



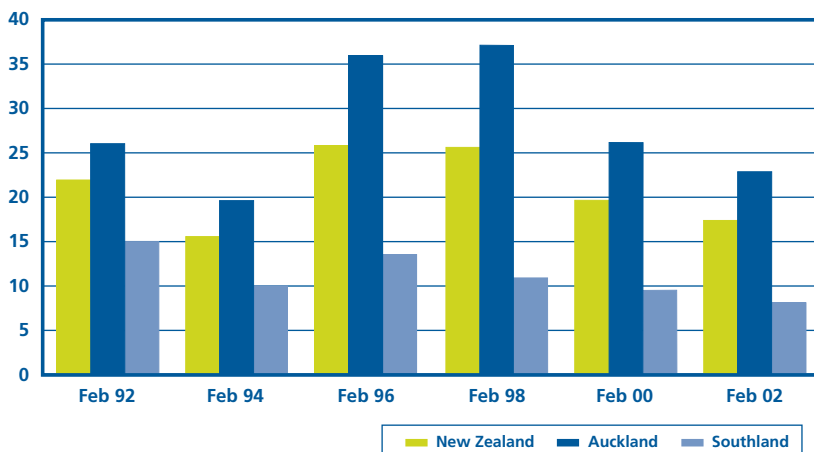
Home Affordability Declines as Market Heats Up

New Zealand home affordability declined 4.7% during the March quarter as house prices reached a record high and sales volumes continued a strong upward trend. The end of a steady drop in interest rates was also heralded by the Reserve Bank's surprise move to increase the official cash rate by 0.25%.

The New Zealand Median Dwelling Price rose 5.6% over the quarter reaching a record high of \$186,000. Home sales soared reaching a six-year high for monthly sales (8,733) in February. The Real Estate Institute reported a strong lift in quarterly dwelling sales, 39.4% up (21,651) when compared to the same period the previous year (15,534). Home buyer activity has been steadily improving over the past twelve months. The main drivers have been low interest rates, a strengthening domestic economy and a rapid turnaround from net migration loss to sustained net migration gain.

National Home Affordability Index

(a low index equals improved affordability)



Key Points

- Home affordability declines as market heats up.
- Home sales soar reaching a six-year high in February.
- New Zealand Median Dwelling Price reaches record high of \$186,000.
- Market improvement driven by low interest rates, a strengthening domestic economy and rapid turnaround in net migration.
- Reserve Bank ends sustained period of interest rate reductions.
- Northland, Wellington and Nelson/Marlborough record five consecutive quarters of home affordability improvement.

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

Four of the eleven regions recorded a quarterly improvement in home affordability. The highest improvement was recorded by Taranaki (9.8%), followed by Wellington (3.7%), Nelson/Marlborough (2.4%) and Northland (2.2%). Northland, Wellington and Nelson/Marlborough have sustained affordability improvements for the past five consecutive quarters. All other regions recorded a quarterly decline in home affordability. Otago recorded the steepest decline (6.3%) followed by Southland (5.6%), Hawke's Bay (4.9%), Auckland (4.7%), Manawatu/Wanganui (4.6%), Canterbury/Westland (2.1%) and Waikato/Bay of Plenty/Gisborne (0.4%).

The New Zealand Index for March recorded a twelve monthly improvement in home affordability of 17.6% against a background of sustained interest rate falls over the period.

All regions also recorded strong twelve monthly improvements. Northland and Canterbury/Westland recorded the highest improvements for the second consecutive quarter (26.4% and 24.9%) followed by Taranaki (22.9%), Manawatu/Wanganui (21.3%), Nelson/Marlborough (21.1%), Waikato/Bay of Plenty/Gisborne and Wellington (20%), Auckland (19.7%), Southland (17.6%), Otago (16.2%) and Hawke's Bay (13.6%).

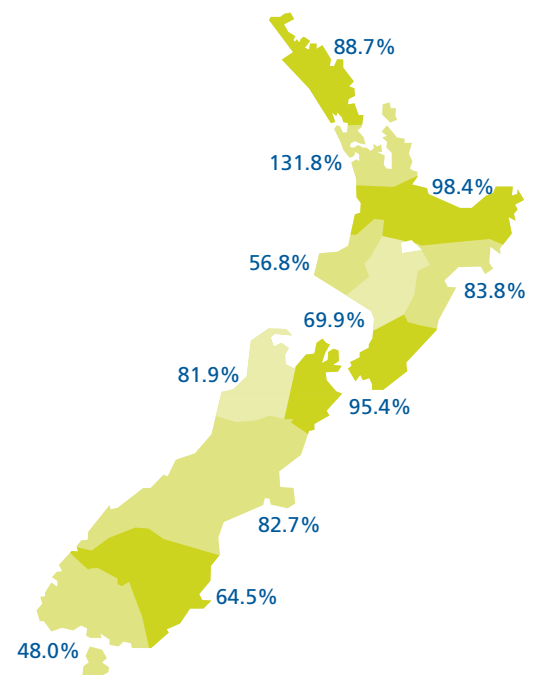
Median Dwelling Prices lifted over the year in all regions except Northland and Canterbury/Westland which both recorded price declines.

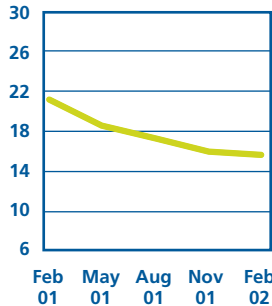
Southland remains the most affordable region followed by Taranaki, which had again overtaken Otago as the second most affordable region. Auckland scores consistently as the least affordable region.

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

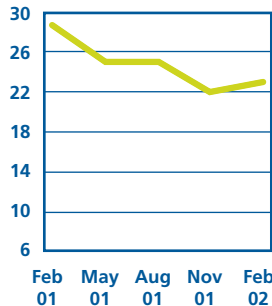
Home Mortgage Affordability Index			Percentage Change in Mortgage Affordability in the last 12 months	
Region	Nov 01	Feb 02	Improvement	Decline
Northland	15.94	15.60	- 26.4%	-
Auckland	22.14	23.19	- 19.7%	-
Waikato / Bay of Plenty	17.24	17.32	- 20.0%	-
Hawke's Bay	14.05	14.74	- 13.6%	-
Manawatu / Wanganui	11.75	12.29	- 21.3%	-
Taranaki	11.08	9.99	- 22.9%	-
Wellington	17.43	16.79	- 20.0%	-
Nelson	14.75	14.40	- 21.1%	-
Canterbury / Westland	14.25	14.55	- 24.9%	-
Otago	10.68	11.35	- 16.2%	-
Southland	8.00	8.45	- 17.6%	-
New Zealand	16.80	17.59	- 17.6%	-

Regional Affordability as a Percentage of National Average

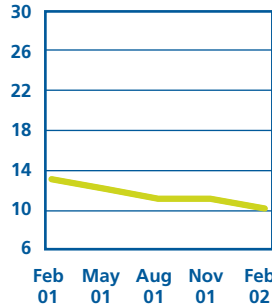




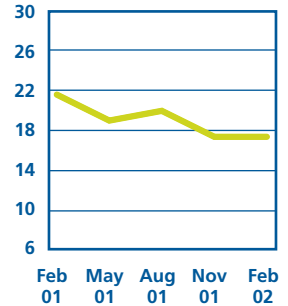
Northland
Feb 01 – Feb 02



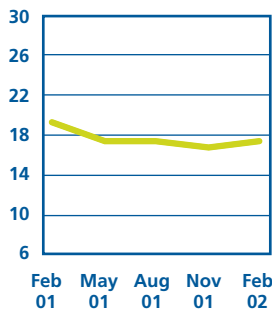
Auckland
Feb 01 – Feb 02



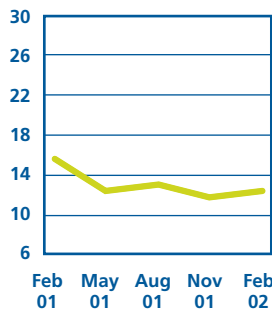
Taranaki
Feb 01 – Feb 02



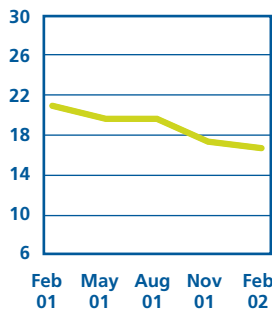
Waikato/Bay of Plenty
Feb 01 – Feb 02



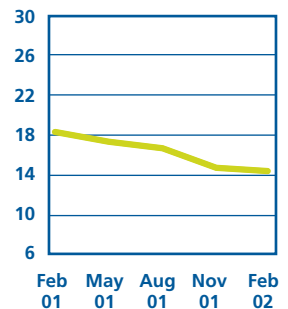
Hawke's Bay
Feb 01 – Feb 02



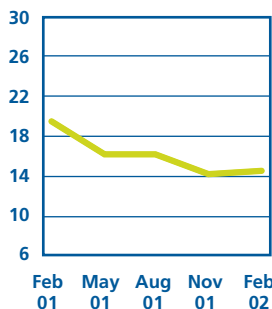
Manawatu/Wanganui
Feb 01 – Feb 02



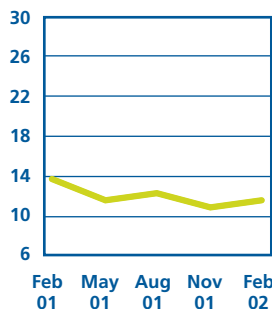
Wellington
Feb 01 – Feb 02



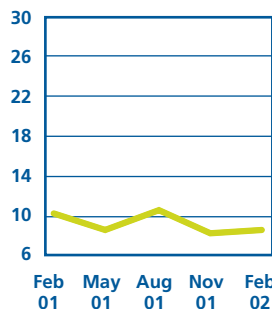
Nelson
Feb 01 – Feb 02



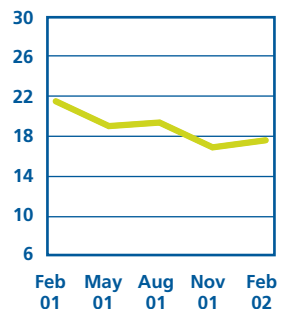
Canterbury/Westland
Feb 01 – Feb 02



Otago
Feb 01 – Feb 02



Southland
Feb 01 – Feb 02



New Zealand
Feb 01 – Feb 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

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 percent.

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 campus'. 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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