

HOME AFFORDABILITY REPORT

QUARTERLY SURVEY SEPTEMBER 2018, VOL 28, NO.3

IMPROVEMENTS IN HOME AFFORDABILITY DRIVEN BY FALLING QUARTERLY HOUSE PRICES AND RECORD LOWEST MORTGAGE RATES

QUARTERLY RESULTS:

This quarter has seen an improvement in national affordability as an aggregate for all regions (4.4%), with a quarterly national decrease in median house prices of \$19,500.

This quarter, drivers of improvement in affordability have mainly occurred by the fall in house price levels in regions of high value Auckland/Thames/Coromandel (-\$14,000) and Central Otago Lakes (-\$20,000) – as well as falls in Northland (-\$24,000).

YEARLY RESULTS:

The year-on-year results show an annual improvement in affordability for all regions (2.1%).

The yearly drivers of change include an increase of \$20,000 in median house price values nationally, that is netted against a significant percentage change decrease of residential mortgage rates, to the lowest ever value in the 2 year-fixed data series at 5.01%.

GENERAL TRENDS:

In absolute home affordability index point terms, Southland (10.3 index points), Taranaki (12.8 index points), Manawatu/ Whanganui (14.3 index points), Otago (16.4 index points) and Canterbury/Westland (18.0 index points) are the top five country's regions for home affordability.

Central Otago Lakes and Auckland/Thames/Coromandel remain the least affordable regions in the country, 50% and 46% respectively less affordable than the rest of New Zealand.

It is apparent therefore that for New Zealand, home affordability is still a national and regional problem in the short and medium term, especially for those wage earners wishing to purchase a home on the market using a mortgage.

KEY POINTS

QUARTERLY

- Nationwide, median sales price shows a 3.4% decrease this quarter – contributing to a quarterly improvement in national affordability of 4.4%.
- Regions show mixed increase and decrease of quarterly rate of median house price growth, with the highest quarterly fall in Northland (-5.0%; -\$24,000) and the highest quarterly rise in Nelson/Marlborough/Kaikoura (7.0%; \$34,000).

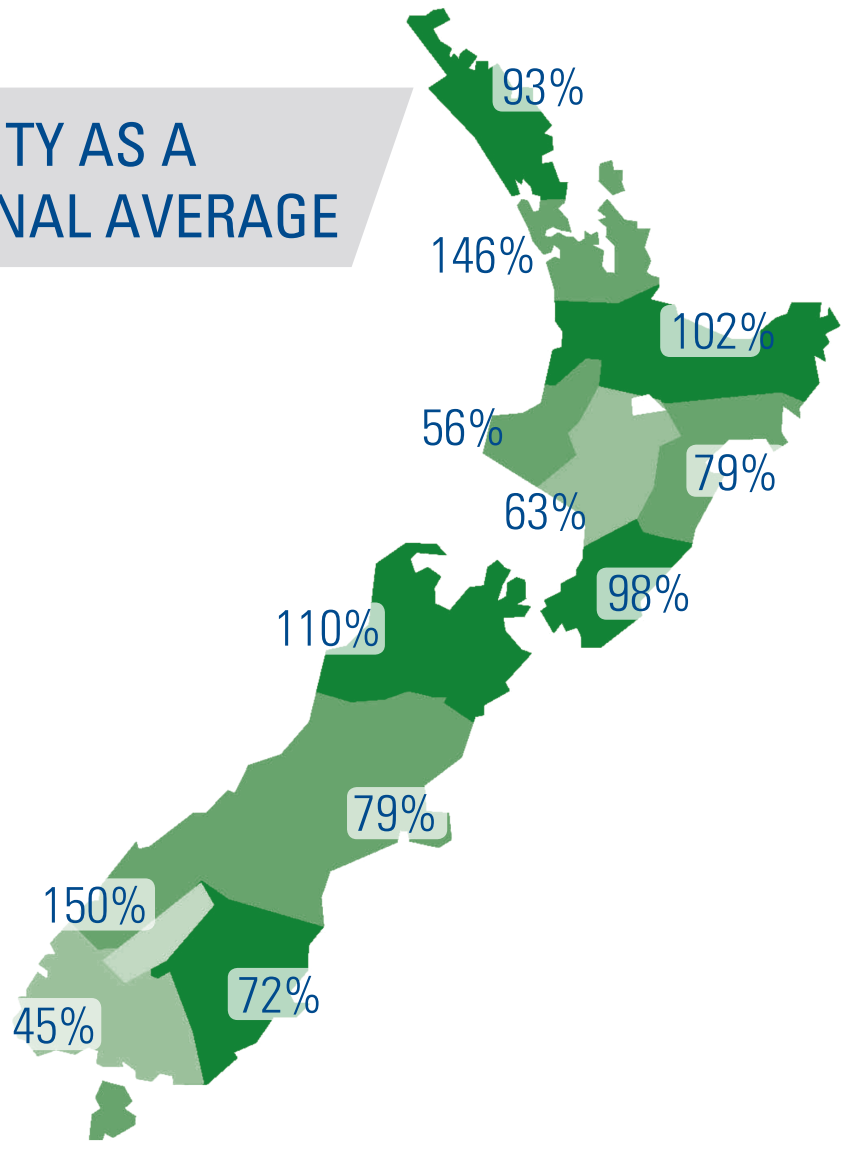
YEARLY

- A national 3.8% annual increase in median sales price is countered by a decreasing mortgage interest rate percentage change of 2.53% - contributing to a year-on-year improvement in national affordability of 2.1%.
- All regions have a year-on-year price increase – except for falls in Central Otago Lakes (-5.2%; -\$37,500) and Southland (-4.6%; -\$11,250).

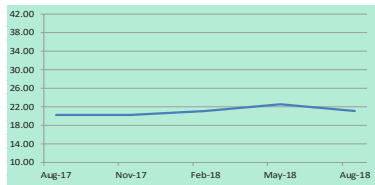
GENERAL TRENDS

- Central Otago Lakes, including Queenstown (34.28 Index Points), continues its record as the most unaffordable region in New Zealand with median house prices at 13.2 annual wages.
- National House price to income ratios are contracting with house prices moving from 9.1 to 8.8 times annual wages.

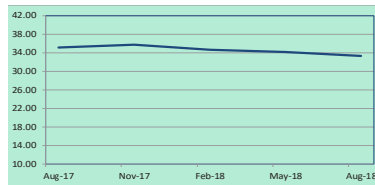
REGIONAL AFFORDABILITY AS A PERCENTAGE OF NATIONAL AVERAGE



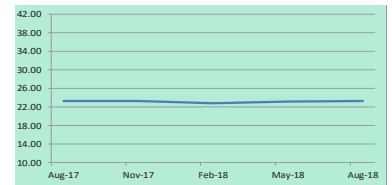
HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	August 2017	May 2018	August 2018	Improvement	Decline	Improvement	Decline
Northland	20.2	22.6	21.2		4.5%	6.5%	
Auckland	35.1	34.1	33.3	5.0%		2.3%	
Waikato/Bay of Plenty	23.3	23.2	23.3	0.1%			0.3%
Hawke's Bay	18.5	18.0	18.1	2.2%			0.8%
Taranaki	13.5	13.5	12.8	4.9%		4.9%	
Manawatu/Whanganui	13.4	14.2	14.3		6.8%		0.9%
Wellington	20.1	21.9	22.3		11.4%		2.2%
Nelson/Marlborough	23.6	23.2	25.1		6.5%		8.5%
Canterbury/Westland	18.9	18.5	18.0	4.6%		2.5%	
Otago	15.5	16.3	16.4		5.8%		0.4%
Central Otago Lakes	39.2	36.1	34.3	12.5%		5.0%	
Southland	11.5	10.9	10.3	10.5%		5.8%	
New Zealand	23.3	23.9	22.8	2.1%		4.4%	



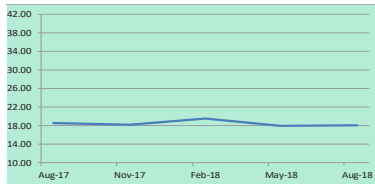
Northland
Aug 17 - Aug 18



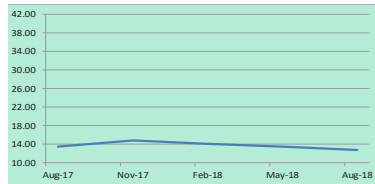
Auckland
Aug 17 - Aug 18



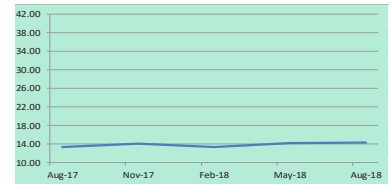
Waikato/Bay of Plenty
Aug 17 - Aug 18



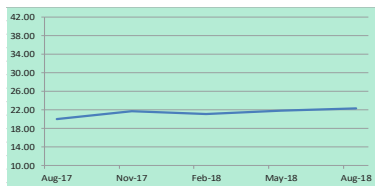
Hawke's Bay
Aug 17 - Aug 18



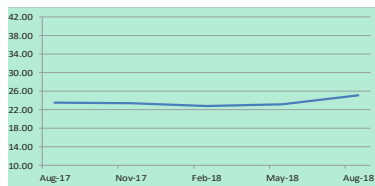
Taranaki
Aug 17 - Aug 18



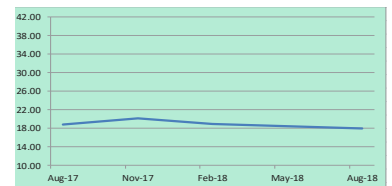
Manawatu/Whanganui
Aug 17 - Aug 18



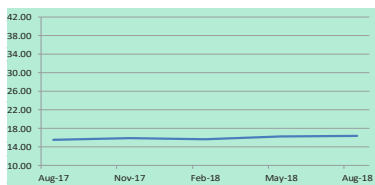
Wellington
Aug 17 - Aug 18



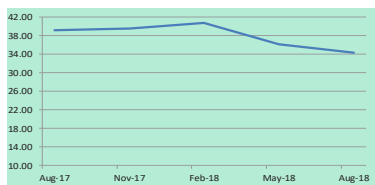
Nelson
Aug 17 - Aug 18



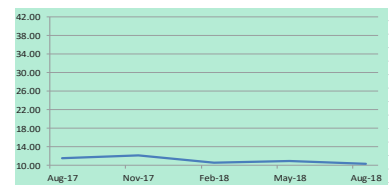
Canterbury/Westland
Aug 17 - Aug 18



Otago
Aug 17 - Aug 18



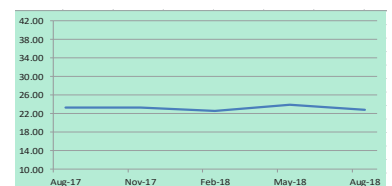
Central Otago Lakes
Aug 17 - Aug 18



Southland
Aug 17 - Aug 18

REGIONAL AFFORDABILITY INDEX

(A LOW INDEX EQUALS IMPROVED AFFORDABILITY)



New Zealand
Aug 17 - Aug 18

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. The average weekly earnings and mortgage interest rate figures are drawn from Statistics New Zealand and Reserve Bank data. Housing prices are released by the Real Estate Institute of New Zealand (REINZ). The combination of this data provides the opportunity to calculate a reliable and useful summary index. The lower the index the more affordable the housing. The index allows for comparisons over time and between regions of relative housing affordability in New Zealand.

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 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 is 5.01%, which is a 12-month negative % change of 2.53%.

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MASSEY UNIVERSITY 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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