

## June 1999

LOWER HOUSE PRICES DRIVE HOME AFFORDABILITY INDEX TO MOST FAVOURABLE LEVEL EVER

[National Home Mortgage Graph](#)

[Home Mortgage Affordability Index](#)

[Percentage change in Mortgage Affordability](#)

[Regional Charts](#)

Softening house prices and a continuation of low interest rates drove the New Zealand quarterly home affordability indicator to its lowest level\* (15.99) since publication commenced. A small increase in the Average Weekly Wage also contributed to this second record low in the indicator within a six month period (refer December index). The New Zealand home affordability index improved 1.9% over the June quarter.

The Real Estate Institute reported a quarterly contraction in the New Zealand Median Dwelling Price (-1.3%) despite continuing strength in residential property sales. Sales volumes again showed a healthy recovery on last year's figures. New Zealand dwelling sales for the current quarter totaled 22,302 compared to 17,233 in the same quarter last year, an increase of 29%.

Eight of the eleven regions showed a quarterly improvement in affordability over the June quarter. Southland showed the highest quarterly affordability improvement at 13% followed by Taranaki at 10.3% and Otago at 9.6%. The Median Dwelling Price dropped in all six regions but Southland's strong showing was further underpinned by a 5.9% lift in the region's Average Weekly Wage. Auckland showed the lowest quarterly improvement at 2.2% followed by Manawatu/Wanganui and Wellington, both at 2.9%. Three regions (Northland at 13.8%, Nelson at 2.6% and Waikato/Bay of Plenty at 2.2%) showed quarterly declines in affordability. Each of these three regions also recorded a lift in their Median Dwelling Price.

The June index for New Zealand reflected a record twelve monthly affordability improvement of 42.8%. Twelve monthly affordability improvements were also reflected in all regions. Otago showed the strongest twelve monthly improvement at 48.3% with Nelson (45.3%), Auckland (45%) and Canterbury/Westland (44.7%) following. Northland and Southland, at 41% and 36% were the only two regions that did not reflect record twelve monthly affordability improvements.

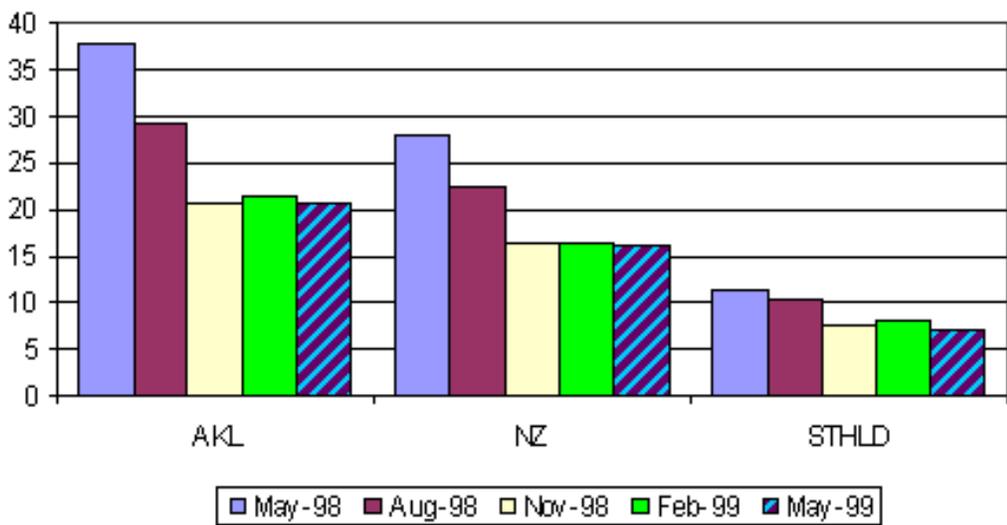
Otago has now displaced Taranaki as the second most affordable region behind Southland. The graph below illustrates the trend in affordability improvement for Auckland, Southland and New Zealand over the past twelve months.

\*The lower the index the more affordable is the housing.

National Home Mortgage  
Affordability Index

(a low index equals improved affordability)

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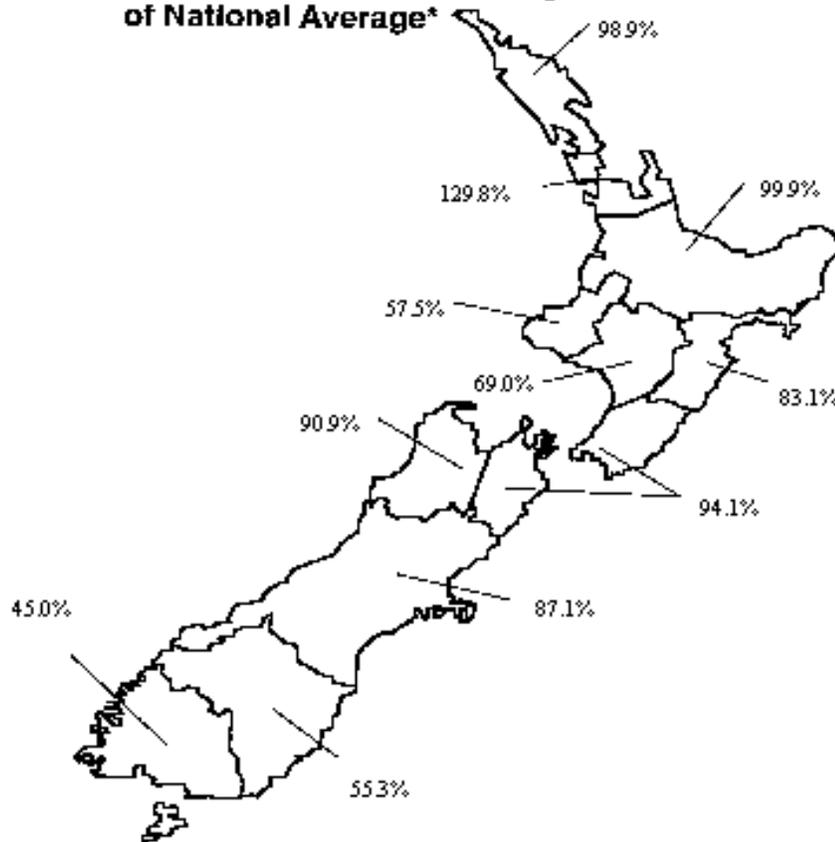


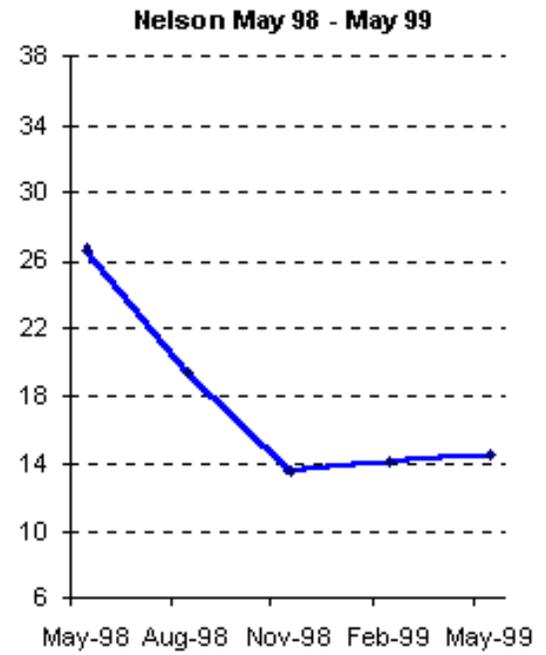
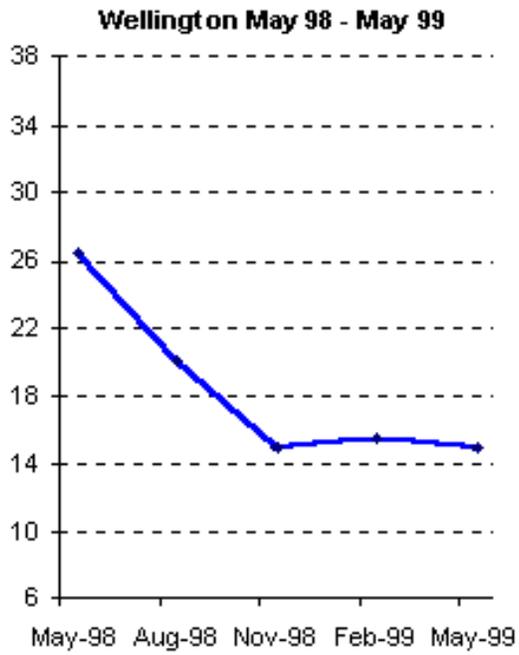
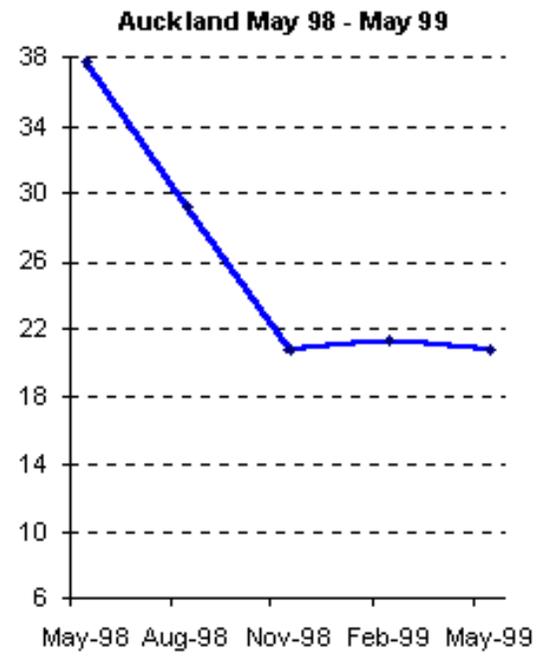
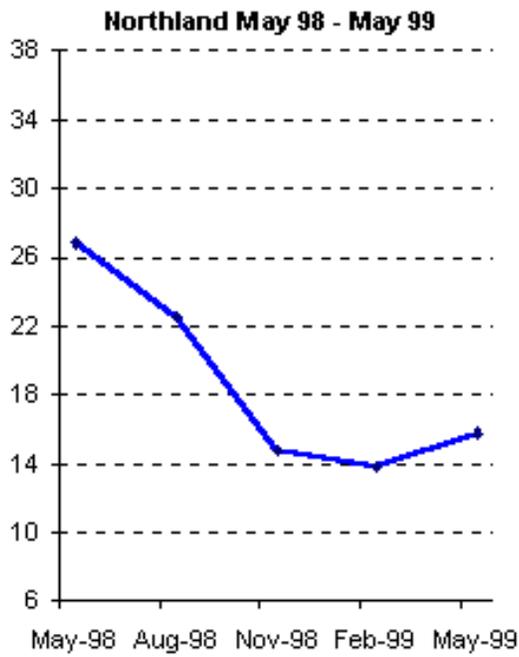
Home Mortgage Affordability Index

Region	Quarter	
	Mar 99	June 99
Northland	13.91	15.82
Auckland	21.24	20.77
Waikato / Bay of Plenty	15.64	15.98
Hawkes Bay	14.53	13.30

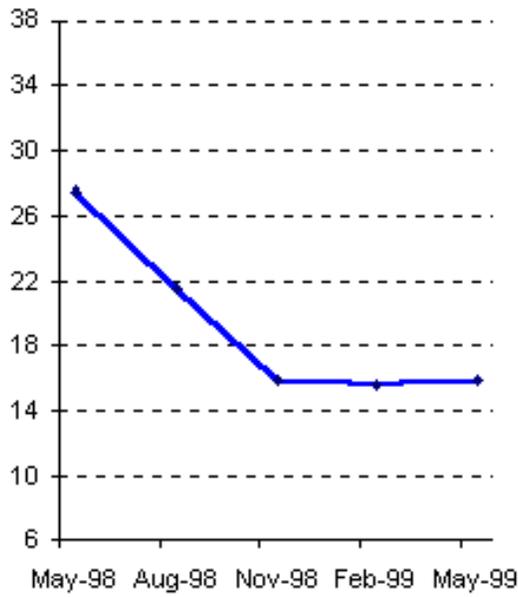
Manawatu / Wanganui	11.38	11.04
Taranaki	10.27	9.19
Wellington	15.49	15.05
Nelson	14.17	14.54
Canterbury / Westland	15.03	13.94
Otago	9.78	8.85
Southland	8.28	7.20
New Zealand	16.30	15.99

**Regional Affordability as a Percentage of National Average\***

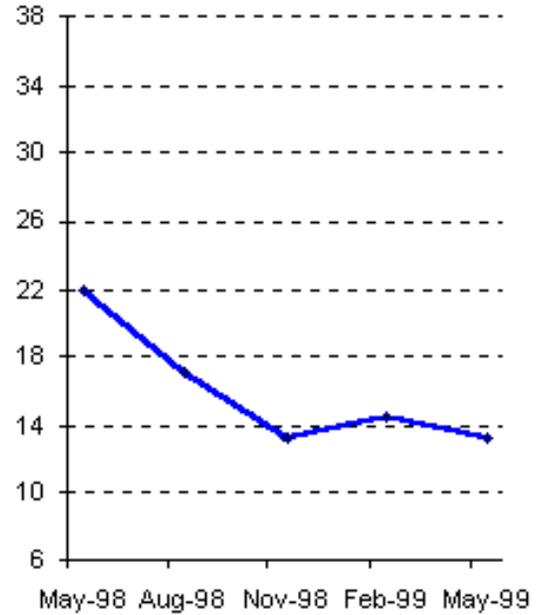




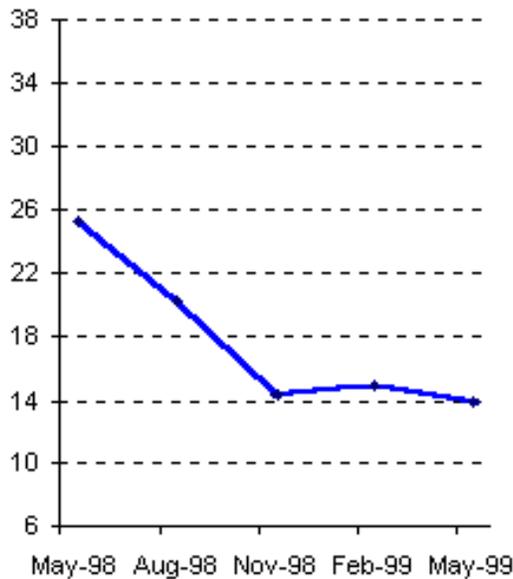
**Waikato/Bay of Plenty May98-May99**



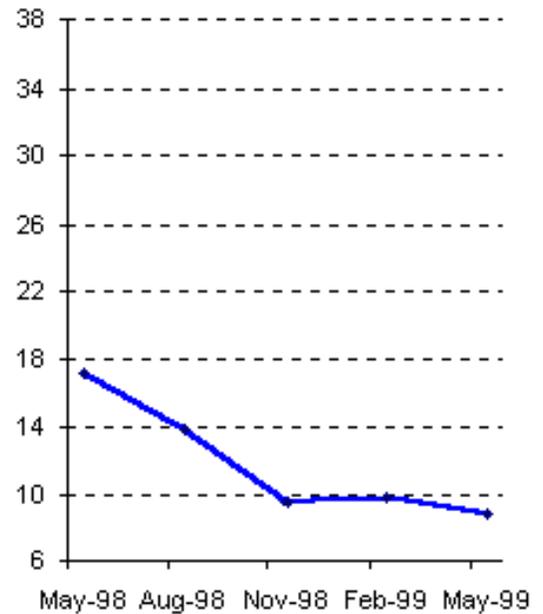
**Hawkes Bay May 98 - May 99**



**Canterbury/Westland May98-May99**



**Otago May 98 - May 99**



## 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 Real Estate Institute of New Zealand. 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, Countrywide Bank, 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 [Mrs Donna Dowse](#) 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 3505 028.

## [Department of Finance, Banking and Property, Massey University](#)

Massey University has two campuses, located in Palmerston North and Albany (North of Auckland), in New Zealand. The University has an enrollment of 31,000 students with approximately 13,000 business students. There are nine departments and two schools within the Business Studies College. Professor R.V.(Bob) Hargreaves, leads the Property group, which has a staff of eight academics. He also directs the Massey University Real Estate Analysis Unit (MUREAU).

## [AMP](#)

AMP has commissioned Massey University Real Estate Analysis Unit 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.

## Enquiries

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