



HOME AFFORDABILITY REPORT

QUARTERLY SURVEY MARCH 2024, VOL 35, NO.1

OVERALL, HOME AFFORDABILITY HAS SLIGHTLY IMPROVED IN THIS QUARTER. THIS WAS BROADLY DRIVEN BY DECREASE IN THE MORTGAGE INTEREST RATES, SLIGHT INCREASE IN INCOME AND OVERALL NO CHANGE IN MEDIAN HOUSE PRICES.

QUARTERLY RESULTS:

- At the national aggregate level, affordability has slightly improved in this quarter, attributed in this past quarter by a decrease in median house prices in some regions, decrease in the mortgage interest rates and an increase in income in majority of the regions.
- Median house prices increased in ten regions and decreased in six regions. The greatest increase in median house prices (in percentage terms) has for the last quarter occurred in Nelson (12.7% or \$82,500). In contrast, the median house prices decreased in the West Coast region by 19.9% or \$79,500.
- At the national level, overall median house prices remained the same in this quarter.
- Overall affordability has slightly improved in this quarter (2.4% nationally). At the regional level, affordability has improved in eleven regions and declined in five regions. In this quarter, the most significant changes being seen in the West Coast (21.6% improvement) and Nelson (8% decline). The overall improvement in affordability is attributed to stable median house prices.
- Interest rate has slightly decreased in this quarter, by 0.12% to 7.48% as at January 2024. This is a return to the medium-term trend of decreasing interest rates, after started increasing from the previous eleven quarters by the Reserve Bank.
- Incomes have slightly increased by 0.90% in aggregate during the quarter, with fourteen regions showing an increasing trend in average weekly earnings except Auckland and Hawke's Bay. The largest changes in income in the quarter occurred in the Manawatū-Whanganui region (6% increase).

YEARLY RESULTS:

- At the national level, 3.7% annual increase in median house prices (\$28,000 increased to \$790,000) is partially supported by 0.40% increase in two years mortgage interest rates, moving to 7.48% in January 2024 from 7.08% in January 2023. Overall weekly earnings were increased by 6%. This increase in earnings has not improved the overall affordability but decreased for the past 12-months period by 3.3%.
- This decline in affordability at the national level in the past 12 months is reflected in half of the regions. The greatest decline in affordability for the year are reported in the West Coast by 10.5%. Median house prices increased in majority of the regions and greatest increase was reported in the West Coast (10.7% or \$31,000 increase) and greatest decrease was recorded in Tasman region (10.6% or \$90,000 decrease).

GENERAL TRENDS

- National House price to income ratio decreased in this quarter at 10.2 times annual wages.

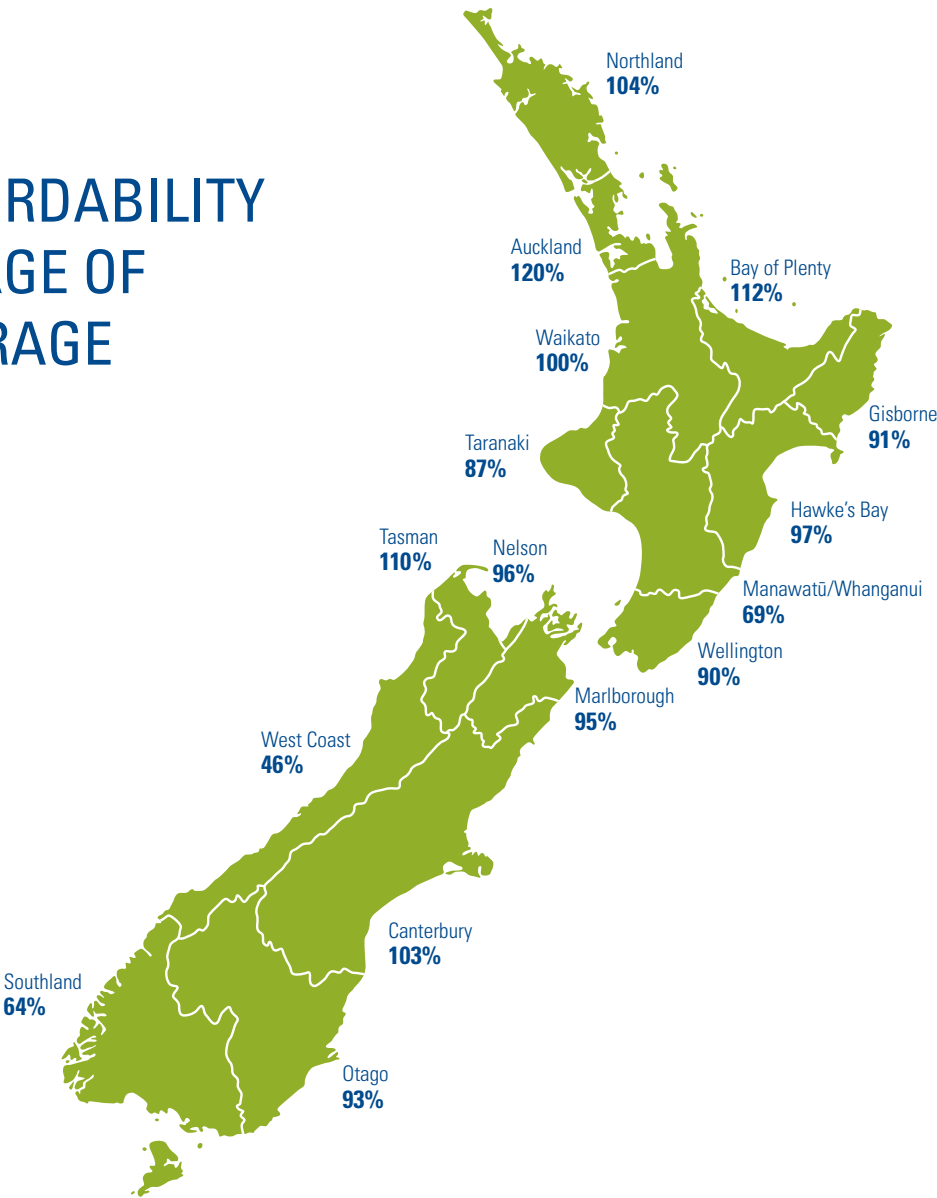
QUARTERLY RESULTS:

- Affordability this quarter slightly improved nationally by 2.4% with no change in median house prices.
- This quarter, the primary cause of the improvement in affordability has been due to stable median house prices and a slight decrease in the mortgage interest rates.

YEARLY RESULTS:

- The yearly results show a decline in affordability at the national level by 3.3%, reflected in half of the regions.
- The yearly driver of this change is an increase in median house prices and annual increase in the mortgage interest rates.

REGIONAL AFFORDABILITY AS A PERCENTAGE OF NATIONAL AVERAGE



HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	Feb 2023	Nov 2023	Feb 2024	Improvement	Decline	Improvement	Decline
Northland	41.9	39.9	41.5	0.9%			4.1%
Auckland	46.6	49.5	47.9		2.9%	3.2%	
Waikato	41.5	41.6	40.0	3.8%		4.0%	
Bay of Plenty	45.8	46.1	44.5	2.9%		3.5%	
Gisborne	35.3	34.6	36.3		2.9%		4.9%
Hawke's Bay	38.5	38.4	38.5	0.1%			0.2%
Manawatū/Whanganui	29.3	29.9	27.5	6.1%		8.0%	
Taranaki	33.5	33.2	34.7		3.5%		4.4%
Wellington	34.9	36.3	35.8		2.8%	1.3%	
Tasman	50.3	50.3	43.7	13.0%		13.0%	
Nelson	36.4	35.5	38.3		5.2%		8.0%
Marlborough	38.5	38.4	37.8	1.9%		1.5%	
West Coast	16.7	23.6	18.5		10.5%	21.6%	
Canterbury	39.8	42.3	40.9		2.8%	3.3%	
Otago	39.7	38.2	37.1	6.6%		2.8%	
Southland	25.2	25.6	25.5		1.0%	0.7%	
All Regions	38.6	40.8	39.8		3.3%	2.4%	

Overall, home affordability has slightly improved in this quarter. This was broadly driven by decrease in the mortgage interest rates, slight increase in income and overall no change in median house prices.

DATA SOURCES

The Massey Home Affordability Index takes into account the cost of borrowing (mortgage interest rates) as well as house prices and wage levels.

Note that the regional breakdown within this report and the March report has changed from earlier editions. The regional breakdown in this current report is unable to be fully compared to reports prior to March 2019. The regional breakdown contained herein for the 3 month and 12 month periods are unable to be directly compared with earlier reports. Please contact the authors for comparisons with earlier editions of this report. Waikato/Bay of Plenty/Gisborne district is now 3 separate districts: Waikato; Bay of Plenty; Gisborne. Nelson/Marlborough/Kaikoura district is now comprised within Tasman; Nelson; Marlborough districts. Kaikoura is now contained within Canterbury district. Canterbury/Westland district is now 2 districts: Canterbury; West Coast. Central Otago Lakes district is now contained within Otago district.

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 is provided directly by Statistics New Zealand.

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AVERAGE MONTHLY INTEREST RATES

The Reserve Bank New Zealand (RBNZ) publishes a range of data on mortgage interest rates. Some interest data provided by the Reserve Bank has been discontinued in April 2017 (E5.10 Total Monthly yield weighted average % on balance sheet).

The Reserve Bank series selected for this quarter's home affordability index is based on a 2-year fixed new residential average mortgage interest rates at the end of month for registered banks (B20). This quarter's interest rate was 7.07%, which was increased from 5.55% last year in April 2022.

SCHOOL OF ECONOMICS AND FINANCE MASSEY UNIVERSITY

Massey University has three campuses, located in Palmerston North, Wellington and Auckland, in New Zealand. The University has an enrolment of 33,000 students with approximately 13,000 business students. There are five schools within the Massey Business School.

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