

AMP Home Affordability Report

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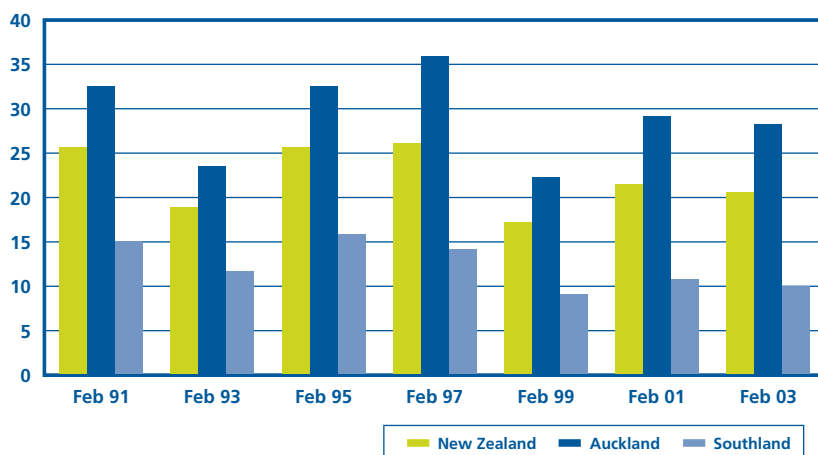
Home Affordability Stabilises in First Quarter

Despite a continued surge in home buyer activity, the New Zealand home affordability index in the March quarter reflected a slight improvement of 0.7%, as house prices and interest rates both plateaued. Wages showed a slight lift over the quarter.

The New Zealand Median Dwelling Price ended the quarter unchanged at \$195,000. The Real Estate Institute reported a continuation of strong buyer activity into the new year with quarterly dwelling sales up 18% (25,549) when compared to the same period last year (21,651). Dwelling sales for January, normally a subdued period for buyer activity, totalled 8,159, the highest on record for that month. Interest rates remained unchanged for the second consecutive quarter whilst wage rates rose 0.7%.

National Home Affordability Index

(a low index equals improved affordability)



Key Points

- Home affordability remains unchanged in first quarter.
- New Zealand Median Dwelling Price ends quarter unchanged at \$195,000.
- January sales highest on record for that month at 8,159.
- New Zealand home sales for the past twelve months reach a record yearly total of 104,116.
- Median Dwelling Price lifts strongly over the past year in Nelson/Marlborough (35.6%).
- Manawatu/Wanganui overtakes Taranaki as the second most affordable region. Nelson/Marlborough replaces Wellington as the second least affordable region.

Home Affordability Report

Four of the 11 regions recorded a quarterly improvement in home affordability. Wellington ranked highest at 4.1% followed by Canterbury/Westland (2.3%), Manawatu/Wanganui (2%), and Auckland (1.1%). All other regions recorded a quarterly home affordability decline. Nelson/Marlborough was highest at 14%, followed by Taranaki (10.5%), Northland (6.2%), Waikato/Bay of Plenty (2.8%), Hawke's Bay (2%), Otago (1.8%) and Southland (1%).

For the fourth consecutive quarter the New Zealand index recorded a twelve monthly decline in home affordability (18%). The Median Dwelling Price moved up 4.8% from \$186,000 to \$195,000. Home sales for the past year reached a record 104,116 compared to 80,676 for the previous year, a lift of 29%. For the second consecutive quarter all regions also recorded twelve monthly declines in home affordability. Nelson/Marlborough led the decline with a strong 50.6% followed by Taranaki (34.4%), Wellington (23.1%), Otago (22.4%), Auckland (21.7%), Northland (20%), Waikato/Bay of Plenty/Gisborne (17.7%), Southland (17.4%), Canterbury/Westland (14.5%), Hawke's Bay (11.7%) and Manawatu/Wanganui (7.6%). The New Zealand index reflected a decline of 24.4%.

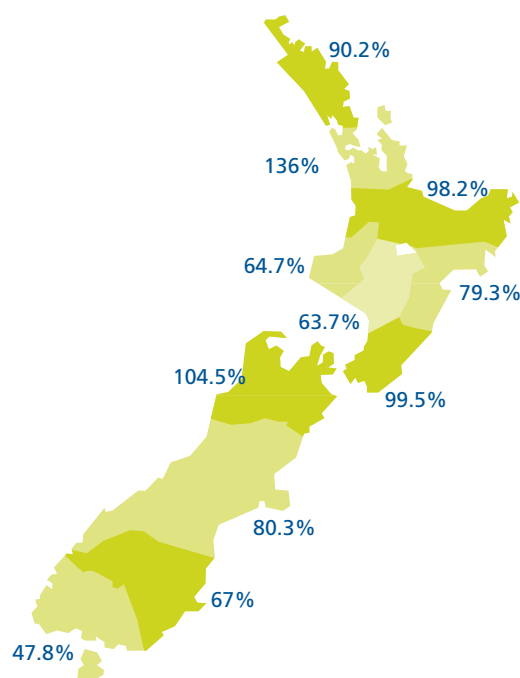
All regions except Manawatu/Wanganui showed an increase in Median Dwelling Prices over the past year. Nelson/Marlborough recorded the strongest lift at 35.6% followed by Taranaki at 15.9%. The Median Dwelling Price in Manawatu/Wanganui fell by 3.5% over the twelve-month period.

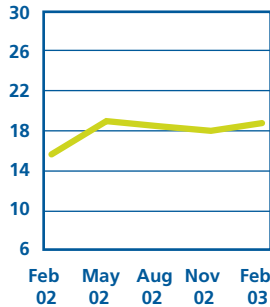
Southland remains the most affordable region. Manawatu/Wanganui, which overtook Otago in the December quarter as third most affordable region, has now overtaken Taranaki as second most affordable region. Taranaki is now third, followed by Otago. Auckland remains the least affordable region. Nelson/Marlborough has now replaced Wellington as the second 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.

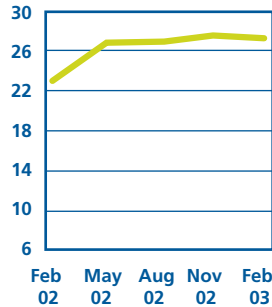
Region	Home Affordability Index		Percentage Change in Home Affordability in the last 12 months	
	Nov 02	Feb 03	Improvement	Decline
Northland	17.62	18.71	-	20.0%
Auckland	28.53	28.21	-	21.7%
Waikato / Bay of Plenty	19.83	20.39	-	17.7%
Hawke's Bay	16.14	16.46	-	11.7%
Taranaki	12.15	13.43	-	34.4%
Manawatu / Wanganui	13.49	13.23	-	7.6%
Wellington	21.55	20.66	-	23.1%
Nelson	19.03	21.70	-	50.6%
Canterbury / Westland	17.06	16.66	-	14.5%
Otago	13.65	13.89	-	22.4%
Southland	9.82	9.92	-	17.4%
New Zealand	20.90	20.75	-	18.0%

Regional Affordability as a Percentage of National Average

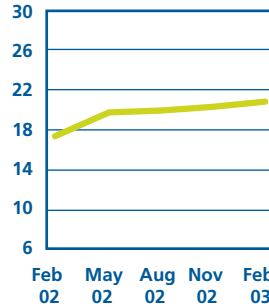




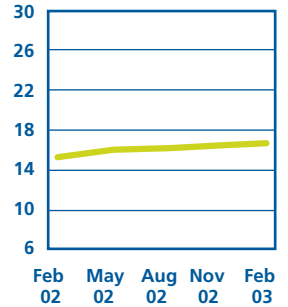
Northland
Feb 02 – Feb 03



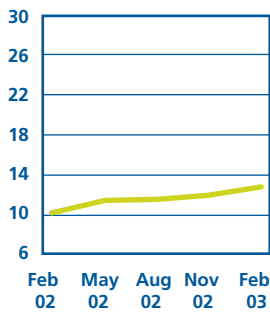
Auckland
Feb 02 – Feb 03



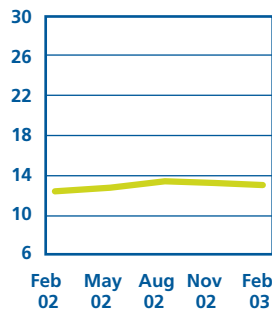
Waikato/Bay of Plenty
Feb 02 – Feb 03



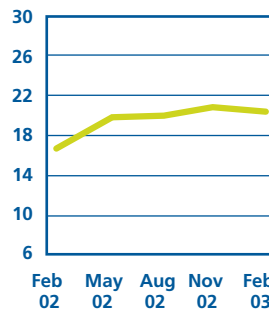
Hawke's Bay
Feb 02 – Feb 03



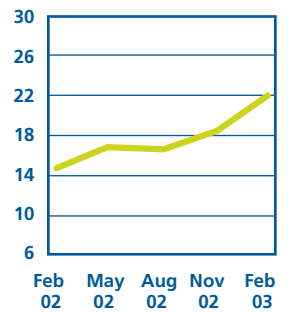
Taranaki
Feb 02 – Feb 03



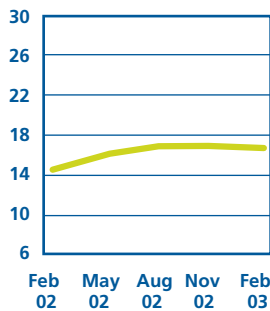
Manawatu/Wanganui
Feb 02 – Feb 03



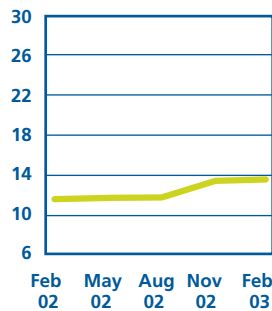
Wellington
Feb 02 – Feb 03



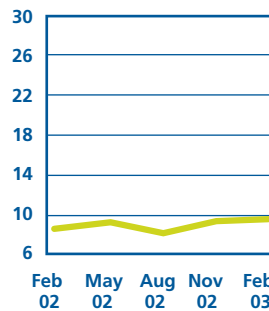
Nelson
Feb 02 – Feb 03



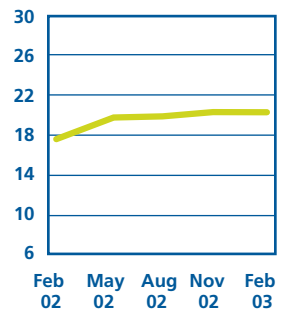
Canterbury/Westland
Feb 02 – Feb 03



Otago
Feb 02 – Feb 03



Southland
Feb 02 – Feb 03



New Zealand
Feb 02 – Feb 03



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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.* 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 and Reserve Bank 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 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. REINZ continues to research ways of improving the quality of the data. The research, and other continuing action by 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 per cent.

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 Natalie McLelland 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

AMP 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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