

HOME AFFORDABILITY REPORT

QUARTERLY SURVEY SEPTEMBER 2022, VOL 33, NO.3

OVERALL HOME AFFORDABILITY WAS DECLINED IN THIS QUARTER. THIS WAS BROADLY DRIVEN BY INCREASE IN MORTGAGE INTEREST RATE.

QUARTERLY RESULTS:

- At the national aggregate level, affordability has declined in this quarter, attributed in this past quarter by increase in mortgage interest rate.
- Median house prices decreased in all regions except Taranaki. The greatest reduction in median house prices (in percentage terms) has for the last quarter occurred in Gisborne (-14.9% or -\$99,000), Wellington (-12.9% or -\$115,200), West Coast (-11.4% or -\$45,000) and Northland (-11% or -\$79,000).
- At the national level, median house prices saw a moderate decrease overall (-4.8% or -\$40,000) for the quarter.
- Overall affordability has declined again in this quarter (1.8% nationally). At the regional level, affordability has also been generally declined in majority of the regions. In this quarter, the most significant changes being seen in Gisborne (9.5% improvement), Wellington (8.4% improvement), Taranaki (8.6% decline) and Bay of Plenty (6.4% decline). The mix results in affordability are attributed to increase in mortgage interest rate and decline in median house prices.
- Interest rate increased this quarter, up by 0.39% to 5.94% as at July 2022. This is a return to the medium-term trend of changing interest rate, after started increasing from the previous four quarters by the Reserve Bank.
- Incomes have increased by only 0.1% in aggregate during the quarter, with ten regions showing an increasing trend and remaining six regions showing a decline in income. The largest changes in income in the quarter occurred in Wellington (1.8% increase).

YEARLY RESULTS:

- At the national level, 5.9% annual decrease in median sales price (-\$50,000 decreased to \$800,000) is partially supported by a 61.85% increase in mortgage interest rates, moving to 5.94% from 3.67% this time last year in July 2021. This increase in mortgage interest rate has not improved the overall affordability but decreased for the 12-month period by 42.6%.
- This decrease in affordability at the national level in the past 12 months is reflected in all regions. The greatest changes for the year are reported in the West Coast by 78.7%, Taranaki and Gisborne by 70.9%, and all other regions showing a decline in affordability.

GENERAL TRENDS

- National House price to income ratios have decreased this quarter with house prices moving from 12.6 to 11.3 times annual wages.

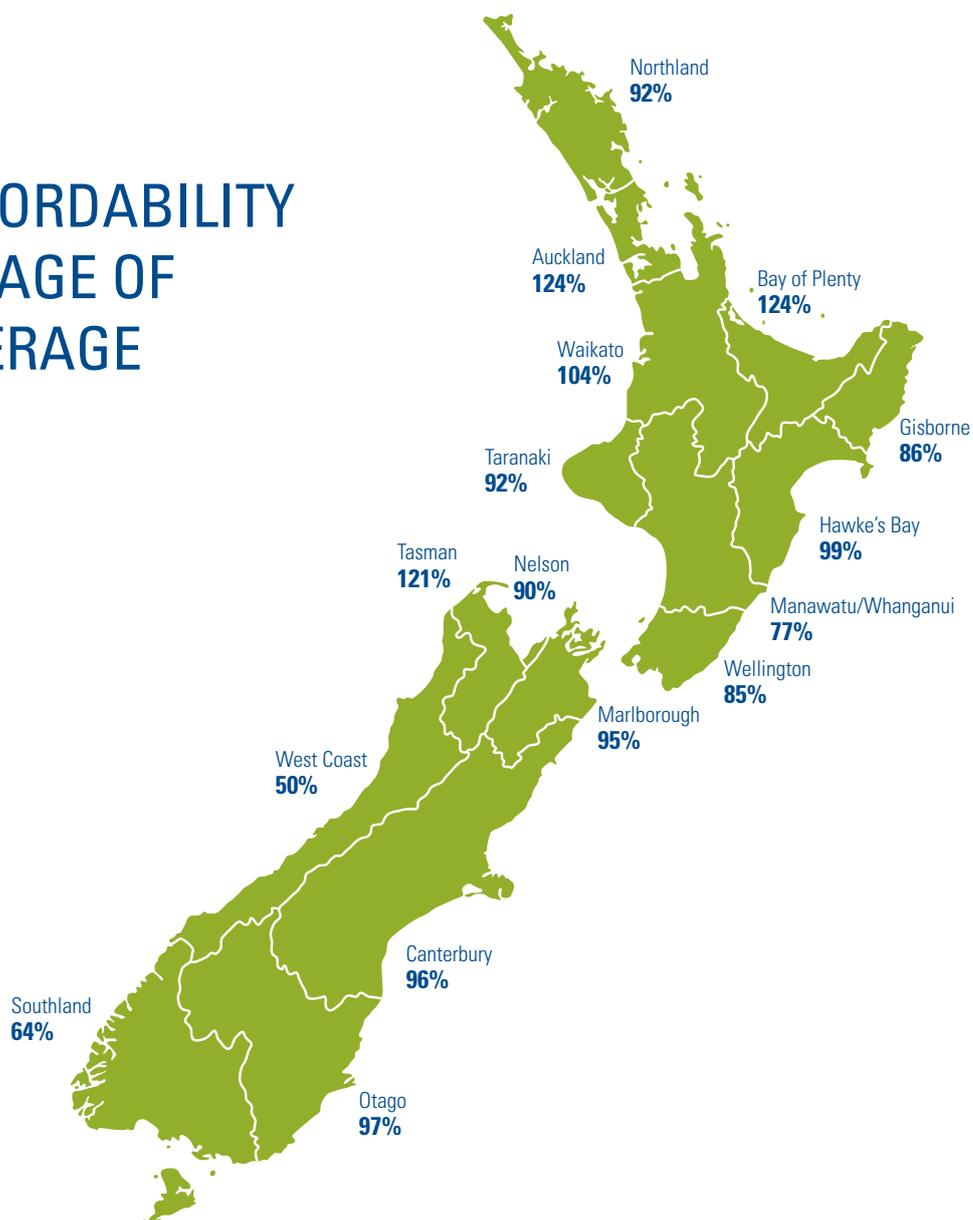
QUARTERLY RESULTS:

- Affordability this quarter declined nationally by 1.8% with a quarterly decrease in median house prices of 4.8%.
- This quarter, the primary cause of the decline in affordability has been due to an increase in mortgage interest rate.

YEARLY RESULTS:

- The yearly results show an annual result of a decline in affordability at a national level by 42.6%, reflected in all regions.
- The yearly driver of this change is an increase in residential mortgage interest rates, now at 5.94% compared to 3.67% a year ago.

REGIONAL AFFORDABILITY AS A PERCENTAGE OF NATIONAL AVERAGE



Region	HOME AFFORDABILITY INDEX			PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
	August 2021	May 2022	August 2022	Improvement	Decline	Improvement	Decline
Northland	21.5	34.0	32.1		49.3%	5.7%	
Auckland	31.3	41.1	43.3		38.2%		5.2%
Waikato	24.0	34.8	36.3		50.9%		4.2%
Bay of Plenty	26.5	40.5	43.1		62.7%		6.4%
Gisborne	17.4	33.0	29.8		70.9%	9.5%	
Hawke's Bay	22.4	34.0	34.7		54.7%		2.1%
Manawatu/Whanganui	18.7	26.8	27.0		44.3%		0.7%
Taranaki	18.7	29.5	32.0		70.9%		8.6%
Wellington	22.2	32.5	29.8		34.0%	8.4%	
Tasman	26.2	40.9	42.1		60.6%		2.9%
Nelson	20.3	32.5	31.4		54.6%	3.4%	
Marlborough	28.1	32.3	33.0		17.4%		2.2%
West Coast	9.7	18.2	17.4		78.7%	4.4%	
Canterbury	20.9	33.6	33.5		60.2%	0.1%	
Otago	21.7	33.7	33.9		56.1%		0.6%
Southland	13.3	21.3	22.3		67.7%		4.7%
All Regions	24.4	34.2	34.8		42.6%		1.8%

Overall home affordability was slightly declined in this quarter. This was broadly driven by increase in mortgage interest rate.

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.

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

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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 rate was 4.92%, which was a 12-month negative % change of 3.15%.

THE PROPERTY FOUNDATION

The Foundation is established to sponsor research and education in property related matters in New Zealand. Funding is obtained through sponsorship from corporations and firms within the property industry. The Foundation has also established a Real Estate Analysis Unit.

The Foundation works closely with the Property Studies Group at Massey University.

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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