

HOME AFFORDABILITY REPORT

QUARTERLY SURVEY MARCH 2019, VOL 29, NO.1

IMPROVEMENTS IN HOME AFFORDABILITY CONTINUES, DRIVEN BY FALLING QUARTERLY HOUSE PRICES AND INCOME GROWTH

QUARTERLY RESULTS:

- This quarter has seen a slight improvement in national affordability as an aggregate for all regions of 4.4%, with a quarterly decrease in median house prices of 3.4%.
- This quarter, the primary cause of the increase in affordability has been the decrease in median prices in total across all regions, combined with increases in incomes. Interest rates have marginally increased in this quarter though not significantly.

YEARLY RESULTS:

- The yearly results show an annual result of an almost static result for affordability for all regions (a slight improvement of 0.4%).
- The yearly drivers of change include an increase of 5.7% increase in median house price values nationally, that was offset by a modest increase in income (2.9%) and a reduction in residential mortgage rates of 2.95%, now at 4.93%.

KEY POINTS

QUARTERLY

- At the national level, the affordability trend has continued to fluctuate, returning to an improvement in affordability of 4.4%.
- The greatest increase in median house prices (in percentage terms) occurred in Gisborne (14.2% or \$48,400), followed by Nelson (7.1% or \$37,00) and West Coast (6.4% or \$11,500). Those areas showing a decline in median house prices were Northland (-0.9%); Auckland (-1.2%); Marlborough (-2.6%); and Otago (-3.6%), with the greatest reduction in median house prices being measured in Tasman district (-7.2%).
- At a national level, median house prices saw a slight reduction overall (-3.4% or \$20,000) for the quarter.
- Overall affordability has improved this quarter (4.4% nationally), a change from the previous quarter and continuing the volatility on this measure over the past year. Affordability has had a mixed quarter, with nine districts showing an improvement, and seven districts a decline. The most significant changes being seen in Gisborne (12.2% decline) and Tasman (6.7% improvement).
- Interest rates increased slightly in this quarter, up by 0.01% to 4.93% as at January 2019.
- Incomes have increased by 1.2% in aggregate during the quarter, with only three regions (Manawatu/Whanganui, Taranaki, and Tasman) seeing slight decreases (less than 0.5%). The largest changes in income in the quarter were all on the upside: Marlborough (3.4% increase) and Canterbury (2.7% increase).

YEARLY

- A national 5.7% annual increase in median sales price (\$30,000 increase to \$580,000) is partially offset by a decrease in mortgage of 2.95%, moving to 4.93% from 5.08% this time last year. This, when combined with a steady increase in wages of 2.9% for the year has seen affordability improve for the 12 month period (0.4% improvement).
- Although the annual position is almost unchanged at the national level, this is an averaging of more significant changes in both directions at the regional level. Within this aggregate result there are significant changes, with the largest being: West Coast (6.9% improvement) and Gisborne (19.3% decline).

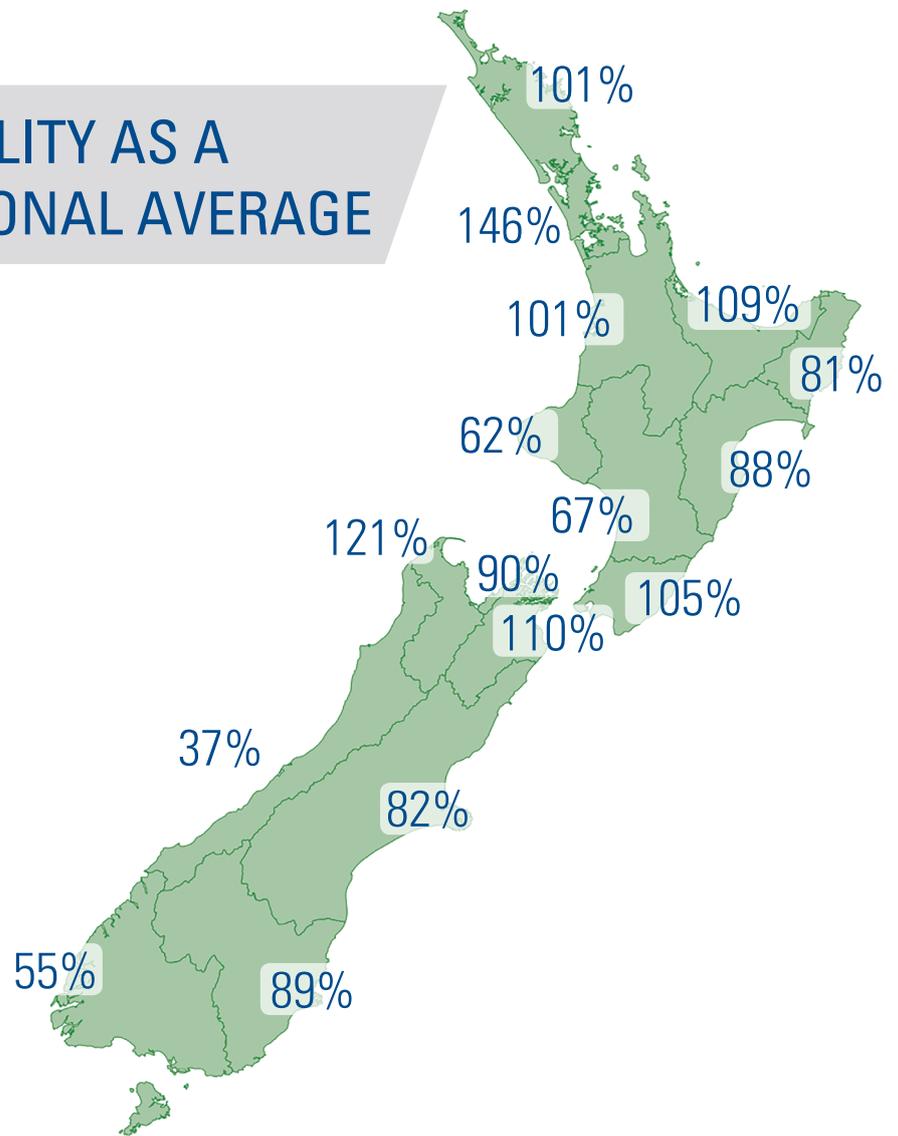
GENERAL TRENDS

- National House price to income ratios have improved with house prices moving from 9.2 back to 8.8 times annual wages.

CHANGE TO INDEX REGIONAL BREAKDOWN

- This issue of the Home Affordability Report contains a revised regional classification. This has been necessary to ensure consistency with MBIE and REINZ data classifications.
- The current report includes a 3 month and 12 month comparison based on the revised regional classification.
- The revised regional classification is now based on 16 districts, and earlier reports were based upon 12. Please refer to the Data Sources section below for details.
- Comparison with earlier report metrics should only be made in aggregate, or in consultation with the authors.

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 2018	November 2018	February 2019	Improvement	Decline	Improvement	Decline
Northland	21.1	23.1	22.6		7.0%	2.0%	
Auckland	34.9	33.4	32.8	6.0%		1.9%	
Waikato	22.8	23.1	22.8	0.1%		1.5%	
Bay of Plenty	25.2	24.9	24.5	3.0%		1.9%	
Gisborne	15.3	16.2	18.2		19.3%		12.2%
Hawke's Bay	20.2	20.0	19.8	1.9%		0.8%	
Manawatu/Whanganui	13.0	14.2	15.0		15.4%		5.4%
Taranaki	13.9	13.7	14.0		0.5%		1.8%
Wellington	21.2	22.9	23.5		11.2%		2.9%
Tasman	25.9	29.2	27.2		5.2%	6.7%	
Nelson	24.6	23.6	24.8		1.0%		5.3%
Marlborough	19.4	21.4	20.2		4.5%	5.6%	
West Coast	8.8	7.8	8.2	6.9%			5.7%
Canterbury	19.5	18.7	18.5	4.7%		0.8%	
Otago	19.0	21.0	20.1		5.5%	4.5%	
Southland	10.8	11.9	12.4		14.3%		3.9%
New Zealand	22.6	23.5	22.5	0.4%		4.4%	

DATA SOURCES

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

Note that the regional breakdown within this report has changed from this edition. The regional breakdown contained herein for the 3 month and 12 month periods are unable to be directly compared with earlier reports. Please contact the authors for comparisons with earlier editions of this report. Waikato/Bay of Plenty/Gisborne district is now 3 separate districts: Waikato; Bay of Plenty; Gisborne. Nelson/Marlborough/Kaikoura district is now comprised within Tasman; Nelson; Marlborough districts. Kaikoura is now contained within Canterbury district. Canterbury/Westland district is now 2 districts: Canterbury; West Coast. Central Otago Lakes district is now contained within Otago district.

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).

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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 4.92%, which is a 12-month negative % change of 3.15%.

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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