

# HOME AFFORDABILITY REPORT

## QUARTERLY SURVEY DECEMBER 2021, VOL 32, NO.4

**OVERALL HOME AFFORDABILITY WAS DECLINED IN THIS QUARTER. THIS WAS BROADLY DRIVEN BY INCREASE IN MORTGAGE INTEREST RATE AND INCREASE IN MEDIAN HOUSE PRICES IN MAJORITY OF THE REGIONS INCLUDING AUCKLAND.**

### QUARTERLY RESULTS:

- At the national aggregate level, affordability has declined in this quarter, attributed in this past quarter by increase in mortgage interest rate and median house prices in majority of the regions.
- The greatest increase in median house prices (in percentage terms) has for the last quarter occurred in Gisborne (37% or \$185,000), Hawke's Bay (18.6% or \$130,000), West Coast (16.7% or \$50,000) and Northland (14.6% or \$95,000). All sixteen regions showed an increase in house prices in this quarter except reduction in Marlborough (-19.4% or -\$170,000).
- At the national level, median house prices saw a moderate increase overall (8.8% or \$75,000) for the quarter.
- Overall affordability has declined in this quarter (24% nationally). At the regional level, affordability has also been generally declined, with 15 of the 16 regions seeing a decline except improvement in only one region (Marlborough). In this quarter, the most significant changes being seen in Gisborne (55.7% decline) as compared to the last quarter (14.9% improvement), Hawke's Bay (37.9% decline), West Coast (32.6% decline) and Northland (31.5% decline respectively). These changes in affordability are due to increase in mortgage interest rate and median house prices in majority of the regions.
- Interest rate increased this quarter, up by 0.55% to 4.22% as at October 2021. This is a return to the medium-term trend of changing interest rate, after continuous decrease in the previous quarters by the Reserve Bank.
- Incomes have slightly increased by 0.9% in aggregate during the quarter, with 11 of the 16 regions seeing an increasing and remaining 5 decreasing trends. The largest changes in income in the quarter occurred in Wellington (2% increase).

### YEARLY RESULTS:

- At the national level, 23.5% annual increase in median sales price (\$176,000 increase to \$925,000) is partially supported by a 18.87% increase in mortgage interest rates, moving to 4.22% from 3.55% this time last year. This increase in mortgage interest rate and slight increase in income by 6.2% has not improved the overall affordability but decreased for the 12-month period by 38.2%.
- This decrease in affordability at the national level in the past 12 months is reflected in all regions. The greatest changes for the year are reported in Taranaki and Gisborne showing a decline in affordability by 93.4% and 88.1% respectively.

### GENERAL TRENDS

- National House price to income ratios have declined this quarter with house prices moving from 12.8 to 13.8 times annual wages.

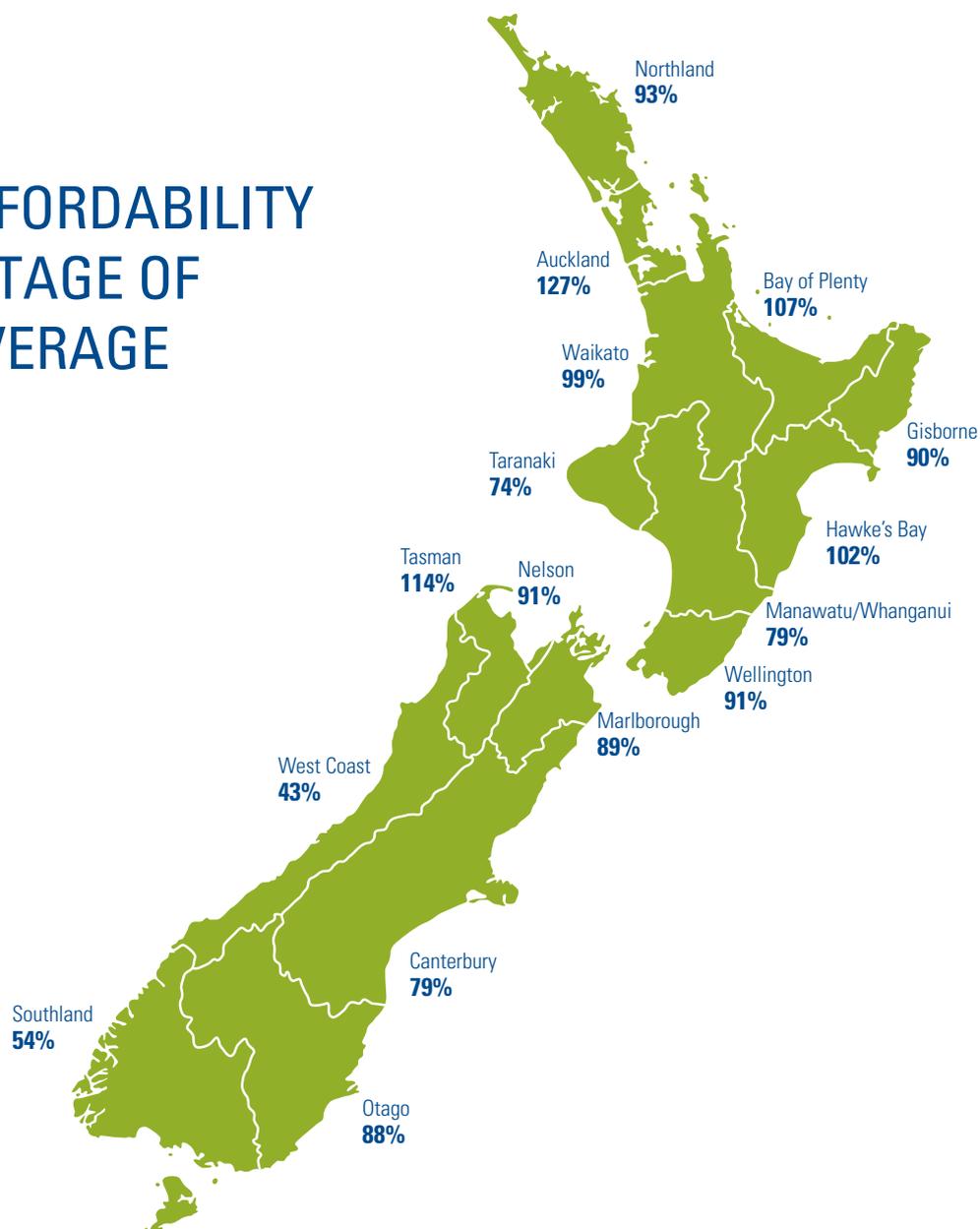
### QUARTERLY RESULTS:

- Affordability this quarter declined nationally by 24% with a quarterly increase in median house prices of 8.8%.
- This quarter, the primary causes of the decline in affordability have been due to an increase in mortgage interest rate and rising median house prices in majority of the regions.

### YEARLY RESULTS:

- The yearly results show an annual result of a decline in affordability at a national level by 38.2%, reflected in all regions.
- The yearly drivers of this change include a 23.5% increase in National median house prices in all regions highlighting West Coast 42.9% and Taranaki 33.5% showing an increase in median house prices. There was slight (0.67%) increase in residential mortgage interest rates, now at 4.22% compared to 3.55% 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 2020	Aug 2020	Nov 2021	Improvement	Decline	Improvement	Decline
Northland	18.2	21.5	28.3		55.7%		31.5%
Auckland	27.4	31.3	38.6		40.9%		23.1%
Waikato	19.5	24.0	30.0		54.2%		24.9%
Bay of Plenty	21.5	26.5	32.6		51.5%		22.9%
Gisborne	14.4	17.4	27.2		88.1%		55.7%
Hawke's Bay	18.3	22.4	30.9		69.4%		37.9%
Manawatu/Whanganui	16.3	20.2	23.8		46.0%		17.7%
Taranaki	11.6	17.3	22.4		93.4%		29.5%
Wellington	22.7	22.2	27.6		21.5%		24.1%
Tasman	23.5	27.1	34.5		46.8%		27.3%
Nelson	23.2	21.7	27.6		18.8%		27.1%
Marlborough	22.1	28.8	26.9		21.8%	6.4%	
West Coast	8.0	9.8	13.0		62.0%		32.6%
Canterbury	15.1	18.8	23.9		58.5%		27.3%
Otago	19.3	21.5	26.6		37.8%		23.5%
Southland	10.9	13.2	16.3		49.9%		24.3%
All Regions	21.9	24.4	30.3		38.2%		24.0%

## 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.

## 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

### AUTHORED BY

**Arshad Javed and Graham Squires**  
**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](mailto:communications@massey.ac.nz)

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

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

## THE 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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