

# AMP Home Affordability Report

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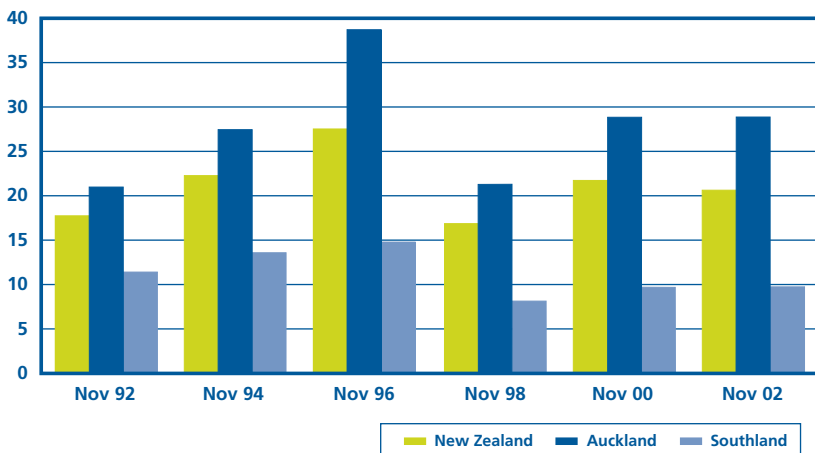
## Price Rises Take Inevitable Toll On Home Affordability

Home affordability declined in the December quarter with the New Zealand home affordability index reflecting an end of year surge in home buying activity.

While interest rates remained stable and wage rates lifted, house prices rose strongly over the quarter. The New Zealand index reflected a quarterly affordability decline of 3.3%.

The New Zealand Median Dwelling Price rose 5.4% from \$185,000 to \$195,000 over the quarter. The Real Estate Institute reported November sales at a 12-month high with 9,832 homes changing hands over the month. Quarterly dwelling sales were up 35% (27,223) when compared to the same period last year (20,151). Interest rates remained unchanged over the quarter whilst wage rates rose 2% and partially offset house price rises.

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



## Key Points

- End of year surge in home buyer activity with November sales at yearly high of 9,832.
- New Zealand Median Dwelling Price moves up strongly at 5.4% for the quarter and 10.7% for the year.
- New Zealand home sales for the past 12 months reach a record yearly total of 99,658.
- Median Dwelling Prices lift strongly over the past year in Nelson/Marlborough (16.2%), Otago (15.5%) and Auckland (14.3%).
- Manawatu/Wanganui overtakes Otago as the third most affordable region.

# Home Affordability Report

All regions except Northland and Manawatu/Wanganui recorded a quarterly decline in home affordability. Southland ranked highest at 17% followed by Otago (15.2%), Nelson/Marlborough (12.5%), Wellington (7.9%), Auckland (3.8%), Taranaki (2.6%), Hawke's Bay (1.7%), Canterbury/Westland (1.2%), and Waikato/Bay of Plenty (0.1%). A quarterly improvement of 3.9% in home affordability was recorded in Northland where a lift in wage rates more than offset a rise in house prices. Manawatu/Wanganui, the only region where house prices fell over the quarter, also recorded an affordability improvement of 2.2%.

For the first time in 18 months the index for New Zealand and for all regions recorded a 12-monthly decline in home affordability. The New Zealand index reflected a decline of 24.4%. Over the 12-month period the New Zealand Median Dwelling Price lifted 10.7% (\$176,200 to \$195,000), wage rates lifted 4% and home sales reached a record yearly total of 99,658.

Nelson/Marlborough reported the steepest 12-monthly decline (29.0%), followed by Auckland (28.9%), Otago (27.8%), Wellington (23.6%), Southland (22.7%), Canterbury/Westland (19.7%), Waikato/Bay of Plenty (15.0%), Hawke's Bay and Manawatu/Wanganui (both 14.8%), Northland (10.5%) and Taranaki (9.7%).

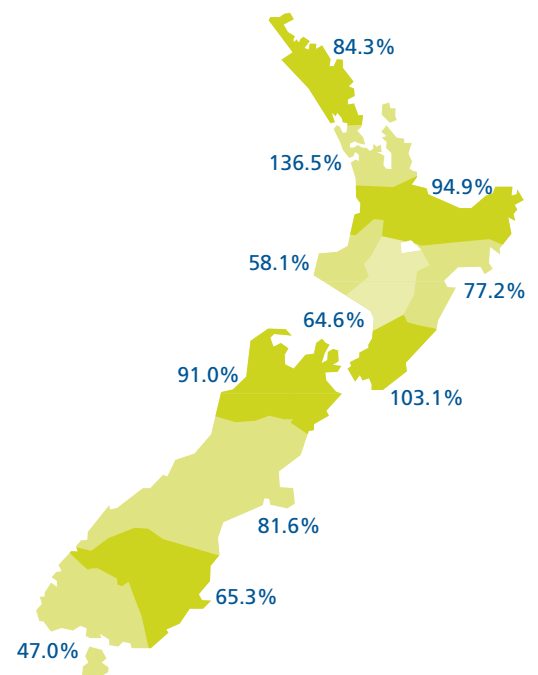
Regions recording the strongest lift in Median Dwelling Prices over the past year were Nelson/Marlborough (16.2%), Otago (15.5%) and Auckland (14.3%).

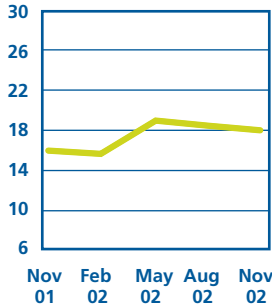
Southland remains the most affordable region followed by Taranaki. Manawatu/Wanganui has now overtaken Otago as the third most affordable region. Auckland remains the least affordable region.

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

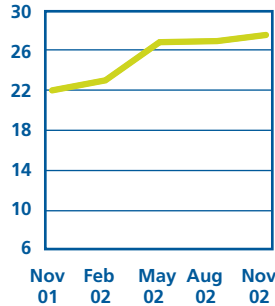
Home Affordability Index			Percentage Change in Home Affordability in the last 12 months	
Region	Aug 02	Nov 02	Improvement	Decline
Northland	18.34	17.62	-	10.5%
Auckland	27.48	28.53	-	28.9%
Waikato / Bay of Plenty	19.81	19.83	-	15.0%
Hawke's Bay	15.87	16.14	-	14.8%
Taranaki	11.85	12.15	-	9.7%
Manawatu / Wanganui	13.80	13.49	-	14.8%
Wellington	19.98	21.55	-	23.6%
Nelson	16.91	19.03	-	29.0%
Canterbury / Westland	16.87	17.06	-	19.7%
Otago	11.85	13.65	-	27.8%
Southland	8.39	9.82	-	22.7%
New Zealand	20.23	20.90	-	24.4%

Regional Affordability as a Percentage of National Average

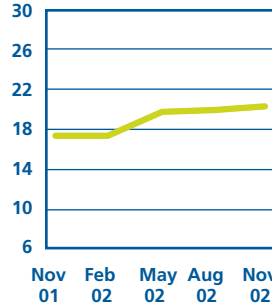




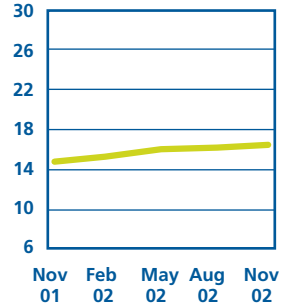
**Northland**  
Nov 01 – Nov 02



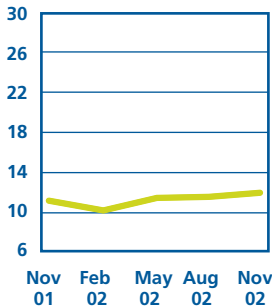
**Auckland**  
Nov 01 – Nov 02



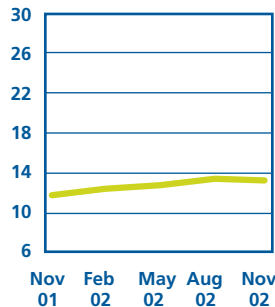
**Waikato/Bay of Plenty**  
Nov 01 – Nov 02



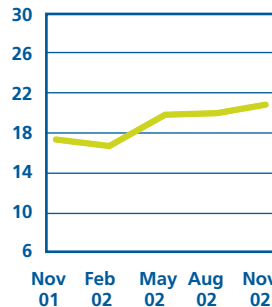
**Hawke's Bay**  
Nov 01 – Nov 02



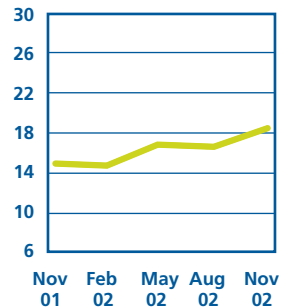
**Taranaki**  
Nov 01 – Nov 02



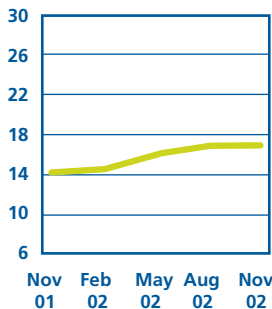
**Manawatu/Wanganui**  
Nov 01 – Nov 02



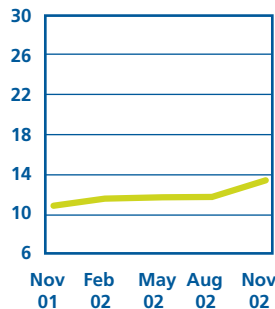
**Wellington**  
Nov 01 – Nov 02



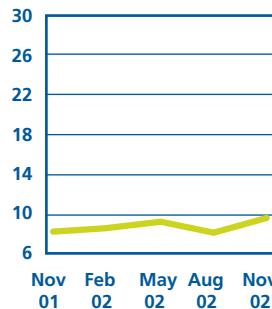
**Nelson**  
Nov 01 – Nov 02



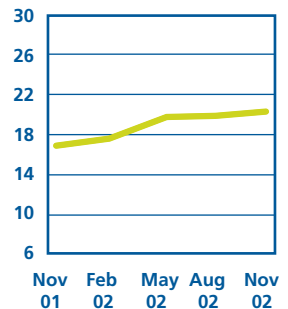
**Canterbury/Westland**  
Nov 01 – Nov 02



**Otago**  
Nov 01 – Nov 02



**Southland**  
Nov 01 – Nov 02



**New Zealand**  
Nov 01 – Nov 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\* 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

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

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 Westpac,

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%.

## 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.

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

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 AMP, 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.