

FT Wealth Wealth Management**Buying in New Zealand? Time is running out...**

The country is now known by the super rich for something else: as a possible safe haven in the event of a catastrophe



Snow-capped mountains offer a dramatic backdrop to Lake Wanaka © IStock/Getty Images

YESTERDAY Lucy Warwick-Ching

New Zealand, famous for the mountains that formed the dramatic backdrop to the film *The Lord of the Rings*, is now known for something else among the super rich: as a possible safe haven in the event of a global catastrophe.

Buying a house there is almost code for getting “apocalypse insurance”, and it is easy to understand why: if you want a place to hide when disaster strikes, there is no better place to be than isolated New Zealand.

Property consultant Ollie Wall, of Graham Wall Real Estate, says wealthy overseas buyers see his country as an escape from a volatile world. “As the world gets crazier and crazier our peaceful and beautiful little country just looks more attractive,” he says.

Soon, though, billionaires will have to demonstrate stronger ties to New Zealand . . . or find somewhere else for their apocalyptic getaway.

New prime minister Jacinda Ardern has proposed a law to stop overseas buyers from purchasing existing homes. Social issues, including housing affordability, were a major part of her election campaign, during which Winston Peters, now deputy prime minister, dramatically announced that New Zealand “is no longer for sale”.

This will be a blow to the global super-rich for whom the country’s real estate was a priority item. Would-be buyers of second homes included purchasers from China and the rest of Asia as well as Americans seeking investments that would be secure from the consequences of Donald Trump’s presidency.



New Zealand prime minister Jacinda Ardern poses for a photo © Hannah Peters/Getty Images

These survivalists, also known as preppers following a piece in *The New Yorker* magazine, believe in being ready for any societal collapse. In the past, such people were associated with guns, powdered food and bunkers. Now, they focus on New Zealand.

It is unclear exactly how many Americans have the apocalypse in mind when buying in the country, many just want a holiday home, but the amount of land being snapped up has increased dramatically in the past few years.

The problem for politicians in Wellington is the rise in property prices. Costs have increased ferociously, fuelled by low interest rates, a shortage of homes and rising immigration. Some people claim that foreign ownership has driven house prices higher, a similar scenario to that in parts of Britain. Last year, average house prices grew 10.4 per cent year on year, according to the global house price index from Knight Frank.

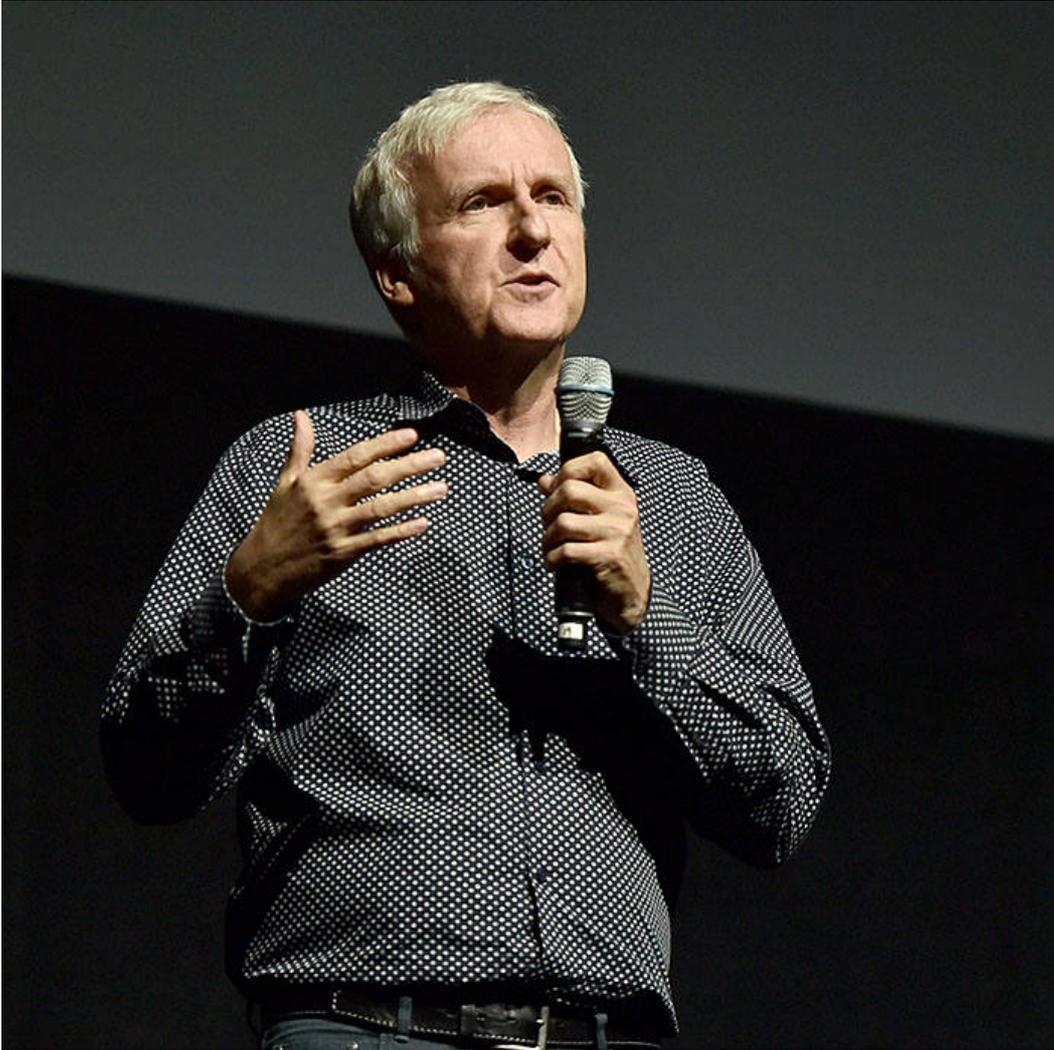


Properties that have recently been bought in Herne Bay

“A combination of strong population growth, economic growth and an under-supply of new houses has led to rapid house-price inflation,” says Alan McMahon, national director of research and consulting at Colliers International New Zealand. “Auckland’s median house price is nearly 10 times the median household income.”

He says the Reserve Bank of New Zealand has required the banks to introduce minimum deposit requirements for investors and owner-occupiers. This is one of the measures that has led to a flattening of house price inflation in Auckland, but he says: “Prices remain elevated, well beyond the reach of many aspiring buyers.”

Among high-profile buyers from the Americas to have snapped up property in New Zealand is James Cameron, the director of *Titanic*, *The Terminator* and *Avatar*. Another big name is [Peter Thiel](#), the PayPal founder and Trump supporter, who has bought a home on the edge of Lake Wanaka, a stretch of real estate that has been dubbed “Millionaires’ Row”.



Writer and director James Cameron owns property in New Zealand © Alberto E. Rodriguez/Getty Images for CinemaCon



PayPal founder Peter Thiel has a home in New Zealand © David Paul Morris/Bloomberg

Like parts of London's Mayfair or certain apartments in midtown Manhattan, Lake Wanaka is virtually deserted because so many of the properties are second homes.

Ardern's policy, due to come into effect next year, has sent clear signals internationally that New Zealand is about to tighten its policy. There are few details of what form the legislation could take but some suggest buyers will have to prove they were in New Zealand for at least 184 days in each of the past two years.

Some property agents say that although the average price of an Auckland house is NZ\$1m (\$690,000), it is not obvious that a ban on foreign buyers will free up housing at the affordable end of the market.



Like Mayfair in London or parts of Manhattan, Lake Wanaka is virtually deserted because of so many second homes

Wall, meanwhile, says there are fewer foreign buyers than the public believe. “We sell properties to a lot of what would be considered foreigners [but] 99 per cent of them have New Zealand passports,” he says.

“I don’t see it having a large impact. A large proportion of our luxury sales in the past five years have been Kiwis moving home from London and New York to raise their families.”

Wall believes the government is making a “knee-jerk reaction” to the widespread blaming of the Chinese for property price rises. He says no one knows how many homes are in foreign hands.

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“My guess is that by the time we see the final legislation it will be a vastly watered-down version of what’s being proposed.

“Our beautiful little country thrives on offshore investment and I’m sure the new government isn’t stupid enough to close the door on that,” he says.

New Zealand is not alone in its struggle to contain the phenomenon of empty houses and “ghost apartments”. In London, Paris, Dublin and Mumbai, the authorities have either considered vacancy taxes or implemented them. Vancouver, Canada, charges a 1 per cent penalty on homes that are empty for more than six months.

Elle Foenander of Knight Frank expects New Zealand to move to a model similar to Australia’s. “If this occurs, it would mean foreign purchasers will be unable to purchase existing residential properties, instead only having access to new-build properties,” she says.

Some property experts question if a restriction on foreign buyers is the answer to New Zealand’s housing crisis, given that Australia, which already has a similar policy, is one of the most unaffordable countries in which to buy a property.



Omaru Bay, Waiheke Island

Sophie Chick, head of residential research at Savills Australia, says: “Despite restrictions, prices have doubled over the past 10 years in Sydney and Melbourne.

“Foreign buyers are one source of demand for residential property but there are a number of other factors that have caused these price rises, including a supply and demand imbalance, low interest rates, a strong economy, high population growth and infrastructure spend.”

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