

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, 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 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 may be addressed to:

Robyn Clubb, Managing Director, Ergo
Phone : 09 526 2616
Fax : 09 526 2646
Or Post to :
AMP Profile and Communications
PO Box 1290, WELLINGTON



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. 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.)

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Prepared by Graham Crews and Judith Hopkin s

Department of Finance, Banking and Property

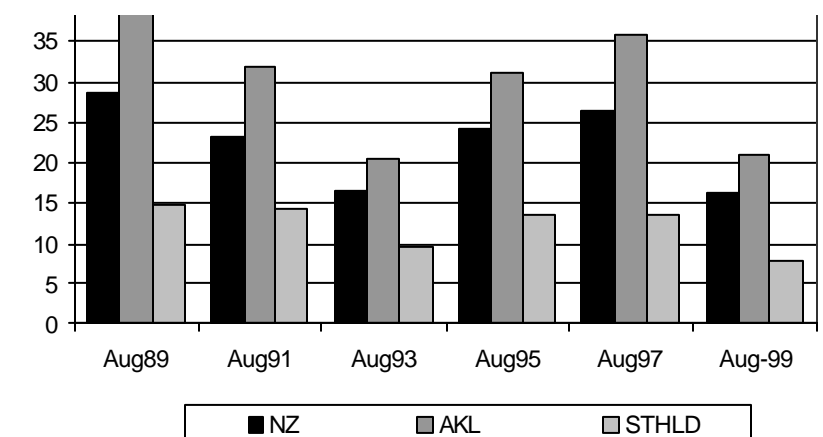
HOUSE PRICES STABLE, HOME AFFORDABILITY REMAINS FAVOURABLE

Stable house prices and low interest rates maintained the New Zealand home affordability indicator at a favourable level (16.08) over the September quarter. There was little movement in the New Zealand index which recorded a quarterly affordability decline of 0.6%.

This decline reflects a slight upward movement in the New Zealand Median Dwelling Price over the quarter of 0.7% (\$167,850 to \$169,000). Despite the Real Estate Institute reporting a "cautious market" in August, New Zealand sales volumes for the quarter were 19,164 compared with 15,965 for the corresponding quarter in 1998 and 20,784 in 1997. Total dwelling sales for the past three quarters were 23% up on the corresponding period last year. In other words sales volumes continued a healthy recovery over the lows of 1998. After

National Home Mortgage Affordability Index

(a low index equals improved affordability)



a prolonged period of low interest rates, upward pressure is evident as this publication goes to press.

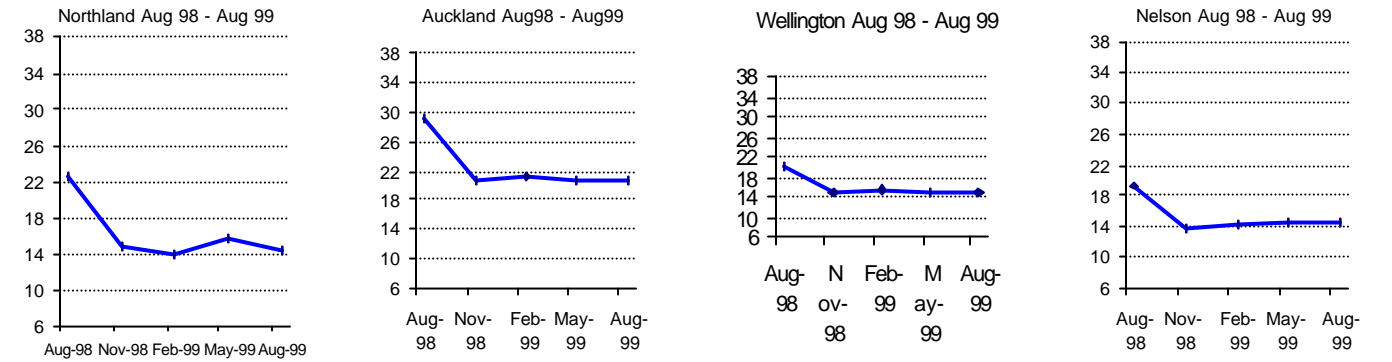
All North Island regions, as well as Nelson, showed a quarterly improvement in affordability over the September quarter. Hawke's Bay showed the highest quarterly affordability improvement at 8.9% followed by Northland at 8.8%. Wellington and Nelson showed the lowest quarterly improvement at 0.3%. Median Dwelling Prices dropped in all of these regions except Auckland and Wellington, where there was no change. On the other hand all South Island regions, except Nelson,

reported a decline in affordability over the quarter, i.e. Canterbury/Westland, Otago and Southland. Otago showed the steepest decline at 23.7% followed by Southland at 7% and Canterbury/Westland at 4.2%. All three regions registered a quarterly increase in the Median Dwelling Price.

The September index for New Zealand reflected a twelve monthly affordability improvement of 28.1%. Twelve monthly affordability improvement was again reflected in all regions. North Island regions dominated with the highest improvement. Northland was the most improved region at 36%

followed by Taranaki (30.3%), Hawke's Bay (29%) and Auckland (28.9%). Two South Island regions were at the opposite end of the spectrum for twelve monthly improvement, with Otago at 20.8% and Southland at 24%.

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



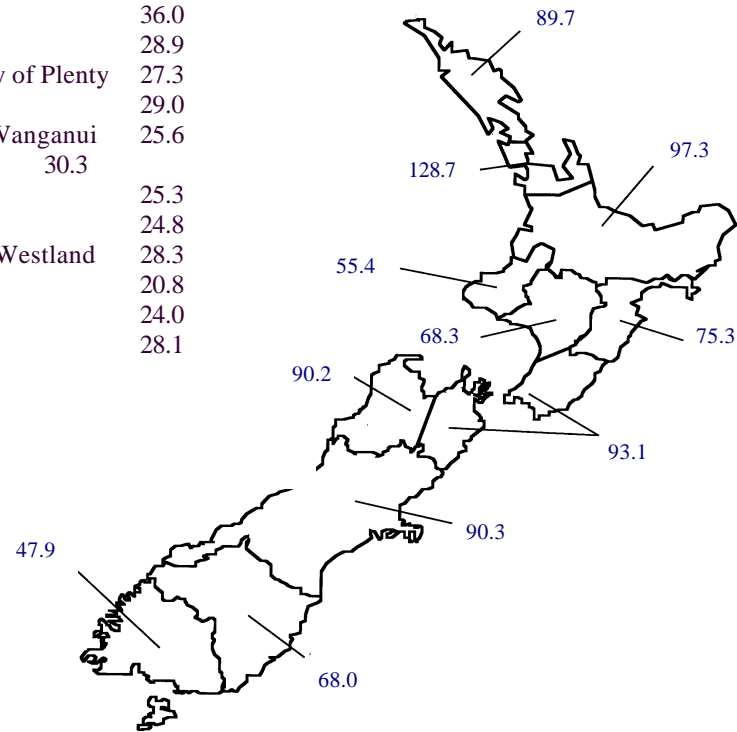
Home Mortgage Affordability Index

Region	Quarter	
	Jun 99	Sep 99
Northland	15.82	14.43
Auckland	20.77	20.69
Waikato / Bay of Plenty	15.98	15.65
Hawkes Bay	13.30	12.12
Manawatu / Wanganui	11.04	10.99
Taranaki	9.19	8.92
Wellington	15.05	15.01
Nelson	14.54	14.50
Canterbury / Westland	13.94	14.52
Otago	8.85	10.94
Southland	7.20	7.71
New Zealand	15.99	16.08

Affordability in the last 12 months

Region	improve decline	
	%	%
Northland	36.0	
Auckland	28.9	
Waikato / Bay of Plenty	27.3	
Hawke's Bay	29.0	
Manawatu / Wanganui	25.6	
Taranaki	30.3	
Wellington	25.3	
Nelson	24.8	
Canterbury / Westland	28.3	
Otago	20.8	
Southland	24.0	
New Zealand	28.1	

Regional Affordability as a Percentage of National Average



Percentage change in Mortgage

