



HOME AFFORDABILITY REPORT

QUARTERLY SURVEY MARCH 2023, VOL 34, NO.1

OVERALL, HOME AFFORDABILITY HAS DECLINED IN THIS QUARTER. THIS WAS BROADLY DRIVEN BY AN INCREASE IN MORTGAGE INTEREST RATE.

QUARTERLY RESULTS:

- At the national aggregate level, affordability has declined in this quarter, attributed in this past quarter by increase in mortgage interest rate.
- Median house prices decreased in fourteen regions except Canterbury and Otago. The greatest decline in median house prices (in percentage terms) has for the last quarter occurred in West Coast (31.2% or \$131,000) and Gisborne (12.9% or \$85,000).
- At the national level, median house prices saw an overall decline (5.9% or \$48,000) for the quarter.
- Overall affordability has declined again in this quarter (2.7% nationally). At the regional level, affordability has also been generally declined in thirteen regions. In this quarter, the most significant changes being seen in West Coast (25.3% improvement) and Otago (10.3% decline). The overall decline in affordability is attributed to increase in mortgage interest rate.
- Interest rate increased this quarter, up by 0.61% to 7.08% as at January 2023. This is a return to the medium-term trend of changing interest rate, after started increasing from the previous six quarters by the Reserve Bank.
- Incomes have slightly increased by 0.20% in aggregate during the quarter, with eleven regions showing an increasing trend and remaining five regions showing a decline in average weekly earnings. The largest changes in income in the quarter occurred in Wellington (2.1% increase).

YEARLY RESULTS:

- At the national level, 13.9% annual decline in median house prices (-\$123,000 decreased to \$762,000) is partially supported by a 50.32% increase in mortgage interest rates, moving to 7.08% in January 2023 from 4.71% in January 2022. This increase in mortgage interest rate has not improved the overall affordability but decreased for the past 12-months period by 23.3%.
- This decline in affordability at the national level in the past 12 months is reflected in all sixteen regions. The greatest changes for the year are reported in Marlborough region by 48.7% and Tasman region by 36.9% and all regions showing a decline in affordability.

GENERAL TRENDS

- National House price to income ratios have slightly decreased in this quarter with house prices moving from 11.2 to 10.5 times annual wages.

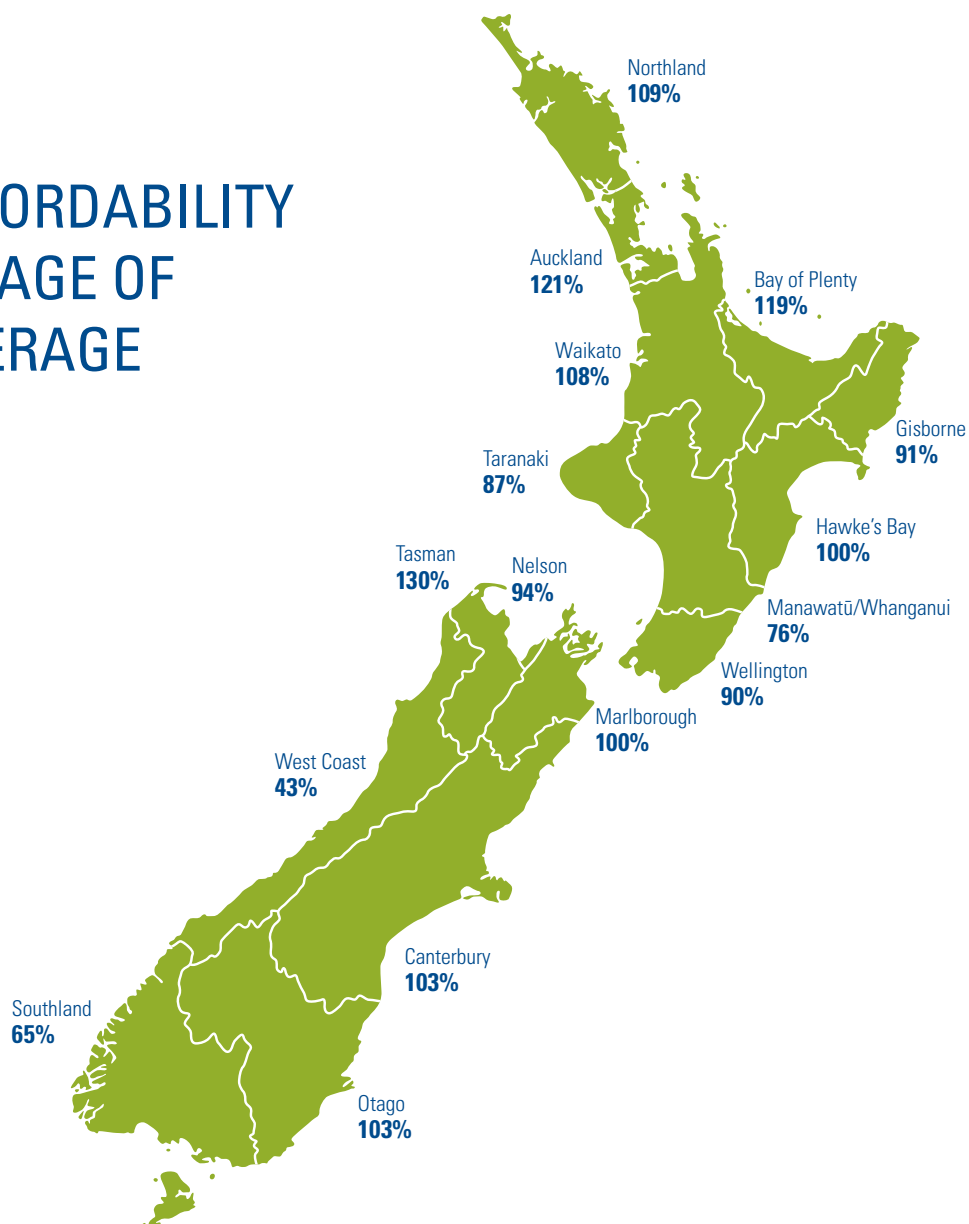
QUARTERLY RESULTS:

- Affordability this quarter declined nationally by 2.7% with a quarterly decline in median house prices of 5.9%.
- This quarter, the primary cause of the decline in affordability has been due to further increase in mortgage interest rate.

YEARLY RESULTS:

- The yearly results show a decline in affordability at the national level by 23.3%, reflected in all regions.
- The yearly driver of this change is also an increase in residential mortgage interest rates, now at 7.08% compared to 4.71% a year ago.

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 2022 | November 2022 | February 2023 | Improvement | Decline | Improvement | Decline |
| Northland | 31.5 | 39.3 | 41.9 | | 33.0% | | 6.4% |
| Auckland | 37.9 | 44.6 | 46.6 | | 22.9% | | 4.5% |
| Waikato | 31.5 | 39.2 | 41.5 | | 31.8% | | 6.0% |
| Bay of Plenty | 37.3 | 43.6 | 45.8 | | 22.8% | | 5.1% |
| Gisborne | 30.5 | 36.7 | 35.3 | | 15.5% | 3.9% | |
| Hawke's Bay | 32.5 | 36.1 | 38.5 | | 18.5% | | 6.7% |
| Manawatu/Whanganui | 23.5 | 29.1 | 29.3 | | 24.5% | | 0.8% |
| Taranaki | 27.3 | 33.2 | 33.5 | | 22.8% | | 0.8% |
| Wellington | 31.3 | 32.8 | 34.9 | | 11.4% | | 6.5% |
| Tasman | 36.7 | 47.2 | 50.3 | | 36.9% | | 6.5% |
| Nelson | 30.1 | 34.0 | 36.4 | | 20.8% | | 6.9% |
| Marlborough | 25.9 | 36.3 | 38.5 | | 48.7% | | 6.2% |
| West Coast | 14.0 | 22.4 | 16.7 | | 19.3% | 25.3% | |
| Canterbury | 30.2 | 36.3 | 39.8 | | 32.0% | | 9.6% |
| Otago | 32.2 | 36.0 | 39.7 | | 23.2% | | 10.3% |
| Southland | 19.6 | 25.5 | 25.2 | | 28.9% | 1.2% | |
| All Regions | 31.3 | 37.5 | 38.6 | | 23.3% | | 2.7% |

Overall, home affordability has declined in this quarter. This was broadly driven by an increase in mortgage interest rate.

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 and the March report has changed from earlier editions. The regional breakdown in this current report is unable to be fully compared to reports prior to March 2019. 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.

AUTHORED BY

Arshad Javed

Property Group, Real Estate Analysis Unit (REAU)

School of Economics and Finance

Massey University

ENQUIRIES MAY BE ADDRESSED TO:

Massey Communications Team

Phone: 021 660 260

Email: communications@massey.ac.nz

Website <https://www.massey.ac.nz/>

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 interest rate was 7.08%, which was increased from 4.71% last year in January 2022.

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.