



HOME AFFORDABILITY REPORT

QUARTERLY SURVEY MARCH 2025, VOL 36, NO.1

OVERALL, HOME AFFORDABILITY HAS IMPROVED AGAIN IN THIS QUARTER. THIS WAS BROADLY DRIVEN BY DECREASE IN THE MORTGAGE INTEREST RATES, DECLINE IN MEDIAN HOUSE PRICES AND 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 as well as median house prices and an increase in income in all sixteen regions.
- Median house prices either decreased or remained the same in eleven regions. The greatest decrease in median house prices (in percentage terms) was for the last quarter occurred in the Southland region (9.3% or \$48,000). In contrast, the median house prices increased in the Nelson region by 8.7% or \$57,500.
- At the national level, overall median house prices declined by 2.9% (\$23,000) in this quarter.
- Overall affordability was improved in this quarter (7.5% nationally). At the regional level, affordability was improved in fifteen regions and deteriorated in only one region (Nelson). In this quarter, the most significant changes being seen in the Southland region (15.1% improvement in affordability).
- Interest rate has slightly decreased in this quarter, by 0.26% to 6.03% as at January 2025. 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 0.63% in aggregate during the quarter, with all regions were showing an increasing trend in average weekly earnings. The largest changes in income in the quarter recorded in the Manawatu/Whanganui region (3.4% increase).

YEARLY RESULTS:

- At the national level, there was 2.3% annual decline in median house prices (\$18,000 decreased to \$772,000). Two years mortgage interest rates slightly decreased by 1.45%, moving to 6.03% in January 2025 from 7.48% in January 2024. Overall weekly earnings increased by 2.6%.
- Increase in weekly earnings, decrease in the mortgage interest rates and changes in the median house prices have improved overall affordability by 23.2%.
- The improvement in affordability at the national level in the past 12 months reflected in all sixteen. There was a mix trend in median house prices. Nine regions showed an increasing trend and remaining six regions showed a decline. The greatest increase was recorded in the Westcoast region (18% or \$57,500 increase) and greatest decrease was observed in the Gisborne region (5.5% or \$34,000 decrease).

GENERAL TRENDS

- National House price to income ratio slightly decreased to 9.8 times of annual wages in this quarter.

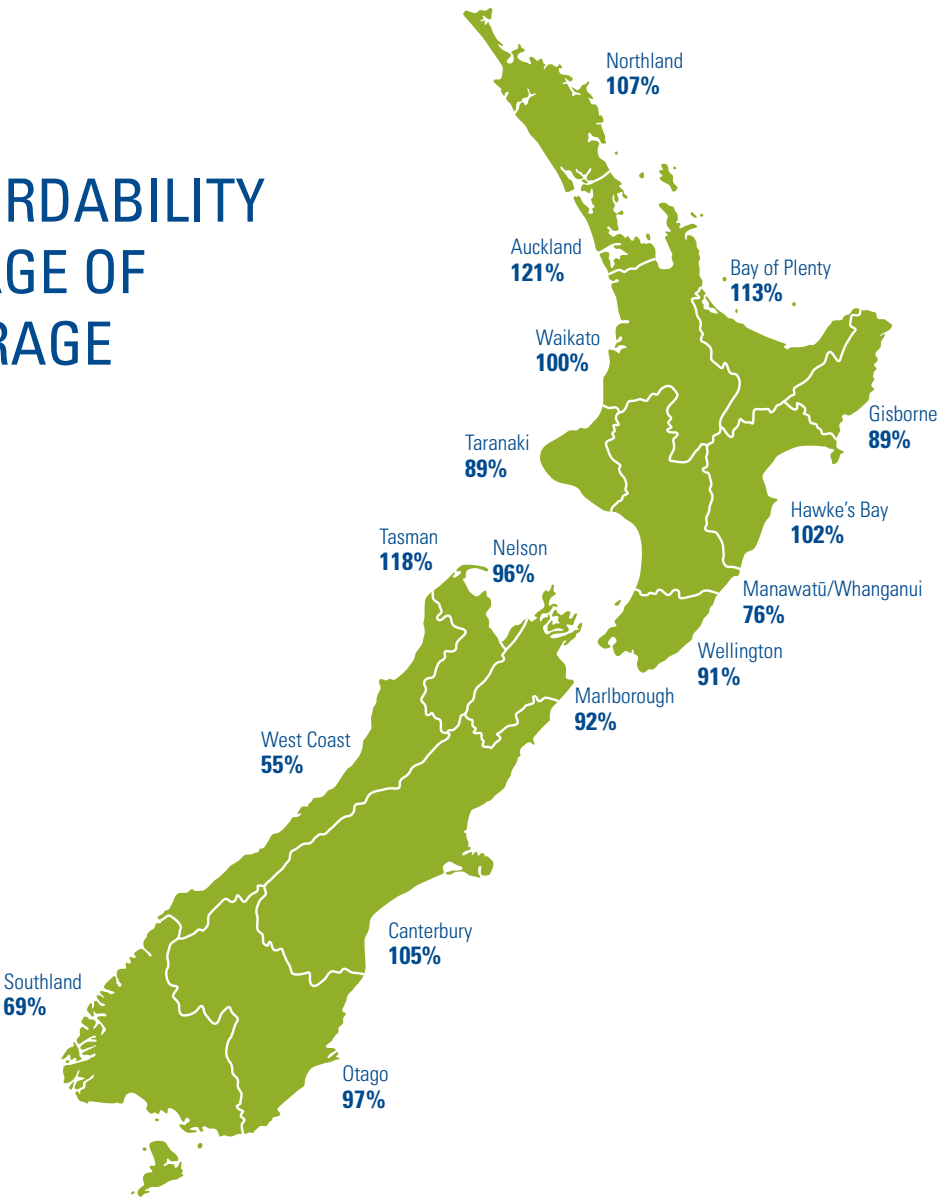
QUARTERLY RESULTS:

- This quarter, affordability improved nationally by 7.5% with a quarterly decrease in the median house prices of 2.9%.
- The primary reasons for this quarterly improvement were lower mortgage interest rates, changes in median house prices and slight income growth.

YEARLY RESULTS:

- Over the past year, affordability at the national level has improved by 23.2%, reflected in all sixteen regions.
- The primary drivers of this change were lower mortgage interest rates, changes in median house prices and increasing 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	February 2024	November 2024	February 2025	Improvement	Decline	Improvement	Decline
Northland	41.5	34.5	32.8	21.0%		5.1%	
Auckland	47.9	39.7	37.0	22.9%		7.0%	
Waikato	40.0	33.1	30.5	23.8%		8.1%	
Bay of Plenty	44.5	37.2	34.6	22.2%		7.0%	
Gisborne	36.3	31.2	27.3	24.8%		12.4%	
Hawke's Bay	38.5	32.8	31.3	18.8%		4.8%	
Manawatū/Whanganui	27.5	24.8	23.3	15.4%		6.2%	
Taranaki	34.7	27.9	27.2	21.4%		2.3%	
Wellington	35.8	28.4	27.9	22.2%		1.6%	
Tasman	43.7	40.8	36.2	17.2%		11.3%	
Nelson	38.3	28.5	29.5	23.1%			3.5%
Marlborough	37.8	29.8	28.2	25.5%		5.4%	
West Coast	18.5	18.2	16.9	8.3%		7.0%	
Canterbury	40.9	33.7	32.1	21.5%		4.7%	
Otago	37.1	33.0	29.6	20.3%		10.5%	
Southland	25.5	25.0	21.2	16.5%		15.1%	
All Regions	39.8	33.1	30.6	23.2%		7.5%	

Overall, home affordability has improved again in this quarter. This was broadly driven by decrease in the mortgage interest rates, decline in median house prices and 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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