

# Hamilton Quarterly Economic Update

## March 2024 Quarter

Published August 2024

New Zealand moved out of a recession in the March 2024 quarter, after entering a recession in the second half of 2023. However, growth was minimal with a 0.2% increase in Gross Domestic Product (GDP) and conditions still felt recessionary for many New Zealanders and businesses. Despite this, Hamilton's economy continued to grow, albeit slowly. In the March 2024 quarter, the city saw a 0.3% increase in GDP compared to March 2023.

**Inflation fell slightly** as the broader economic context continued to challenge businesses and households across the country. In March 2024, inflation fell to 4%, driven primarily by a fall in tradeable inflation (which includes goods and services that are imported). Non-tradeable inflation, often referred to as domestic inflation, did fall, but still sat at 5.8% compared to 5.9% in the December quarter.

**Employment increased** despite the low levels of economic growth. Hamilton has exceeded expectations on job growth and employment, with significant growth occurring despite economic challenges. Unemployment also increased but this reflects a larger labour market rather than substantial job losses.

**The cost of living increased 6.2 percent** for the average household in the 12 months to March 2024 - less than the 7 percent increase seen in the year to December 2023, but still incredibly high. This index looks at the typical costs for different households and includes interest payments as part of the measure which the consumer price index (CPI) does not. Interest rates are responsible for a significant shift in costs for households with debt.

The biggest drivers of cost-of-living increases continued to be interest payments (up 28%), private transport costs (up 10%) and insurance costs (up 18%). However, increases differed across household types. The highest spending

households saw insurance costs increase 28% while other households saw an increase of 5.2% in rent costs.

**Residential mortgage interest rates started to move down**, particularly longer-term fixed rates. Economic indicators for the March quarter showed the economy had slowed further, and some commentators began pushing for earlier cuts to the official cash rate (OCR). However, the Reserve Bank of New Zealand (RBNZ) held its ground and kept the OCR at 5.5% throughout the March 2024 quarter. Bank expectations of a future fall in the OCR meant that longer-term mortgage rates fell slightly. This was also helped by international swap and exchange rates, but these moves were not significant or stimulatory in nature.

**The housing market** flattened in the March 2024 quarter with the median house price settling at \$808,000 and house sales falling to 548 - the lowest quarter since both the Global Financial Crisis and the 2020 Covid-19 lockdown.

**Residential consenting fell further** in response to the weak housing market. In the March 2024 quarter just 214 new dwellings were consented in Hamilton. This compares to an average of 370 dwellings per quarter over the past five years.

**Net migration** 'reduced' to 111,000 in the year to March 2024. Net migration peaked at 138,000 in the year to November 2023 and was the highest year on record. The number of New Zealand citizens leaving the country continued to increase with over 78,000 kiwis departing in the year to March 2024 compared to the long-run average of about 40,000.



**Hamilton  
City Council**  
Te kaunihera o Kiriikiriroa

# The headlines

- Employment growth continued with an increase of 3.6% in the year to March 2024, above New Zealand growth of 2.9%.
- Hamilton saw a net increase of 100 businesses despite the broader economic challenges.
- Hamilton continued to see some economic growth with GDP increasing 0.4% to \$13.83 billion in the year to March 2024.
- Residential consenting fell 17% to 1145 dwellings in the year to March 2024. This compares to an average of nearly 1500 dwellings per year between 2019 and 2023. The number of homes under construction fell to 830 compared to 1109 last year.
- In the year to March 2024, 1203 new homes were completed across Hamilton. About 60% of all new homes were in our existing suburbs (infill).
- While non-residential consenting fell considerably from the record highs seen in 2022 and 2023, completed projects totalled nearly 60,000m<sup>2</sup> – the highest since the pandemic began.
- Consumer spending increased 2.2%, however, inflation was at 4%, meaning spending was less in real terms. Groceries and liquor saw an 11% spending increase year-on-year.
- Guest nights and tourism expenditure increased 3.4% and 5.2% respectively as Hamilton benefited from increased international tourist numbers.
- House sales increased nearly 9%, reaching 2520 sales across the 12-month period to March 2024 – an improvement on the previous year but still well below the 10-year average of 3200.



**The Peacocke wastewater transfer station opened in March 2024 - infrastructure crucial to unlocking the Peacocke growth cell.**

- The median house price plateaued in the March 2024 quarter at \$808,000. This was an improvement of 8% from March 2023 when Hamilton house prices fell the furthest from their 2021 peak.
- While employment increased, unemployment also increased. This is a reflection of an increase in the number of people seeking work rather than a shift in the number of people losing their jobs.

# Hamilton's economy

## March 2024 quarter vs March 2023 quarter

### GDP



**\$3.3B**



0.3%

### EMPLOYMENT



**Up 2.8%**

### SPENDING



**\$712M**



0%

### UNEMPLOYMENT RATE



**5.8%**

### MEDIAN HOUSE PRICE



**\$808,000**



8%

While Hamilton saw positive movement in a number of indicators, economic growth has slowed considerably since mid-2023, with 0.3% GDP growth in the March 2024 quarter, and 0.4% for the year to March. This follows the national trend with the New Zealand economy in a recession in the latter half of 2023.

**Employment growth** in Hamilton remained strong despite these economic conditions, increasing 2.8% compared to March 2023. However, unemployment also increased, reaching 5.8% - the highest since 2018. Employment and unemployment growth are possible at the same time. There are more people in Hamilton getting jobs, but there are also more people looking for employment who were not previously in the labour force (e.g. new migrants, people moving from study to work, parents returning to work after time off to care for children).

**High interest rates** saw Hamilton house prices plateau in the March 2024 quarter. The median house price in Hamilton was \$808,000 - an 8% increase from March 2023. But the market is still

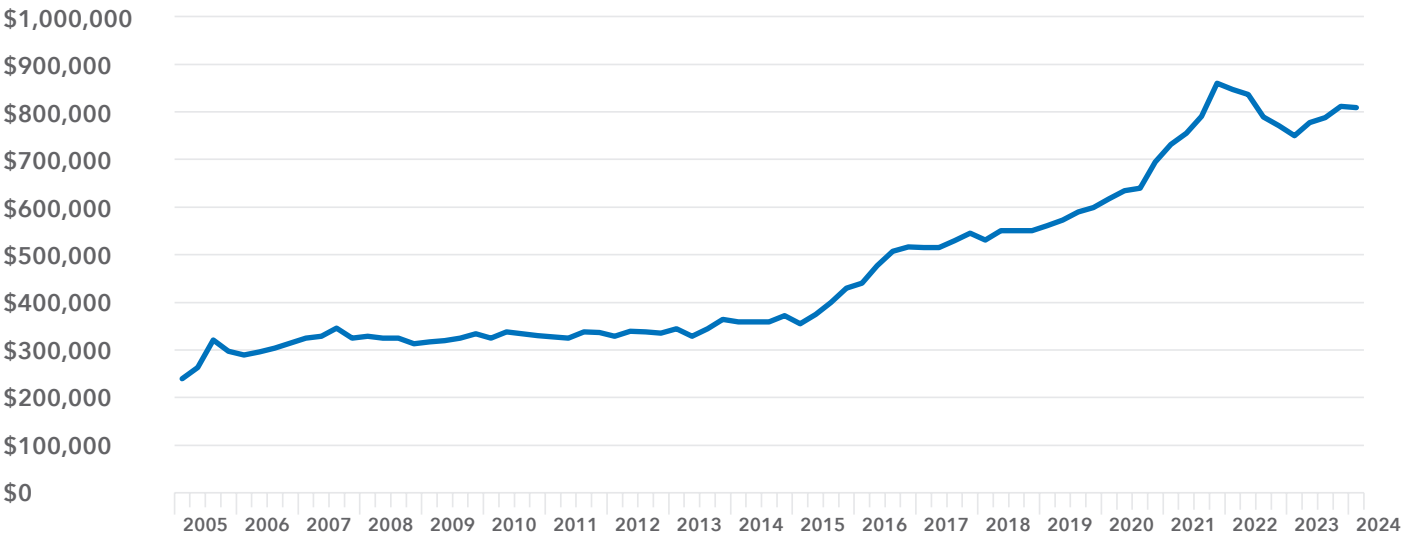
sluggish as people's ability to borrow more is limited. Job uncertainty also increased in March with high-profile public-sector cuts. People were increasingly concerned about debt in this environment. This caution was reflected in low house sales which fell to 548 in the March 2024 quarter compared to an average of over 800 per quarter over the past 10 years. Houses are selling, but it is taking longer. The number of properties listed for sale across Waikato has increased since the end of 2021 and currently sits at the highest level since 2015.

Interest rate increases do not affect everyone equally. Those with high levels of debt are worse affected, including people who purchased their first home in 2021 when the market peaked. Only about a third of New Zealanders have a mortgage. Another third own their homes outright, and the final third are in rental accommodation. Rent tends to increase in line with wage increases rather than in line with interest rates as rental prices are generally dictated by the amount the market is prepared to pay.



# Hamilton's median house price

Source: Hamilton City Council



**Spending** in Hamilton was \$3 billion in the year to March 2024, an increase of \$68 million (2.3%). With inflation at 4% over the same period, this means that real spending declined. In the March quarter, retail trade and other consumer spending were hardest hit, seeing falls of 4.5% and 14% respectively compared to March 2023. Annual spending data looked slightly better and was boosted by strong growth in the latter half of 2023.

Spending in the central city held up better than the rest of Hamilton, increasing 7% year-on-year. The increase was largely driven by increased card spending on groceries and liquor which increased \$41 million (14%) in the year to March 2024. Accommodation and hospitality also increased substantially with an additional \$17 million spent. Retail trade in the central city has been hard hit by the economic environment, falling nearly \$12 million (5%) while other consumer spending fell \$6 million.

The suburban centre zone, which covers The Base and Chartwell Square shopping malls, saw a 2% decrease in spending across the year. Spending at suburban centres like the Rototuna Shopping Centre and Dinsdale shops increased 5%.

Spending by locals increased 3% year-on-year, but Hamilton saw a fall in spending from all other regions except Canterbury. International spending however, nearly doubled in the year to March 2024 - driven by increasing international tourism across the country.

## Changes in card spending in year to March 2024

Source: Marketview



# Consenting

March 2024 quarter vs December 2023 quarter

## NEW HOUSES IN CONSENTS LODGED



171

52%

## NEW HOUSES GRANTED



214

4%

## HOUSES UNDER CONSTRUCTION



830

25%

## HOMES COMPLETED



203

34%

## FLOOR AREA OF NON-RESIDENTIAL CONSENTS GRANTED



12,200m<sup>2</sup>

155%

## VALUE OF NON-RESIDENTIAL CONSENTS GRANTED



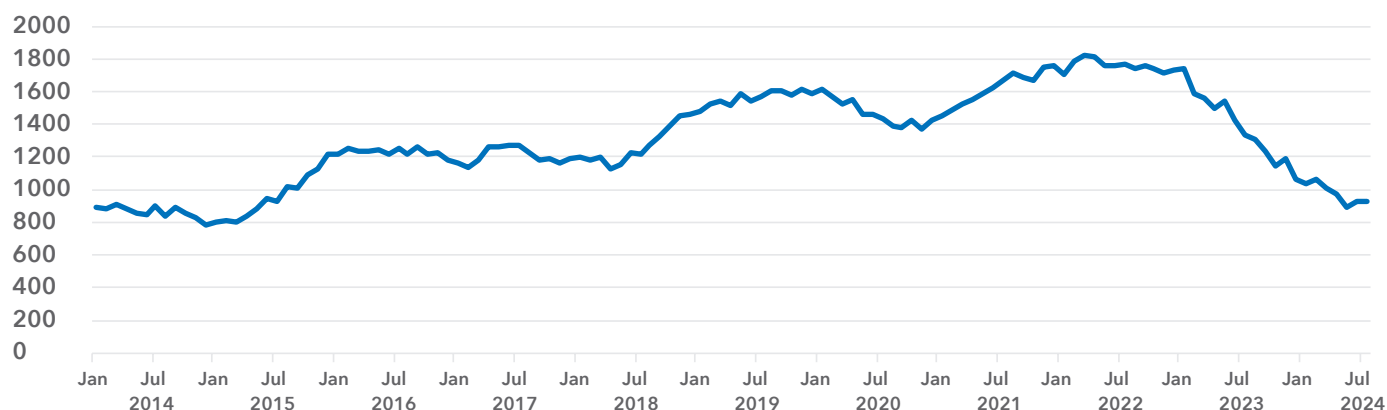
\$85.5M

447%

The weak national economy, flat house prices, increased job uncertainty and high interest rates continue to subdue the housing market. In the year to March 2024 just 1045 new dwellings were consented compared to an average of about 1500 dwellings per year between 2019 and 2023. The number of consents lodged so far this year suggest consenting will continue to fall in the coming months.

## Dwellings in consents lodged, 12-month rolling total

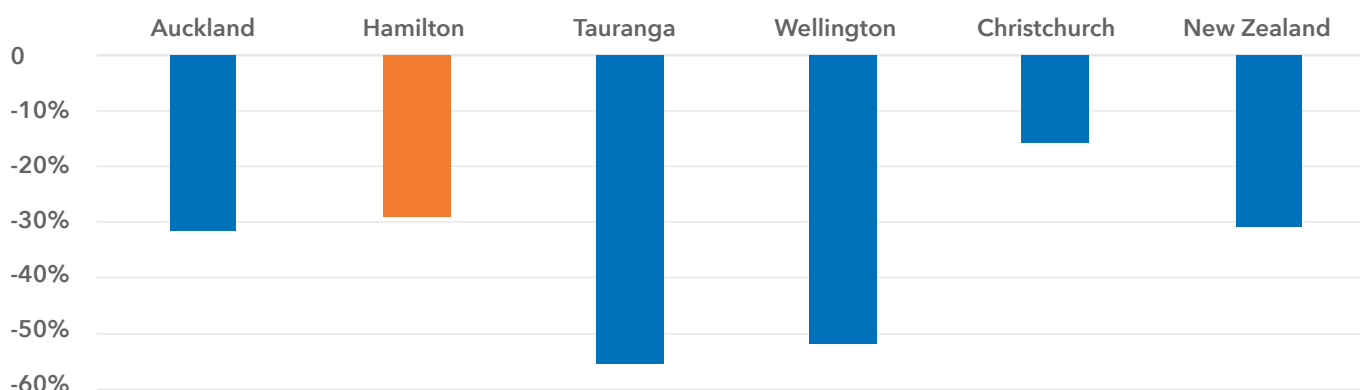
Source: Hamilton City Council



Hamilton is not the only territorial authority experiencing a significant decline in consenting activity. Since March 2022 when New Zealand reached a peak of nearly 51,000 new dwellings consented, all major cities have seen a significant decrease in residential consenting activity, from -55% in Tauranga to -16% in Christchurch (noting that neighbouring Selwyn District fell 40%). Hamilton's consenting fell 29%. Across the board, the New Zealand construction sector has taken a hard hit from the increase in interest rates and their impact on house prices. This fall in consenting and house building comes at a time when New Zealand has record levels of net migration.

## Change in residential consenting activity since March 2022

Infometrics



Demand for, and profits on, new builds remain low in the current market, so there is little incentive for many builders to progress with projects, particularly if they are yet to start. As of 31 March 2024, there were 753 dwellings consented but not yet under construction compared to an average of 490 dwellings between 2019 and 2022. Should the housing market improve in the near-term, many of those developments could begin construction.

A spike in the number of dwellings consented but not started in 2018 was most likely a reaction to a significant increase in development contributions. This was also seen in subdivision consenting.

## Number of dwellings consented but not started

Source: Hamilton City Council

Number of dwellings



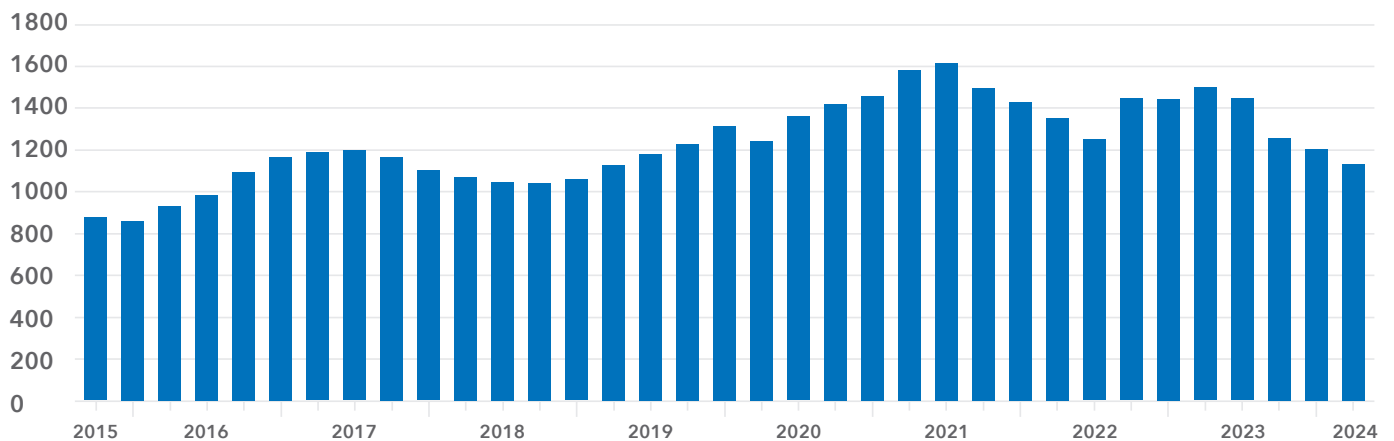
Subdivision consenting was also weak in the year to March 2024, with just 829 lots lodged (down 51%). There continues to be more supply of sections than demand as many were titled in 2022 when residential construction softened. There is little incentive for developers to flood the market with sections when demand is soft as this will push prices down.

The number of new homes completed fell 17% to 1203 – a reflection of the current consenting and construction activity in Hamilton. The fall is similar in both greenfield (-16%) and infill areas (-17%). With just 830 homes under construction at the end of March, and many projects on hold, it is likely that the number of new homes completed in Hamilton will continue to fall.

## New homes completed in Hamilton, 12-month rolling total

Source: Hamilton City Council

Number of dwellings



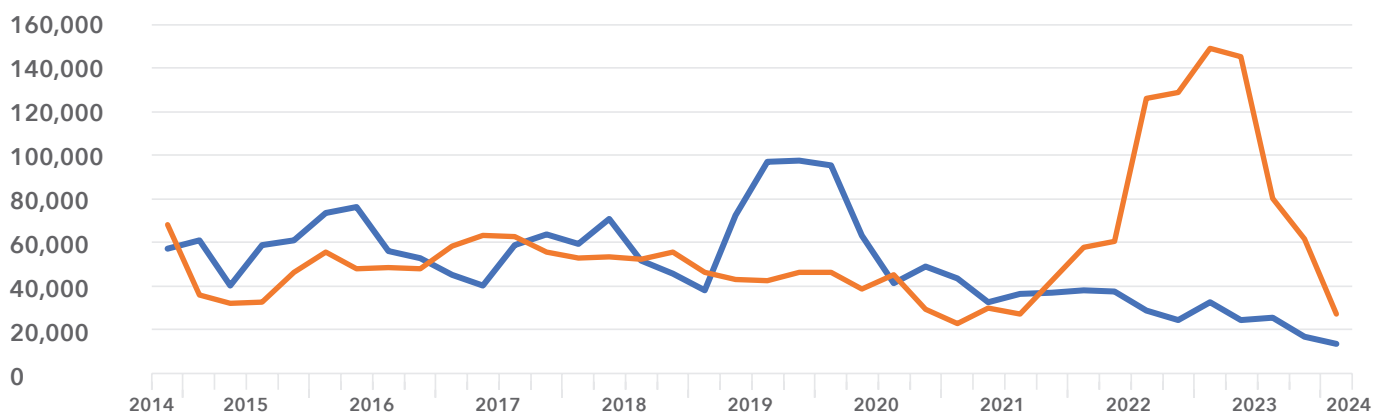
**Non-residential consenting** in the year to March 2024 also fell with the amount of new floor area consented decreasing 78% from the record highs seen in the year to March 2023. Commercial consenting is at record lows with 13,600m<sup>2</sup> of new space consented (down 58%) compared to 32,800m<sup>2</sup> in the year to March 2023. The value of commercial construction consents fell 39% to \$119 million.

Industrial consenting hit record levels in 2022 and early 2023 as development in Ruakura began in earnest. This fell in the year to March 2024, with consents granted for 26,800m<sup>2</sup> of new industrial floor area (82% reduction), valued at \$53 million (-80% reduction).

## Non-residential construction underway in Hamilton, quarterly average

Source: Hamilton City Council

Square metres





## Outlook

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The economic and consenting outlook for Hamilton is inextricably linked to interest rates, for prospective buyers, developers and investors both in the residential and non-residential space. The RBNZ moved on 14 August 2024, reducing the OCR to 5.25% - while many economic commentators had called for this move, many were also surprised that the RBNZ made such a sudden about-turn.

While this is a positive shift for the development sector and will provide some hope for households, it will take time before any benefits can be realised. We expect residential consenting to fall further over the rest of 2024 and for there to be some small upward movement in house prices in response to interest rate cuts. As cuts progress, the feasibility equation will improve, and we could see many of these paused projects start moving as well as consents for new projects come in.

Hamilton's economy is expected to continue to see growth, but it is likely to be low and slow. With consumer confidence low, high levels of job uncertainty and high household core costs, people will continue monitoring their spending and pulling back on discretionary items. Inflation is coming down, but prices are still going up, so there is little relief for households. Tax cuts are coming, but the small amount most households will get is likely to go towards core costs or reducing debt, and is therefore not likely to increase demand significantly.

"Survive until '25" is the motto of 2024. Things are likely to improve towards the end of 2024, but it will most likely be at a slow pace as households start to feel some relief from mortgage interest rates going down and feel more confident that their jobs are secure. The next 12 months will still be tough.



## SUMMARY

# Key annual indicators

Year to March 2024 compared to previous 12 months

### GDP GROWTH



Hamilton	+ 0.4%
Waikato	+ 0.3%
New Zealand	+ 0.2%

### EMPLOYMENT (Place of residence)



Hamilton	+ 3.6%
Waikato	+ 2.8%
New Zealand	+ 2.9%

### SPENDING



Hamilton	+ 2.2%
Waikato	+ 3.0%
New Zealand	+ 2.8%

### UNEMPLOYMENT



Hamilton	5.8%
Waikato	4.6%
New Zealand	4.0%

### GUEST NIGHTS



Hamilton	+ 3.4%
Waikato	+ 5.3%
New Zealand	+ 12%

### COMMERCIAL VEHICLE REGISTRATION



Hamilton	- 7.7%
Waikato	- 7.7%
New Zealand	- 0.2%

### MEDIAN HOUSE PRICE



(March 2024 quarter)

**\$808,000**

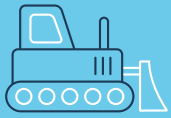
### HOUSE SALES



Hamilton	+ 9%
Waikato	+ 14%
New Zealand	+ 12%

# Consenting in year to March 2024

## SUBDIVISION LOTS GRANTED



829

51%

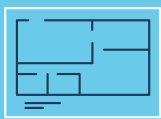
## TITLES ISSUED (224C)



1187

20%

## NEW HOUSES IN CONSENTS LODGED



984

35%

## HOUSES UNDER CONSTRUCTION

(as at 31 March 2024)



830

25%

## NEW HOUSES GRANTED



1145

17%

Infill	71%
Greenfield	29%
Townhouses/Duplexes	68%
Houses	28%
Apartments	4%
Retirement villages	0%

Infill East	34%
Infill West	37%
Rototuna	16%
Peacocke	5%
Ruakura	6%
Rotokauri	1%
Temple View	1%

## HOMES COMPLETED

(as at 31 March 2023)



1203

17%

## FLOOR AREA OF NON-RESIDENTIAL CONSENTS GRANTED



Commercial	13,606m2	– 58%
Industrial	26,835m2	– 82%
Total	40,441m2	– 78%

## VALUE OF NON-RESIDENTIAL CONSENTS GRANTED



Commercial	\$119M	– 39%
Industrial	\$53M	– 80%
Total	\$173M	– 63%

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