

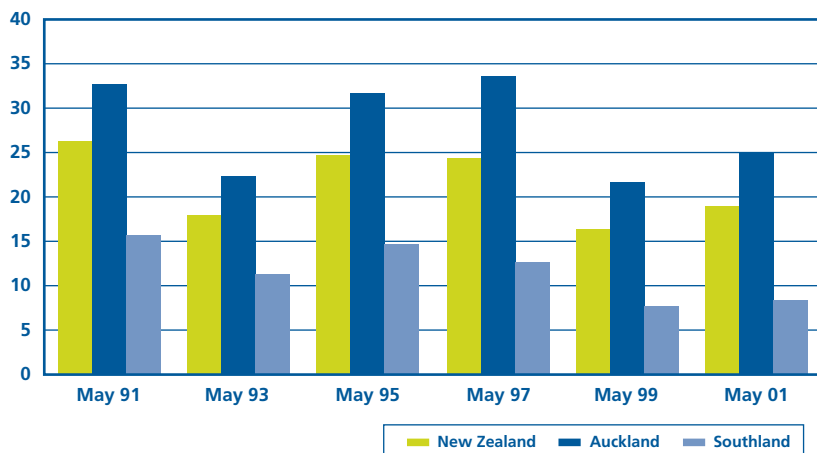


The Sun Shines on Home Affordability

Home affordability showed strong improvement over the June quarter. The home affordability index reflected an improvement of 11.1%, the highest for over two years and the third consecutive quarter in which improvement has been recorded. The main drivers were further falls in interest rates and lower house prices. The New Zealand Median Dwelling Price lowered 2% (\$173,500 to \$170,000). Average Weekly Wages continued a slow but steady rise. Home buyer activity has also lifted with The Real Estate Institute recording quarterly dwelling sales 13% up (19,626) when compared to the same period last year (17,373).

For the first time in over two years all regions reported a quarterly improvement in affordability. Manawatu/Wanganui recorded the highest improvement at 20.3% followed by Southland (17.2%), Otago

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



Key Points

- Home affordability shows strong improvement in June quarter.
- Quarterly improvement underpinned for second consecutive quarter by lower mortgage interest rates, lower house prices and an increase in wage rates.
- Home buyers return to the market as sales volumes increase by 13% over corresponding quarter last year.
- Three of the four top regions for affordability improvement over the quarter were in the South Island.
- Hawke's Bay records three consecutive quarters of home affordability improvement.

AMP Banking is New Zealand's largest branch-free retail bank, offering residential, commercial and rural property lending and term deposits. AMP Banking has an extensive network of 700 Financial Advisers and mortgage brokers nationwide. For detailed information about the bank and its services, or to try out AMP Banking's Internet Banking service, visit our website at ampbanking.co.nz

Home Affordability Report

(16.3%), Canterbury/Westland (15.7%), Auckland (13.5%) and Waikato/Bay of Plenty/Gisborne (12.9%). All of these regions, and Northland and Hawke's Bay (eight regions in all) also reported a fall in Median Dwelling Prices. Three of the four top regions for affordability improvement were in the South Island. Hawke's Bay has now recorded an affordability improvement for the third consecutive quarter (the Hawke's Bay Median Dwelling Price also fell over each of those quarters). Nelson (5.1%), Wellington (5.9%) and Taranaki (7.3%) recorded the smallest quarterly improvement in affordability. Median Dwelling Prices rose over the quarter in both Wellington and Nelson.

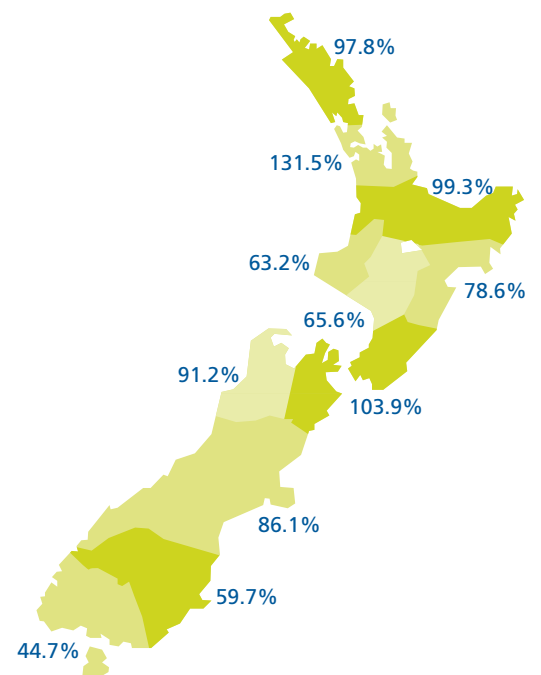
The June index recorded the first twelve monthly improvement in home affordability for New Zealand (8.6%) since September 1999. Nine of the eleven regions also recorded twelve monthly improvements. Otago recorded the highest improvement (13.9%) followed by Canterbury/Westland (13.2%), Auckland (8.8%), Manawatu/Wanganui (7.5%), Southland

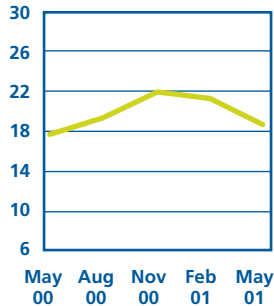
(7.5%) and Waikato/Bay of Plenty/Gisborne (6.8%). Nelson (0.5%), Wellington (1.9%), and Hawke's Bay (6.5%) recorded the lowest twelve monthly improvement in affordability. Only two regions (Northland (6%) and Taranaki (4.1%) reported twelve monthly affordability declines. Median Dwelling Prices lowered in four regions (Auckland, Waikato/Bay of Plenty/Gisborne, Canterbury/Westland and Otago) and remained unchanged in two regions (Manawatu/Wanganui and Southland). When affordability is expressed as a percentage of the national average, Southland and Otago are currently the top two most affordable regions.

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

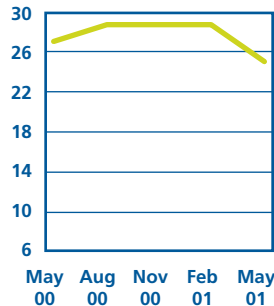
Home Mortgage Affordability Index	Percentage Change in Mortgage Affordability in the last 12 months			
	Region	Feb 01	May 01	Improvement
Northland	21.20	18.57	-	6.0%
Auckland	28.89	24.97	8.8%	-
Waikato / Bay of Plenty	21.66	18.86	6.8%	-
Hawke's Bay	17.06	14.93	6.5%	-
Manawatu / Wanganui	15.63	12.45	7.5%	-
Taranaki	12.95	12.00	-	4.1%
Wellington	20.98	19.74	1.9%	-
Nelson	18.27	17.33	0.5%	-
Canterbury / Westland	19.38	16.34	13.2%	-
Otago	13.54	11.33	13.9%	-
Southland	10.25	8.49	7.5%	-
New Zealand	21.35	18.99	8.6%	-

Regional Affordability as a Percentage of National Average

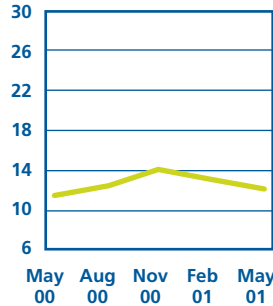




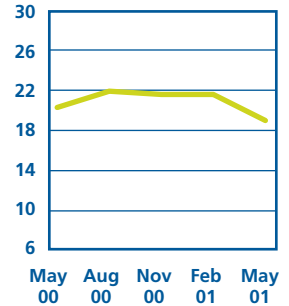
Northland
May 00 – May 01



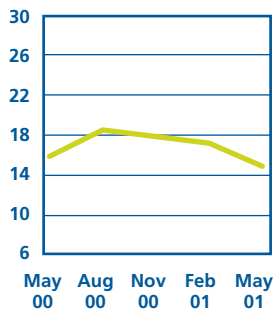
Auckland
May 00 – May 01



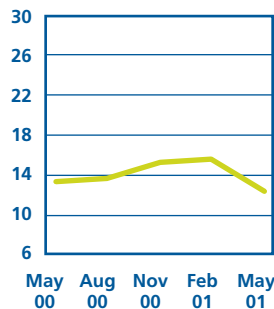
Taranaki
May 00 – May 01



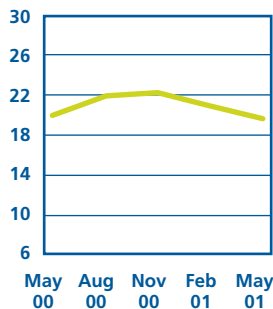
Waikato/Bay of Plenty
May 00 – May 01



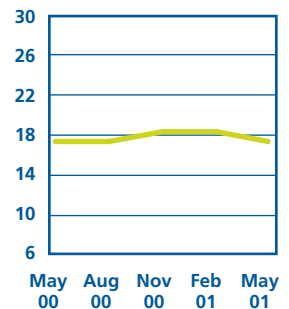
Hawke's Bay
May 00 – May 01



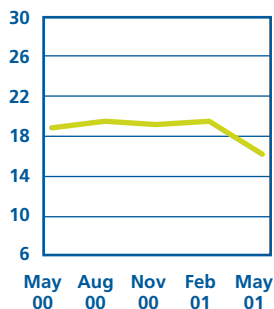
Manawatu/Wanganui
May 00 – May 01



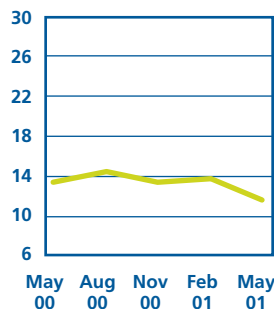
Wellington
May 00 – May 01



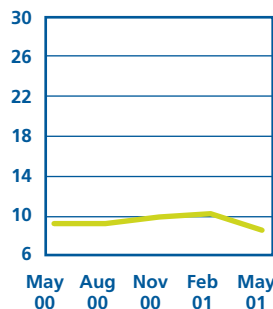
Nelson
May 00 – May 01



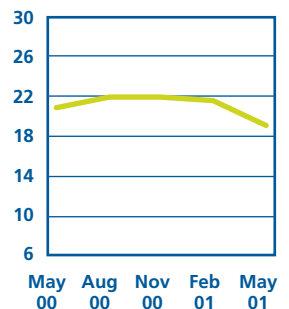
Canterbury/Westland
May 00 – May 01



Otago
May 00 – May 01



Southland
May 00 – May 01



New Zealand
May 00 – May 01



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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 MGICA Ltd.* 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

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 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 prime rate for new borrowers. This is calculated as the weighted average interest rate for ANZ Banking Group, ASB Bank, BNZ, 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 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 ten departments and three 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 Banking

AMP Banking 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.

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