



MASSEY UNIVERSITY

Home Affordability Report

Quarterly Survey March 2010 | Volume 20 | Number 1

Home Affordability Continues to Improve

The all districts national affordability index improved by 3.9% during the quarter ending February 2010 and is now at the same level as it was in November 2004. The good news for first home buyers is likely changes in May to the taxation treatment of rental houses has created uncertainty in the minds of property investors. This uncertainty has resulted in the stocks of unsold houses increasing, reduced competition by investors and more choice for first home buyers. The bad news for home owners is that mortgage interest rates are predicted to increase during 2010.

Over the last quarter ten out of twelve regions showed improvements in affordability; Northland 13.5%, Otago 9.5%, Central Otago Lakes 6.9%, Auckland 6.2%, Canterbury/Westland 4.5%, Waikato 2.6%, Wellington 2.3%, Hawkes Bay 1.8%, Nelson/Marlborough 0.7% and Southland 0.3%. Regions showing quarterly reductions in affordability were Taranaki 3.2% and Manawatu/Wanganui 2.3%.

On an annual basis the all districts national affordability index improved by 16.4%, down on the previous period (20.3%). All regions showed improved affordability. Regional improvements were led by Central Otago/Lakes 25.0%, Otago 23.9% was in second place with Waikato/Bay of Plenty and Northland each 20.1% in third equal. The remaining regions were ordered as follows; Manawatu/Wanganui 20.0%, Nelson/Marlborough 19.4%, Hawkes Bay 17.4%, Taranaki 17.1%, Canterbury/Westland 16.6%, Southland 16.3%, Wellington 16.2% and Auckland 15.8%.

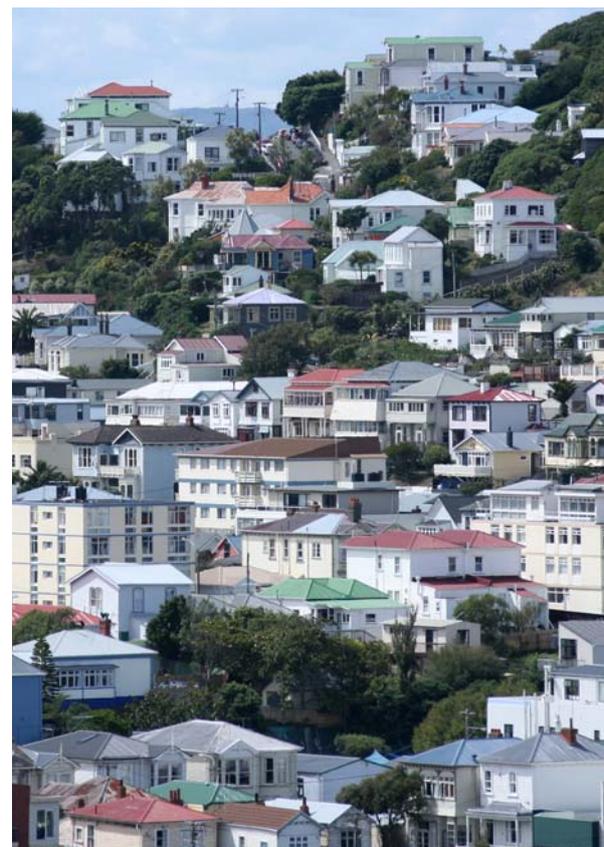
Central Otago Lakes remains the least affordable region with an index of 131.6% of the national average. Next was the Auckland region at 122.0% followed by Nelson/Marlborough 105.2%.

Southland retains its place as the most affordable region with an index of 61.1% of the national average with Otago in second place at 66.6% closely followed by Manawatu/Wanganui in third at 74.5

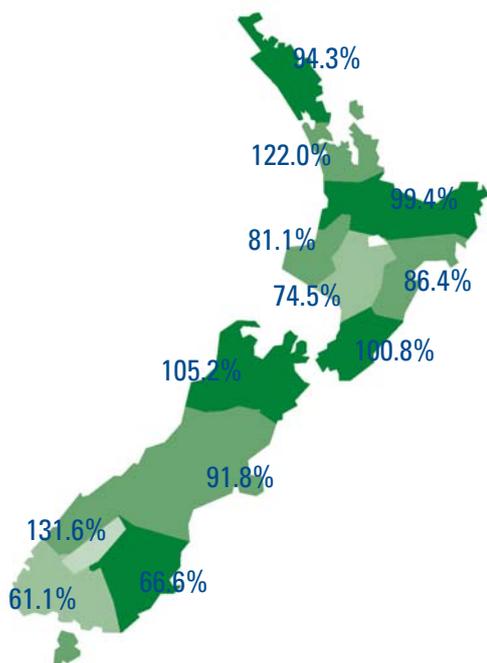
Further details on affordability and the methodology used in this survey are reported on the following pages.

Key Points:

- Market uncertainty increases opportunities for first home buyers.
- Improvement in national affordability was 3.9% over the last quarter.
- National affordability improved 16.4% over the last year.

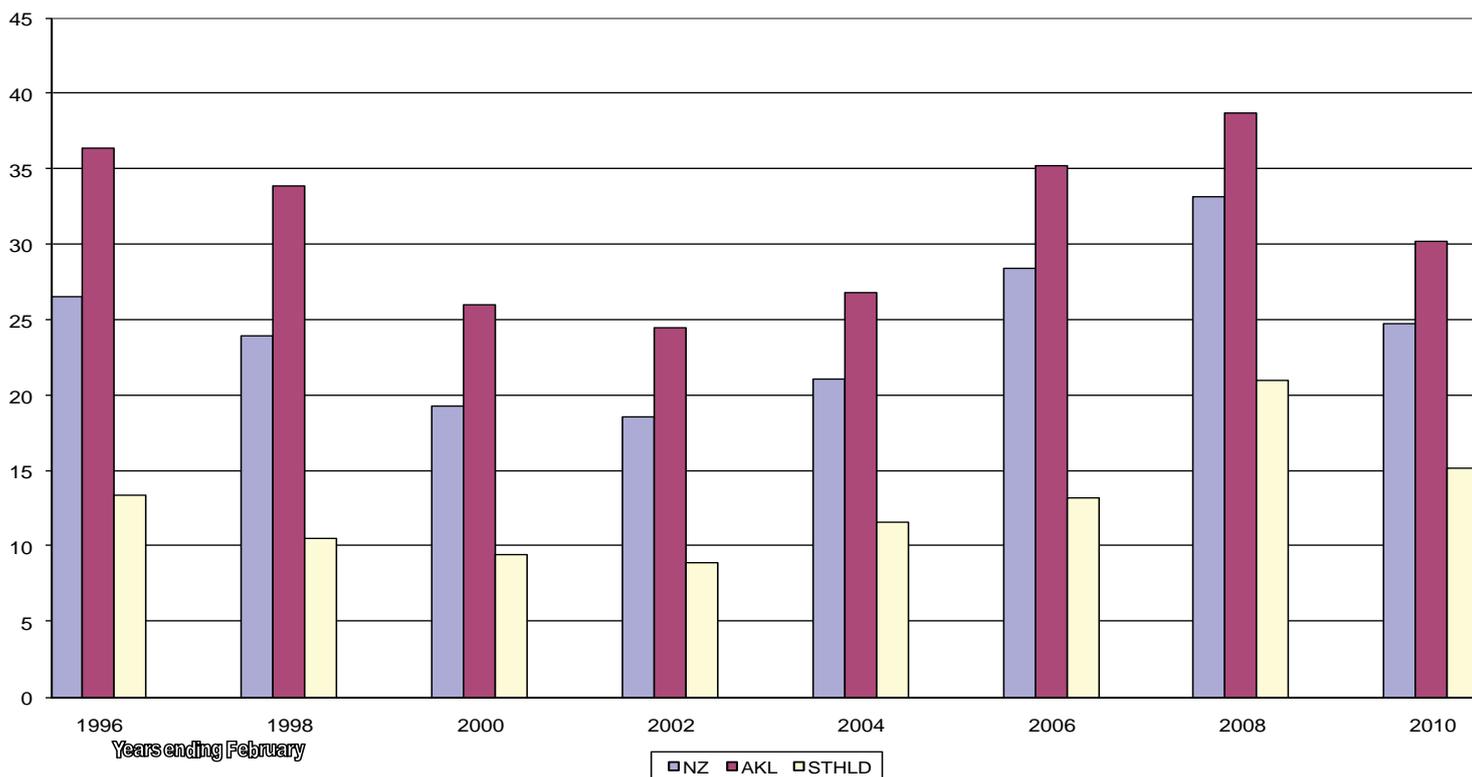


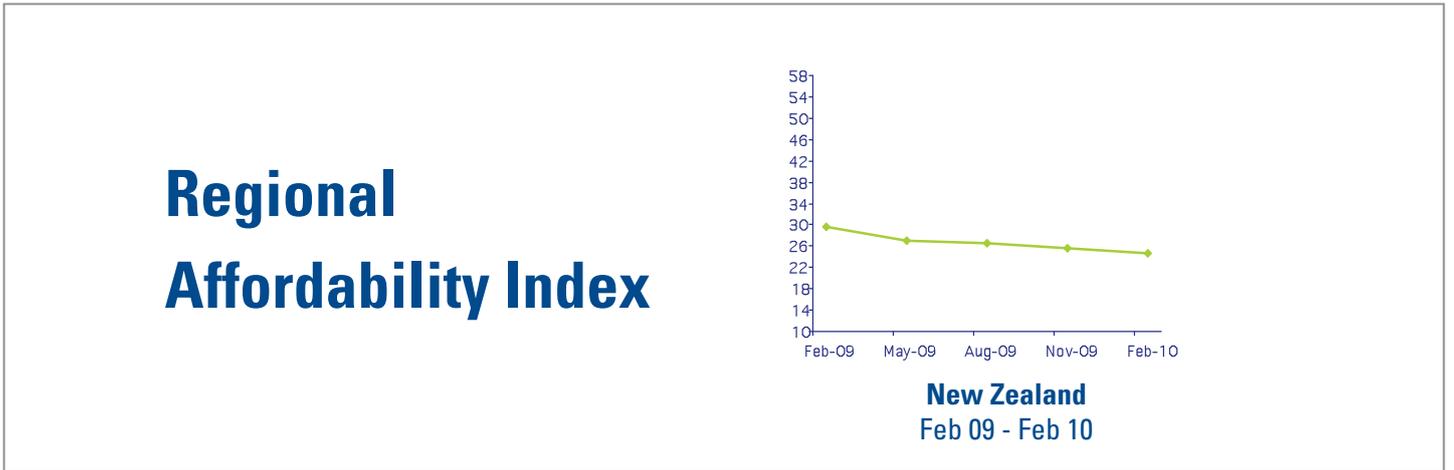
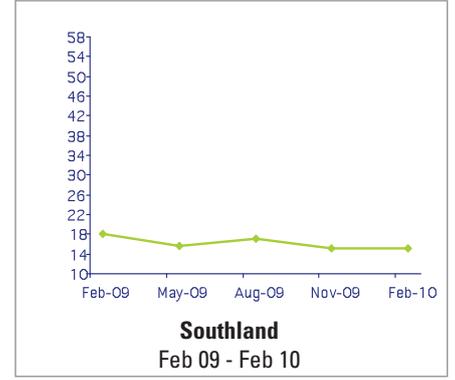
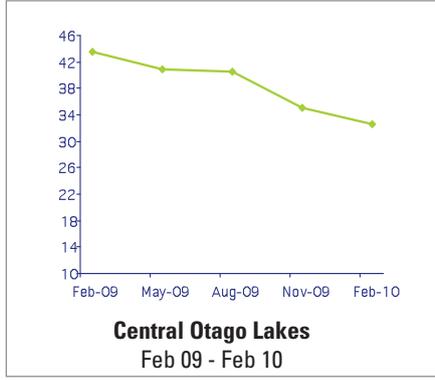
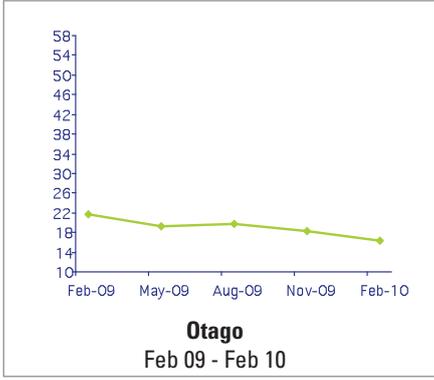
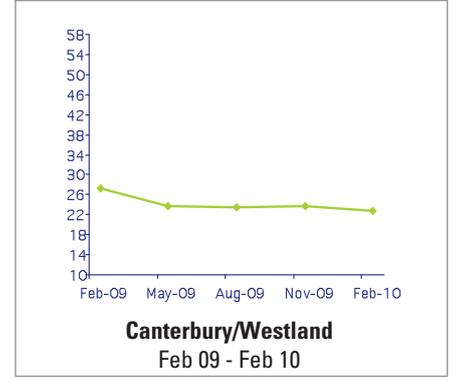
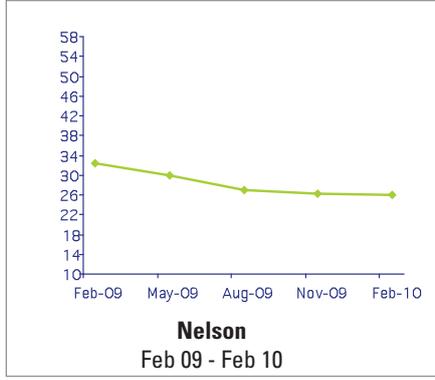
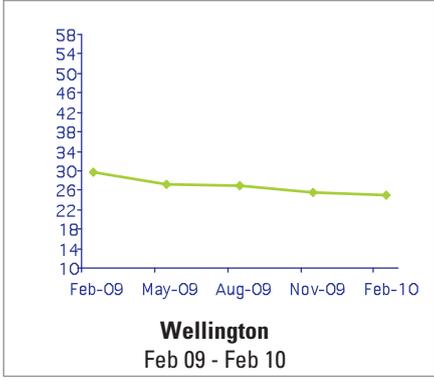
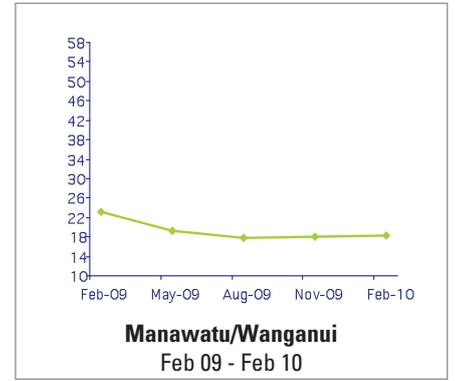
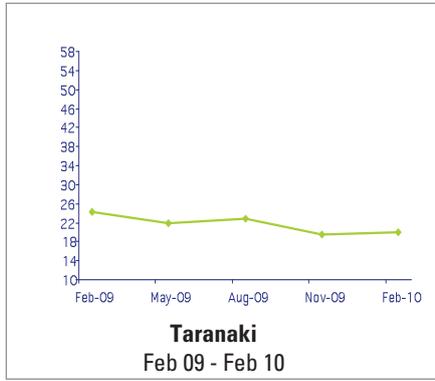
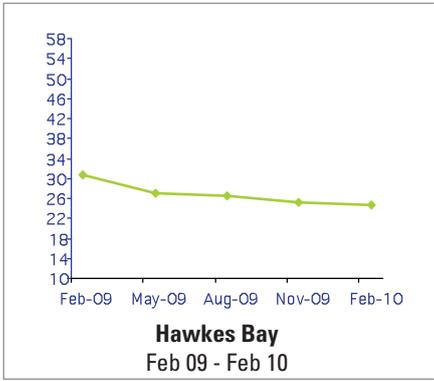
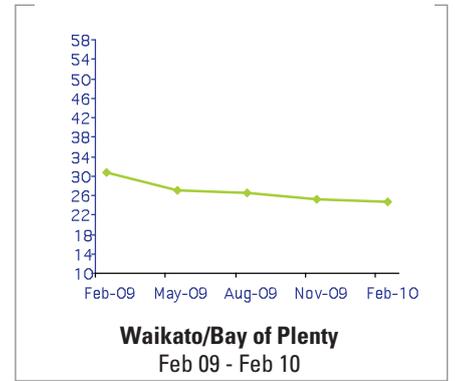
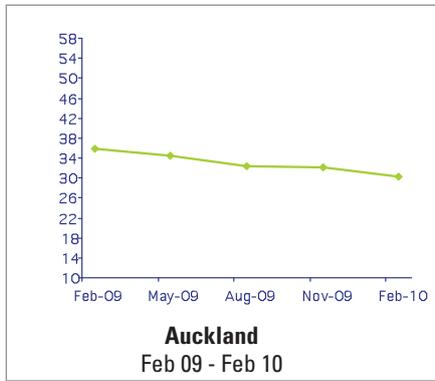
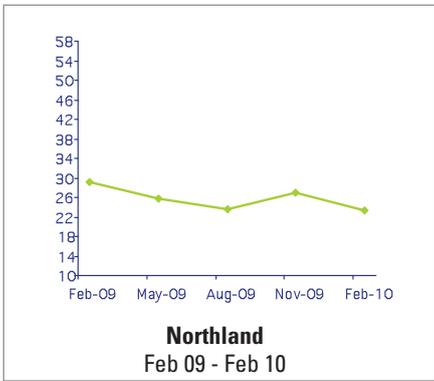
Regional Affordability as a percentage of National Average



Home Affordability Index			Percentage Change in Home Affordability in the last 12 months	
Region	Nov 09	Feb 10	improvement	decline
Northland	26.9	23.3	20.1%	
Auckland	32.1	30.2	15.8%	
Waikato/Bay of Plenty	25.2	24.6	20.1%	
Hawke's Bay	21.7	21.4	17.4%	
Taranaki	19.4	20.0	17.1%	
Manawatu/Wanganui	18.0	18.4	20.0%	
Wellington	25.5	24.9	16.2%	
Nelson/Marlborough	26.2	26.0	19.4%	
Canterbury/Westland	23.8	22.7	16.6%	
Otago	18.2	16.4	23.9%	
Central Otago Lakes	35.0	32.6	25.0%	
Southland	15.1	15.1	16.3%	
New Zealand	25.7	24.7	16.4%	

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.

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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 6 357 4032.

Professor R.V.(Bob) Hargreaves is the Executive Officer and may be contacted on +64 6 356 9099 ext 7473.

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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

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