



HOME AFFORDABILITY REPORT

QUARTERLY SURVEY DECEMBER 2023, VOL 34, NO.4

OVERALL, HOME AFFORDABILITY HAS DECLINED AGAIN IN THIS QUARTER. THIS WAS BROADLY DRIVEN BY AN INCREASE IN THE MORTGAGE INTEREST RATE AND AN INCREASE IN MEDIAN HOUSE PRICES IN MAJORITY OF THE REGIONS.

QUARTERLY RESULTS:

- At the national aggregate level, affordability has slightly declined in this quarter, attributed in this past quarter by an increase in median house prices in majority of the regions and an increase in interest rate.
- Median house prices increased in eleven regions and decreased in four regions. The greatest increase in median house prices (in percentage terms) has for the last quarter occurred in the West Coast (20.2% or \$67,111). In contrast, the median house prices decreased in Gisborne region by 13.8% or \$90,000.
- At the national level, overall median house prices slightly increased by 3% or \$23,000 in this quarter.
- Overall affordability has slightly declined in this quarter (4% nationally). At the regional level, affordability has been declined in twelve regions. In this quarter, the most significant changes being seen in the West Coast (20.8% decline) and Gisborne (12.9% improvement). The overall decline in affordability is attributed to slight increase in interest rate.
- Interest rate has slightly increased in this quarter, by 0.28% to 7.60% as at October 2023. This is a return to the medium-term trend of increasing interest rate, after started increasing from the previous ten quarters by the Reserve Bank.
- Incomes have slightly increased by 2.8% in aggregate during the quarter, with fifteen regions showing an increasing trend in average weekly earnings except Wellington. The largest changes in income in the quarter occurred in Hawke's Bay (5.6% increase).

YEARLY RESULTS:

- At the national level, 2.5% annual decline in median house prices (-\$20,000 decreased to \$790,000) is partially supported by a 17.47% increase in two years mortgage interest rates, moving to 7.60% in October 2023 from 6.47% in October 2022. Overall weekly earnings were increased by 5.4%. This increase in earnings has not improved the overall affordability but decreased for the past 12-months period by 8.7%.
- This decline in affordability at the national level in the past 12 months is reflected in majority of the regions except Gisborne and Taranaki. The greatest decline in affordability for the year are reported in Canterbury by 16.4%. Median house prices also decreased in majority of the regions and greatest decrease was reported in Gisborne (15.2% or \$100,000 decrease) and greatest increase was recorded in Canterbury (4.8% or \$32,000 increase).

GENERAL TRENDS

- National House price to income ratio remained the same in this quarter at 10.3 times annual wages.

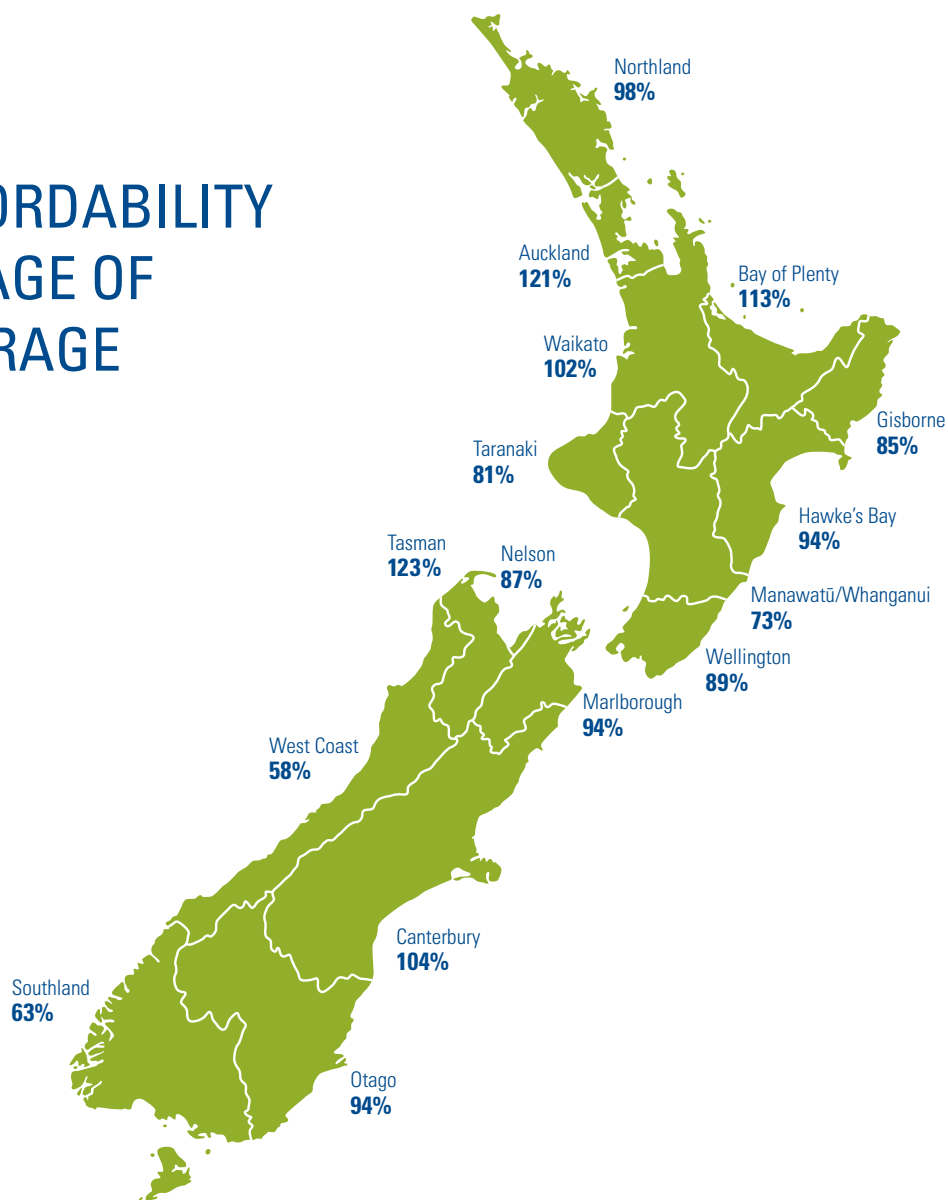
QUARTERLY RESULTS:

- Affordability this quarter slightly declined nationally by 4% with a quarterly increase in median house prices of 3%.
- This quarter, the primary cause of the decline in affordability has been due to an increase in median house prices in eleven regions and a slight increase in the mortgage interest rate.

YEARLY RESULTS:

- The yearly results show a decline in affordability at the national level by 8.7%, reflected in majority of the regions.
- The yearly driver of this change is an increase in residential mortgage interest rates, now at 7.60% compared to 6.47% 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	Nov 2022	August 2023	Nov 2023	Improvement	Decline	Improvement	Decline
Northland	39.3	39.2	39.9		1.3%		1.7%
Auckland	44.6	47.2	49.5		11.1%		4.9%
Waikato	39.2	40.2	41.6		6.3%		3.7%
Bay of Plenty	43.6	43.6	46.1		5.8%		5.8%
Gisborne	36.7	39.7	34.6	5.8%		12.9%	
Hawke's Bay	36.1	38.4	38.4		6.3%		0.1%
Manawatu/Whanganui	29.1	30.3	29.9		2.9%	1.1%	
Taranaki	33.2	32.7	33.2	0.1%			1.5%
Wellington	32.8	33.2	36.3		10.9%		9.3%
Tasman	47.2	47.2	50.3		6.5%		6.5%
Nelson	34.0	37.0	35.5		4.2%	4.0%	
Marlborough	36.3	34.9	38.4		5.7%		9.9%
West Coast	22.4	19.5	23.6		5.4%		20.8%
Canterbury	36.3	39.7	42.3		16.4%		6.5%
Otago	36.0	35.1	38.2		6.1%		8.8%
Southland	25.5	26.6	25.6		0.4%	3.5%	
All Regions	37.5	39.2	40.8		8.7%		4.0%

Overall, home affordability has declined again in this quarter. This was broadly driven by an increase in the mortgage interest rate and an increase in median house prices in majority of the regions.

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.

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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 7.07%, which was increased from 5.55% last year in April 2022.

SCHOOL OF ECONOMICS AND FINANCE MASSEY UNIVERSITY

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