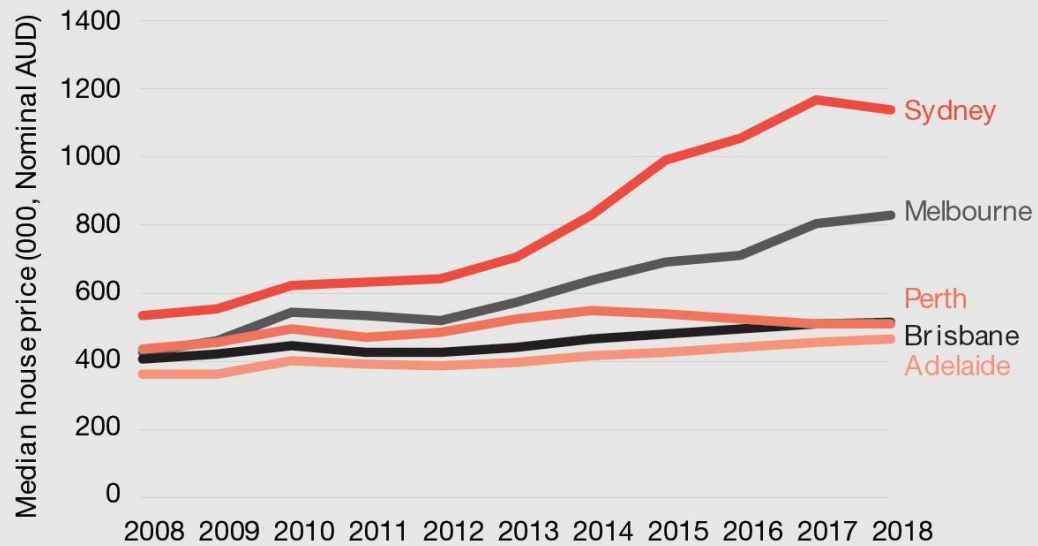
Section C

Comparison with Australia



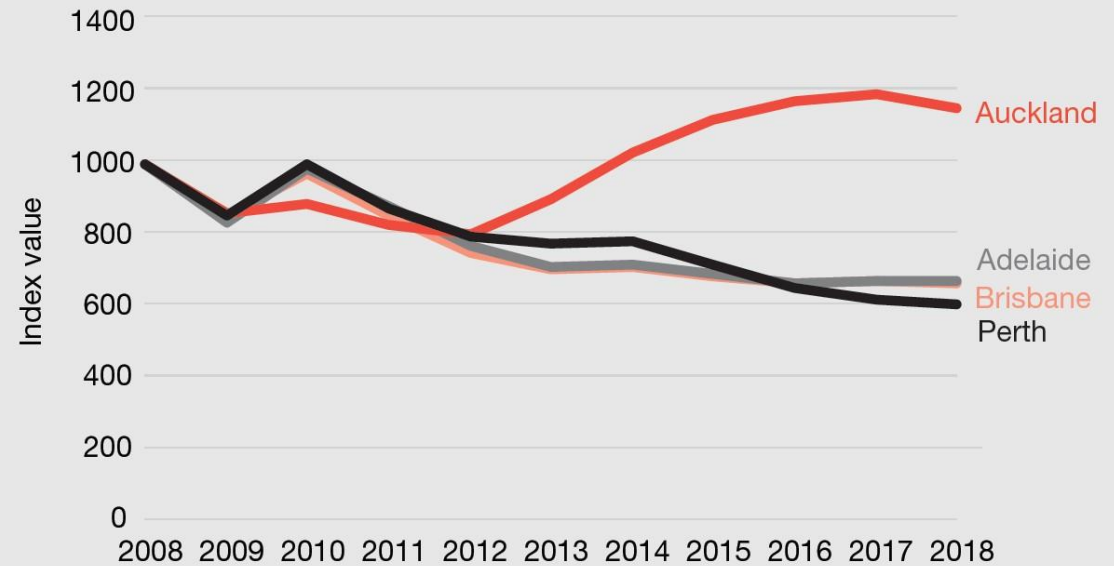
Auckland follows Sydney and Melbourne

Median house price by Australian city



Source: Real Estate Institute of Australia (REIA)

Estimated mortgage payment comparison (2008=1000)



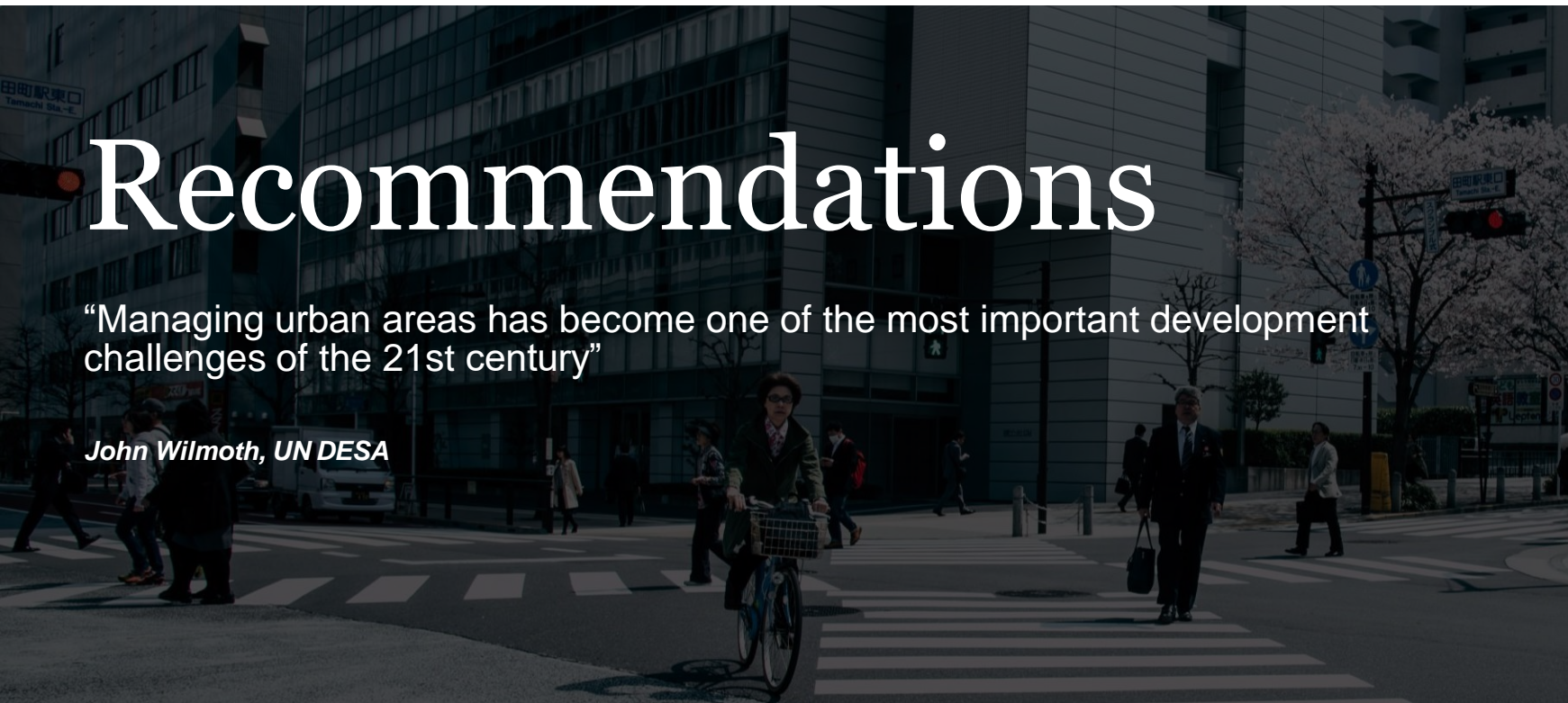
Source: REINZ, REIA, RBNZ, Reserve Bank of Australia (RBA), PwC

New Zealand faces strong competition across the ditch

Change in estimated discretionary income, by city, between 2008 and 2018



Source: REINZ, REIA, RBNZ, RBA, Australian Bureau of Statistics, Statistics New Zealand, PwC Assumed 10 year average exchange rate of 0.86 AUD to 1.00 NZD



Recommendations

01

Appointment of a Minister for Cities

02

Urban Statistics Rollout

03

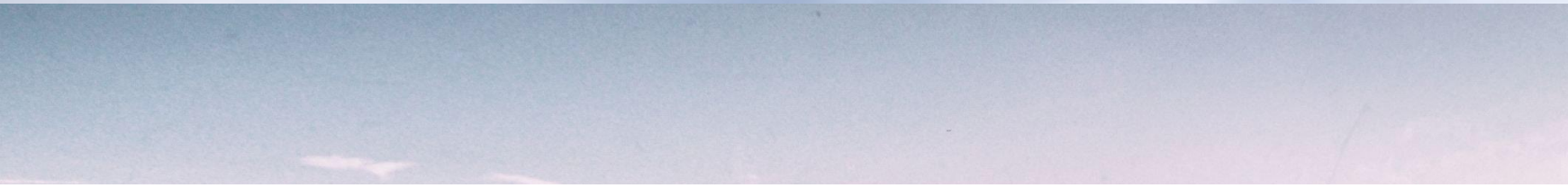
An Economic Competitiveness Agenda for Auckland

An aerial photograph of a city, likely New York City, showing a river (the Hudson River) and a large island (Manhattan). The city is surrounded by a dense layer of white clouds, and the sky above is blue with some wispy clouds. The image is split into two main sections: the top left shows a close-up of the clouds, and the bottom right shows a wider view of the city and river.

Thank you

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Auckland

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If Auckland is not New Zealand's internationally competitive city, there won't be one



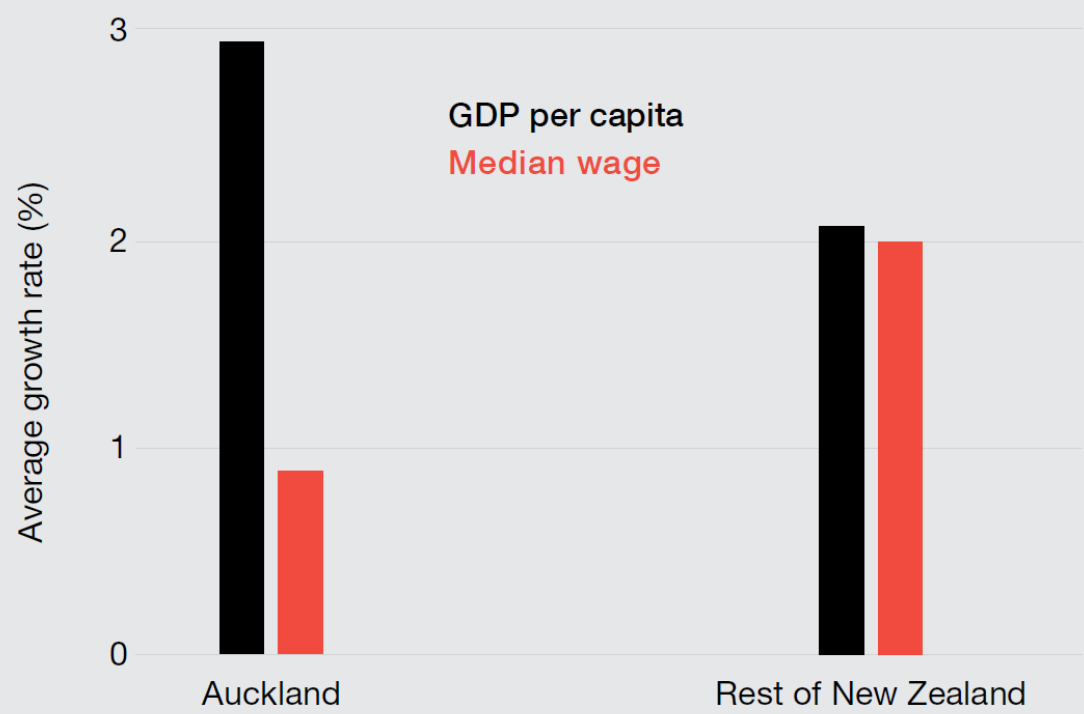
The triple-whammy: income, housing and basic expenditure



3x

GDP per capita has grown at three times the median wage

Who is benefiting from economic growth?

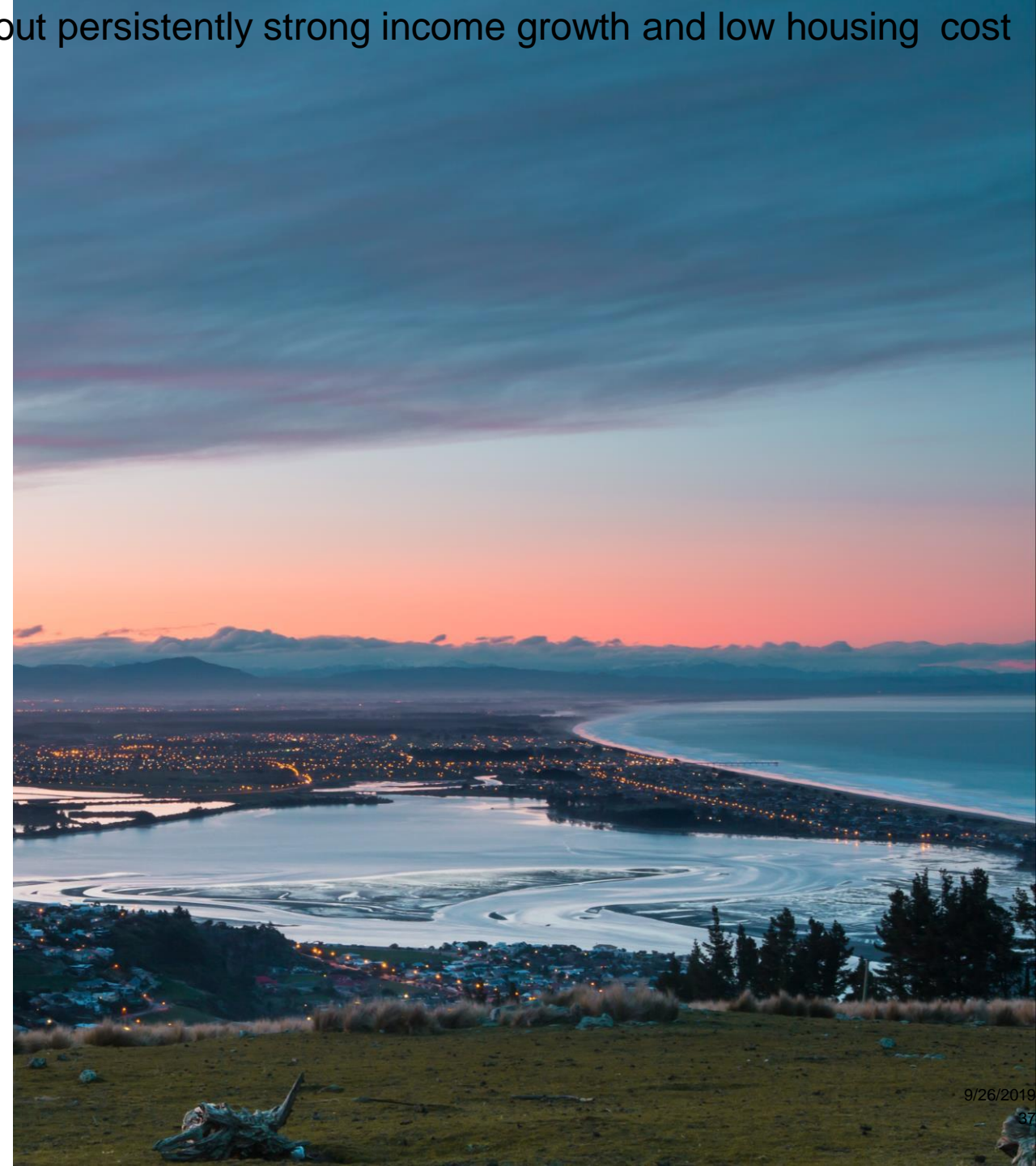


Source: Statistics New Zealand, PwC

Christchurch

“

The emergence of Christchurch is far more than a rebuild - it's about persistently strong income growth and low housing costs



City of the South

Household change 2008 vs 2018

↑16%

Household income

↓19%

Mortgage payments

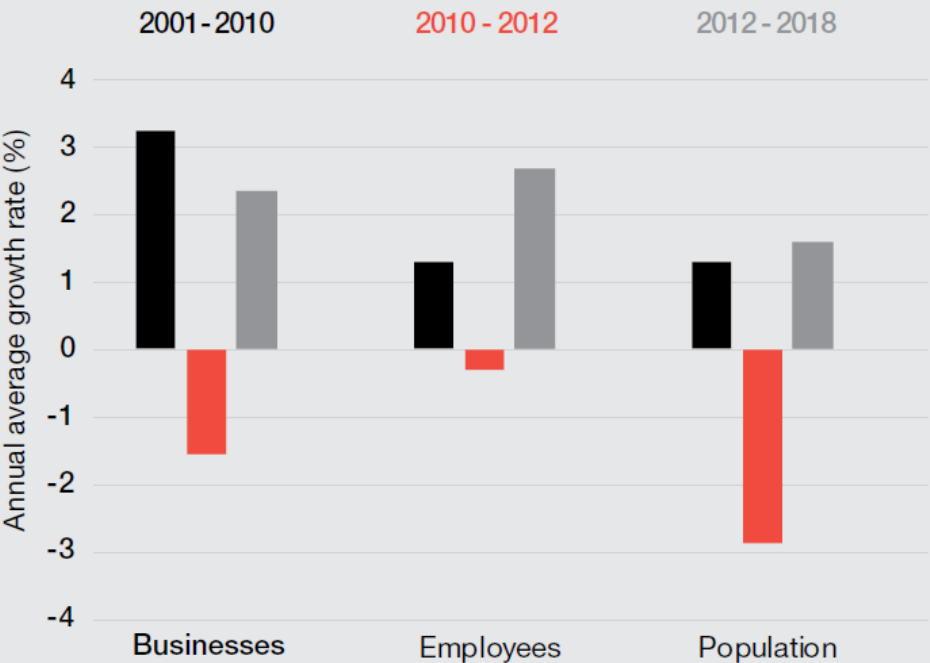
↑27%

Basic expenditure

\$6,435

Annual discretionary income

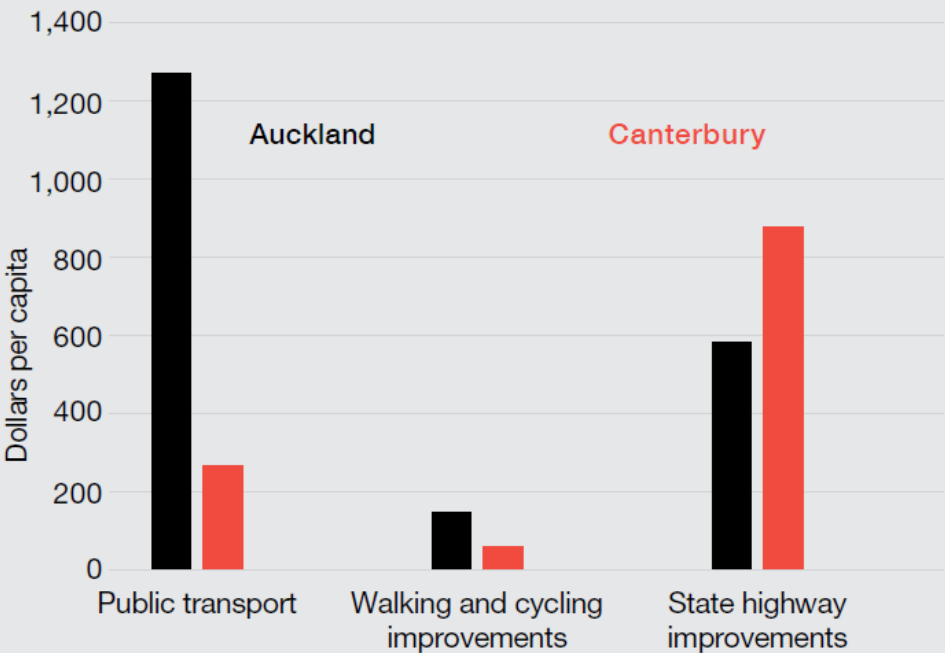
Bouncing back



Source: Statistics New Zealand

Rising transport costs are an Achilles heel

Transport investment program: Auckland vs Canterbury, 2018-2021

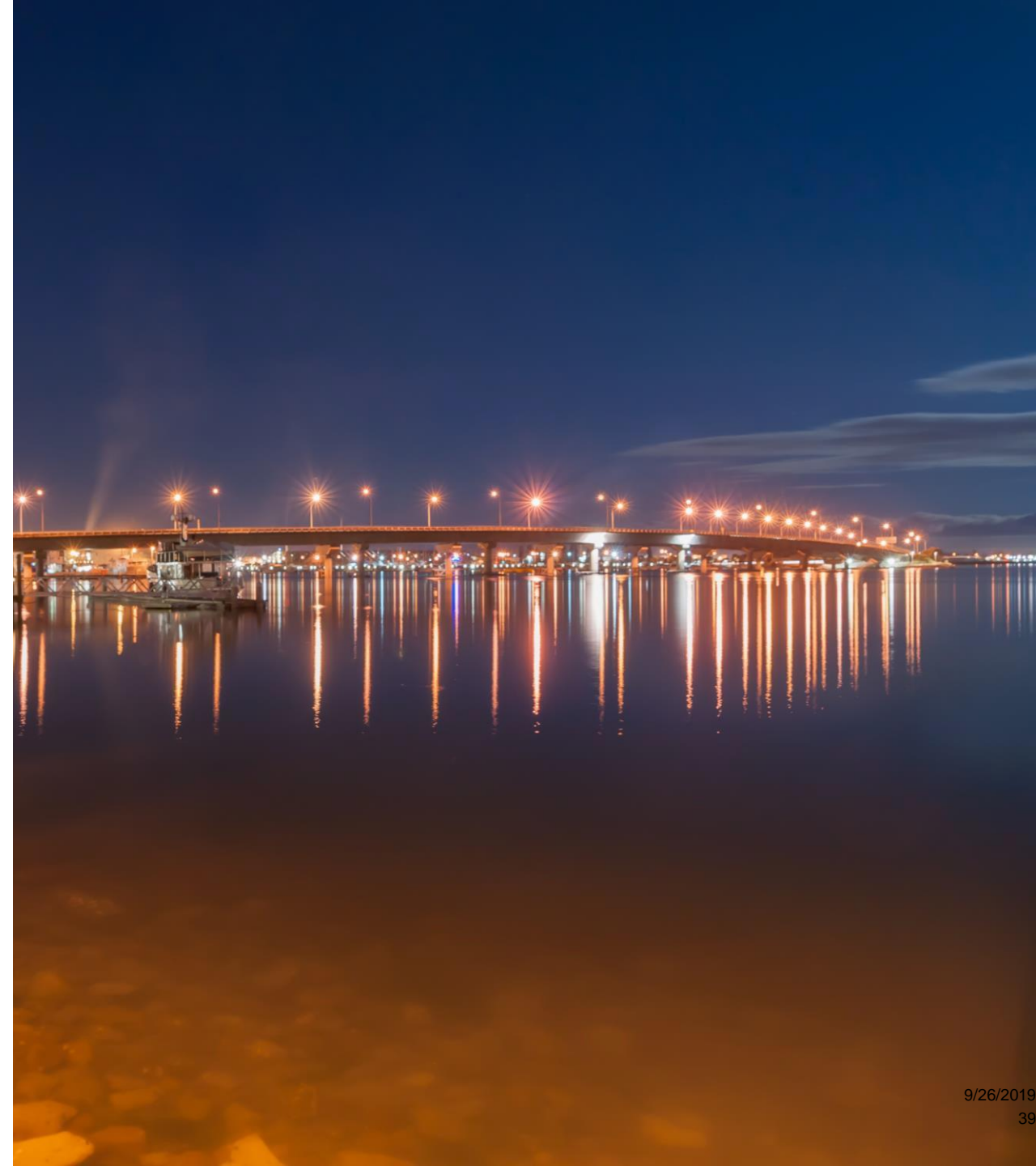


Source: NLTP, New Zealand Transport Agency

Tauranga

“

The time is right for a bold vision of urban growth and prosperity



Primed to move

Household change 2008 vs 2018

↑14%

Household income

↓3%

Mortgage payments

↑19%

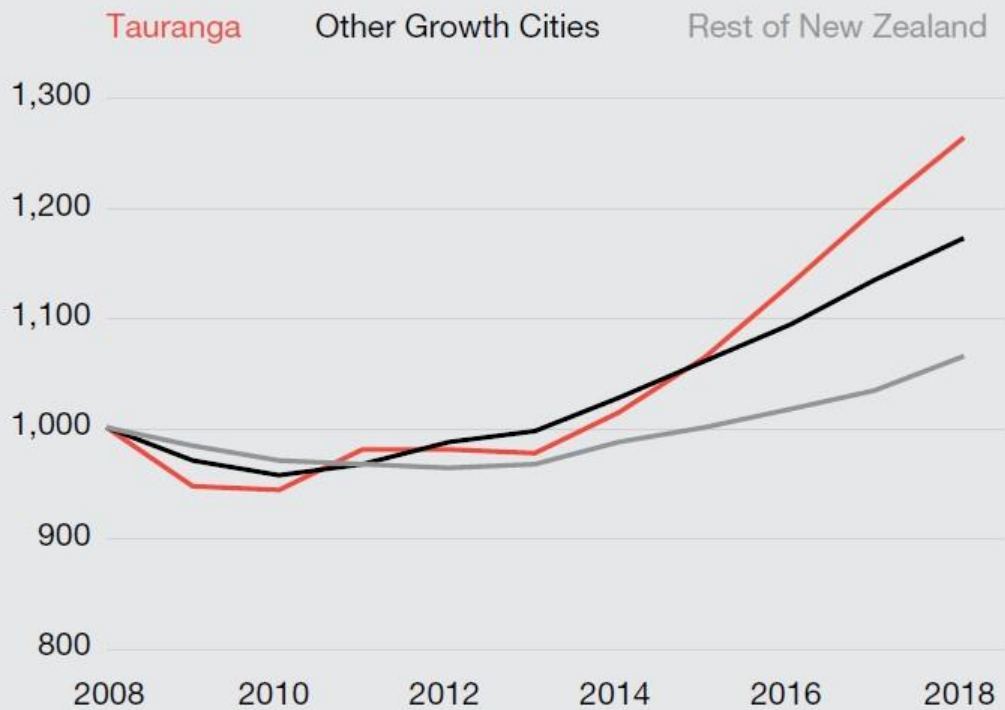
Basic expenditure

\$3,695

Annual discretionary income

The time is right for a bold vision of urban growth and prosperity

Surging employment (Index, 2008 = 1000)



Source: Statistics New Zealand

Wellington

“

An urban form suited to the intensifying health and sustainability challenges of the 21st century.



Creative, compact and a leader in urban form

Household change 2008 vs 2018

↑12%

Household income

↓13%

Mortgage payments

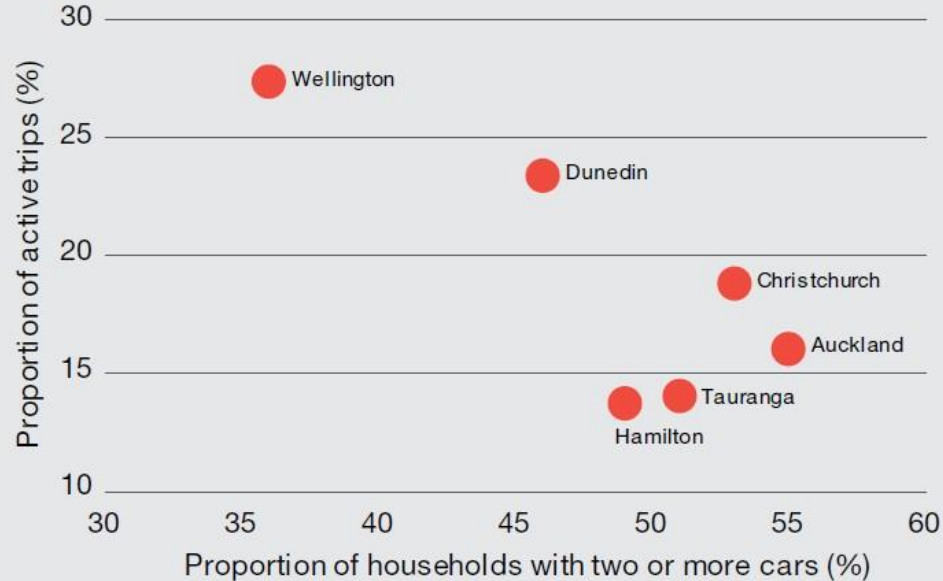
↑23%

Basic expenditure

\$7,105

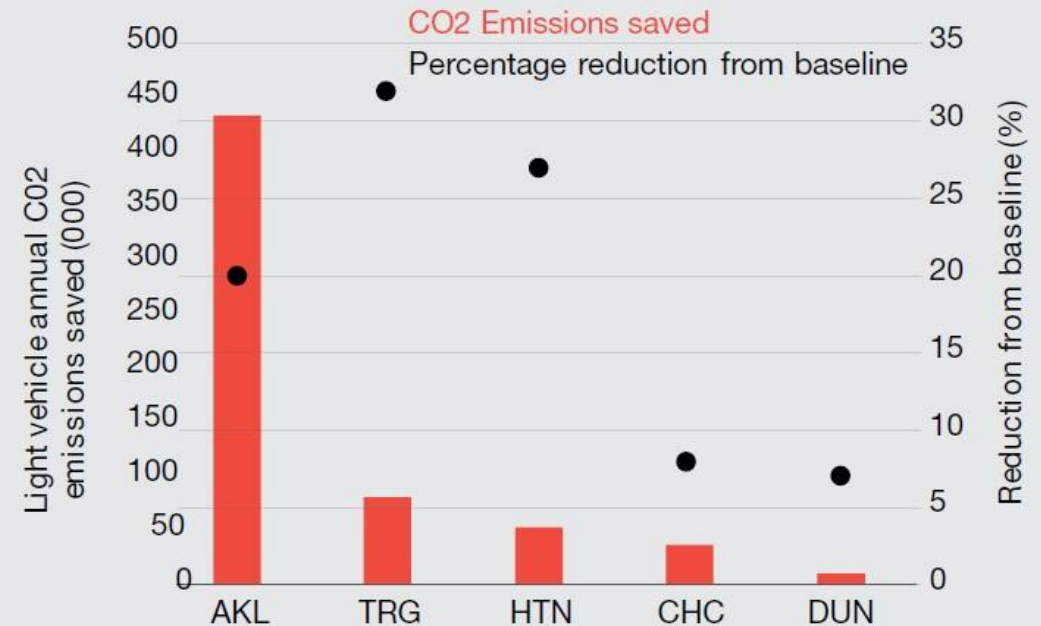
Annual discretionary income

Travel patterns in Wellington



Source: Statistics New Zealand Census 2013; adapted from data in Shaw et al, 2018, Health Consequences of transport patterns in New Zealand's largest cities, NZMJ.

What Wellington travel patterns could do for emissions in other cities



Source: Shaw et al, 2018, Health Consequences of transport patterns in New Zealand's largest cities, NZMJ.

Hamilton

“

Agricultural roots,
metropolitan manifesto



Agricultural roots, metropolitan manifesto

Household change 2008 vs 2018

↑12%

Household income

↓4%

Mortgage payments

↑19%

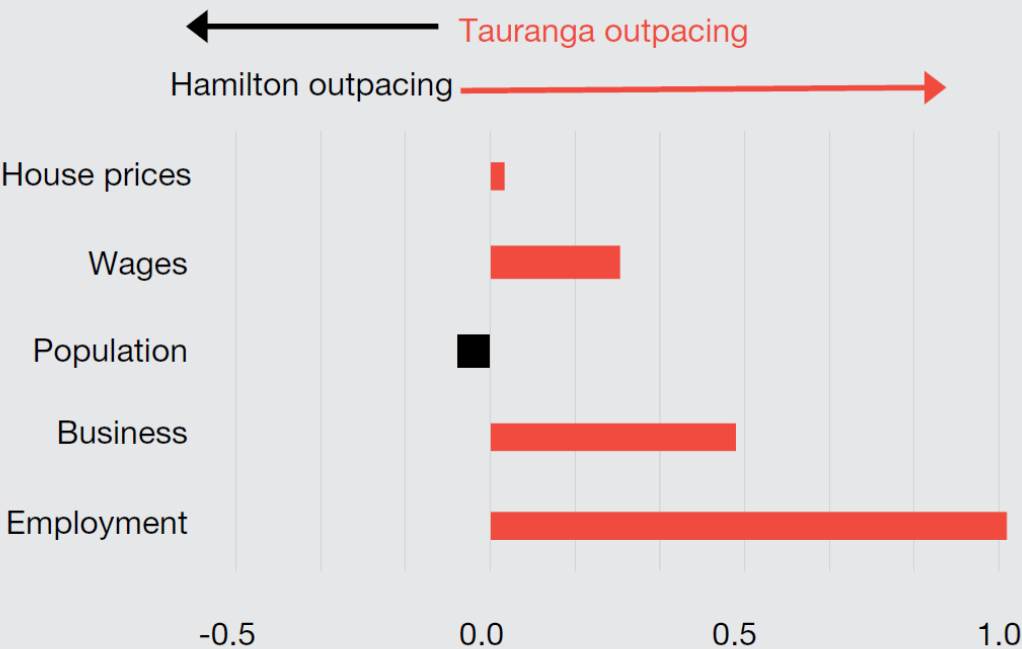
Basic expenditure

\$3,297

Annual discretionary income

Te Waka's Labour Market Strategy must be a priority for the city

Hamilton needs to compete more strongly with Tauranga



Source: Statistics New Zealand

Queenstown

“

An exceptional opportunity
for New Zealanders to
experience the adventure of
mountain life.



The adventurous life

Household change 2008 vs 2018

↑9%



Household income

↓3%



Mortgage payments

↑17%



Basic expenditure

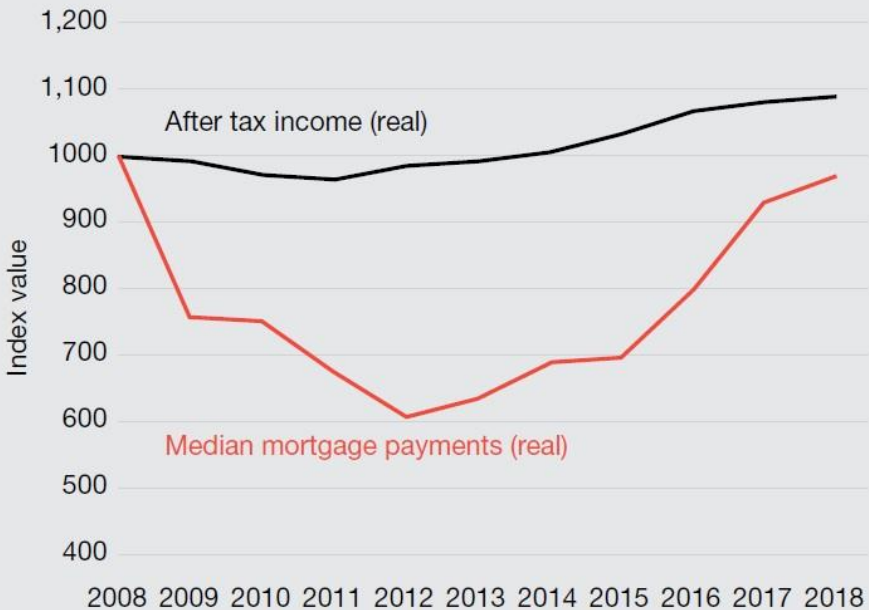
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\$3,501



Annual discretionary income

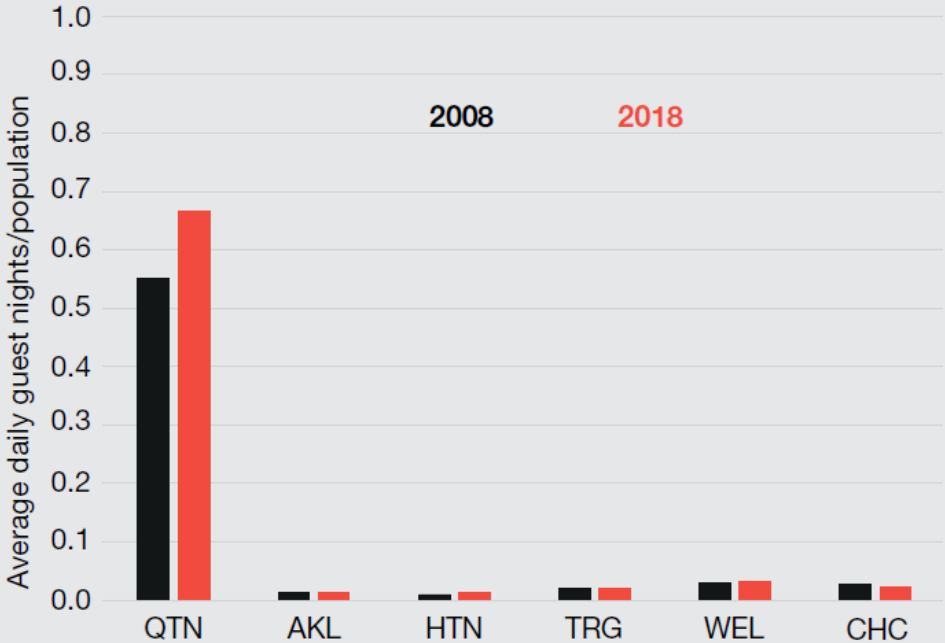
A race between income and housing



Source: Statistics New Zealand, PwC

An international destination

Average daily guest nights per capita



Source: Statistics New Zealand Accommodation Survey