

# HOME AFFORDABILITY REPORT

QUARTERLY SURVEY DECEMBER 2022, VOL 33, NO.4

## 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 increased in twelve regions except Auckland, Bay of Plenty, Hawke's Bay and Taranaki. The greatest increase in median house prices (in percentage terms) has for the last quarter occurred in West Coast (20% or \$70,000) and Gisborne (16.6% or \$94,000).
- At the national level, median house prices saw a slight increase overall (1.3% or \$10,000) for the quarter.
- Overall affordability has declined again in this quarter (7.8% nationally). At the regional level, affordability has also been generally declined in all sixteen regions. In this quarter, the most significant changes being seen in West Coast (28.4% decline), Gisborne (23.2% decline) and Northland (22.6% decline). The overall decline in affordability is attributed to increase in mortgage interest rate.
- Interest rate increased this quarter, up by 0.53% to 6.47% as at October 2022. This is a return to the medium-term trend of changing interest rate, after started increasing from the previous five quarters by the Reserve Bank.
- Incomes have increased by 2.3% in aggregate during the quarter, with all sixteen regions showing an increasing trend. The largest changes in income in the quarter occurred in Tasman (4.3% increase).

### YEARLY RESULTS:

- At the national level, 12.4% annual decrease in median house price (-\$115,000 decreased to \$810,000) is partially supported by a 53.32% increase in mortgage interest rates, moving to 6.47% from 4.22% this time last year in October 2021. This increase in mortgage interest rate has not improved the overall affordability but decreased for the 12-month period by 24%.
- This decrease in affordability at the national level in the past 12 months is reflected in all sixteen regions. The greatest changes for the year are reported in the West Coast by 71.5% and Southland by 53.6% and all regions showing a decline in affordability.

## GENERAL TRENDS

- National house price to income ratios have slightly decreased in this quarter with house prices moving from 11.3 to 11.2 times annual wages.

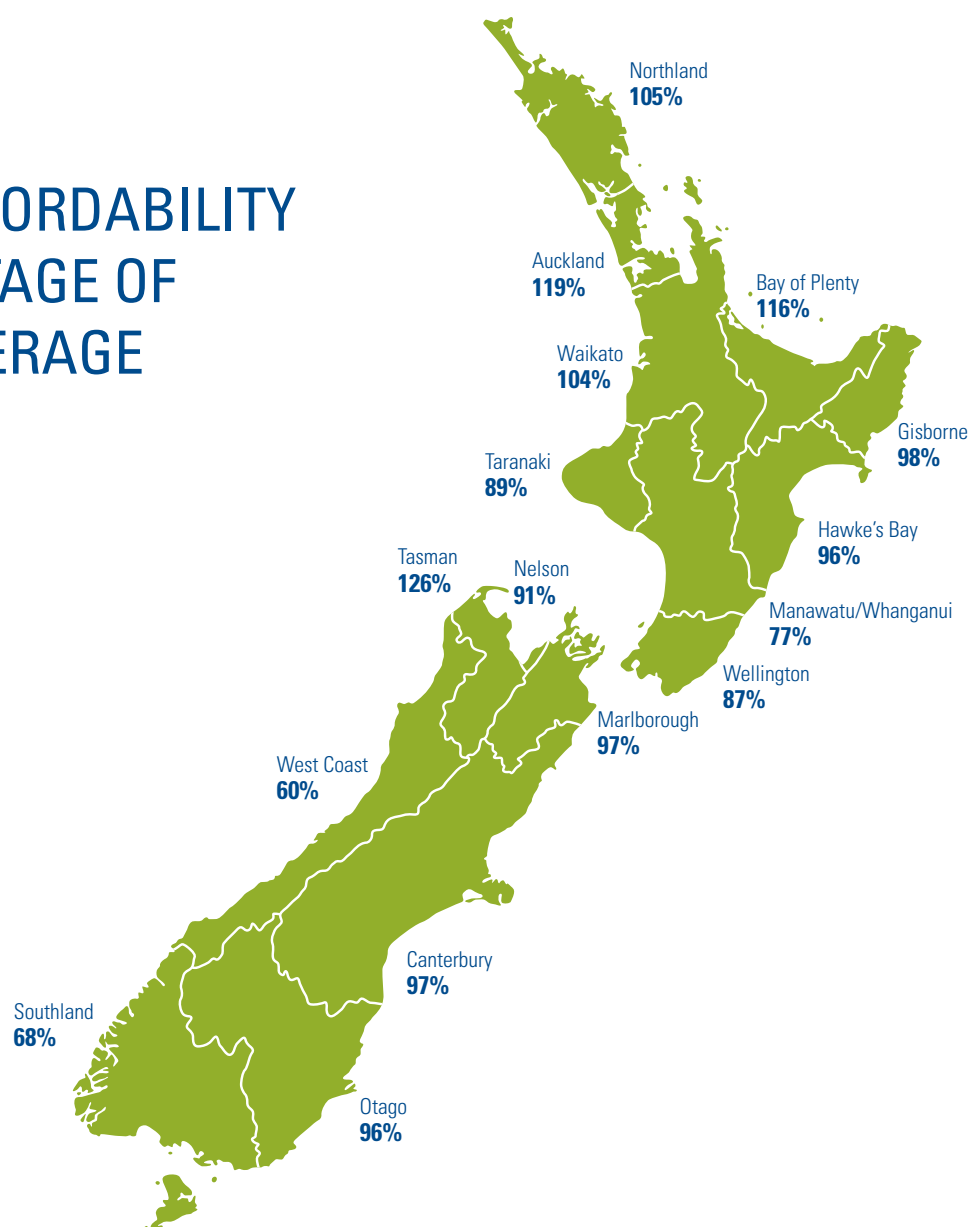
### QUARTERLY RESULTS:

- Affordability this quarter declined nationally by 7.8% with a quarterly increase in median house prices of 1.3%.
- This quarter, the primary cause of the decline in affordability has been due to further increase in mortgage interest rate.

### YEARLY RESULTS:

- The yearly results show a decline in affordability at the national level by 24%, reflected in all regions.
- The yearly driver of this change is also an increase in residential mortgage interest rates, now at 6.47% compared to 4.22% a year ago.

# 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	November 2021	August 2022	November 2022	Improvement	Decline	Improvement	Decline
Northland	28.3	32.1	39.3		39.1%		22.6%
Auckland	38.6	43.3	44.6		15.7%		3.1%
Waikato	30.0	36.3	39.2		30.7%		8.0%
Bay of Plenty	32.5	43.1	43.6		33.9%		1.1%
Gisborne	27.2	29.8	36.7		35.2%		23.2%
Hawke's Bay	30.9	34.7	36.1		16.9%		4.2%
Manawatu/Whanganui	22.5	27.0	29.1		29.0%		7.8%
Taranaki	23.6	32.0	33.2		40.6%		3.9%
Wellington	27.6	29.8	32.8		18.7%		10.0%
Tasman	33.1	42.1	47.2		42.4%		12.1%
Nelson	25.5	31.4	34.0		33.7%		8.5%
Marlborough	25.9	33.0	36.3		39.9%		10.1%
West Coast	13.0	17.4	22.4		71.5%		28.4%
Canterbury	26.7	33.5	36.3		35.9%		8.3%
Otago	26.9	33.9	36.0		33.7%		6.0%
Southland	16.6	22.3	25.5		53.6%		14.2%
All Regions	30.3	34.8	37.5		24.0%		7.8%

Overall home affordability was declined in this quarter. This was broadly driven by an 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.

## IMPORTANT DISCLAIMER

No person should rely on the contents of this report without first obtaining advice from a qualified professional person. This report is made available on the terms and understanding that Massey University and the authors of this report are not responsible for the results of any actions taken on the basis of information in this report, nor for any error in or omission from this report.

# New Zealand Home Affordability Report: Quarterly Survey Q4 2022

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