

HOME AFFORDABILITY REPORT

QUARTERLY SURVEY JUNE 2018, VOL 28, NO.2

DECLINE IN HOME AFFORDABILITY IN NEW ZEALAND REGIONS, BUT NOT IN HIGH VALUE AUCKLAND AND CENTRAL OTAGO LAKES

The Massey Home Affordability Index takes into account the cost of borrowing as well as house prices and wage levels.

This quarter has seen a decline in national affordability in all regions (5.8%), as well as an annual decline in affordability for all regions (1.1%).

This quarter, drivers of decline in affordability have mainly occurred by the increase in house price levels in regions outside of high value Auckland/Thames/Coromandel and Central Otago Lakes - such as Northland (+\$27,000), Wellington (+\$25,000), Otago (+\$24,125), and Manawatu/Whanganui (+\$21,000).

In absolute home affordability index point terms, Southland (10.9 index points), Taranaki (13.5 index points), Manawatu/ Whanganui (14.2 index points), Otago (16.3 index points) and Hawkes Bay (18.0 index points) are the top five country's most affordable regions.

Year-on-year changes saw an increase of \$29,250 in median house price values nationally. With a quarterly national increase in median house prices of \$39,500.

Central Otago Lakes and Auckland/Thames/Coromandel remain the least affordable regions in the country, 51% and 43% respectively less affordable than the rest of New Zealand.

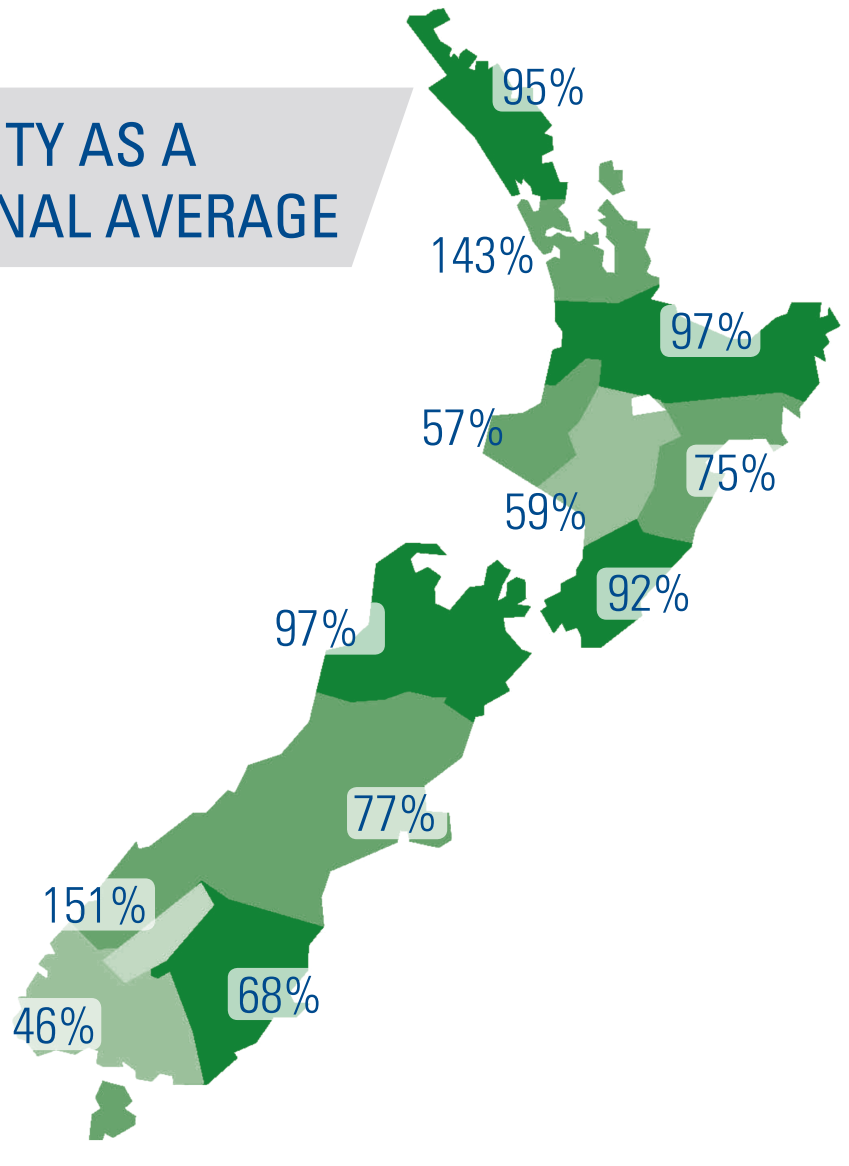
Borrowing costs remain low with the interest rate statistic used this quarter being a 2-year fixed rate for new residential mortgages for April 2018 at 5.05%.

It is apparent therefore that for New Zealand, home affordability is still a national and regional problem in the short and medium term, especially for those wages earners wishing to purchase a home on the market using a mortgage.

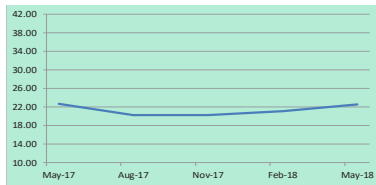
KEY POINTS

- Nationwide, median sales price shows a 5.4 % year-on-year increase, with a 7.5% increase this quarter – contributing to a year-on-year decline in national affordability of 1.1%.
- All regions have an annual price increase – except for marginal falls in Taranaki (-0.1%; -\$250) and Southland (-0.4%; -\$1000), and a major fall in Central Otago Lakes (-6.8%; -\$52,000).
- Most regions show an increasing quarterly rate of median house price growth, except for minor quarterly falls in Canterbury/Westland (-0.6%; -\$2750) and major falls in Hawkes Bay (-7.0%; -\$30,000) and Central Otago Lakes (-8.6%; -\$67,000).
- Northland has the highest quarterly median house price increase of \$27,000, and Central Otago Lakes has the highest quarterly median house price decline of \$67,000.
- Central Otago Lakes, including Queenstown (36.10 Index Points), continues its record as the most unaffordable region in New Zealand with median house prices at 13.7 annual wages.
- National House price to income ratios are widening with house prices moving from 8.5 to 9.1 times annual wages.

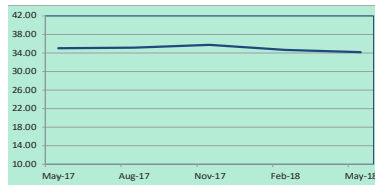
REGIONAL AFFORDABILITY AS A PERCENTAGE OF NATIONAL AVERAGE



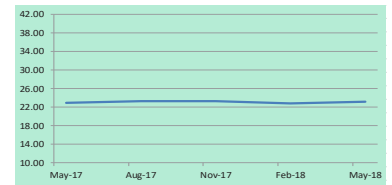
HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	May 2017	February 2018	May 2018	Improvement	Decline	Improvement	Decline
Northland	22.7	21.14	22.6	0.3%			7.0%
Auckland	35.0	34.63	34.1	2.6%		1.6%	
Waikato/Bay of Plenty	23.0	22.79	23.2		1.2%		1.9%
Hawke's Bay	17.5	19.58	18.0		2.7%	8.1%	
Taranaki	14.5	14.05	13.5	6.7%		4.0%	
Manawatu/Whanganui	12.8	13.38	14.2		10.6%		6.0%
Wellington	20.9	21.14	21.9		4.4%		3.4%
Nelson/Marlborough	23.3	22.77	23.2	0.8%			1.7%
Canterbury/Westland	19.2	19.00	18.5	3.7%		2.7%	
Otago	15.0	15.70	16.3		8.9%		4.0%
Central Otago Lakes	40.1	40.78	36.1	10.0%		11.5%	
Southland	11.3	10.62	10.9	2.9%			3.0%
New Zealand	23.6	22.57	23.9		1.1%		5.8%



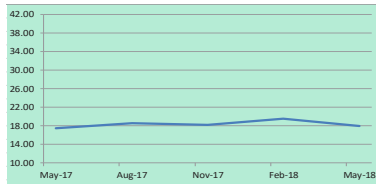
Northland
May 17 - May 18



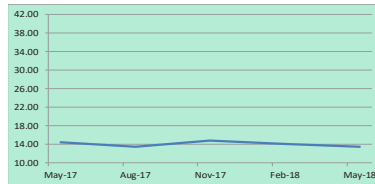
Auckland
May 17 - May 18



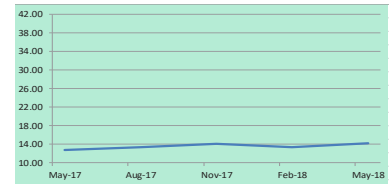
Waikato/Bay of Plenty
May 17 - May 18



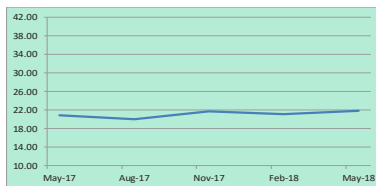
Hawke's Bay
May 17 - May 18



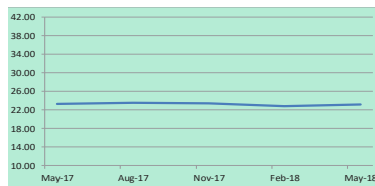
Taranaki
May 17 - May 18



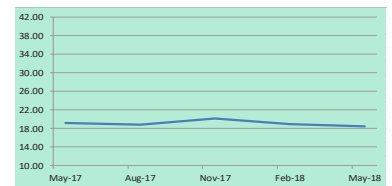
Manawatu/Whanganui
May 17 - May 18



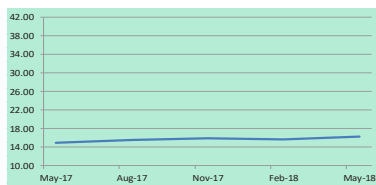
Wellington
May 17 - May 18



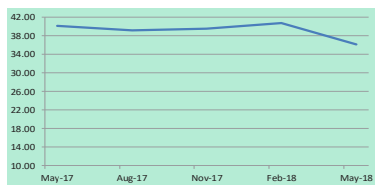
Nelson
May 17 - May 18



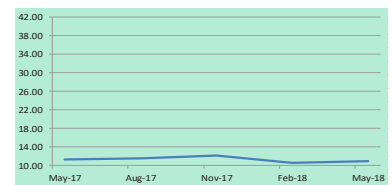
Canterbury/Westland
May 17 - May 18



Otago
May 17 - May 18



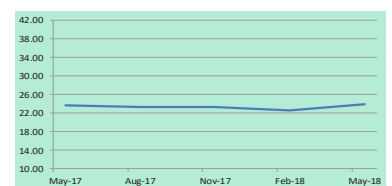
Central Otago Lakes
May 17 - May 18



Southland
May 17 - May 18

REGIONAL AFFORDABILITY INDEX

(A LOW INDEX EQUALS IMPROVED AFFORDABILITY)



New Zealand
May 17 - May 18

DATA SOURCES

The average weekly earnings and mortgage interest rate figures are drawn from Statistics New Zealand and Reserve Bank data. Housing prices are released by the Real Estate Institute of New Zealand (REINZ). The combination of this data provides the opportunity to calculate a reliable and useful summary index. The lower the index the more affordable the housing. The index allows for comparisons over time and between regions of relative housing affordability in New Zealand.

TERMINOLOGY

Housing affordability for housing in New Zealand can be assessed by comparing the average weekly earnings with the median dwelling price and the mortgage interest rate. The earnings figure represents the money available to the family, or household unit, and the median dwelling price combined with the mortgage interest rates provide an indicator of the expense involved.

MEDIAN DWELLING PRICES

Median dwelling prices for various regions within New Zealand are released monthly by the REINZ. The figures are obtained from a survey of member agencies' sales during that specific month. There may be irregularities in the data resulting from errors in the returns or processing, but when individual returns are combined with those of other agencies the distortion is likely to be small. In some months there may be very few transactions and this can result in somewhat non-representative median prices. The REINZ continues to research ways of improving the quality of the data. The research, and other continuing action by the REINZ to monitor and improve data quality, should minimise data errors.

AVERAGE WEEKLY EARNINGS

Average national and regional weekly earnings data is provided directly by Statistics New Zealand.

AVERAGE MONTHLY INTEREST RATES

The Reserve Bank New Zealand (RBNZ) publishes a range of data on mortgage interest rates. Some interest data provided by the Reserve Bank has been discontinued in April 2017 (E5.10 Total Monthly yield weighted average % on balance sheet).

The Reserve Bank series selected for this quarter's home affordability index is based on a 2-year fixed new residential average mortgage interest rates at the end of month for registered banks (B20). This quarter's rate is 5.05%, which is a very slight change from 5.08% last quarter.

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MASSEY UNIVERSITY PROPERTY FOUNDATION

The Foundation is established to sponsor research and education in property related matters in New Zealand. Funding is obtained through sponsorship from corporations and firms within the property industry. The Foundation has also established a Real Estate Analysis Unit.

The Foundation works closely with the Property Studies Group at Massey University.

SCHOOL OF ECONOMICS AND FINANCE MASSEY UNIVERSITY

Massey University has three campuses, located in Palmerston North, Wellington and Auckland, in New Zealand. The University has an enrolment of 33,000 students with approximately 13,000 business students. There are five schools within the Massey Business School.

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