



HOME AFFORDABILITY REPORT

QUARTERLY SURVEY DECEMBER 2024, VOL 35, NO.4

OVERALL, HOME AFFORDABILITY HAS IMPROVED AGAIN IN THIS QUARTER. THIS WAS BROADLY DRIVEN BY DECREASE IN THE MORTGAGE INTEREST RATES, SLIGHT INCREASE IN INCOME.

QUARTERLY RESULTS:

- At the national aggregate level, again affordability has improved in this quarter, attributed in this past quarter by decrease in the mortgage interest rates and an increase in income in twelve regions.
- Median house prices decreased in only two regions. The greatest decrease in median house prices (in percentage terms) has for the last quarter occurred in the Nelson (5.1% or \$35,500). In contrast, the median house prices increased in the Southland by 18% or \$79,000 and Northland by 16.1% or \$101,000.
- At the national level, overall median house prices increased by 3.9% (\$30,000) in this quarter.
- Overall affordability has improved in this quarter (9.3% nationally). At the regional level, affordability has improved in fourteen regions and deteriorated in only two regions (Northland and Southland). In this quarter, the most significant changes being seen in the Nelson region (17.8% improvement in affordability).
- Interest rate has slightly decreased in this quarter, by 0.86% to 6.29% as at October 2024. This is a return to the medium-term trend of decreasing interest rates, after started increasing during the last three years by the Reserve Bank.
- Incomes have slightly increased by 0.70% in aggregate during the quarter, with more than half of the regions showing an increasing trend in average weekly earnings. The largest changes in income in the quarter recorded in the Canterbury region (2.6% increase).

YEARLY RESULTS:

- At the national level, there was 0.6% annual increase in median house prices (\$5,000 increased to \$795,000). Two years mortgage interest rates decreased by 1.31%, moving to 6.29% in October 2024 from 7.60% in October 2023. Overall weekly earnings were increased by 2.9%. This increase in earnings and decrease in the mortgage interest rates has improved the overall affordability by 19%.
- This improvement in affordability at the national level in the past 12 months is reflected in all sixteen regions. The greatest improvements in affordability for the year were observed in the West Coast, Marlborough, Wellington, Waikato and Canterbury regions by over 20%. Median house prices were increased in majority of the regions. The greatest increase was recorded in the Southland region (20.5% or \$88,000 increase) and greatest decrease was observed in the West Coast region (3.6% or \$14,500 decrease).

GENERAL TRENDS

- National House price to income ratio increased in this quarter at 10.1 times of annual wages.

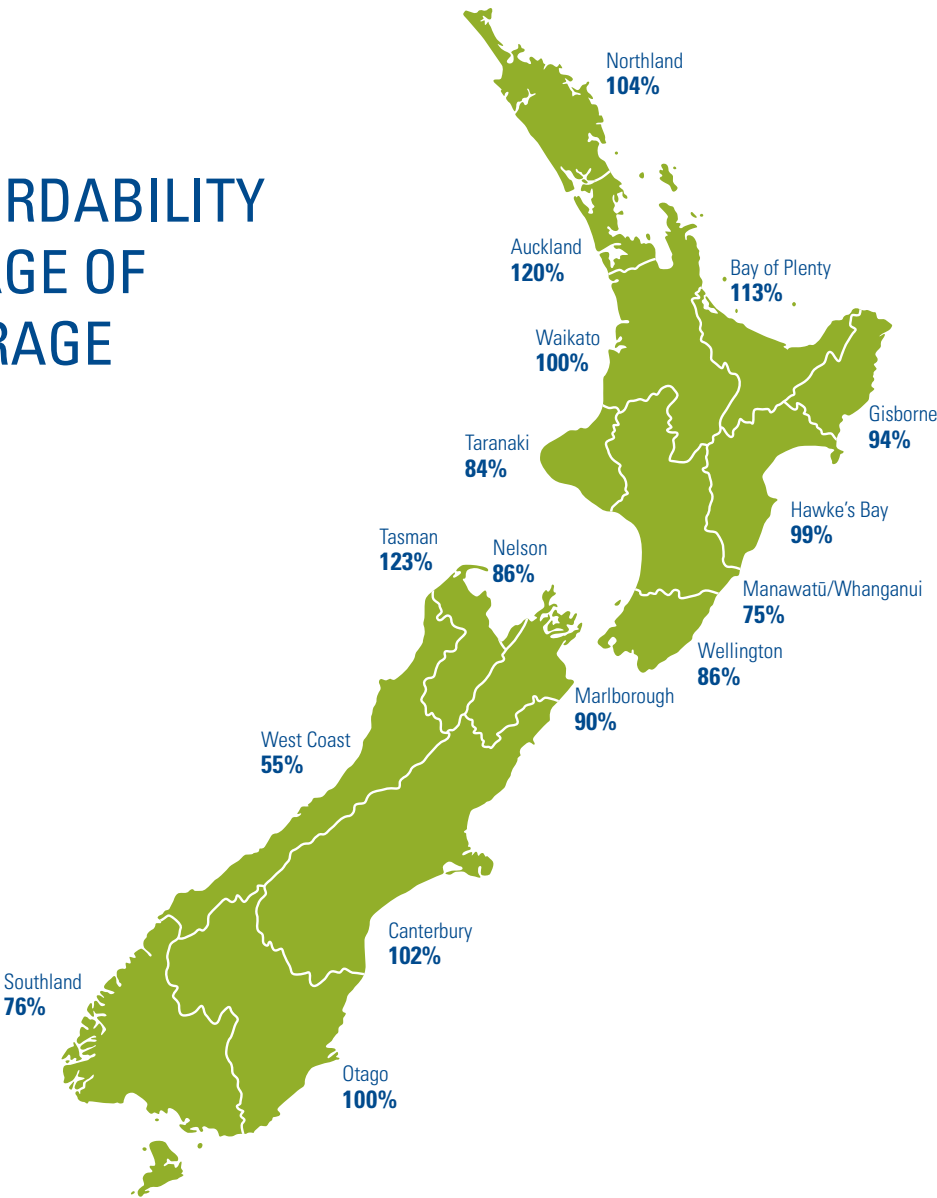
QUARTERLY RESULTS:

- Affordability this quarter improved nationally by 9.3% with a quarterly increase in the median house prices of 3.9%.
- This quarter, the primary cause of the improvement in affordability has been due to decrease in the mortgage interest rates and a slight increase in income.

YEARLY RESULTS:

- The yearly results show an improvement in affordability at the national level by 19%, reflected in all sixteen regions.
- The yearly driver of this change is an annual decrease in the mortgage interest rates and median house prices and an increase in weekly earnings.

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	November 2023	August 2024	November 2024	Improvement	Decline	Improvement	Decline
Northland	39.9	33.7	34.5	13.3%			2.5%
Auckland	49.5	42.0	39.7	19.8%		5.5%	
Waikato	41.6	36.8	33.1	20.5%		10.0%	
Bay of Plenty	46.1	40.9	37.2	19.3%		9.0%	
Gisborne	34.6	34.9	31.2	9.9%		10.7%	
Hawke's Bay	38.4	33.7	32.8	14.5%		2.5%	
Manawatū/Whanganui	29.9	28.0	24.8	17.1%		11.5%	
Taranaki	33.2	31.0	27.9	16.1%		10.1%	
Wellington	36.3	32.9	28.4	21.9%		13.8%	
Tasman	50.3	41.5	40.8	18.8%		1.6%	
Nelson	35.5	34.6	28.5	19.7%		17.8%	
Marlborough	38.4	33.0	29.8	22.4%		9.8%	
West Coast	23.6	29.1	18.2	22.7%		4.4%	
Canterbury	42.3	37.2	33.7	20.3%		9.4%	
Otago	38.2	34.8	33.0	13.5%		5.1%	
Southland	25.6	24.2	25.0	2.3%			3.5%
All Regions	40.8	36.4	33.1	19.0%		9.3%	

Overall, home affordability has improved again in this quarter. This was broadly driven by decrease in the mortgage interest rates, slight increase in income.

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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