



HOME AFFORDABILITY REPORT

QUARTERLY SURVEY SEPTEMBER 2024, VOL 35, NO.3

OVERALL, HOME AFFORDABILITY HAS IMPROVED AGAIN IN THIS QUARTER. THIS WAS BROADLY DRIVEN BY DECREASE IN THE MORTGAGE INTEREST RATES, SLIGHT INCREASE IN INCOME AND OVERALL DECLINE IN THE MEDIAN HOUSE PRICES IN MAJORITY OF THE REGIONS INCLUDING AUCKLAND.

QUARTERLY RESULTS:

- At the national aggregate level, again affordability has improved in this quarter, attributed in this past quarter by a decrease in median house prices in eleven regions, decrease in the mortgage interest rates and an increase in income in twelve regions.
- Median house prices decreased in eleven regions. The greatest decrease in median house prices (in percentage terms) has for the last quarter occurred in the West Coast (11.9% or \$48,000). In contrast, the median house prices increased in Gisborne by 4.2% or \$25,000.
- At the national level, overall median house prices decreased by 0.60% (\$5,000) in this quarter.
- Overall affordability has improved in this quarter (4.4% nationally). At the regional level, affordability has improved in fifteen regions and deteriorated in only one region (Gisborne). In this quarter, the most significant changes being seen in the West Coast (16.2% improved).
- Interest rate has slightly decreased in this quarter, by 0.23% to 7.15% as at July 2024. This is a return to the medium-term trend of decreasing interest rates, after started increasing during the last three years by the Reserve Bank.
- Incomes have slightly increased by 0.70% in aggregate during the quarter, with more than half of the regions showing an increasing trend in average weekly earnings. The largest changes in income in the quarter recorded in the Hawke's Bay region (2.8% increase)..

YEARLY RESULTS:

- At the national level, there was 0.3% annual decrease in median house prices (\$2,000 decreased to \$765,000). Two years mortgage interest rates decreased by 0.17%, moving to 7.15% in July 2024 from 7.32% in July 2023. Overall weekly earnings were increased by 5%. This increase in earnings and decrease in the mortgage interest rates has improved the overall affordability.
- This improvement in affordability at the national level in the past 12 months is reflected in all sixteen regions. The greatest improvement in affordability for the year are reported in the Northland (14.1%), Gisborne and Hawke's Bay regions by 12.2%. There was a mix trend the median house prices. Median house prices decreased in half of the regions. The greatest decrease was recorded in the Northland region (5.4% or \$36,000 decrease) and greatest increase was reported in Otago (6.7% or \$40,000 increase).

GENERAL TRENDS

- National House price to income ratio decreased in this quarter at 9.8 times of annual wages.

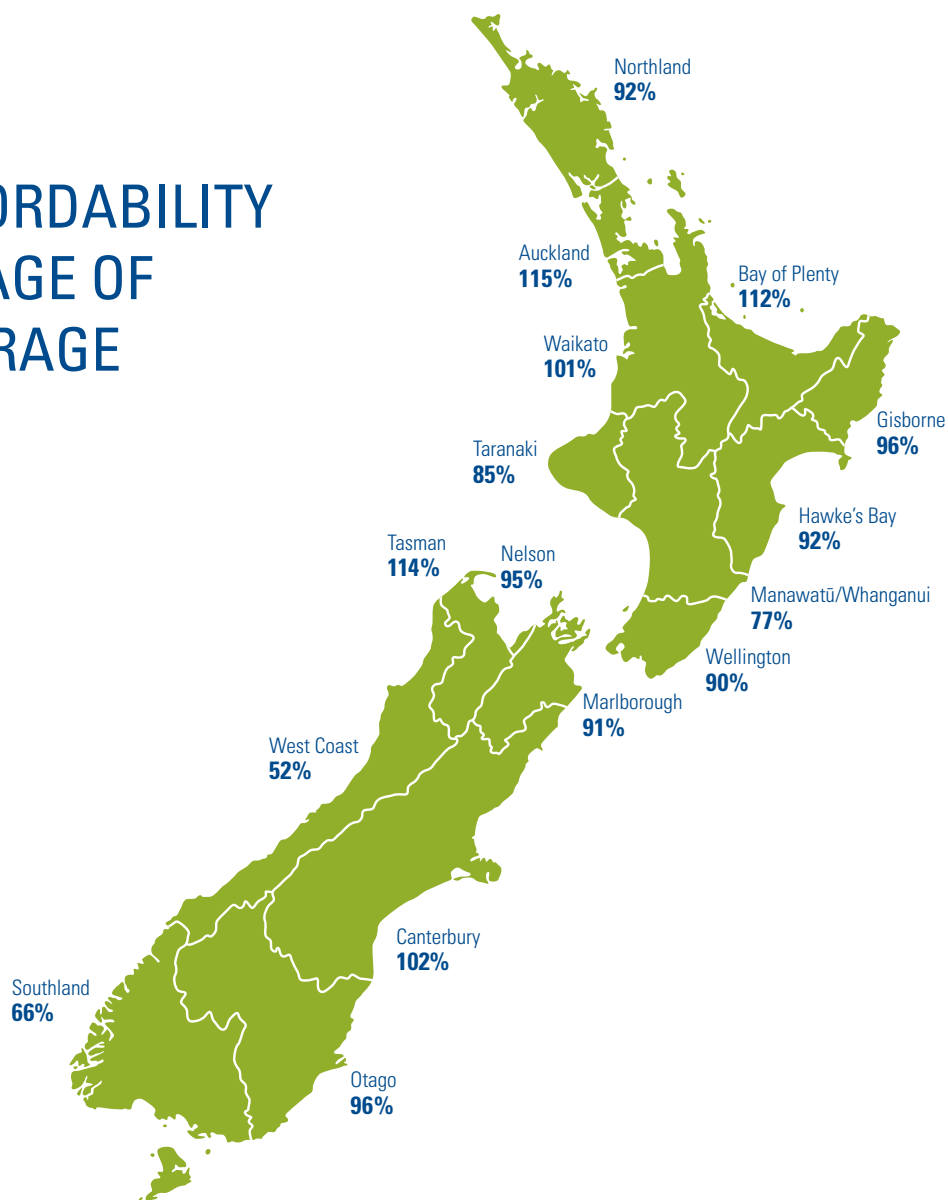
QUARTERLY RESULTS:

- Affordability this quarter improved nationally by 4.4% with a quarterly decrease in the median house prices of 0.6%.
- This quarter, the primary cause of the improvement in affordability has been due to decrease in the median house prices in eleven regions, a slight decrease in the mortgage interest rates and a slight increase in income.

YEARLY RESULTS:

- The yearly results show an improvement in affordability at the national level by 7.2%, reflected in all sixteen regions.
- The yearly driver of this change is an annual decrease in the mortgage interest rates and median house prices and an increase in weekly earnings.

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	August 2023	May 2024	August 2024	Improvement	Decline	Improvement	Decline
Northland	39.2	37.6	33.7	14.1%		10.3%	
Auckland	47.2	46.6	42.0	11.0%		9.7%	
Waikato	40.2	38.2	36.8	8.4%		3.8%	
Bay of Plenty	43.6	44.3	40.9	6.1%		7.6%	
Gisborne	39.7	34.8	34.9	12.2%			0.3%
Hawke's Bay	38.4	37.7	33.7	12.2%		10.7%	
Manawatū/Whanganui	30.3	29.9	28.0	7.4%		6.2%	
Taranaki	32.7	32.1	31.0	5.2%		3.5%	
Wellington	33.2	34.3	32.9	1.0%		4.2%	
Tasman	47.2	43.7	41.5	12.1%		5.0%	
Nelson	37.0	34.7	34.6	6.3%		0.3%	
Marlborough	34.9	37.2	33.0	5.5%		11.2%	
West Coast	19.5	22.8	29.1	2.3%		16.2%	
Canterbury	39.7	39.6	37.2	6.3%		6.1%	
Otago	35.1	36.7	34.8	0.9%		5.3%	
Southland	26.6	25.7	24.2	8.9%		6.1%	
All Regions	39.2	38.1	36.4	7.2%		4.4%	

Overall, home affordability has improved again in this quarter. This was broadly driven by decrease in the mortgage interest rates, slight increase in income and overall decline in the median house prices in majority of the regions including Auckland.

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.

AUTHORED BY

Arshad Javed

**Property Group, Real Estate Analysis Unit (REAU)
School of Economics and Finance
Massey University**

ENQUIRIES MAY BE ADDRESSED TO:

Massey Communications Team

Phone: 021 660 260

Email: communications@massey.ac.nz

Website <https://www.massey.ac.nz/>

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

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