

# HOME AFFORDABILITY REPORT

QUARTERLY SURVEY MARCH 2018, VOL 28, NO.1

## IMPROVEMENT IN HOME AFFORDABILITY? HOUSE PRICES STILL RISE IN NORTHLAND, HAWKE'S BAY AND THE 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 an improvement in national affordability in all regions (3.4%), although there is an annual decline in affordability for all regions (4.4%).

This quarter, drivers of decline in affordability have mainly occurred by the increase in house price levels in regions such as Northland (\$25,000), Hawke's Bay (\$29,250), and Central Otago Lakes (\$53,500).

In absolute home affordability index point terms, Southland (10.62 index points), Manawatu/Whanganui (13.38 index points), Taranaki (14.05 index points), and Otago (15.70 index points) remain the country's most affordable regions.

On a year-on-year basis, over the 12 months, we see no improvements in affordability in all regions. Year-on-year changes saw an increase of \$35,000 in median house price values nationally.

Central Otago Lakes and Auckland/Thames/Coromandel remain the least affordable regions in the country, 81% and 53% respectively less affordable than the rest of New Zealand. Central Otago Lakes now has house prices 15.4 times annual wages, whereas Auckland/Thames/Coromandel has house prices 13.1 times annual wages.

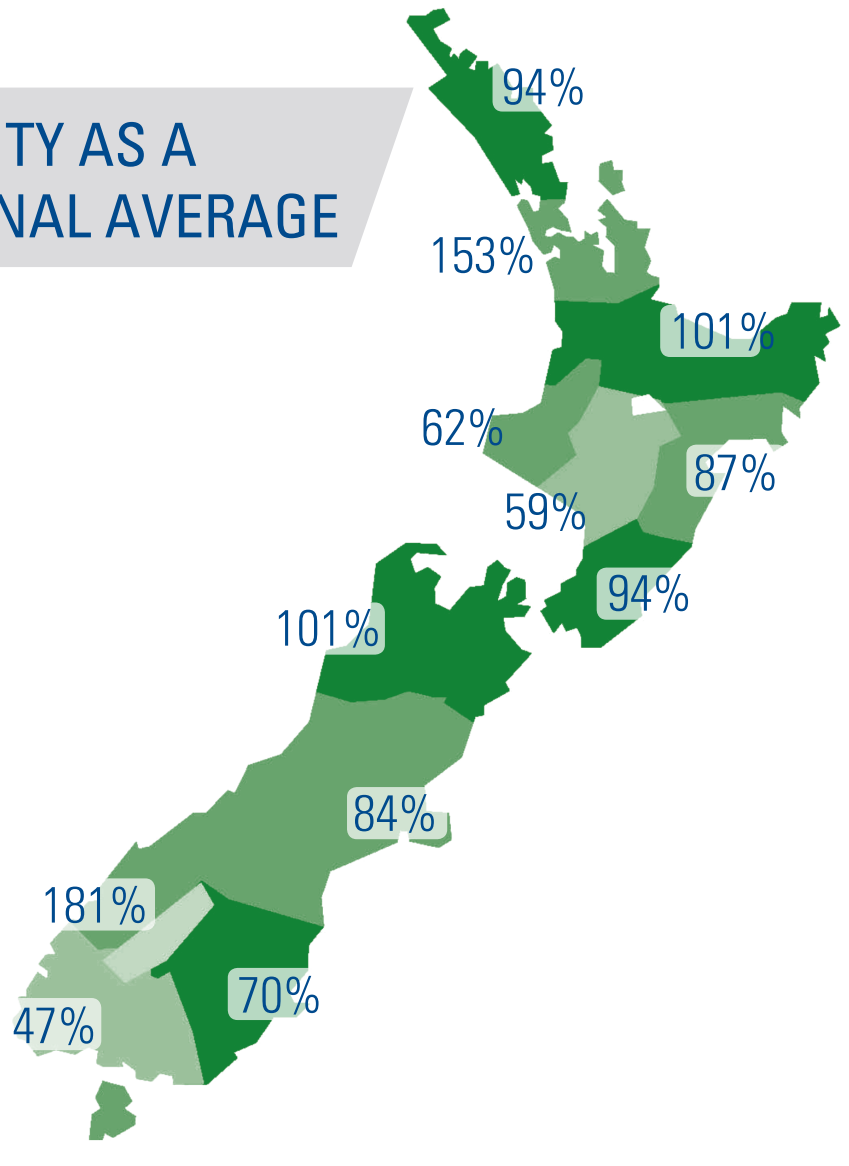
Borrowing costs remain low with the interest rate statistic used this quarter being a 2-year fixed rate for new residential mortgages for January 2018 at 5.08%.

It is interesting to note that, despite a resurgence in house prices last quarter for many regions, this quarter sees a fall for some and a rise for others. Affordability concerns this quarter therefore are in the regions that continue to buck the improving national trend (Northland, Hawke's Bay, and Central Otago Lakes). 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.

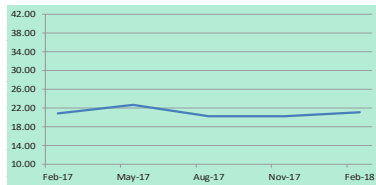
## KEY POINTS

- Nationwide, median sales price shows a 7.1 % year-on-year increase, with a 1.9% decrease this quarter – contributing to a year-on-year decline in national affordability of 4.4%.
- All regions have an annual price increase – ranging from 1.8% (Canterbury/Westland) to 22.9% (Hawke's Bay).
- Most regions show a declining quarterly rate of median house price growth, except for quarterly increases in Northland (5.9%), Hawke's Bay (7.3%) and Central Otago Lakes (7.4%).
- Central Otago Lakes has the highest quarterly median house price increase of \$53,500 with quarterly increases for Northland (\$25,000) and Hawke's Bay (\$29,250). Southland has the highest quarterly median house price decline of \$25,000.
- Central Otago Lakes, including Queenstown (40.78 Index Points), continues its record as the most unaffordable region in New Zealand with median house prices now over 15 times annual wages.
- House price to income ratios demonstrate improvements in some regions, except for decline in affordability for Northland (Ratio now 8.0 times), Hawke's Bay (Ratio now 7.4 times), and Central Otago Lakes (Ratio now 15.4 times).

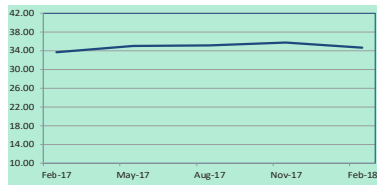
## REGIONAL AFFORDABILITY AS A PERCENTAGE OF NATIONAL AVERAGE



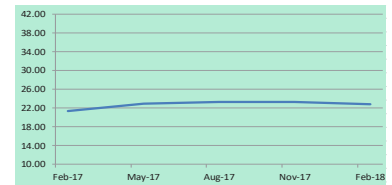
HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	February 2017	November 2017	February 2018	Improvement	Decline	Improvement	Decline
Northland	20.90	20.30	21.14		1.2%		4.1%
Auckland	33.61	35.74	34.63		3.0%	3.1%	
Waikato/Bay of Plenty	21.37	23.26	22.79		6.7%	2.0%	
Hawke's Bay	16.43	18.20	19.58		19.2%		7.5%
Taranaki	13.63	14.77	14.05		3.1%	4.9%	
Manawatu/Whanganui	12.11	14.14	13.38		10.5%	5.4%	
Wellington	20.68	21.74	21.14		2.2%	2.8%	
Nelson/Marlborough	21.39	23.42	22.77		6.4%	2.8%	
Canterbury/Westland	19.10	20.17	19.00	0.5%		5.8%	
Otago	15.35	15.86	15.70		2.3%	1.0%	
Central Otago Lakes	36.42	39.55	40.78		12.0%		3.1%
Southland	9.94	12.12	10.62		6.8%	12.4%	
New Zealand	21.63	23.35	22.57		4.4%	3.4%	



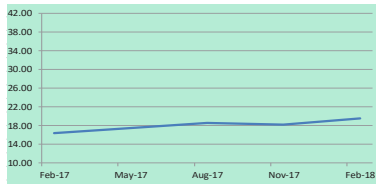
**Northland**  
Feb 17 - Feb 18



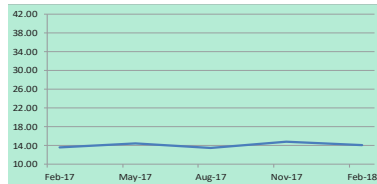
**Auckland**  
Feb 17 - Feb 18



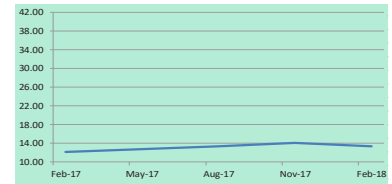
**Waikato/Bay of Plenty**  
Feb 17 - Feb 18



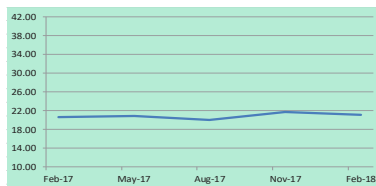
**Hawke's Bay**  
Feb 17 - Feb 18



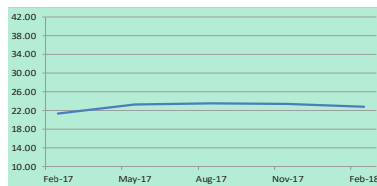
**Taranaki**  
Feb 17 - Feb 18



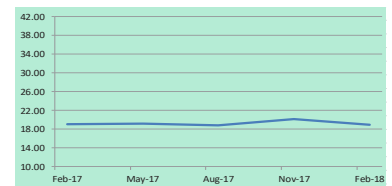
**Manawatu/Whanganui**  
Feb 17 - Feb 18



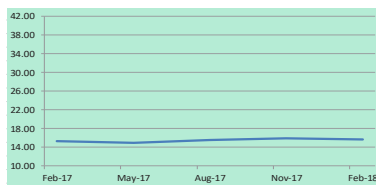
**Wellington**  
Feb 17 - Feb 18



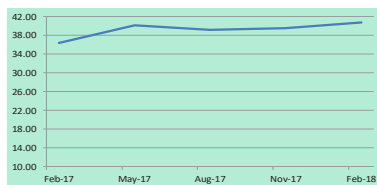
**Nelson**  
Feb 17 - Feb 18



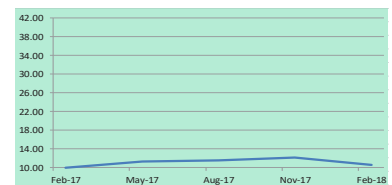
**Canterbury/Westland**  
Feb 17 - Feb 18



**Otago**  
Feb 17 - Feb 18



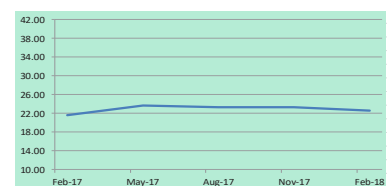
**Central Otago Lakes**  
Feb 17 - Feb 18



**Southland**  
Feb 17 - Feb 18

# REGIONAL AFFORDABILITY INDEX

(A LOW INDEX EQUALS IMPROVED AFFORDABILITY)



**New Zealand**  
Feb 17 - Feb 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).

The Reserve Bank New Zealand revised its (B20) interest rates statistics, backdating changes from January 2017 to February 2018. Affordability index values for this report use these new lower revised interest rates (For example we see a fall last quarter from 5.25% to 5.08%).

**Prepared by Graham Squires & Fong Mee Chin  
School of Economics and Finance  
Massey University.**

### ENQUIRIES MAY BE ADDRESSED TO:

Sidah Russell  
Communications and Marketing  
Massey University  
Phone: (09) 213 6448  
Email: S.Russell@massey.ac.nz

**Website** [www.masseynews.massey.ac.nz](http://www.masseynews.massey.ac.nz)

## 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.

## IMPORTANT DISCLAIMER

No person should rely on the contents of this report without first obtaining advice from a qualified professional person. This report is made available on the terms and understanding that Massey University and the authors of this report are not responsible for the results of any actions taken on the basis of information in this report, nor for any error in or omission from this report.