

AMP Banking

Home Affordability Report

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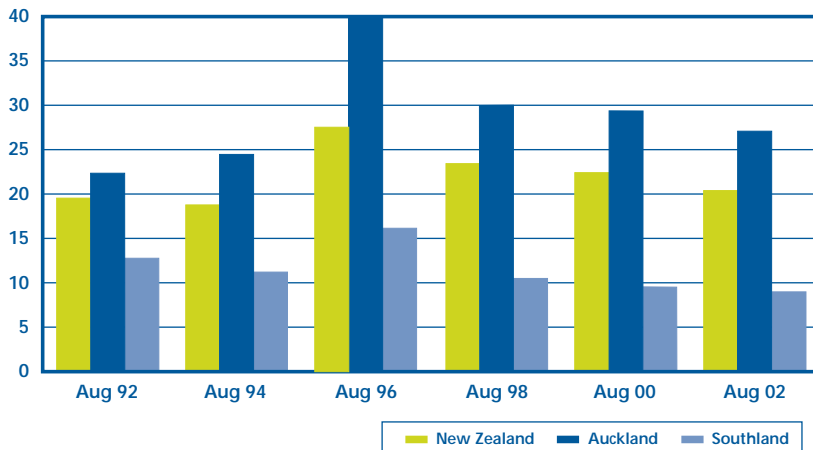


Home Affordability Remains Unchanged Despite Busy Market

The New Zealand home affordability index showed little change over the September quarter as a slight drop in house prices offset a small upward movement in mortgage interest rates. Both interest rates and house prices appear to have stabilised despite strong and sustained residential sales activity. The index reflected a quarterly decline of just 0.1%.

The New Zealand Median Dwelling Price lowered 1.6% from \$188,000 to \$185,000 over the quarter. The Real Estate Institute reported continuing strength in the residential market. 8,036 homes changed hands in August. Quarterly dwelling sales were 21.1% up (23,317) when compared to the same period last year (19,248). Mortgage interest rates are expected to remain stable for the remainder of the year, signalling ongoing strength in the residential property market in the medium term.

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



Key Points

- Plateau in interest rates and house prices leaves home affordability unchanged.
- Home sales activity remains strong. Forecast of stable interest rates signals ongoing strength in medium term.
- Dwelling sales for past 12 months total 93,186, 31% up on previous year.
- Sustained market strength driven by favourable interest rates, high levels of immigration, job growth and revived investor interest.
- Southland and Otago only two regions to report a fall in Median Dwelling Price over the past 12 months.
- Southland records a 12-monthly home affordability improvement of 20.6%.

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

Eight of the 11 regions recorded a quarterly decline in home affordability. Manawatu/Wanganui recorded the steepest decline (7.6%) followed by Canterbury/Westland (7.2%), Otago (3.5%), Waikato/Bay of Plenty (2.3%), Hawke's Bay (1.8%), Wellington (1.4%), Auckland (0.8%) and Taranaki (0.5%). The remaining three regions reported a quarterly improvement in home affordability. Southland reported the highest improvement (9.5%) followed by Northland (5.5%) and Nelson/Marlborough (3.1%).

The New Zealand index for September reflected a 12-month decline in home affordability of 4.4%. Dwelling sales for the past 12 months were reported as 93,186, a robust 31% increase compared year on year (71,176). Main drivers in the strong increase in residential sales over the period have been favourable interest rates, high levels of immigration, job growth and revived investor interest.

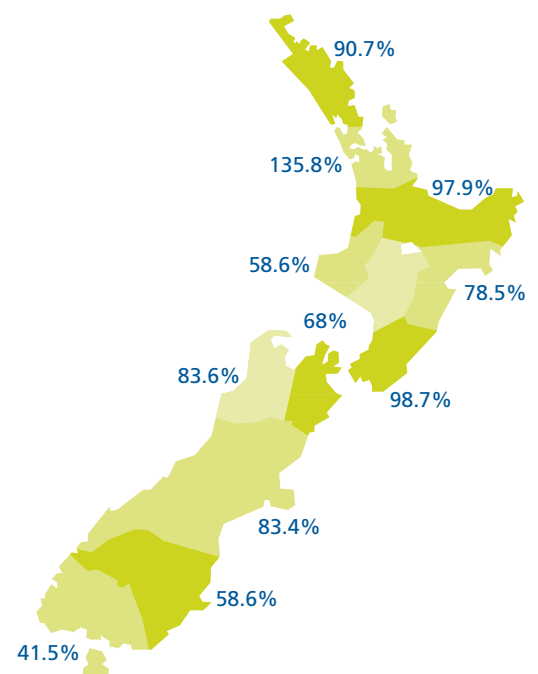
The New Zealand Median Dwelling Price moved up by 5.1% over the period (\$176,000 to \$185,000). Eight out of the 11 regions also recorded 12-monthly declines. Auckland recorded the steepest 12-monthly decline (10.1%) followed by Taranaki (7.9%), Hawke's Bay (6.5%), Manawatu/Wanganui (6.4%), Northland (5.9%), Canterbury/Westland (4.8%), Wellington (1.8%) and Waikato/Bay of Plenty (0.5%). Auckland's Median Dwelling Price rose 10% over the past year.

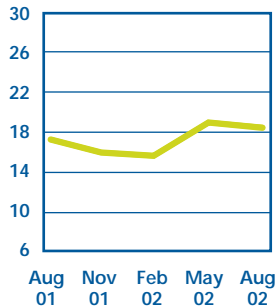
Two of the 11 regions recorded a 12-monthly improvement in affordability. Southland reported the highest improvement (20.6%) followed by Otago (3.3%). Southland and Otago were the only two regions where the Median Dwelling Price fell over the period. Twelve-monthly affordability remained unchanged in Nelson/Marlborough.

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

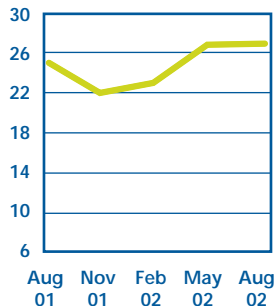
Home Affordability Index			Percentage Change in Home Affordability in the last 12 months	
Region	May 02	Aug 02	Improvement	Decline
Northland	19.41	18.34	-	5.9%
Auckland	27.27	27.48	-	10.1%
Waikato / Bay of Plenty	19.36	19.81	-	0.5%
Hawke's Bay	15.59	15.87	-	6.5%
Taranaki	11.79	11.85	-	7.9%
Manawatu / Wanganui	12.83	13.80	-	6.4%
Wellington	19.70	19.98	-	1.8%
Nelson	17.46	16.91	-	0.0%
Canterbury / Westland	15.73	16.87	-	4.8%
Otago	11.45	11.85	-3.3%	-
Southland	9.28	8.39	-20.6%	-
New Zealand	20.20	20.23	-	4.4%

Regional Affordability as a Percentage of National Average

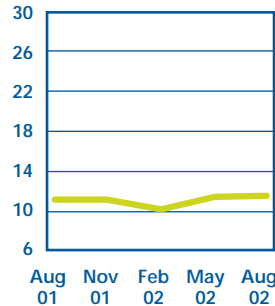




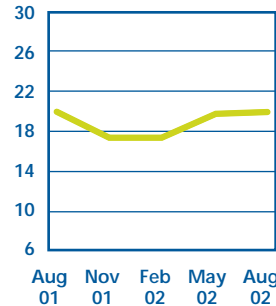
Northland
Aug 01 – Aug 02



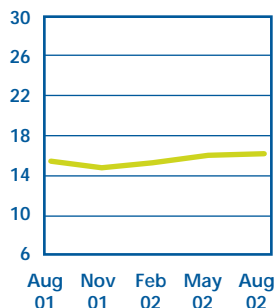
Auckland
Aug 01 – Aug 02



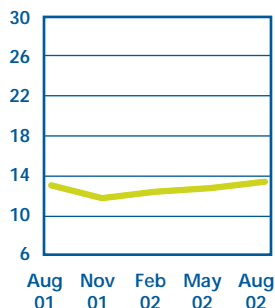
Taranaki
Aug 01 – Aug 02



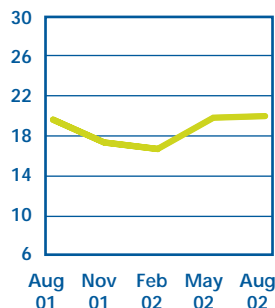
Waikato/Bay of Plenty
Aug 01 – Aug 02



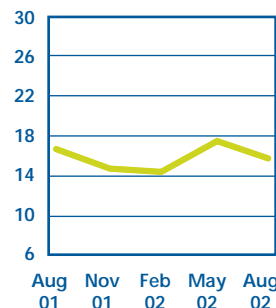
Hawke's Bay
Aug 01 – Aug 02



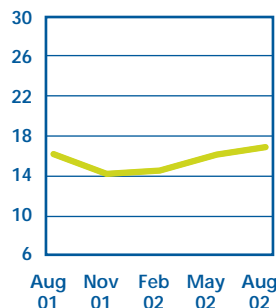
Manawatu/Wanganui
Aug 01 – Aug 02



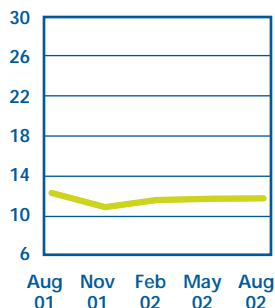
Wellington
Aug 01 – Aug 02



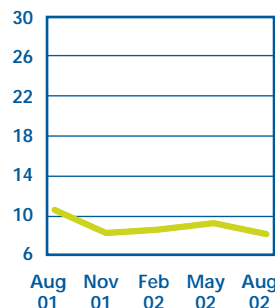
Nelson
Aug 01 – Aug 02



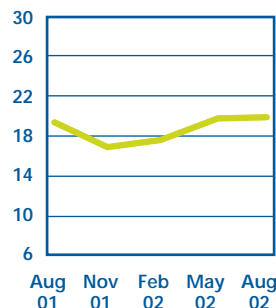
Canterbury/Westland
Aug 01 – Aug 02



Otago
Aug 01 – Aug 02



Southland
Aug 01 – Aug 02



New Zealand
Aug 01 – Aug 02



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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 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 variable 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 the size of each institution's total residential mortgage portfolio.

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 10 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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