

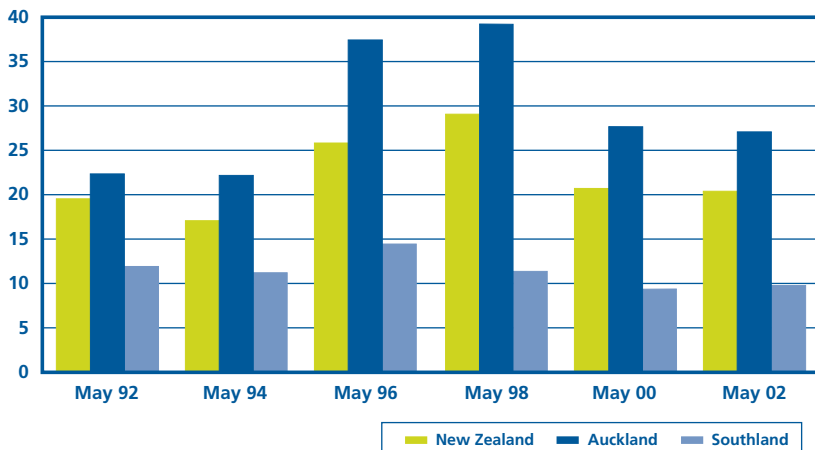


## Sharp Decline In Home Affordability

A lift in both interest rates and house prices more than offset an increase in wages to reflect a sharp decline in the New Zealand home affordability index (14.9%) during the June quarter. This second consecutive quarterly decline is the steepest recorded since December 1994 and comes on the back of strong and sustained residential sales activity recorded across much of the country.

The New Zealand Median Dwelling Price rose 1.1% over the quarter reaching a record high of \$189,000 in the month of April then settling back to \$188,000 at the end of the quarter. Mortgage interest rates, the dominant driver in the affordability decline, rose by just over one percentage point during the quarter (the weighted average mortgage interest rate moved from 6.70% to 7.75% over the quarter). Home sales activity continued at a strong level reaching a six-year high for the second consecutive month at 9,742 for March. The Real Estate Institute reported a sustained lift in quarterly dwelling sales, 42.8% up (28,027) when compared to the same period the previous year (19,626).

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



## Key Points

- Home affordability index reflects steepest quarterly decline since December 1994.
- Home sales activity continues at a strong and sustained level.
- New Zealand Median Dwelling Price lifts 10.6% over past twelve months.
- Mortgage interest rates show quarterly rise of one percentage point.

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](http://ampbanking.co.nz)

# Home Affordability Report

All eleven regions recorded a quarterly decline in home affordability. Northland reported the steepest decline (24.4%), followed by Nelson/Marlborough (21.2%), Taranaki (18.1%), and the two North Island metropolitan areas Auckland (17.6%) and Wellington (17.4%). All of these regions also recorded a lift in house prices over the quarter. Smaller declines were recorded by Waikato/Bay of Plenty/Gisborne (11.8%), followed by Southland (9.8%), Canterbury/Westland (8.1%), Hawke's Bay (5.8%), Manawatu/Wanganui (4.4%) and Otago (0.9%).

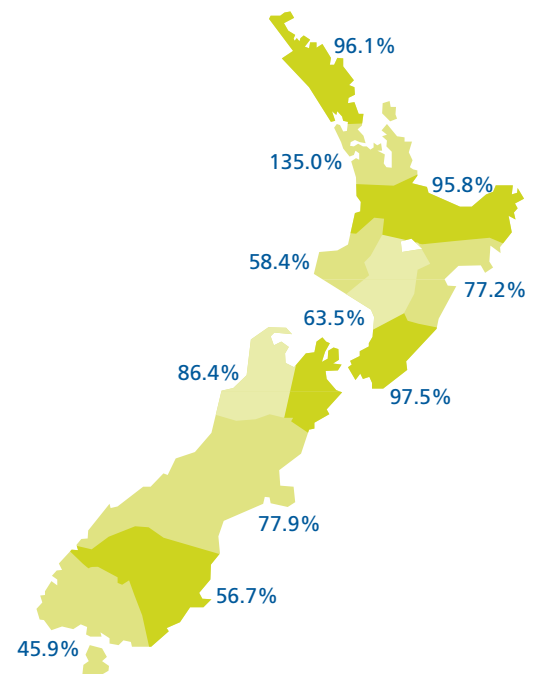
The New Zealand index for June recorded a twelve monthly decline in home affordability of 6.4%. Mortgage interest rates were close to the same level of twelve months ago, the Average Weekly Wage had risen by 4.6%, but the New Zealand Median Dwelling Price had moved up by 10.6% over the period (\$170,000 to \$188,000).

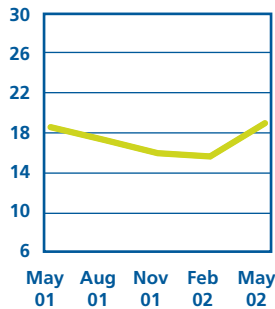
House sales activity lifted a robust 32.7% year on year. Eight out of the eleven regions also recorded twelve monthly declines. Southland recorded the steepest twelve monthly decline (9.3%), followed by Auckland (9.2%), Northland (4.5%) and Hawke's Bay (4.4%). Smaller declines were reported by Manawatu/Wanganui (3.1%), Waikato/Bay of Plenty/Gisborne (2.7%), Otago (1%) and Nelson/Marlborough (0.8%). Twelve monthly affordability improvements were recorded in the remaining three regions: Canterbury/Westland (3.8%), followed by Taranaki (1.8%) and Wellington (0.2%). The Median Dwelling Price lifted over the period in all eleven regions.

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

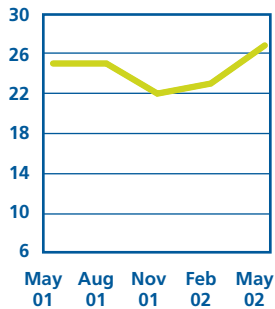
| Home Affordability Index |        |        | Percentage Change in Home Affordability in the last 12 months |         |
|--------------------------|--------|--------|---|---------|
| Region                   | Feb 02 | May 02 | Improvement   | Decline |
| Northland                | 15.60  | 19.41  | -   | 4.5%    |
| Auckland                 | 23.19  | 27.27  | -   | 9.2%    |
| Waikato / Bay of Plenty  | 17.32  | 19.36  | -   | 2.7%    |
| Hawke's Bay              | 14.74  | 15.59  | -   | 4.4%    |
| Taranaki                 | 9.99   | 11.79  | - 1.8%  |         |
| Manawatu / Wanganui      | 12.29  | 12.83  | -   | 3.1%    |
| Wellington               | 16.79  | 19.70  | - 0.2%  |         |
| Nelson                   | 14.40  | 17.46  | -   | 0.8%    |
| Canterbury / Westland    | 14.55  | 15.73  | - 3.8%  |         |
| Otago                    | 11.35  | 11.45  | -   | 1.0%    |
| Southland                | 8.45   | 9.28   | -   | 9.3%    |
| New Zealand              | 17.59  | 20.20  | -   | 6.4%    |

Regional Affordability as a Percentage of National Average

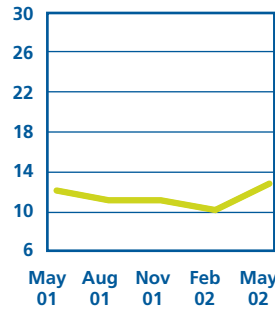




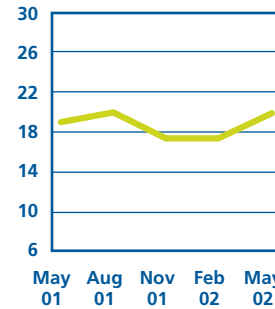
**Northland**  
May 01 – May 02



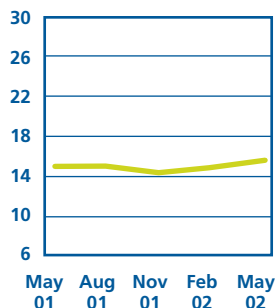
**Auckland**  
May 01 – May 02



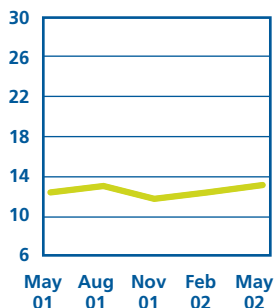
**Taranaki**  
May 01 – May 02



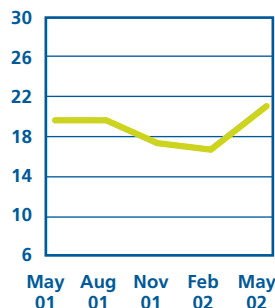
**Waikato/Bay of Plenty**  
May 01 – May 02



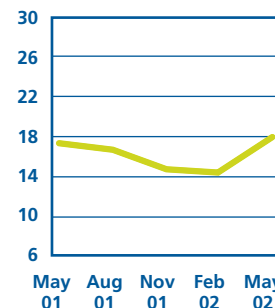
**Hawke's Bay**  
May 01 – May 02



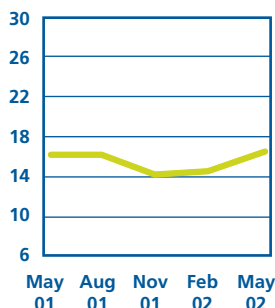
**Manawatu/Wanganui**  
May 01 – May 02



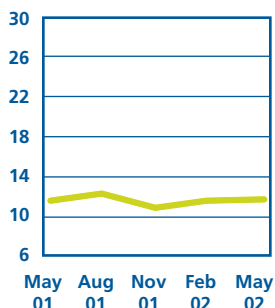
**Wellington**  
May 01 – May 02



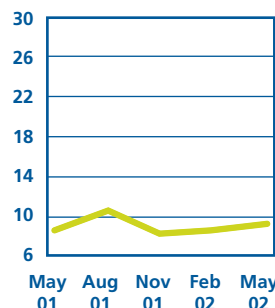
**Nelson**  
May 01 – May 02



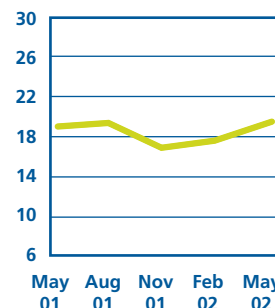
**Canterbury/Westland**  
May 01 – May 02



**Otago**  
May 01 – May 02



**Southland**  
May 01 – May 02



**New Zealand**  
May 01 – May 02



Prepared by Graham Crews  
Department of Finance, Banking and Property, Massey University

Enquiries may be addressed to:  
Richard Gordon, Communications, AMP  
Phone: +64 9 374 0273  
Fax: +64 9 374 0262  
email: richard\_gordon@amp.co.nz  
internet: ampbanking.co.nz  
or post to: AMP Banking  
Private Bag 92070  
Auckland Mail Centre  
New Zealand

## Data Sources

This survey is based on a similar study prepared regularly in Australia by the Real Estate Institute of Australia and AMP Banking.\* 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

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 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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