

# Home Affordability Report



**Massey University**

Quarterly Survey May 2009, Volume 19 Number 2

## Good News on Home Affordability

Over the last quarter the all districts national affordability index improved by 8.5%. This represents the largest quarterly improvement in affordability for 10 years and continues the improvement in affordability that first emerged in early 2008. The current low mortgage interest rate environment is the main reason for the improvement in the quarter ending May 2009. Anecdotal evidence, based on recent increases in house sales volume, suggests more first time home buyers are now entering the market and taking advantage of improved affordability. However, some potential first home buyers are being shut out of the market while they save for the larger deposit (20%) now required by most lenders.

Over the last quarter all twelve regions showed improvements in affordability; Manawatu/Wanganui 16.3%, Hawke's Bay 14.2%, Southland 12.8%, Canterbury/Westland 12.6%, Northland 11.9%, Waikato 11.9%, Otago 10.8%, Taranaki 9.4%, Wellington 8.8%, Nelson/Marlborough 7.7%, Central Otago/Lakes 6.1% and Auckland 4.2%.

On an annual basis all districts affordability improved by 17.7%. Regional improvements in annual affordability were led by Northland 29.8%. In second place was Southland 28.1% with Manawatu/Wanganui in third at 24.5%. The remaining regions were ordered as follows; Hawkes Bay 21.7%, Canterbury/Westland 21.2%, Otago 18.8%, Central Otago/Lakes 17.2%, Waikato/Bay of Plenty 15.7%, Auckland 15.5%, Taranaki 15.3%, Wellington 16.2% and Nelson/Marlborough 14.8%.

Central Otago Lakes remains the least affordable region with an index of 150.7% of the national average. Next comes the Auckland region at 126.8% followed by Nelson/Marlborough 110.2%.

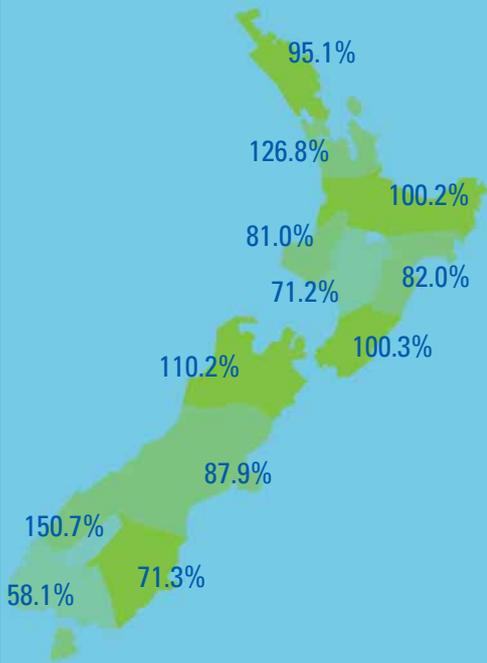
Southland retains its place as the most affordable region with an index of 58.1% of the national average. Manawatu/Wanganui moves into second place at 71.2% followed by Otago in third at 71.3%.

Further details on affordability and the methodology used in this survey are reported on the following pages.

## Key Points:

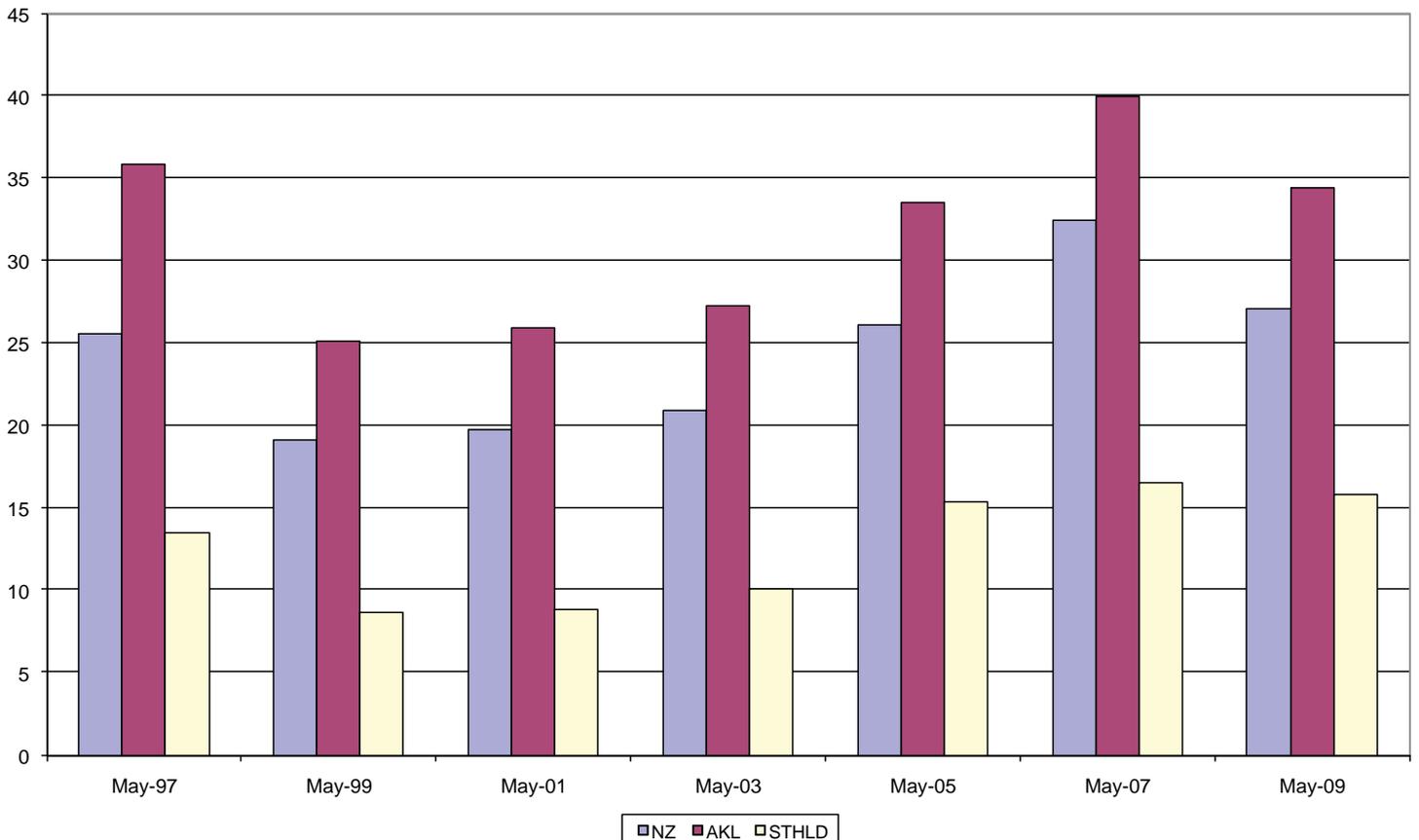
- **All regions showed quarterly improvements in affordability.**
- **National affordability improved 8.5% over the last quarter.**
- **National affordability improved 17.7% over the last year.**

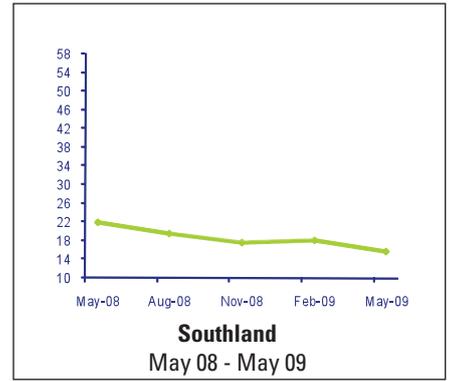
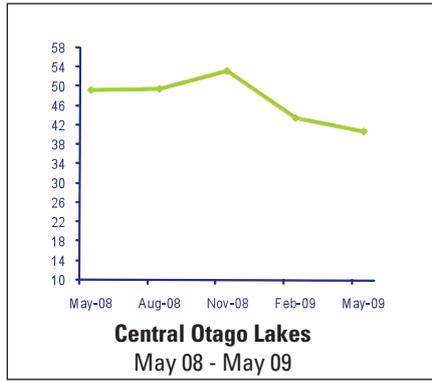
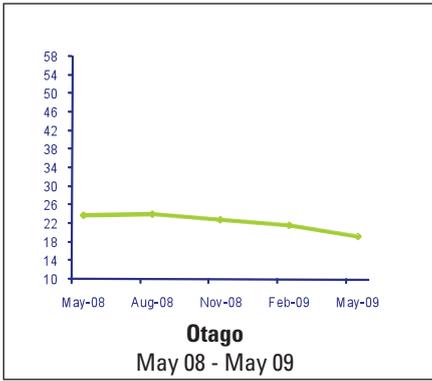
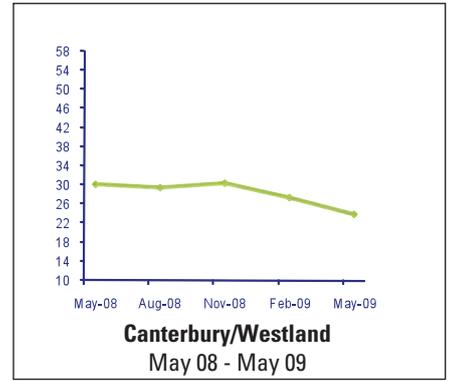
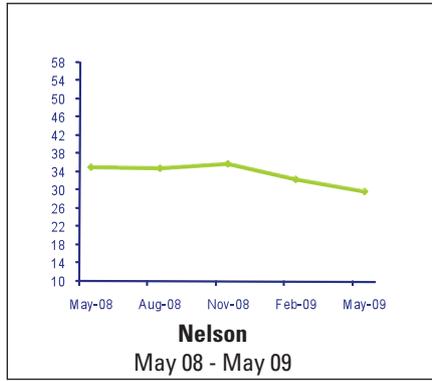
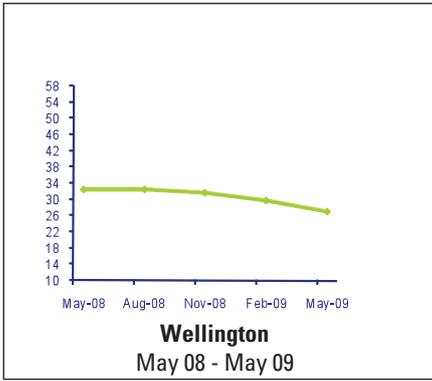
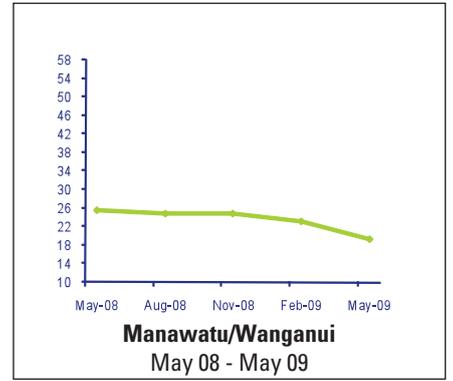
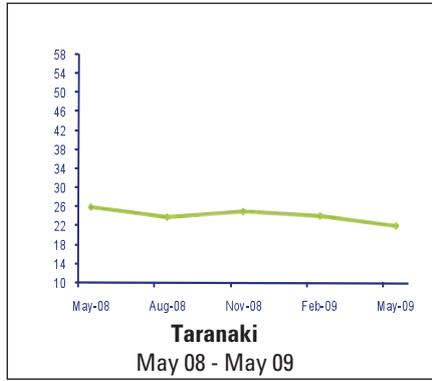
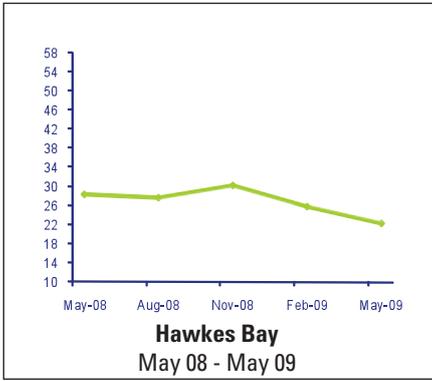
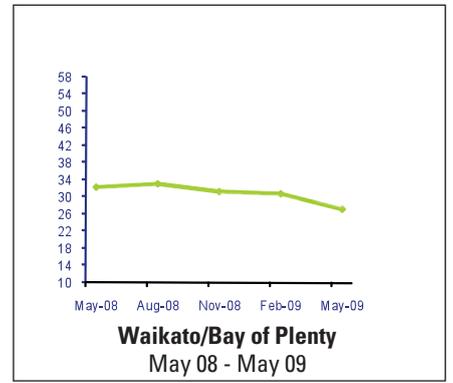
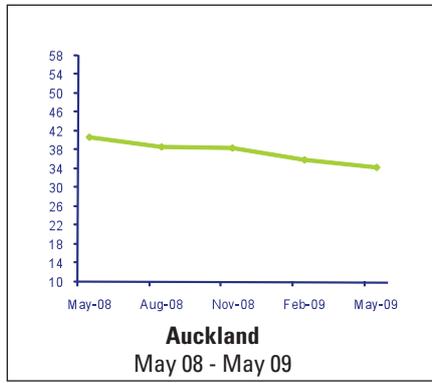
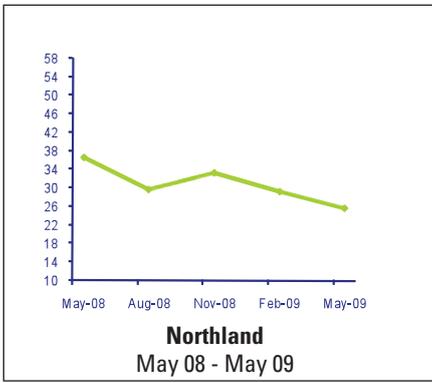
**Regional Affordability as a percentage of National Average**



Home Affordability Index			Percentage Change in Home Affordability in the last 12 months	
Region	Feb 09	May 09	improvement	decline
Northland	29.23	25.75	29.8%	
Auckland	35.87	34.36	15.5%	
Waikato/Bay of Plenty	30.81	27.14	15.7%	
Hawke's Bay	25.91	22.22	21.7%	
Taranaki	24.21	21.94	15.3%	
Manawatu/Wanganui	23.06	19.30	24.5%	
Wellington	29.79	27.17	16.2%	
Nelson/Marlborough	32.33	29.84	14.8%	
Canterbury/Westland	27.27	23.82	21.2%	
Otago	21.67	19.32	18.6%	
Central Otago Lakes	43.48	40.81	17.2%	
Southland	18.06	15.74	28.1%	
New Zealand	29.62	27.09	17.7%	

**NATIONAL HOME AFFORDABILITY INDEX  
(a low index equals improved affordability)**





# Regional Affordability Index



## Data Sources

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 this data provides the opportunity to calculate a reliable and useful summary index. The lower the index the more affordable the housing. The index allows for comparisons over time and between regions of relative housing affordability in New Zealand.

## 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 is 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 per cent 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 percent.

Prepared by Bob Hargreaves & Fong Mee Chin  
Department of Economics and Finance,  
Massey University.

### ENQUIRIES MAY BE ADDRESSED TO

Kathryn Farrow

Communications and Marketing

Massey University

**Phone** (09) 414 0800 extn 9421

**Email** [k.farrow@massey.ac.nz](mailto:k.farrow@massey.ac.nz)

**Website** [www.masseynews.massey.ac.nz](http://www.masseynews.massey.ac.nz)

## Massey University Property Foundation

The Foundation is established to sponsor research and education in property related matters in New Zealand. 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 Donna Dowse is the Secretary/Treasurer. She may be contacted on +64 6 3574032.

Professor R.V.(Bob) Hargreaves is the Executive Officer and may be contacted on +64 6 3569099 extn 7473.

## Department of Economics and Finance, Massey University

Massey University has three campuses, located in Palmerston North, Wellington and Auckland, in New Zealand. The University has an enrolment of 33,000 students with approximately 13,000 business students. There are five departments and two schools within the Business Studies College. Professor R.V.(Bob) Hargreaves, leads the Property group and directs the Massey University Real Estate Analysis Unit (MUREAU).

## Important Disclaimer

No person should rely on the contents of this report without first obtaining advice from a qualified professional person. This report is made available on the terms and understanding that Massey University and the authors of this report are not responsible for the results of any actions taken on the basis of information in this report, nor for any error in or omission from this report.