

March 1999

[National Home Mortgage Graph](#)

[Home Mortgage Affordability Index Percentage change in Mortgage Affordability](#)

[Regional Charts](#)

HOME AFFORDABILITY REMAINS FAVOURABLE DESPITE FIRMING HOUSE PRICES

The Real Estate Institute of New Zealand reports a slight firming of house prices for the second consecutive quarter. However, a continuation of low interest rates held home affordability at favourable levels. The March affordability index for New Zealand showed little movement and remained close to a record low level (the lower the index the higher the affordability). The New Zealand indicator now sits at 16.30 ([see graph below](#)). Interest rates moved up very slightly over the quarter whilst the Median Dwelling Price showed a small quarterly rise of 1.2%. These upward movements were largely offset by a quarterly increase in Average Weekly Wages of 1.8%. The Median Dwelling Price has now moved up by 3.7% over the past six months. The Real Estate Institute reports Total Dwelling Sales for the current quarter at 19,547 compared to 16,207 in the corresponding quarter for 1998. This quarterly increase (21%), the first since the 1997/1998 sales downturn, confirms a sustained improvement in the housing market.

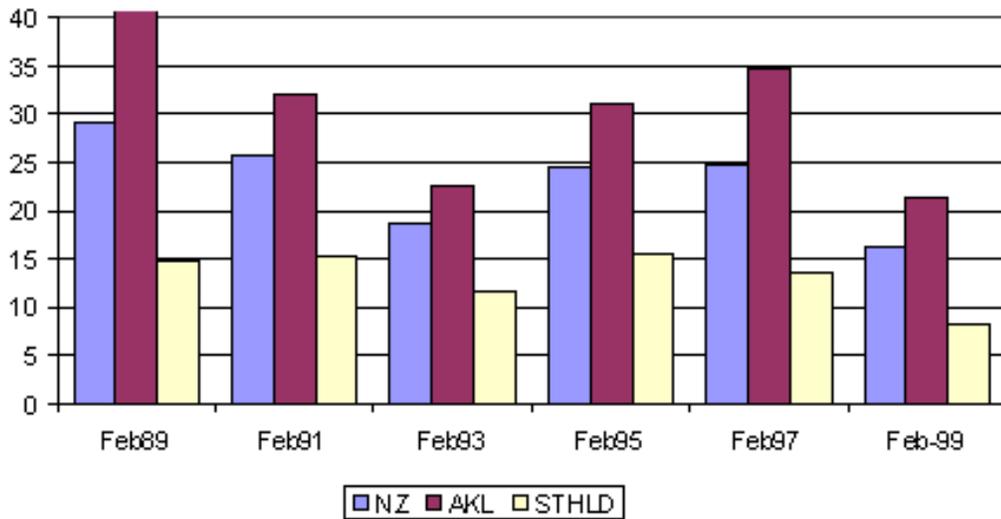
Two regions (Northland at 6.1% and Waikato/Bay of Plenty at 2.2%) recorded quarterly improvements in affordability. The improvement in both regions reflected a drop in the Median Dwelling Price. Nine regions recorded quarterly affordability declines, all reflecting a lift in Median Dwelling Prices. Regions with the steepest declines were Hawke's Bay (10%) and Taranaki (9.1%). Regions with the smallest declines were Auckland (2.1%) and Otago (3.2%).

The March index for New Zealand reflected a twelve monthly affordability improvement of 36.2%. Twelve monthly affordability improvements were also recorded in all regions. Northland (42.4%), Nelson (42%) and Auckland (41%) showed the highest improvements with Southland (26%), Taranaki (32.5%) and Manawatu/Wanganui (33%) at the lower end. House prices are showing a tendency to firm with New Zealand (6.3%) and eight of the eleven regions recording an increase in Median Dwelling Prices over the twelve-month period.

Southland (the most affordable region) and Auckland (the least affordable region) continue to occupy opposite ends of the regional affordability spectrum.

National Home Mortgage
Affordability Index

(a low index equals improved affordability)

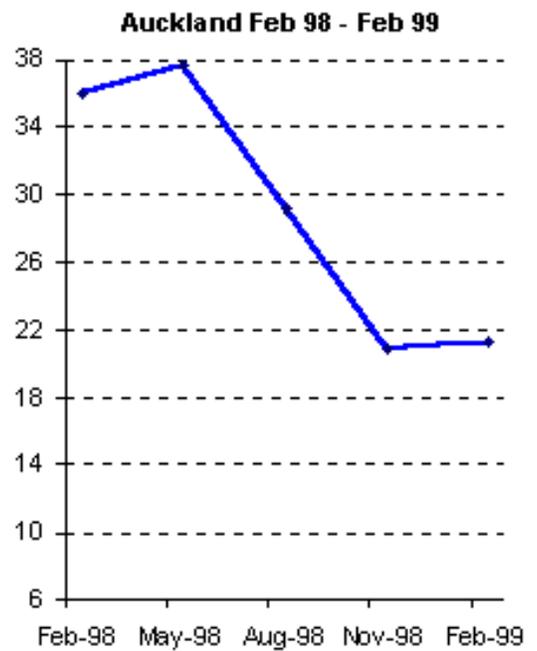
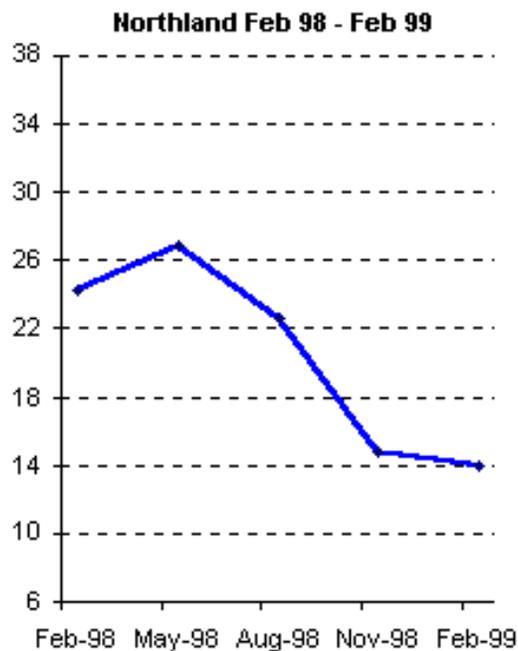


Home Mortgage Affordability Index

Region	Quarter	
	Dec 98	Mar 99
Northland	14.81	13.91
Auckland	20.79	21.24
Waikato / Bay of Plenty	15.98	15.64
Hawkes Bay	13.21	14.53
Manawatu / Wanganui	10.95	11.38
Taranaki	9.42	10.27
Wellington	14.99	15.49
Nelson	13.64	14.17
Canterbury / Westland	14.38	15.03
Otago	9.48	9.78
Southland	7.69	8.28
New Zealand	16.25	16.30

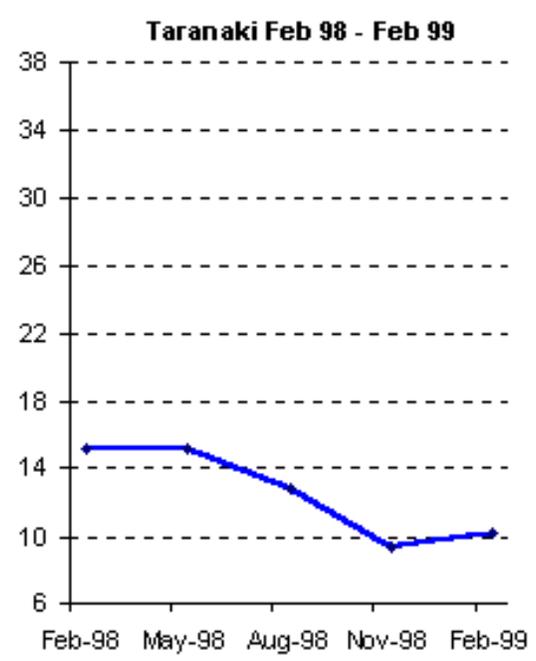
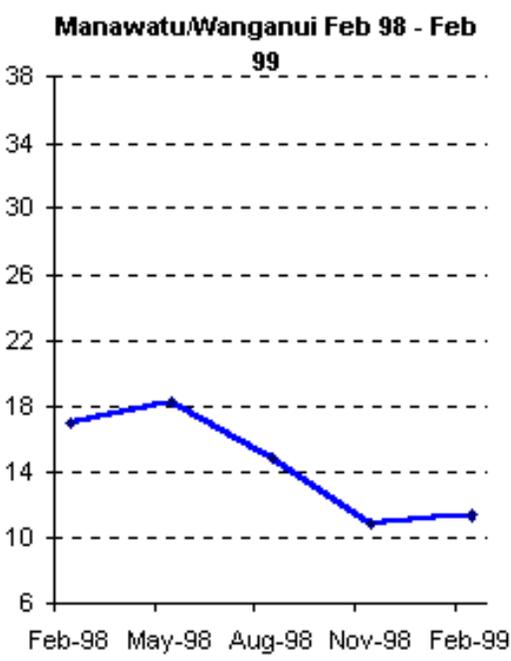
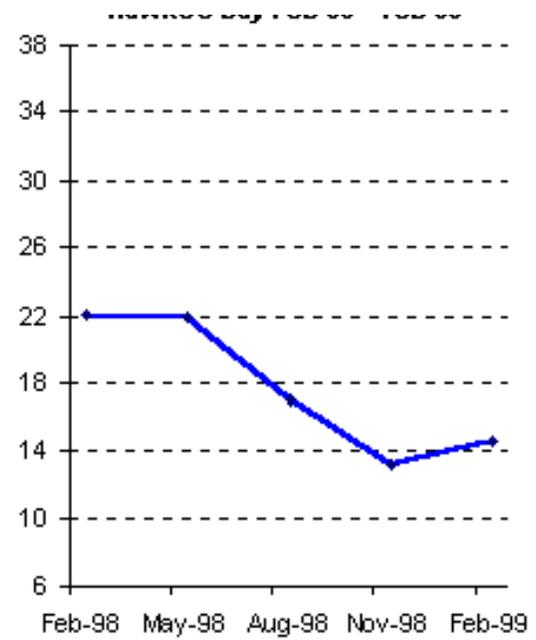
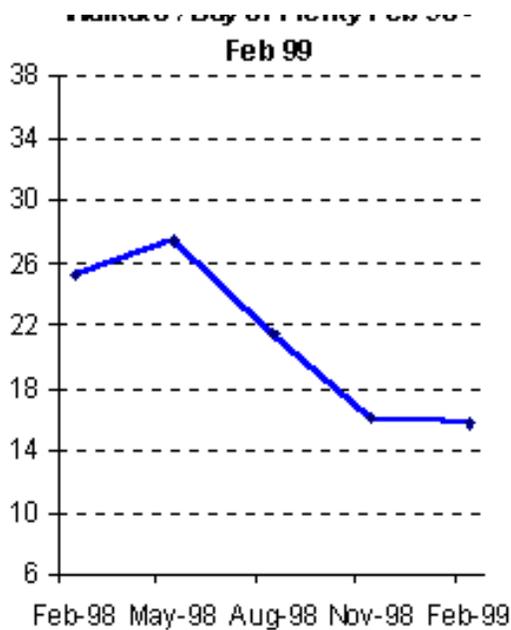
Percentage change in Mortgage Affordability in the last 12 months

Region	improve %	decline %
Northland	42.4	
Auckland	41.0	
Waikato / Bay of Plenty	37.9	
Hawkes Bay	34.2	
Manawatu / Wanganui	33.0	
Taranaki	32.5	
Wellington	36.5	
Nelson	42.0	
Canterbury / Westland	36.0	
Otago	37.6	
Southland	26.0	
New Zealand	36.2	



Waikato / Bay of Plenty Feb 98 - Feb 99

Hawkes Bay Feb 98 - Feb 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 [Miss Sharon Sutton](#) is the Secretary/Treasurer. She may be contacted on +64 6 3506139. [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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