

AMP Home Affordability Report

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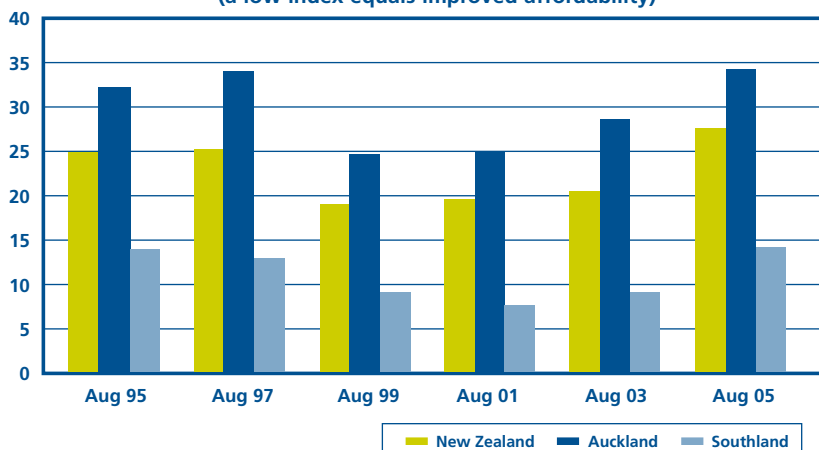


CENTRAL OTAGO LAKES DISPLACES AUCKLAND AS LEAST AFFORDABLE REGION

After holding pole position as the least affordable region since the index commenced publication in 1989, Auckland has now been displaced by the newly formed Central Otago Lakes region as the least affordable in New Zealand. However, perspective must be placed on the change by comparing the size of the two regions. Total dwelling sales for Auckland in the current quarter were 8,689 compared to Central Otago Lakes, 321. The Real Estate Institute of New Zealand has now separated Central Otago and the Queenstown/Wanaka Lakes district into a new stand-alone region in its monthly residential survey. While previously they were respectively included in the Otago and Southland figures, they now form the new twelfth region, Central Otago Lakes.

The New Zealand Median Dwelling Price reached another all time high, lifting 5.5% to \$290,000 at the end of the quarter. House prices continued to rise in most regions over the September quarter. Meanwhile interest rates have settled,

National Home Affordability Index
(a low index equals improved affordability)



Key Points

- The Real Estate Institute creates a twelfth region, Central Otago Lakes.
- Central Otago Lakes displaces Auckland as least affordable region.
- Lifting house prices remain the principle driver of declining affordability.
- New Zealand Median Dwelling Price reaches another all time high.
- Quarterly dwelling sales exceed same period last year.
- Provincial regions continue highest ranking in annual affordability decline.



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Home Affordability Report

whilst wages showed a slight rise (0.9%). The New Zealand Home Affordability Index for September reflected a quarterly decline of 5.5%, a trend that has now occurred for six consecutive quarters. A further move by the Reserve Bank to lift interest rates is now widely predicted.

Residential sales were reported by the Real Estate Institute of New Zealand as active during August, with quarterly sales in excess of the same period last year. Quarterly dwelling sales of 24,685 were 1.3% up on the same period last year (24,360). Meanwhile, the New Zealand Median Dwelling Price continued to climb to a record high of \$290,000. Lifting house prices remain the principle driver of declining affordability.

This quarter, ten of the twelve regions reported a quarterly rise in Median Dwelling prices, as well as a decline in home affordability. Wellington reflected the steepest decline at 9.1%, followed by Southland (8.9%), Manawatu/Wanganui (8.1%), Waikato/Bay of Plenty/Gisborne (6.6%), Canterbury/Westland (5.6%), Otago (1.9%), Auckland (1.5%), Taranaki (0.3%), Hawke's Bay (0.2%) and Nelson/Marlborough (0.1%). Two regions recorded a quarterly improvement in affordability. The newly formed Central Otago Lakes ranked highest in improvement for the quarter at 12.2% followed by Northland at 2.2%. Both regions also reported a quarterly fall in Median Dwelling Prices.

The New Zealand index reflected a twelve monthly decline in home affordability (19.2%) for the thirteenth consecutive quarter. Reported home sales for the past year were 104,472, 8.5% down on

the previous year's (Sep 03/Aug 04) sales of 114,120. The Median Dwelling Price moved up 17.4% over the past year from \$247,000 to \$290,000. All regions recorded a twelve monthly decline in home affordability. Provincial regions dominated with Northland ranked highest at 30.3%, followed by Southland (28.7%), Taranaki (27.6%), Waikato/Bay of Plenty/Gisborne (26.5%), Manawatu/Wanganui (24.6%), Canterbury/Westland (20.2%), Hawke's Bay (18.1%), Wellington (18%), Auckland (13.8%), Otago (13.5%), Nelson/Marlborough (5.3%) and Central Otago Lakes (0.3%).

All regions, except Nelson/Marlborough, reported an increase in Median Dwelling Prices over the past year. North Island regions continued to dominate with Taranaki topping the chart at 34.1% followed by Northland at 28.2% and Waikato/Bay of Plenty at 25.2%. Nelson/Marlborough was the only region not to report a change in the Median Dwelling Price over the year.

The graph on the front page illustrates the relative movement in home affordability for New Zealand, Auckland and Southland over the past 10 years.

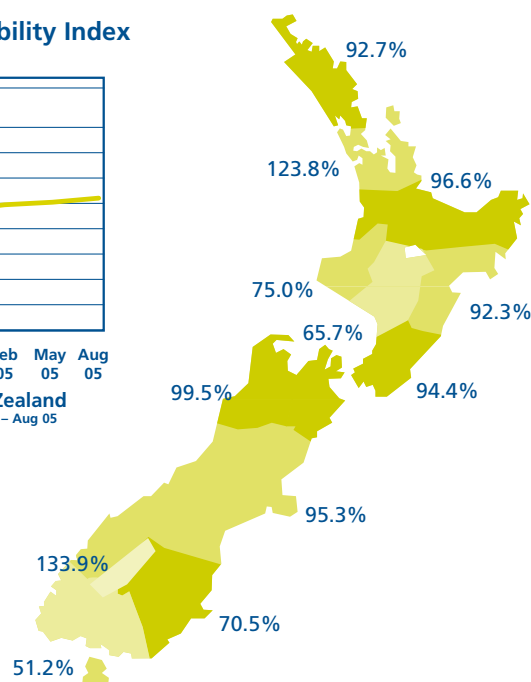
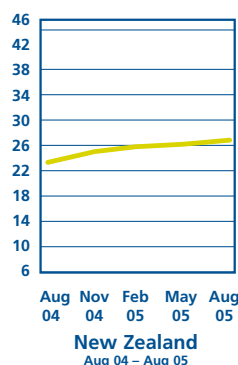
* Formation of the new Central Otago Lakes region takes the total New Zealand regions from eleven to twelve. Corrected regional data for the new region, and for the two adjacent affected regions (Otago and Southland), have been back-cast in the indices to February 2000.

Regional Affordability September 2005 Quarter

Region	Home Affordability Index		Percentage Change in Home Affordability in the last 12 months	
	May 05	August 05	Improvement	Decline
Northland	26.05	25.49		30.3%
Auckland	33.52	34.03		13.8%
Waikato / Bay of Plenty	24.92	26.56		26.5%
Hawke's Bay	25.33	25.37		18.1%
Taranaki	20.55	20.61		27.6%
Manawatu / Wanganui	16.71	18.07		24.6%
Wellington	23.77	25.94		18.0%
Nelson / Marlborough	27.30	27.33		5.3%
Canterbury / Westland	24.81	26.19		20.2%
Otago	19.02	19.38		13.5%
Central Otago Lakes	41.91	36.81	12.2%	0.3%
Southland	12.91	14.06		28.7%
New Zealand	26.05	27.49		19.2%

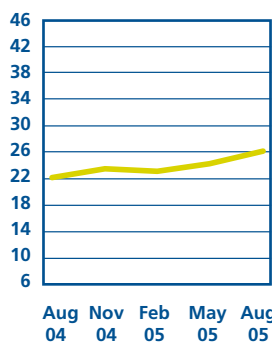
Regional Affordability as a Percentage of National Average

NZ Affordability Index

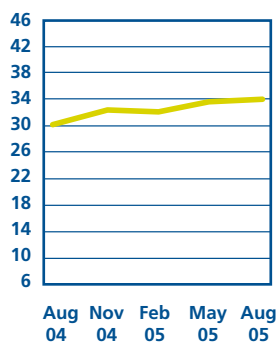




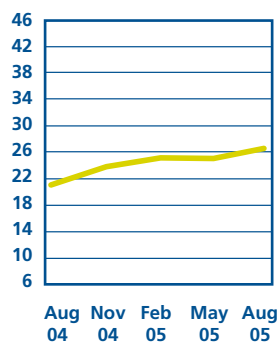
Regional Affordability Index – September 2005 Quarter



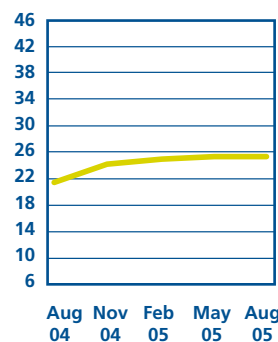
Northland
Aug 04 – Aug 05



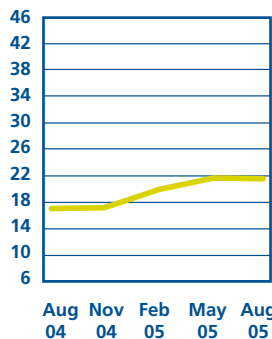
Auckland
Aug 04 – Aug 05



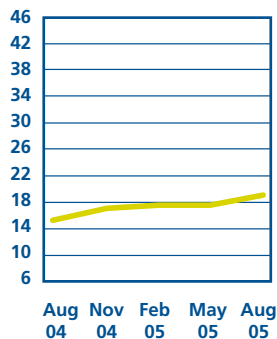
Waikato/Bay of Plenty
Aug 04 – Aug 05



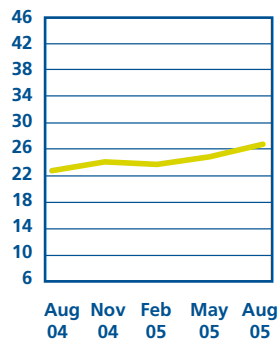
Hawke's Bay
Aug 04 – Aug 05



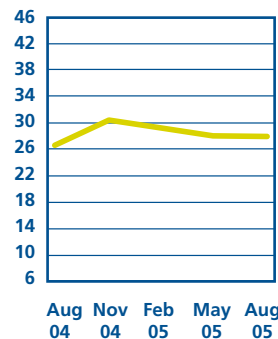
Taranaki
Aug 04 – Aug 05



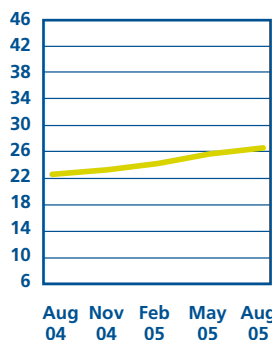
Manawatu/Wanganui
Aug 04 – Aug 05



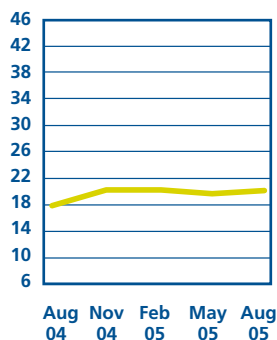
Wellington
Aug 04 – Aug 05



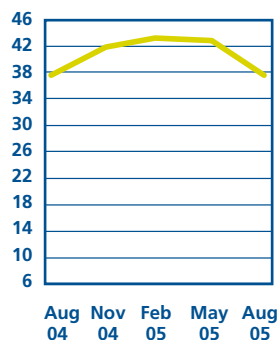
Nelson
Aug 04 – Aug 05



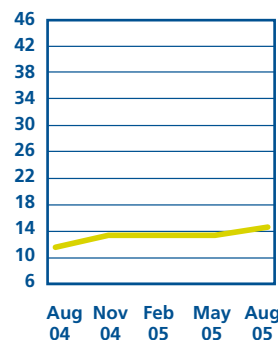
Canterbury/Westland
Aug 04 – Aug 05



Otago
Aug 04 – Aug 05



Central Otago Lakes
Aug 04 – Aug 05



Southland
Aug 04 – Aug 05



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Data Sources

This survey is based on a similar study prepared regularly in Australia by the Real Estate Institute of Australia and AMP.* 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 and Reserve Bank data. Housing prices are released by the Real Estate Institute of New Zealand (REINZ). The combination of this data provides the opportunity to calculate a reliable and useful summary index. The lower the index, the more affordable 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.)

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 publishes a range of data on mortgage interest rates. The Reserve Bank series selected for the affordability index is based on end-of-month floating and fixed rates for existing borrowers. Weighted by volume, loan type and term from each lending institution, the rate used is effectively the weighted average interest rate earned by lenders (and paid by borrowers) for more than 90% of the residential mortgage market.

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%.

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 William Cleghorn 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 campuses.

The Foundation works closely with the Property Studies Group at Massey University. Ms Alison Smith is the Secretary/Treasurer. She may be contacted on +027 210 4440.

Professor R.V. (Bob) Hargreaves is the Executive Officer and may be contacted on +64 6 350 5799 ext 7473.

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Massey University has three campuses, located in Palmerston North, Wellington and Albany (north of Auckland), in New Zealand. The University has an enrolment of 33,000 students with approximately 13,000 business students. There are 10 departments and three schools within the Business Studies College. Professor R.V. (Bob) Hargreaves leads the Property group, which has a staff of 10 academics. He also directs the Massey University Real Estate Analysis Unit (MUREAU).

AMP

AMP has commissioned MUREAU 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.

Important Disclaimer

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