



Migration & property: kiwi demand likely to boost provinces

There's no denying that border closures and the loss of non-citizen migration to NZ will dampen our population growth rate and the rise in housing demand. However, it's also worth pointing out that the citizen/kiwi side of the migration ledger could remain well above previous levels (as arrivals tick over but departures decline), providing a moderate offsetting effect. Fewer departures of kiwis overseas could also be a stronger support for 'provincial' property demand than in the cities.

Migration flows were in the news again last week, especially around the perceived surge in the number of NZ citizens returning home to live from overseas. There are many moving parts to the overall net migration equation, so we thought it was worth setting out a few facts and considering them in the context of the property market.

To start with, note that the key driver of overall strength in net migration (and hence population and housing demand) to NZ over the past 5-6 years has been non-citizens. Indeed, if you look right back to 2002, the kiwi side of the ledger has been negative for most of that period (see the first chart) – i.e. we've been losing citizens in net terms, or in other words departures have outstripped arrivals. This is the so-called 'brain drain'.

Of course, since the onset of COVID and the real bite it started to have during April's lockdown, those flows of non-citizens have plunged, both inwards and outwards (see the second chart). If these both stay at around zero per month for the foreseeable future, then the *net* figure for non-citizens will also be roughly zero, and the prior boost to population growth will be removed.

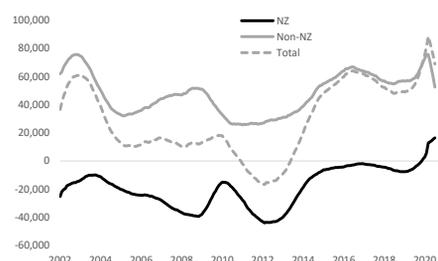
Similarly, both the arrivals and departures of NZ citizens have dropped sharply in the past few months. However, it's also worth pointing out that prior to COVID, the kiwi net migration balance had been turning around, as arrivals trended upwards and departures gradually declined from their peak in 2012 (see the third chart). As we move through the next few months and maybe years of uncertainty, there's surely got to be a good chance that departures of NZ citizens will stay low and arrivals will be higher *than they might otherwise have been*.

In other words, the black line on the first chart could potentially remain in positive territory over the medium term. Sure, in terms of overall population growth and property demand, that's unlikely to compensate for the loss of non-citizen migration. But it certainly represents more demand for property than if we were still in the kiwi 'brain drain' years of the 2000s and early 2010s.

One interesting implication for the property market is that NZ citizen departures have historically tended to be felt more keenly in the provinces than the main centres. Therefore, fewer departures could conversely now help to prop up housing demand around the regions, which have already shown stronger value growth than the cities in recent years (see fourth chart). Equally, a returning citizen might have a greater tendency to move to the provinces (their 'old hometown') than a typical new non-citizen migrant to NZ.

Overall, total net migration in the coming years will be lower than it has been recently. But property demand is still likely to be higher than it would have been if we hadn't already seen a reversal of our long-term tendency to lose kiwis overseas.

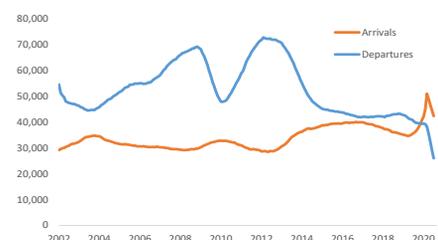
Net migration rolling annual totals by citizenship
(Source: Stats NZ)



Monthly non-NZ citizen migration
(Source: Stats NZ)



Rolling annual total NZ citizen migration
(Source: Stats NZ)



Annual % change in average property values
(Source: CoreLogic)

