

AMP Home Affordability Report

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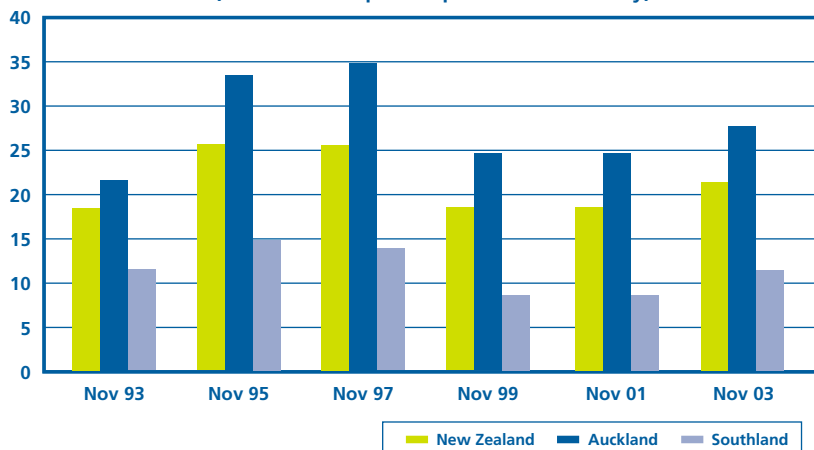


HOME AFFORDABILITY DIPS AS PRICES CONTINUE TO CLIMB

The New Zealand Home Affordability Index reflected a 5.9% decline in affordability over the December quarter as house prices continued to climb, offsetting a slight fall in interest rates.

Recent anecdotal evidence of a slowdown in sales was barely reflected in the latest residential market report by the Real Estate Institute of New Zealand. Quarterly dwelling sales reached a record high of 32,332, 18.8% up on the same period last year (27,223). The New Zealand Median Dwelling Price showed a further strong lift ending the quarter at an all time high of \$235,000, up 9.3% from \$215,000. All eleven regions in the Index reported a quarterly lift in Median Dwelling Prices. A fall in interest rates for the fifth consecutive quarter continued as the main driver in sustaining strong market activity. Interest rates, now at their lowest since publication of the index commenced in 1990, are expected to rise in the first half of 2004.

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



Key Points

- New Zealand Median Dwelling Price moves up 20.5% over the past year to new high of \$235,000.
- All regions report both a quarterly and yearly rise in Median Dwelling Prices.
- New Zealand dwelling sales for the past twelve months reach an all time high of 118,954.
- Nelson/Marlborough, Southland and Otago dominate twelve-monthly affordability decline for second consecutive quarter.
- Interest rates, at historic lows in the Affordability Report, are expected to rise in the first half of 2004.

Home Affordability Report

Nine regions recorded a quarterly decline in home affordability. Otago recorded the steepest decline at 13.4%, followed by Wellington (12%), Canterbury/Westland (10%), Taranaki (7.3%), Southland (5.9%), Nelson/Marlborough (5%), Hawke's Bay (5%), Manawatu/Wanganui (4.1%) and Waikato/Bay of Plenty/Gisborne (1.1%). Both regions at the top of the North Island, Auckland (1.6%) and Northland (1.3%), recorded a quarterly affordability improvement.

The New Zealand index reflected a twelve-monthly decline in home affordability (7.6%) for the sixth consecutive quarter. Home sales for the past year reached an all time high of 118,954 surpassing both the record yearly sales of 113,845 reported in the last quarter and the record calendar year sales of 101,837 in 2002. The Median Dwelling Price moved up 20.5% over the past year from \$195,000 to \$235,000.

Nine of the eleven regions recorded a twelve-monthly decline in home affordability. For the second consecutive quarter the same three South Island regions dominated at the high end of the twelve-monthly decline. Nelson/Marlborough ranked highest at 36.5%, followed by Southland (21.6%) and Otago (17.9%).

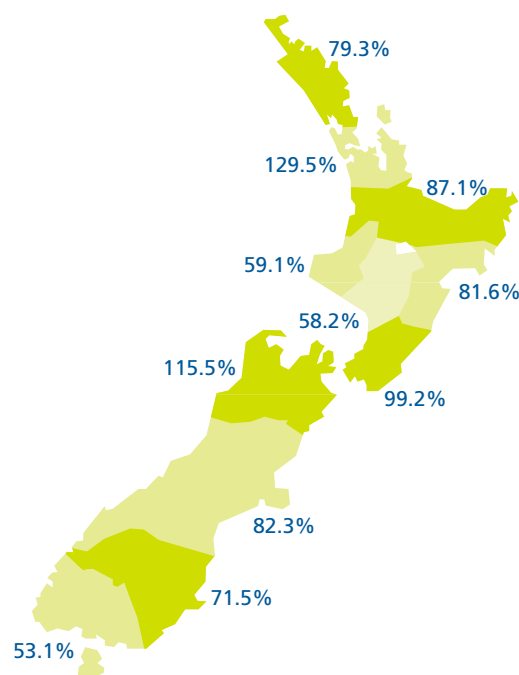
Hawke's Bay ranked next in line at 13.8% followed by Taranaki (9.3%), Canterbury/Westland (8.5%), Wellington (3.5%), Auckland (2%) and Northland (1.1%). The two regions to report a twelve-monthly affordability improvement were Manawatu/Wanganui (2.9%) and Waikato/Bay of Plenty/Gisborne (1.2%). All regions reported an increase in Median Dwelling Prices over the past year. Nelson/Marlborough led the market up (for the second consecutive quarter) with a lift of 48.7% followed by Southland (37.5%) and Otago (34.5%).

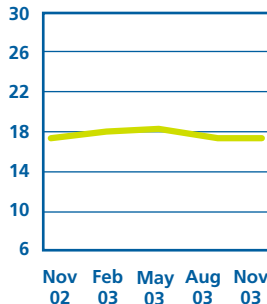
Southland remains the most affordable region followed in ranking by Manawatu/Wanganui, Taranaki, and then Otago as fourth most affordable region. Auckland remains the least affordable region followed in ranking by Nelson/Marlborough, then Wellington as the third least affordable region.

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

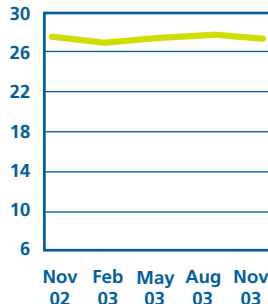
Region	Home Affordability Index		Percentage Change in Home Affordability in the last 12 months	
	Aug 03	Nov 03	Improvement	Decline
Northland	17.27	17.05		1.1%
Auckland	28.30	27.85		2.0%
Waikato / Bay of Plenty	18.52	18.73	-1.2%	
Hawke's Bay	16.73	17.56		13.8%
Taranaki	11.85	12.71		9.3%
Manawatu / Wanganui	12.04	12.53	-2.9%	
Wellington	19.04	21.34		3.5%
Nelson / Marlborough	23.67	24.84		36.5%
Canterbury / Westland	16.10	17.71		8.5%
Otago	13.57	15.39		17.9%
Southland	10.78	11.42		21.6%
New Zealand	20.31	21.51		7.6%

Regional Affordability as a Percentage of National Average

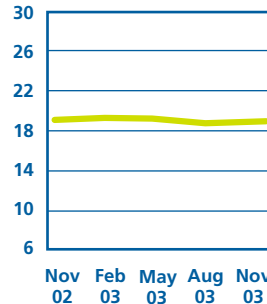




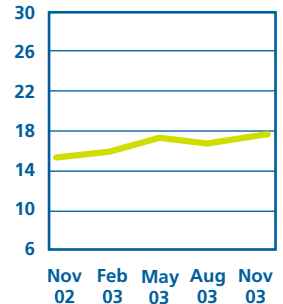
Northland
Nov 02 – Nov 03



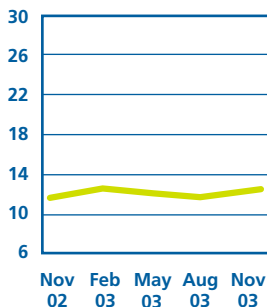
Auckland
Nov 02 – Nov 03



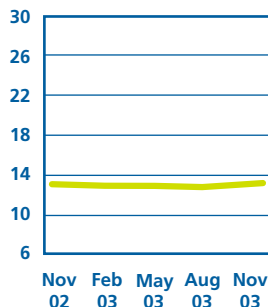
Waikato/Bay of Plenty
Nov 02 – Nov 03



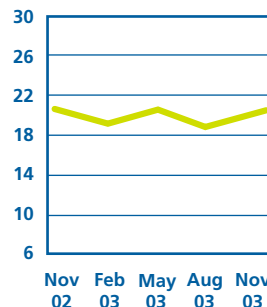
Hawke's Bay
Nov 02 – Nov 03



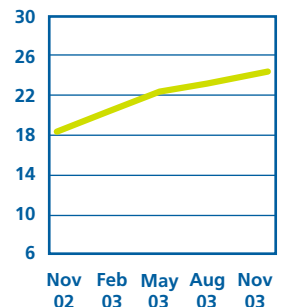
Taranaki
Nov 02 – Nov 03



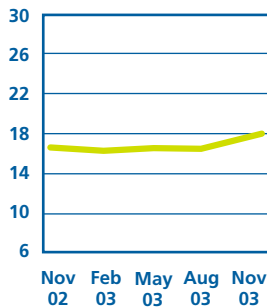
Manawatu/Wanganui
Nov 02 – Nov 03



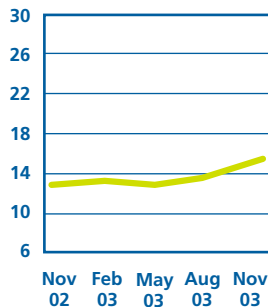
Wellington
Nov 02 – Nov 03



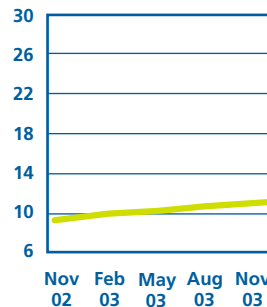
Nelson
Nov 02 – Nov 03



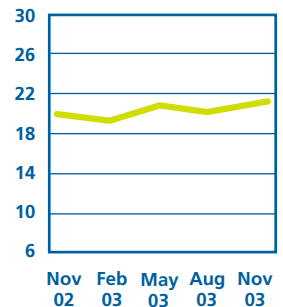
Canterbury/Westland
Nov 02 – Nov 03



Otago
Nov 02 – Nov 03



Southland
Nov 02 – Nov 03



New Zealand
Nov 02 – Nov 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 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

The Reserve Bank publishes a range of data on mortgage interest rates. The Reserve Bank series selected for the affordability index is based on end of month floating and fixed rates for existing borrowers. Weighted by volume, loan type and term from each lending institution, the rate used is effectively the weighted average interest rate earned by lenders (and paid by borrowers) for more than 90% of the residential mortgage market.

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 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 ten departments and three schools within the Business Studies College. Professor R.V. (Bob) Hargreaves leads the Property group, which has a staff of nine 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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