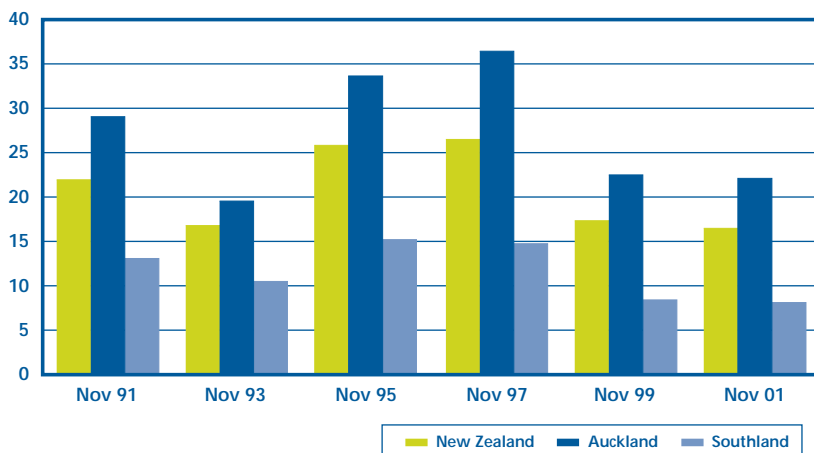




Home Affordability Improvement Reaches Three Year High

Home Affordability improvement in New Zealand for December 2001 reflected a three year high (13.3%) on the back of further interest rate cuts, stable house prices and rising wages. The New Zealand Index recovered from the decline reported in the September quarter to continue a sustained period of improvement over the past year. The improvement has been underpinned by interest rate reductions and lifting wages for the past five consecutive quarters. These gains more than offset some signs of a continuing recovery in house prices. The New Zealand Median Dwelling Price rose 0.1% over the December quarter and 1.3% (\$174,000 to \$176,200) over the past year. The Real Estate Institute reported a third consecutive quarter of improved home buyer activity. Despite a fall off in sales in the month following September 11, the Institute recorded a strong lift in quarterly dwelling sales, 28% up (20,151) when compared to the same

National Home Affordability Index
(a low index equals improved affordability)



Key Points

- Home affordability improvement reaches three year high.
- House sales 28% up over corresponding quarter last year. November house sales reach the highest level for one month since March 1999.
- Interest rates have dropped and wages have improved for five consecutive quarters.
- Three (Southland, Otago and Nelson/Marlborough) of the four South Island regions were leaders in affordability improvement for the December quarter.
- All regions reported strong affordability improvement over the past year.
- Southland and Otago are the two most affordable regions.

AMP Banking is New Zealand's largest branch-free retail bank, offering residential, commercial and rural property lending and term deposits. AMP Banking has an extensive network of 700 Financial Advisers and mortgage brokers nationwide. For detailed information about the bank and its services, or to try out AMP Banking's Internet Banking service, visit our website at ampbanking.co.nz

Home Affordability Report

period the previous year (15,768). As interest rates continued their steady fall, sales in November (7,881) reached the highest level for one month since March 1999.

All regions except Taranaki reported a quarterly improvement in home affordability. The strongest improvement was recorded by Southland (24.3%), followed by Otago (12.9%), Nelson/Marlborough (12.7%), Waikato/Bay of Plenty/Gisborne (12.5%), Canterbury/Westland (11.4%), Auckland (11.3%), Wellington (11.2%) and Manawatu/Wanganui (9.5%). Regions recording the lowest affordability improvement were Hawke's Bay (5.8%) and Northland (7.9%). Three of the four South Island regions were leaders in affordability improvement for the December quarter. Taranaki was the only region to record a quarterly affordability decline (0.8%).

The New Zealand Index for December recorded a twelve monthly improvement in home affordability (23.1%) for the third consecutive quarter. All regions also recorded strong twelve monthly improvements. Northland recorded the highest improvement (26.9%), followed by Canterbury/Westland (26.3%), Manawatu/Wanganui (24.3%), Auckland (22.8%), Wellington (21.4%), Hawke's Bay (20.8%), Taranaki (20.4%), Waikato/Bay of Plenty/Gisborne (19.7%), Nelson/Marlborough (19.7%), Otago (18.3%) and Southland (18.2%). Median Dwelling Prices

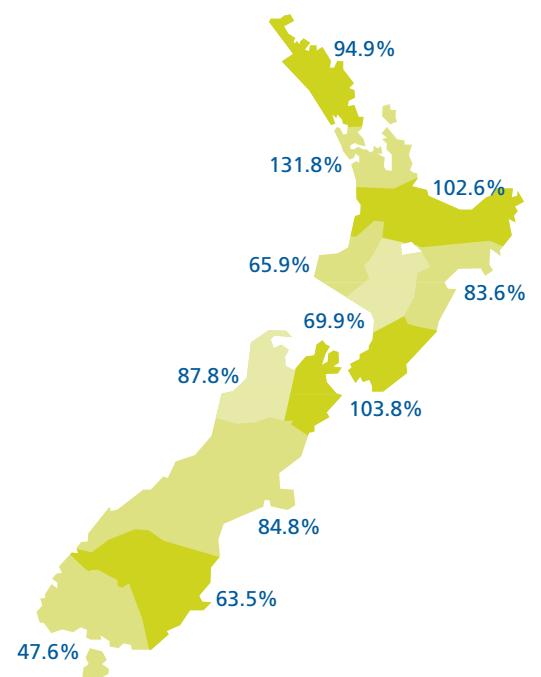
lifted over the year in most regions. Northland, Manawatu/Wanganui and Canterbury/Westland bucked the trend. Prices fell in Northland and Canterbury/Westland with no change in Manawatu/Wanganui.

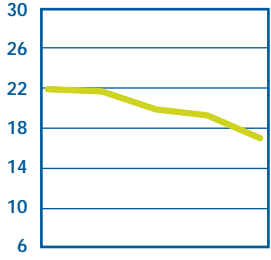
Southland remains the most affordable region followed by Otago, which had replaced Taranaki for three of the past four quarters as the second most affordable region. Auckland scores consistently as the least affordable region.

The graph on the front page illustrates the relative movement in home affordability for New Zealand, Auckland and Southland over the past 10 years.

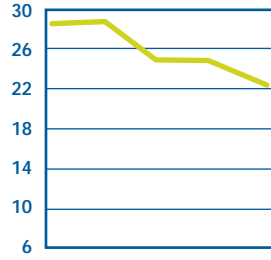
Home Mortgage Affordability Index	Percentage Change in Mortgage Affordability in the last 12 months			
	Region	Aug 01	Nov 01	Improvement
Northland	17.31	15.94	26.9%	-
Auckland	24.97	22.14	22.8%	-
Waikato / Bay of Plenty	19.71	17.24	19.7%	-
Hawke's Bay	14.91	14.05	20.8%	-
Manawatu / Wanganui	12.98	11.75	24.3%	-
Taranaki	10.98	11.08	20.4%	-
Wellington	19.63	17.43	21.4%	-
Nelson	16.91	14.75	19.7%	-
Canterbury / Westland	16.09	14.25	26.3%	-
Otago	12.25	10.68	18.3%	-
Southland	10.57	8.00	18.2%	-
New Zealand	19.38	16.80	23.1%	-

Regional Affordability as a Percentage of National Average

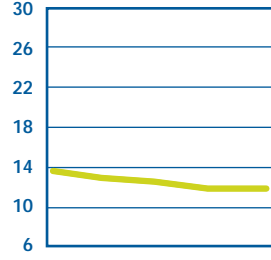




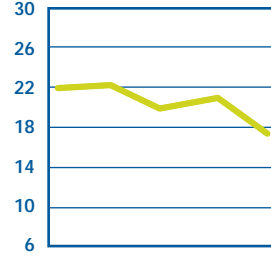
Northland
Nov 00 – Nov 01



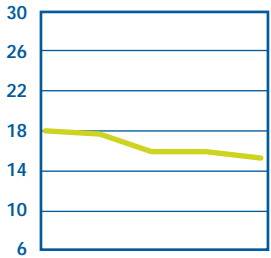
Auckland
Nov 00 – Nov 01



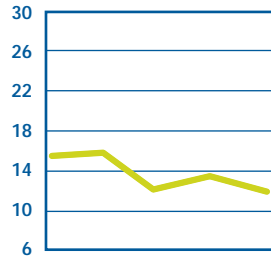
Taranaki
Nov 00 – Nov 01



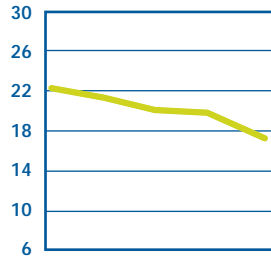
Waikato/Bay of Plenty
Nov 00 – Nov 01



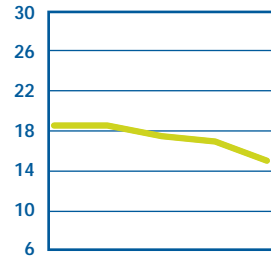
Hawke's Bay
Nov 00 – Nov 01



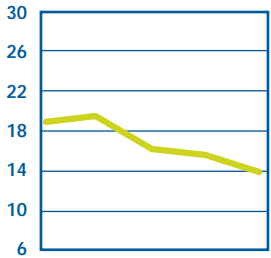
Manawatu/Wanganui
Nov 00 – Nov 01



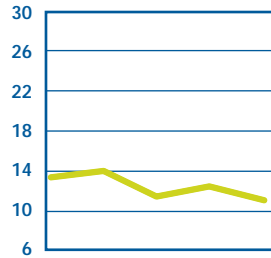
Wellington
Nov 00 – Nov 01



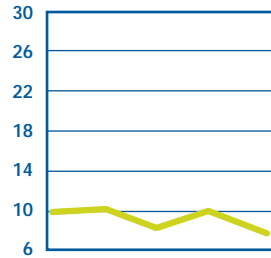
Nelson
Nov 00 – Nov 01



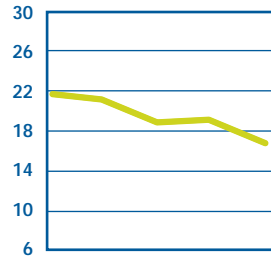
Canterbury/Westland
Nov 00 – Nov 01



Otago
Nov 00 – Nov 01



Southland
Nov 00 – Nov 01



New Zealand
Nov 00 – Nov 01



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Data Sources

This survey is based on a similar study prepared regularly in Australia by the Real Estate Institute of Australia and MGICA Ltd.* The New Zealand version differs in terms of the data used but the format of presentation is similar to aid comparability for an Australasian comparison. The average weekly earnings and mortgage interest rate figures are drawn from Statistics New Zealand data. Housing prices are released by the Real Estate Institute of New Zealand (REINZ). The combination of these data provides the opportunity to calculate a reliable and useful summary index. The lower the index the more affordable is the housing. The index allows for comparisons over time and between regions of relative housing affordability in New Zealand.

(*Australian Index expresses ratio of average of home loan repayment to family earnings. New Zealand Index expresses weighted mortgage interest rate as a percentage of median selling price to average wage.)

Terminology

Mortgage 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 are provided directly by Statistics New Zealand.

Average Monthly Interest Rates

Statistics New Zealand, Key Statistics, publishes a series on mortgage interest rates. The number is the prime rate for new borrowers. This is calculated as the weighted average interest rate for ANZ Banking Group, ASB Bank, BNZ, National Bank, and WestpacTrust, weighted according to each institution's total lending outstanding for housing purposes.

This mortgage rate provides an indication of the interest which is payable on new mortgages entered into in the quarter under consideration. While there are various levels, as a percentage of the house price which a mortgage may represent, in general most new home buyers are up to the maximum percentage of approximately 80%.

Massey University Property Foundation

The Foundation is established to sponsor research and education in property related matters in New Zealand. The Chairman of Trustees is Gordon Davies and funding is obtained through sponsorship from corporations and firms within the property industry. The Foundation has established a Real Estate Analysis Unit to operate out of both Massey University's Palmerston North and Albany campuses. The Foundation works closely with the Property Studies Group at Massey University, and Ms Claire Phillips is the Secretary/Treasurer. She may be contacted on +025 2462347. Professor R.V. (Bob) Hargreaves is the Executive Officer and may be contacted on +64 6 3505799 ext 7473.

Department of Finance, Banking and Property, Massey University

Massey University has three campuses, located in Palmerston North, Wellington and Albany (north of Auckland), in New Zealand. The University has an enrolment of 33,000 students with approximately 13,000 business students. There are ten departments and three schools within the Business Studies College. Professor R.V. (Bob) Hargreaves leads the Property group, which has a staff of seven academics. He also directs the Massey University Real Estate Analysis Unit (MUREAU).

AMP Banking

AMP Banking has commissioned MUREAU to undertake specific targeted research into aspects of the New Zealand property market. The purpose of the research is to provide informed commentary on aspects of the Residential market place for the benefit of lending institutions, property related professions and the public.

Important Disclaimer

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