



New Zealand

The Safe Haven Story

SERIES 1 OF 3

New Zealand is an island nation tucked away in the southwestern Pacific Ocean and home to 5.2 million New Zealanders. We believe the country is an attractive investment destination for investors seeking a safe haven with a stable investment climate and strong economic fundamentals. It is approximately 1,600km southeast of Australia, its closest neighbor. New Zealand has two main landmasses – the North Island

and the South Island. New Zealand's key cities include Auckland, Wellington, Christchurch, and Queenstown. Wellington is the capital and political center of New Zealand, whereas Auckland serves as the most populous city and economic center of the nation. Queenstown, despite its smaller local population, prides itself as the second most visited city after Auckland, mainly due to its role as New Zealand's tourism capital.

This multi-series report aims to provide a general understanding of New Zealand and explore its differentiating features as an investment safe haven. In this first part of the multi-series, we will touch on the fundamental aspects of New Zealand including demographic, governmental, geographic, and economic features.

Introduction

New Zealand has experienced strong and positive population growth over the last 10 years relative to other developed countries. New Zealand's robust rule of law is based on the common law system, whilst its democratically elected government operates within a parliamentary democracy framework. The government emphasizes transparency and openness in its governance, including making information readily available to the public.

Auckland, with a population of 1.7 million (c.34% of total population), is the most populous city in New Zealand, driving a significant portion of the country's population growth and serving as the main economic center. Wellington, the capital city, is not only a political hub but also a vibrant cultural center. Christchurch is the largest city in the South Island and an important economic

contributor. Queenstown is the second-most visited city in New Zealand by virtue of its wide variety of tourism offerings including skiing, extreme sports and hiking. It is also in close vicinity to one of New Zealand's finest wine growing region – Central Otago.

New Zealand's economy is developed, stable, and consistently growing, with Gross Domestic Product ("GDP") per capita on par with other developed nations. The country's economy is diversified, with agriculture being a significant export earner, while the property industry is a significant sector in terms of economic activity. Its economy is comparable to economies such as the United States, United Kingdom, Australia and Canada, as seen through indicators such as interest rates, inflation and unemployment rates.



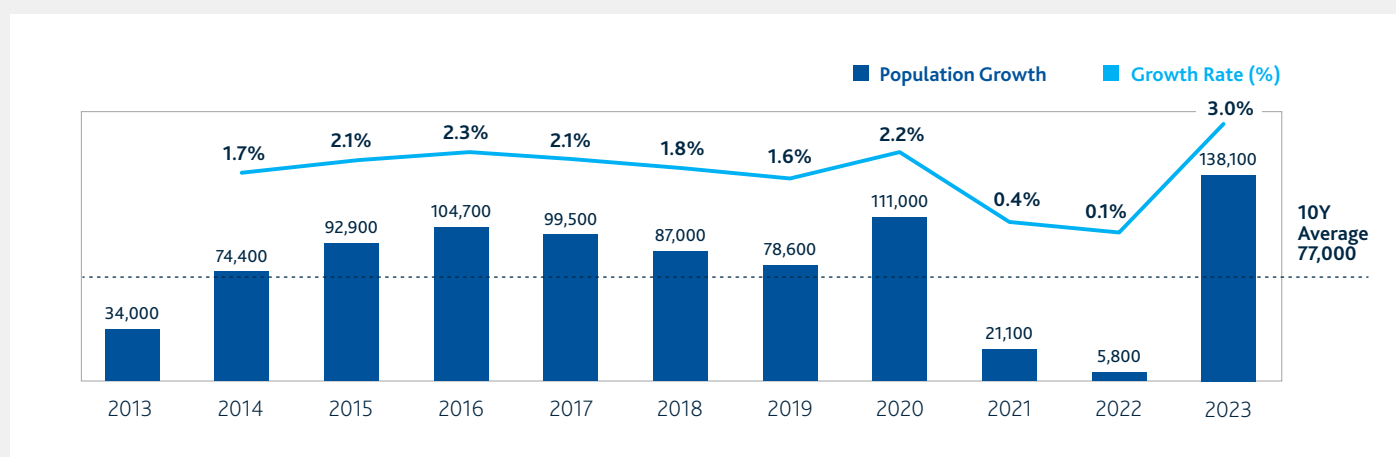
People and Society

New Zealand has a strong and positively growing population driven by both organic growth and migration. Over the past 10 years (2013-2022), its population grew at a Compound Annual Growth Rate (“CAGR”) of c.1.5%. It is currently home to 5.2 million New Zealanders with a median age of 38 years old – sitting on the younger end of the Organisation for Economic

Co-operation and Development (“OECD”) median of 40 years old.¹ New Zealand’s population growth also comfortably outpaces the average OECD countries CAGR of 0.5% per annum within the same timeframe. As observed on Chart 1, New Zealand’s population grew by an average of 77k a year over the last ten years.

Chart 1

New Zealand Population Growth & Growth Rate (2013 - 2023)



Source: Stats.NZ

A comparative analysis against the United Kingdom, Canada, Australia and United States (the “Peer Group”) shows a higher population growth rate for New Zealand compared to the Peer Group economies as exhibited on Chart 2.² New Zealand’s 10Y-CAGR is almost triple of the larger countries (United States and United Kingdom) and also exceeds the growth rate of Canada and Australia. In terms of the source of growth, the composition is similar across the board, with migration being between 50-60%

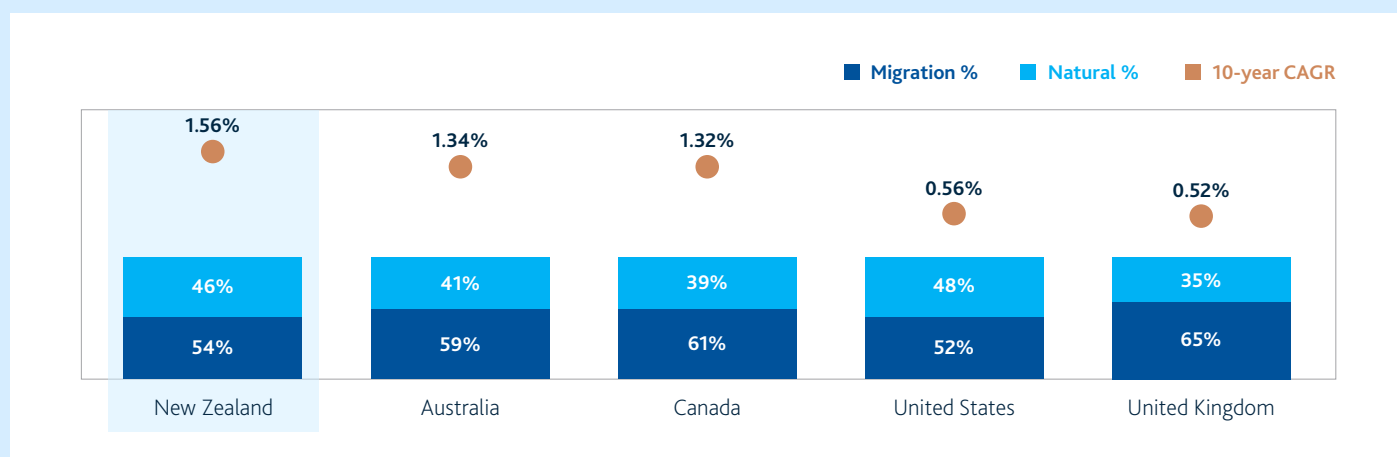
of total population growth across the five nations. Recognizing that New Zealand has a lower absolute population size, its higher population growth rate comes as no surprise and is expected to be an important contributing factor to its overall economic growth potential. The population growth will undoubtedly also have spillover effects in driving additional demand for housing. Assuming current growth trend persists, Auckland is expected to continue to be the primary benefactor of population growth.

1. OECD (2019), Working Better with Age, Ageing and Employment Policies, OECD Publishing, Paris, <https://doi.org/10.1787/c4d4f66a-en>.

2. Statistics Canada (2022), Office of National Statistics (2021), Australian Bureau of Statistics (2022), U.S Census Bureau (2022), Stats.NZ (2022).

Chart 2

Population Growth Components (2013 - 2022)



Source: Statistics Canada (2022), Office of National Statistics (2021), Australian Bureau of Statistics (2022), U.S Census Bureau (2022), Stats.NZ (2022).

Governance

New Zealand, similar to other Commonwealth member nations, has a robust legal system based on the common law system which is derived from the English model. In New Zealand, there is a rich history of conducting democratic elections, which establish a government within the parliamentary democracy framework alongside a constitutional monarchy. Its comprehensive legal framework provides a clear hierarchy of laws and well-established legal procedures to ensure consistency in the application of laws.

In addition, New Zealand's government actively promotes transparency and openness in its governance and operations. Parliamentary records, government policies, and reports are readily available to the public as they are published online and in compliance with the Official Information Act. The government further demonstrates its commitment to transparency through

frequent public consultations, incorporating expert advice in policymaking processes, and maintaining the Office of the Ombudsman to ensure accountability in public offices. The same level of transparency also applies within the real estate sector, where land ownership is clearly recorded. Ownership records on any particular property along with any registered mortgage, easement or covenants are all stored electronically and managed by Land Information New Zealand ("LINZ") – all on a publicly accessible database called the Land Register. A separate system called the Personal Property Securities Register ("PPSR") provides similar functions for non-real estate security interests. New Zealand's real estate sector has been recognized for its high level of transparency, being rated as 'Highly Transparent' and ranking amongst the top 10 global economies for real estate information transparency, according to Jones Lang LaSalle's 2022 Global Transparency Index.

Geography

As depicted in the map below, New Zealand comprise of two main landmasses, North Island and South Island. In terms of population distribution, almost three quarters of all New Zealanders live on the North Island. Auckland is North Island's largest city and home to almost 34% of the total population. South Island is home to the remaining 25% of citizens and well known for tourism centered around Queenstown.

Auckland

- ▶ This is New Zealand's most populous city with c.1.7 million in population and is the main economic centre. It has excellent international connectivity, being home to the country's largest international airport. Auckland has been and continues to be the most popular destination for both international and internal migration, averaging c.44k arrivals per annum since 2013. This translates to c.46% of arriving migrants settling in Auckland. Auckland is projected to drive c.50% of New Zealand's population growth in the coming three decades. Based on its current trajectory, Auckland is estimated to hit 2 million citizens by 2040.³

Wellington

- ▶ Wellington, being the capital city of New Zealand, acts as the central location for the country's political and administrative affairs. It accommodates essential institutions such as the Parliament Buildings, government ministries, and the official residence of the Prime Minister. However, Wellington is far from being a mundane government-centric city. It also holds the distinction of being New Zealand's cultural capital, boasting attractions such as the Museum of New Zealand, Symphony Orchestra and the Royal New Zealand Ballet to name a few, making it a vibrant and thriving cultural hub. Wellington's population as of 2022 stands around 543k, making it the third largest city in New Zealand.

Christchurch

- ▶ Christchurch, with a comparable role to Auckland in the North Island, acts as the largest city and primary economic center in the South Island. Christchurch and its surrounding Canterbury region serves as a historically important area for agricultural production – in recent times, the region also expanded into the manufacturing sector. The city ranks right behind Auckland in terms of both economic contribution and population, at 655k.



Queenstown

- ▶ Although Queenstown has a population of only 100k, it receives the second-highest number of international visitors each year with an average of c.300k over the past five years (adjusted for border restrictions/closure),⁴ largely due to its flourishing tourism sector. Australian travelers naturally top the international visitors chart given its close proximity to New Zealand, followed by visitors from the United States, United Kingdom and China. The town's incredible natural beauty and picturesque surroundings are major attractions for travelers and hikers. Additionally, Queenstown offers a wide range of activities for thrill-seekers such as skydiving, bungee jumping, and white-water rafting. Its opposite seasons also sets it up as one of the best ski destinations in the Southern Hemisphere during the Northern Hemisphere summer. Less than two hours' drive away is Central Otago, the world's southernmost wine growing region and New Zealand's premier wine destination. Queenstown continues to be a tourist favourite and has been at the forefront of New Zealand's international visitor recovery, with international arrivals reaching 99% of the levels seen in 2019 by September 2022.

3. Stats.NZ. December 2022. Subnational population projections: 2018(base)–2048 update. 4. Stats.NZ. June 2023. International Travel: June 2023.

Economy

New Zealand has a developed and stable economy, having maintained a steady GDP growth trend over the past 10 years at a CAGR of 3.08%. It is classified as a High Income Economy by the World Bank and generated a GDP of US\$240 billion for the year ending December 2022. Although the country's national economy ranks 51st in the world on an absolute scale, its GDP per capita is comparable to larger and developed nations within the Peer Group.

Country	GDP (US\$)	GDP Ranking	GDP Per Capita (US\$)	Population
New Zealand	\$247.2B	51st	\$48,249	5,269,200
Australia	\$1,675.4B	12th	\$64,491	26,986,051
Canada	\$2,139.8B	9th	\$54,967	40,528,396
United Kingdom	\$3,070.7B	6th	\$48,850	67,859,213
United States	\$25,462.7B	1st	\$76,399	336,036,000

Source: World Bank. GDP & GDP per capita data as of Dec 2022. Population data as per most recent data in 2023.

New Zealand has historically been and continues to be a net exporter of agricultural commodities ranging from dairy products, meat, fruits and forest products. Agriculture exports account for almost 82% of New Zealand's total export revenue in 2022 (NZ\$53 billion out of a total of NZ\$65 billion), placing the industry as the top export earner for New Zealand. Latest data based on 12 months ending November 2023 indicates a c.US\$8.6 billion trade deficit. Its top five export destinations are highlighted on Chart 3.

Notwithstanding this fact, New Zealand's overall economy is not dependent on agricultural products alone as the industry is only approximately 6% of New Zealand's annual GDP.⁵ Chart 4 offers insights into New Zealand's economic composition – it is ultimately a service-oriented economy with services sector making up to 75% of the country's GDP for the year ending March 2023.⁶

On a GDP-contribution by industry basis, the property industry is a material contributor in New Zealand - accounting for almost 13% of New Zealand's economic activity.⁷ This includes a wide range of property related sub-sectors such as construction, construction services, renting and leasing and real estate services. It is also the third largest employing industry in New Zealand, where one out of ten of the workforce nationwide are employed within this sector.

Chart 3

Top 5 Export Destinations (NZ\$m & % of total exports)

Source: Stats.NZ

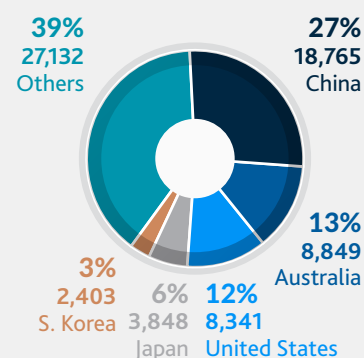
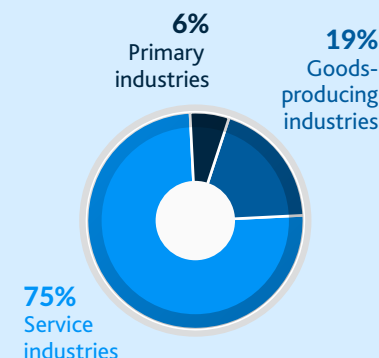


Chart 4

Year-ending March 2023 GDP

Source: Stats.NZ



5. Based on 2023 figures from Stats.NZ, chain volume series expressed in 2009/10 prices. Agricultural contribution to GDP is export revenue net of intermediate consumption. 6. World Bank defines a High Income Economy as countries where Gross National Income (GNI) per Capita exceeds US\$13,846. <https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html> 7. Based on Stats.NZ, according to definitions used by Property Council New Zealand in PCNZ Property Impact 2021 report. New Zealand 2021 Property Industry Impact Report.

Monetary & Fiscal Policy

New Zealand's monetary policy is governed by its central bank, also known as the Reserve Bank of New Zealand ("RBNZ"). RBNZ's main monetary policy tool involves setting the Official Cash Rate ("OCR"), which is the Federal Funds Rate equivalent for New Zealand.

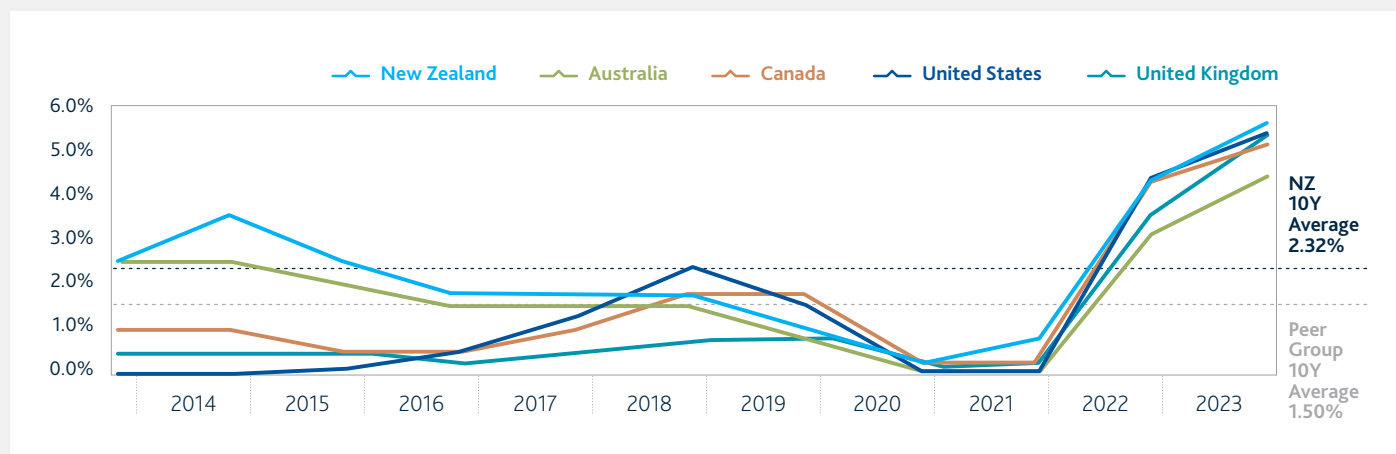
Based on Chart 5, it is evident that New Zealand's historical rates prior to 2018/2019 were between 100-350 bps higher than the Federal Funds Rate. Naturally, we see that New Zealand's 10-year average interest rate of 2.32% is also 0.82% higher compared to the average of other Peer Group economies. In more recent times, it moved in line with others following the onset of the pandemic and subsequent global macroeconomic events. What this suggests is that the presently higher rates are less of an anomaly for consumers and businesses in New Zealand – which in turn may have less volatility across the economy. This is a stark difference from the case for other economies who had rates close to zero prior to the pandemic-induced rate hikes.

Looking forward, based on the similarities between these economies and historical data, it is expected that New Zealand will continue to have similar interest rate trends as the other Peer Group economies at least in the near future if current economic conditions persist.



Chart 5

Interest Rates (2013 - 2023)



Source: Bank of England, Reserve Bank of New Zealand, Bank of Canada, Federal Reserve Bank of New York, Reserve Bank of Australia

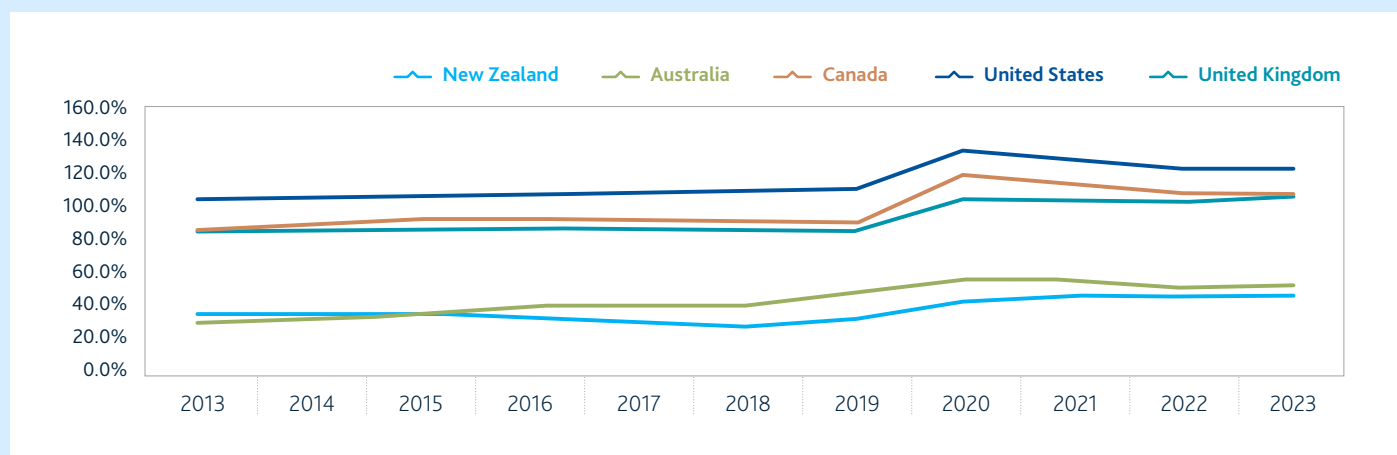
New Zealand adopts a prudent level of government debt as seen by its historically low debt to GDP ratio.

Over the years, New Zealand has maintained a relatively low debt to GDP ratio compared to many of its international peers as shown on Chart 6.⁸ The Treasury Department of New Zealand has also recently adjusted net debt measures in 2022 and has a recalibrated 30% net debt ceiling from 2022 onwards (revised net debt to GDP ratio under this measure is only c.18% in 2023).⁹ As of October 2023, New Zealand holds c.US\$16 billion of foreign reserves, representing c.6% of its total GDP. The country's fiscal position and strength is further affirmed by international credit rating agencies who recognize New Zealand's relatively healthy fiscal position – New Zealand's sovereign credit rating has been maintained at Aaa by Moody's Investors Service since 2002. These respective fiscal health indicators demonstrate a well-run government with conservative fiscal policy, low leverage, strong balance sheet and top tier ratings from institutional credit rating agencies.



Chart 6

Debt to GDP Ratio (2013 - 2023)



Source: IMF

Key Economic Indicators:

Inflation and Unemployment Rates

As an open economy that engages in international trade and open foreign direct investment policies, New Zealand's economic indicators also tell a tale of how it is interconnected with the global economy. As seen on Chart 7 and Chart 8, both 10-year inflation rate and unemployment rates across the Peer Group moved in generally the same direction.

It can be inferred that there is a certain degree of economic integration and correlation between New Zealand and these global economies – notwithstanding other external factors that could influence all economies such as global economic shocks. With similar trends of economic indicators across the Peer Group, this provides stability and confidence for cross-border economic activities. Lower volatility provides a greater level of predictability for businesses, investors and consumers to conduct international trade and investments.

Chart 7

Inflation Rate (2013 - 2023)

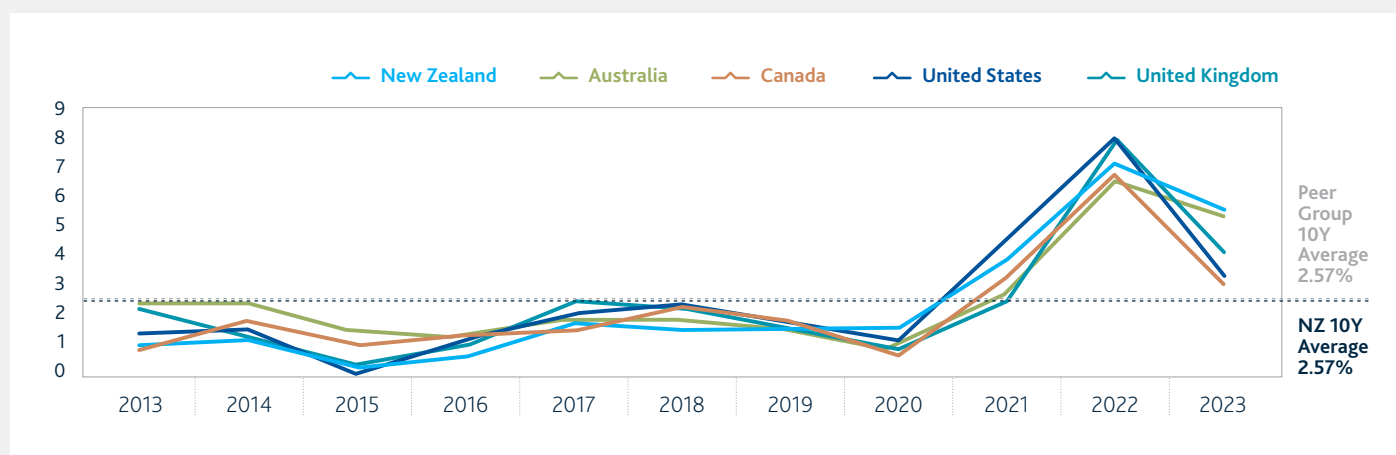
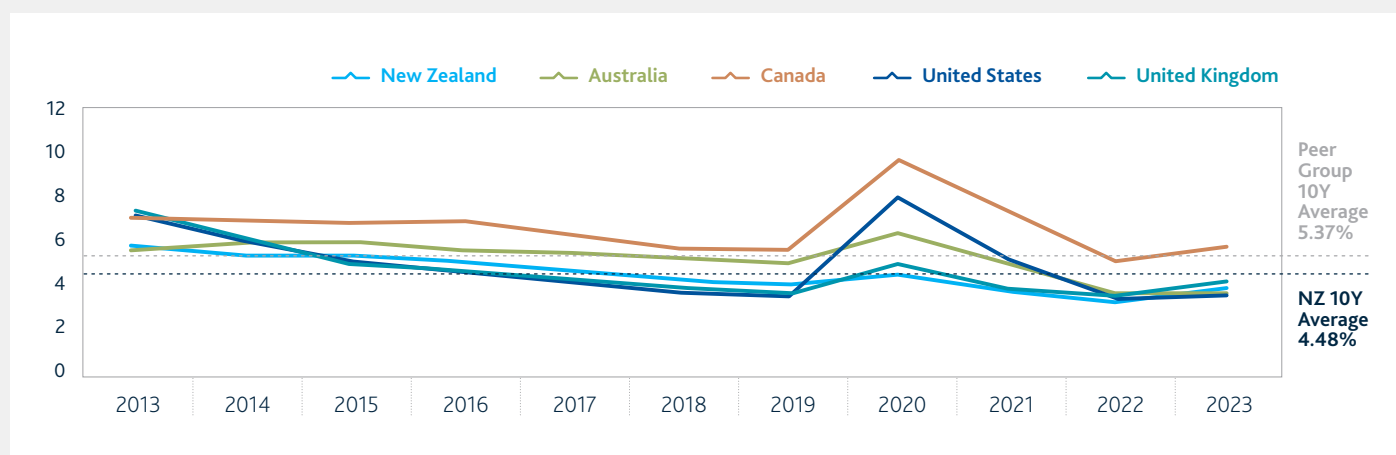


Chart 8

Unemployment Rate (2013 - 2023)



Conclusion

Throughout this paper, we have touched on several aspects of New Zealand as a safe haven investment destination. It enjoys positive population growth driven by migration, particularly in Auckland, which is expected to be the country's main economic and population growth driver in the coming decade.

New Zealand's robust rule of law and operational transparency inspire investors' confidence, coupled with a well-defined property ownership system. It is a developed, diversified and services-centric economy with relatively high GDP per capita compared to the Peer Group. The economy is also well-governed through established monetary policies in line with other developed economies and prudent fiscal policies. Its key economic indicators bear strong similarities with the Peer Group as seen by most macroeconomic indicators trending in the same

pattern over the past 10 years – suggesting global connectivity whilst providing greater economic stability and confidence for cross-border activities. These factors, in aggregate, point towards a well-governed economy with great fundamental economic frameworks and growth drivers – all of which should inspire investor confidence for New Zealand as a safe haven investment destination.

After establishing basic understanding on the general economic climate of New Zealand in this report, we aim to take a deeper dive in our next multi-series by examining the country's residential and commercial real estate market as well as related real estate investment opportunities, especially in the private lending space.

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