Housing Affordability Report

New Zealand | Quarter 4, 2021

Released February, 2022

Data to December 2021

Contents

About CoreLogic	3
Executive Summary	4
Background	6
Methodology	8
National Overview	9
Main Centres Overview	11
Auckland	14
Hamilton	15
Tauranga	16
Wellington	17
Christchurch	18
Dunedin	19
Main Urban Areas	20
The Rest of NZ	24

About CoreLogic

CoreLogic is a leading property information, analytics and services provider in the United States, Australia and New Zealand.

CoreLogic helps clients identify and manage growth opportunities, improve performance and mitigate risk, by providing clients with innovative, technology-based services and access to rich data and analytics.

Whilst all reasonable effort is made to ensure the information in this publication is current, CoreLogic does not warrant the accuracy, currency or completeness of the data and commentary contained in this publication and to the full extent not prohibited by law excludes all loss or damage arising in connection with the data and commentary contained in this publication.

Call us
0800 355 355

Wellington Office
Level 14, 10 Brandon St
Wellington 6011

Auckland Office
Level 5, 41 Shortland Street
Auckland 1010

Email
reports@corelogic.co.nz

Executive Summary

Since our last six-monthly NZ Housing Affordability Report in early September the position has simply got even worse, with all but one of our four measures deteriorating to their poorest/lowest levels in the 18 year history of our data. And the one measure that isn't at its worst level (mortgage payments as % of household income) is very close to that mark, and is likely to get worse in the next few months.

Starting with the NZ value to income ratio, this reached 8.8 in Q4 2021 (a new record), up from 8.3 just three months earlier and from 7.0 in Q4 2020. The average here is 5.9, and previous peaks of 6.1 in 2007 and 7.0 in 2016-17 have been left far behind. The mechanics here are simply that property value growth has far outpaced gross average household income.

The years to save a deposit measure has also increased to a record high of 11.7, up from 11.1 in Q3 2021 and well above the figure of 9.3 in Q4 2020. Historically this figure has averaged 7.9 years. In other words, it's taking the average new buyer far longer than normal to save their deposit, although at least KiwiSaver withdrawals will have helped some people, while there's also been plenty of willingness for new buyers to look at cheaper locations and/or property types.

Meanwhile, rents are currently absorbing 22% of gross average household income, also a new record high. On this measure, it also needs to be noted that some renting households will be earning much less than the national average income, which means their housing affordability position will actually be worse than these figures suggest.

Finally, the figure for mortgage payments as a percentage of gross average household income has risen to 48%, up pretty sharply from a year ago (33%), as both property values themselves and of course mortgage interest rates have continued to rise. Of that 15%-points deterioration on this measure in 2021, about 6%-points can be explained by the general rise in mortgage rates, while the other 9%-points has reflected the rise in values.

Compared to the long-run average of 37%, the latest reading (48%) clearly signals a poor position for housing affordability on this measure – and indeed, is only a little below the sustained 2007-08 peak of 50%. All else equal, it would only take another 0.5-0.6% rise in a typical mortgage rate for this measure of affordability to go to a worse position than in 2007-08. That scale of increase could easily be seen this year, perhaps even by the middle of the year, as the official cash rate rises further.

Around the main centres, the messages are very similar – housing affordability has deteriorated across the board, with Tauranga and Auckland still the least affordable, but Dunedin, Wellington, and Hamilton looking more stretched too. Christchurch is still the most affordable of the main centres, but with more people being drawn in by this appeal, values there are now rising strongly, and that is feeding back into reduced affordability. Outside the main centres, again the message is the same – strong value growth and reduced housing affordability.

Executive Summary *(continued)*

It's important to note that affordability analysis can rarely be based on absolute comparisons – it has to be an area's figures measured relative to its own history or to other parts of the country. Nor do housing affordability measures necessarily provide good guidance about what happens next. Just because the value to income ratio is above (below) average, for example, doesn't mean for certain that values will fall (rise) by X% over a given period to lower (raise) the ratio back to normal.

Even so, it's clear that stretched affordability will be a lingering issue for the property market this year, and when you also consider the further increases in mortgage rates that look likely, alongside the simple reduction in the amount of credit available (e.g. via tighter loan to value ratio rules, the Credit Contracts and Consumer Finance Act changes, and potential caps on debt to income ratios), it's not hard to envisage a sharp slowdown in sales volumes and value growth in 2022.

However, in lieu of a big drop in employment, it seems unlikely that property values will fall significantly (if at all), so an adjustment back towards a more normal affordability position will be a slow grind with incomes needing time to 'catch up.

Change in mortgage servicing (% of income) over the past year

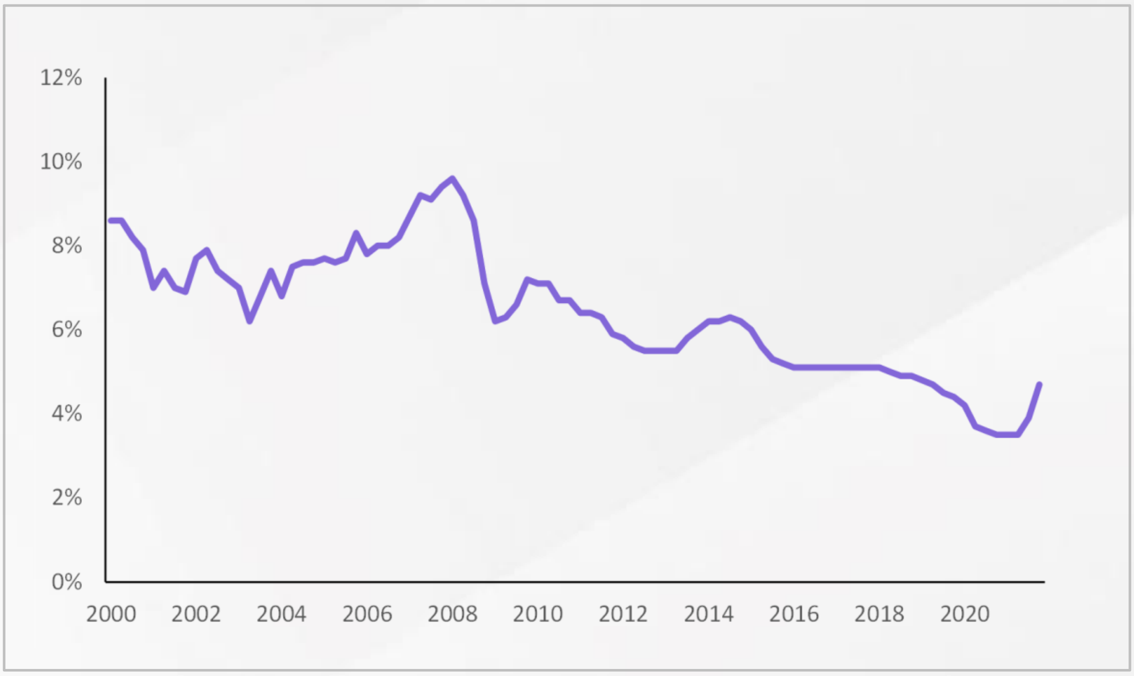
Background

The upswing in property values in NZ over the past 10-15 years has become a much more prominent issue affecting housing affordability. The increase in values over the longer term has reflected a range of factors, including:

- Deregulation of financial markets resulting in the banking sector becoming more efficient and competitive, and credit more widely accessible
- Inflation targeting by the Reserve Bank which has resulted in significantly lower levels of inflation, contributing to much lower mortgage rates
- High migration and population growth coupled with a generally insufficient supply response
- Construction costs which have consistently increased at a rate in excess of inflation
- High demand to live close to the major centres where infrastructure and amenity is superior

The fact that housing has seen fairly consistent growth over the decades has encouraged people to spend more on better located, larger and subsequently more expensive housing. By contrast, against the backdrop of appreciation in property values over a long period of time, household incomes have generally risen at lower rates. As a result, this has led to a divergence between the costs of housing and the proportion of household income it now takes to purchase a property. At the same time, with interest rates currently tracking at their lowest levels since at least the 1960s, servicing a mortgage isn't always the largest barrier to home ownership at present.

Two-year fixed mortgage rates



Background *(continued)*

Instead, it's more around the deposit, and somehow trying to avoid any progress on saving the deposit falling behind the actual rise in property values. Another aspect of housing affordability that isn't discussed as much are rental costs. Rents have typically risen more slowly than property values, so rental affordability hasn't become as stretched as ownership.

This report endeavours to provide a comprehensive measurement of housing affordability from a variety of perspectives, including the relationship between property values and household incomes, the challenge of saving for a deposit, mortgage serviceability and rental rates relative to household incomes. We believe this report provides a comprehensive, overall view of housing affordability, because it uses household income on a timely, quarterly basis, not individual incomes multiplied by two, or time series figures that are well out of date. It also has a long history for analysis (dating back to 2004) and covers granular information for every territorial authority in NZ. We use average property values across all stock, not a median price for whatever happens to have sold at the time.

The four measures of housing affordability included in this report are:

1. The ratio of average property values to average gross annual household income
2. The share of household income required to service an 80% loan to value (LVR) mortgage
3. The number of years it takes to save a 20% deposit, assuming 15% of income is saved
4. The proportion of household income required to pay the rent

To compile these measures, we use our own CoreLogic data, as well as figures sourced from Infometrics, the Reserve Bank of NZ, and MBIE. Note that the measures in this report use averages/means not medians – based on available (partial) median data, the conclusions would not be materially different if we switched the basis for calculation. This is because, for example, mean and median household income track each closely through time.

Methodology

The ratio of average property values to average gross annual household income

Utilising average gross household income from economics consultancy, Infometrics, and average property values from CoreLogic, we determine the ratio of values to income over time. For example, a city where the average property value is $500,000 and the average household income is $100,000, the ratio would be 5.0 (dwelling prices are 5 times higher than gross annual household incomes).

> "The Infometrics household income series is a comprehensive estimate of household incomes within each territorial authority area. The series captures labour market earnings (wages, salaries and self-employment) as well as allowances (e.g. Disability Allowance), benefits (e.g. Jobseeker Support) and superannuation. Investment income is excluded. Infometrics models the series with a top-down approach, first measuring all incomes received by households in New Zealand, then apportioning them to territorial authorities using various sources of administrative data. As there is a time lag in the availability of administrative data we use contemporary indicators to project our estimates to the most recent quarter. Infometrics estimates of the number of occupied private households are used to translate total income in each territorial authority area into a per household mean. Mean household incomes are then translated into median household incomes using a Pareto distribution. The Infometrics household income series tends to be slightly higher than Census measures. Census tends to underestimate household incomes because individuals often fail to recall all of their income when completing their Census form."

The proportion of household income required to service an 80% LVR mortgage

This measure looks at mortgage serviceability for households that already own a home. Based on a point in time, assuming the owner has borrowed 80% of the average property value and is paying the average two-year fixed mortgage rate (over a 25-year term with fortnightly principal and interest repayments), we measure the proportion of gross annual household income required to service the mortgage. Put another way, think of this as the repayment burden for a household that's just purchased their first home. For example, based on an average property value of $500,000 and a 20% deposit, the loan principal would be $400,000. If the average gross household income was $100,000 and the current mortgage rate was 4.5%, the household would be up for $26,665 in mortgage repayments each year, or 26.7% of their gross annual household income. Mortgage rates are sourced from the Reserve Bank of New Zealand.

The number of years it takes to save a 20% deposit

Using the Infometrics average household income data we provide a measure of affordability for those households that don't yet own a home. This analysis assumes a household can save 15% of their gross annual household income. Based on these savings, the result measures how many years it would take to save a 20% deposit. For example, based on a 15% savings objective, a household earning $100,000 gross per annum would save $15,000 per annum. If the average property value was $500,000, a 20% deposit would equate to $100,000. Based on the household savings, it would take 6.7 years to save a 20% deposit.

The proportion of household income required to pay the rent

Utilising household income data together with the average weekly rent figures (expressed as a 12-month moving average to smooth out volatility) published by MBIE we measure what percentage of gross annual household income is required to pay the rent. For example, a household earning $100,000 per annum in a city where the average weekly rent is $500 would be dedicating 26% of their gross annual household income towards paying their landlord.

The report does not seek to address where housing is affordable or unaffordable in its own right. The affordability measures need to be viewed relative to history (e.g. City X has become more or less affordable than in the past) or against other parts of the country (e.g. City X has a lower value to income ratio than City Y). It assumes that local people earn the average income for their area and purchase/rent property in that area; it does not account for somebody earning a high/low income in City X and buying/renting property in City Y. The report makes no allowance for different earnings by age, nor does it account for changes in quality or size of housing over time.

National Overview

Value to income ratio:

As at Q4 2021, the average property value across NZ is 8.8 times average annual household income. That is up sharply from 8.3 just three months ago and a figure of 7.0 in Q4 2020. This figure has pushed out to a new record high in each of the previous four quarters, and for context, the long term average is 5.9. In other words, housing affordability on this measure is at a record low – and illustrates how property value growth has significantly outpaced incomes lately. In fact, since March/Q1 2020, average values have risen by 38%, but household incomes by less than 3%.

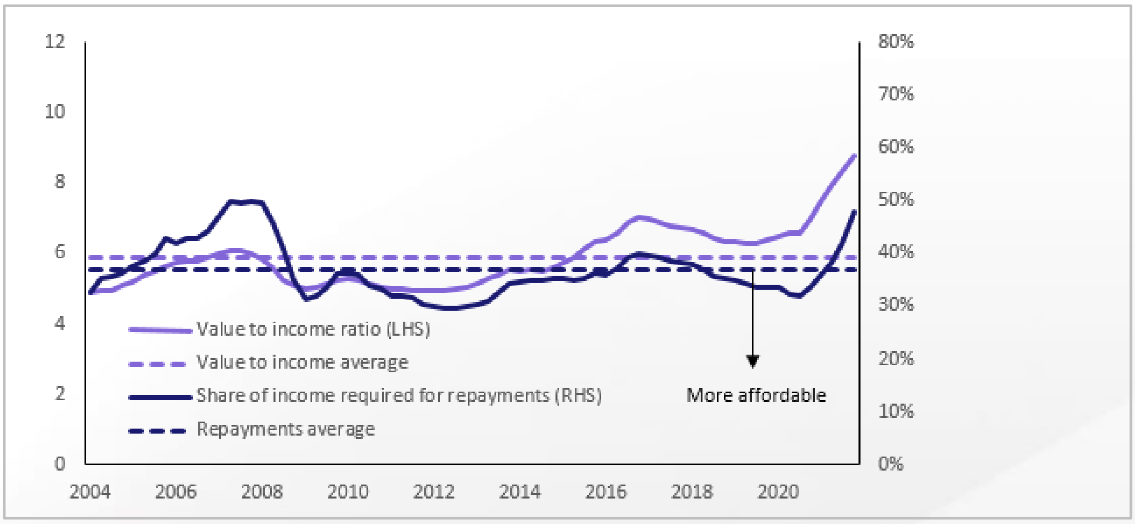
		15 years ago (Q4 2006)	10 years ago (Q4 2011)	5 years ago (Q4 2016)	Latest (Q4 2021)
Average property value	$	$377,034	$399,496	$636,861	$1,006,632
	% Change		6%	59%	58%
Average annual household income	$	$63,980	$80,795	$90,592	$114,697
	% Change		26%	12%	27%
Value to income ratio		5.9	4.9	7.0	8.8
Share of income for repayments		44%	30%	40%	48%
Years to save deposit		7.9	6.6	9.4	11.7
Rent to income ratio		21%	20%	22%	22%

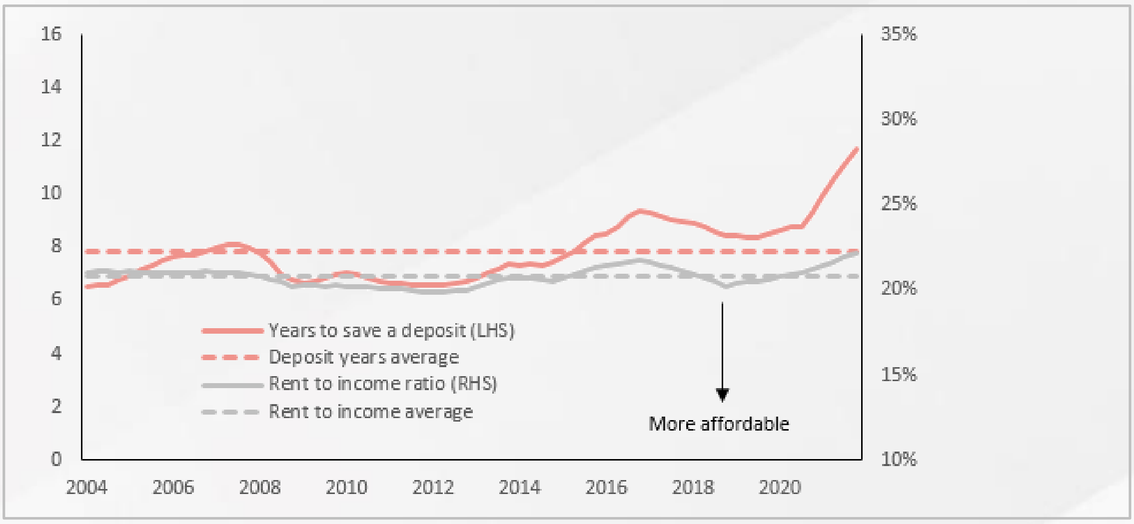
* Note: The % change columns for average property values and household incomes show the total change in each variable over five year intervals, from 2006 to 2011, 2011 to 2016, etc. The figures give readers a good indication of general affordability trends over those periods – e.g. from 2006 to 2011, values rose by 6% and incomes by 26%, so affordability generally improved. But from 2011 to 2016, value growth was significantly higher than incomes, resulting in reduced affordability on most measures.

Share of income required for repayments:

Currently 48% of gross household income is required to service an 80% LVR mortgage (based on the average property value, with the mortgage over a 25-year term), up very sharply from 42% just three months ago and also the figure of 33% in Q4 2020. Of that 15%-points deterioration on this measure in 2021, about 6%-points can be explained by the general rise in mortgage rates feeding through to borrower repayments. But most of it (9%-points) is due to property values themselves rising sharply.

Compared to the long-run average of 37%, the latest reading (48%) clearly signals a poor position for housing affordability on this measure – and indeed, is only a little below the sustained 2007-08 peak of 50%. All else equal, it would only take another 0.5-0.6% rise in a typical mortgage rate for this measure of affordability to go to a worse position than in 2007-08. In other words, mortgage affordability has now reduced for existing home-owners too, in addition to the steady decline we've already seen in recent years for those aspiring to buy a home. And with mortgage rates set to rise further, this trend looks set to continue.





Years to save a deposit:

As at Q4 2021, it's taking an average of 11.7 years to save a typical deposit, up sharply from 11.1 in Q3 2021 and well above the (already-high) figure from a year ago of 9.3. The latest reading is almost four years longer than the average since 2004 of 7.9. At previous cyclical peaks, this measure topped out at 8.1 (mid-2007) and 9.4 (late 2016). In other words, housing affordability has got significantly worse on this measure in the past few months.

Rent to income ratio:

Rents currently absorb 22% of gross household income across NZ. This figure has been on a slow and steady upwards trend since late 2018 and is now a new record high – or in other words, the worst position on record for rental affordability. Moreover, some will be finding it much harder than even these figures suggest, given that many renting households may actually have incomes below the average. Over the long run, landlords can't always pass on higher costs to tenants in the form of rent increases – in turn, because tenants' affordability is anchored by the pace of their wage increases (which has recently been fairly low). But for now, it's clear landlords have the upper hand.

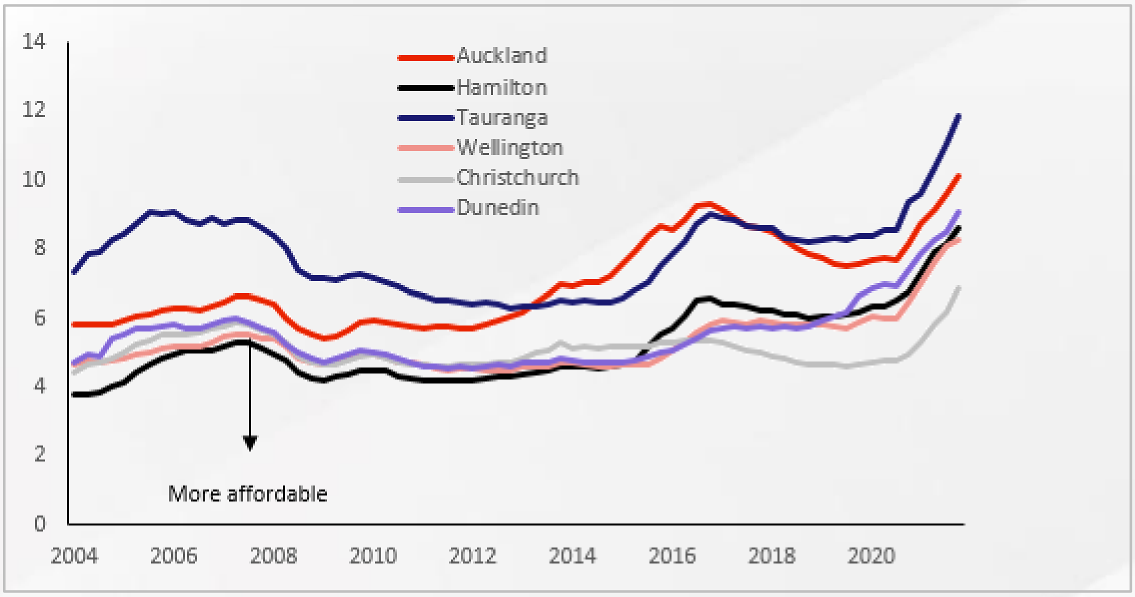
Main Centres Overview

Value to income ratio:

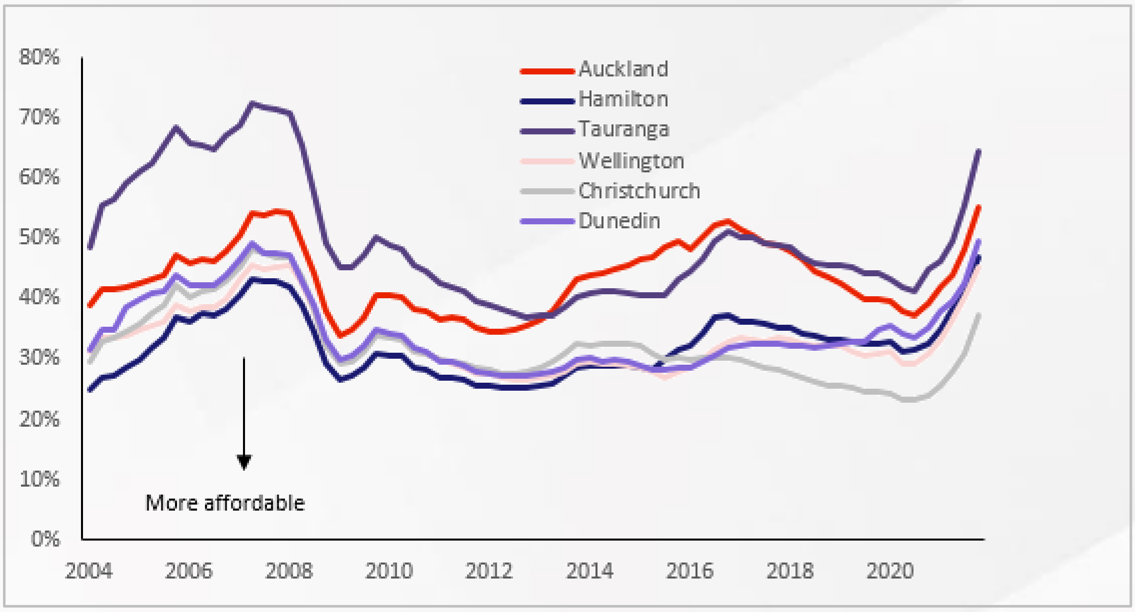
On this measure, Tauranga is the least affordable main centre, with a value to income ratio of 11.9 in Q4 2021, well above its long term average of 7.9, and in fact a new record high – surpassing the previous peak of 11.0 which was only reached in Q3 last year. At 8.6, Hamilton's value to income ratio in Q4 2021 was also a record high, along with Wellington (8.3), and Dunedin (9.1).

Meanwhile, Auckland's latest value to income reading was 10.1, also a new record high. In Christchurch, this measure remains lower than the other main centres (and closer to its own average), but the figure of 6.9 is still a new record high for the Garden City. In other words, even in Christchurch, where affordability has been better for longer, the situation has now deteriorated again over the past 6-9 months.

Value to income ratio



Share of income required for payments



CoreLogic

Main Centres Overview *(continued)*

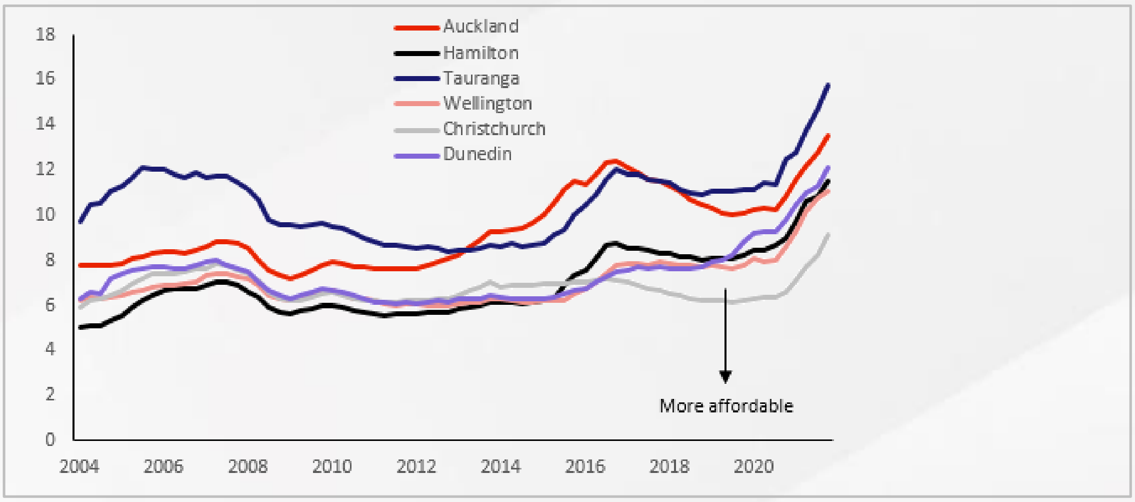
Share of income required for repayments:

Tauranga and Auckland are also the least affordable main centres when you look at the share of gross household income required to service an 80% LVR mortgage – albeit the figure in Tauranga has been higher in the past. Auckland's latest figure of 55% has just surpassed the previous peak of 54% that was seen over 2007-08. And all of this is despite the level of mortgage rates still being much lower than they were prior to the GFC (albeit not as low as they were only 6-9 months ago).

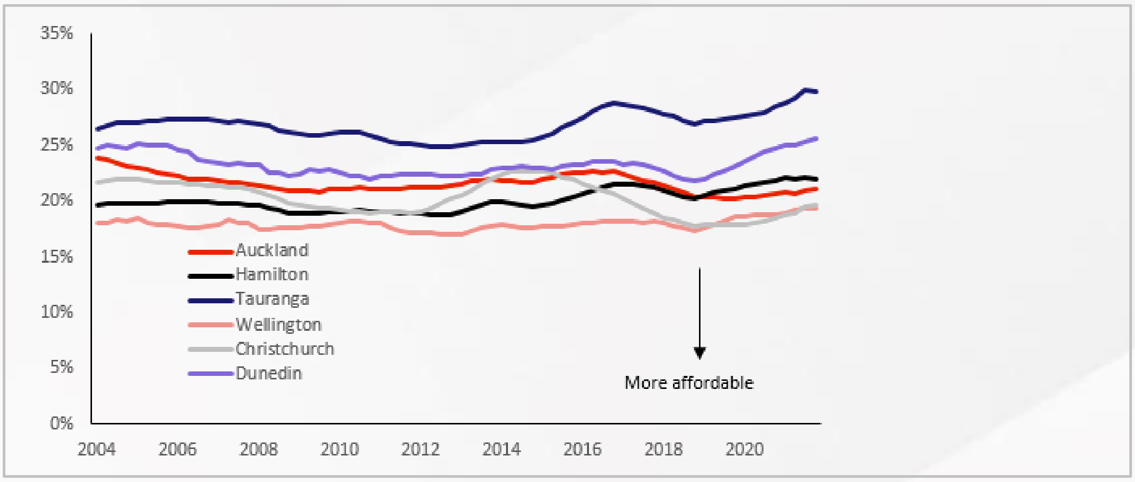
Meanwhile, Hamilton's figure for mortgage payments as a % of gross household income also reached a new record high in Q4 2021 (of 47%), while Wellington sits at 45% and Dunedin 49%. Wellington's latest reading is not quite a record high (or record low for affordability), but Dunedin has just set a new mark. In Christchurch, mortgage payments absorbed 37% of average gross household income in Q4, above the average of 32%, albeit still below past peaks.

This measure of affordability is effectively looking at the situation for a recent purchaser (e.g. first home buyer), and their ability to now be homeowners has generally been helped in recent years by lower mortgage rates. A household that's been in the market longer (and therefore reduced their mortgage principal) and/or has an above average income will have a lower repayment burden. Also note that the rise in the average number of workers per household over time (partly in response to higher housing costs themselves) has played a key role in raising average household incomes.

Years to save a deposit



Rent to income ratio



Main Centres Overview *(continued)*

Years to save a deposit:

Amongst the main centres Tauranga also has the longest period of time required to save a deposit, at 15.8 years (up sharply from 14.7 just three months earlier and 12.5 a year ago). Auckland's figure climbed to a new record high of 13.5 years in Q4 2021, up sharply from 10.9 at the end of 2020. Meanwhile, Hamilton (11.5 years), Wellington (11.0), and Dunedin (12.1) all set new records for years to save a deposit in Q4 2021 too.

Christchurch's figure of 9.1 in Q4 2021 was the lowest of the main centres, but has still risen significantly over the past year, up from 6.6 in Q4 2020, and also a new record high. Although Christchurch can still be labelled the most affordable city of the main centres, it'll certainly be starting to look less attractive to would-be buyers than it once did.

Rent to income ratio:

Rental affordability has been steadier around the main centres, although Tauranga does look a bit more stretched – currently 30% of gross average household income is required to pay rent, about 3%-points above average. Dunedin's figure is 26% (compared to average of 23%), and Hamilton sits at 22%, again above normal (20%).

Wellington's 'rent burden' is closer to normal (19% versus average of 18%), while in Auckland (21% versus average of 22%) and Christchurch it's a similar message that rental affordability doesn't look quite so stretched. Of course, as noted above, if a renting household earns significantly less than the average income, then the affordability position will be worse than these figures suggest.

	Value to Income ratio		Share of income for repayments		Years to save deposit		Rent to income ratio	
Main centre	Latest (Q4 2021)	Average (2004-21)	Latest (Q4 2021)	Average (2004-21)	Latest (Q4 2021)	Average (2004-21)	Latest (Q4 2021)	Average (2004-21)
Auckland	10.1	7.0	55%	44%	13.5	9.4	21%	22%
Hamilton	8.6	5.2	47%	32%	11.5	7.0	22%	20%
Tauranga	11.9	7.9	65%	50%	15.8	10.5	30%	27%
Wellington	8.3	5.3	45%	33%	11.0	7.0	19%	18%
Christchurch	6.9	5.1	37%	32%	9.1	6.8	20%	20%
Dunedin	9.1	5.5	49%	35%	12.1	7.4	26%	23%
NZ	8.8	5.9	48%	37%	11.7	7.9	22%	21%

Auckland

Over the past five years, average property values in Auckland have risen by 36%, compared with the increase in average gross household income of 26%. This has caused the value to income ratio to continue to increase, now sitting at 10.1 – its first time in double digits. Meanwhile, the years to save a deposit measure has risen to 13.5, another record high, and mortgage payments now absorb 55% of average household income – up from 39% a year ago, and also a new record high (surpassing the peak of 54% in 2007-08). The sharp rise in the mortgage repayment figure (i.e. decline in affordability) is of course due to rising property values, but also the increase in mortgage rates.

By contrast, rents 'only' absorb 21% of average household income in Auckland, below previous peaks and also the long term average (22%). However, it also needs to be reiterated that a typical renting household may earn less than the average – so affordability for them is worse than these figures might suggest.

		15 years ago (Q4 2006)	10 years ago (Q4 2011)	5 years ago (Q4 2016)	Latest (Q4 2021)
Average property value	$	$491,665	$551,049	$1,045,374	$1,426,882
	% Change		12%	90%	36%
Average annual household income	$	$77,366	$96,071	$112,118	$140,901
	% Change		24%	17%	26%
Value to income ratio		6.4	5.7	9.3	10.1
Share of income for repayments		48%	35%	53%	55%
Years to save deposit		8.5	7.6	12.4	13.5
Rent to income ratio		22%	21%	23%	21%

CoreLogic

Hamilton

Hamilton has been another area (as with most of NZ) where housing affordability has continued to deteriorate in recent months, with the value to income ratio now standing at 8.6 – another record high and up from 8.1 just three months earlier. The years to save a deposit measure has increased to 11.5, also a record high and pretty close to the national figure of 11.7. Meanwhile, mortgage payments now absorb 47% of average gross household income, up from 32% just a year earlier, while rents are equivalent to 22% of income, above the historical average of 20%.

		15 years ago (Q4 2006)	10 years ago (Q4 2011)	5 years ago (Q4 2016)	Latest (Q4 2021)
Average property value	$	$328,062	$328,877	$534,860	$883,989
	% Change		0%	63%	65%
Average annual household income	$	$64,833	$78,267	$81,419	$102,324
	% Change		21%	4%	26%
Value to income ratio		5.1	4.2	6.6	8.6
Share of income for repayments		38%	26%	37%	47%
Years to save deposit		6.7	5.6	8.8	11.5
Rent to income ratio		20%	19%	22%	22%

Tauranga

Tauranga has always been a less affordable market than most of the other main centres, and nothing has changed in the past 3-6 months either. The value to income ratio has risen to 11.9 (from 9.4 a year earlier), while years to save a deposit has reached 15.8 – both record highs. Mortgage repayments have also increased as a share of income, while rents are high in relation to income too (30% versus the historical average of 27%).

That said, the demographics of Tauranga are important to note in relation to housing affordability. A greater proportion of older people (with more wealth and investment income, but less wage income) amongst its population can sometimes make housing affordability look a little less favourable than it actually is.

		15 years ago (Q4 2006)	10 years ago (Q4 2011)	5 years ago (Q4 2016)	Latest (Q4 2021)
Average property value	$	$453,980	$426,957	$672,197	$1,139,186
	% Change		-6%	57%	69%
Average annual household income	$	$50,976	$66,112	$74,575	$96,082
	% Change		30%	13%	29%
Value to income ratio		8.9	6.5	9.0	11.9
Share of income for repayments		67%	40%	51%	65%
Years to save deposit		11.9	8.6	12.0	15.8
Rent to income ratio		27%	25%	29%	30%

Wellington

The decline in housing affordability in Wellington City in the past five years has been significant, even though the levels of income there are generally high. The value to income ratio in Q4 2021 stood at 8.3, up from 6.5 a year earlier, while the years to save a deposit measure has hit 11.0. Mortgage payments now absorb about 45% of average gross household income, up from 31% a year earlier, as house prices have risen as well as mortgage rates themselves.

In the other main areas of wider Wellington – i.e. Lower Hutt, Upper Hutt, and Porirua – it's a very similar story of declining housing affordability. The value to income ratios in each of those areas now sit at record highs, while years to save a deposit ranges from 9.1 in Porirua up to 11.0 in Lower Hutt. Mortgage payments relative to income have reached 37% in Porirua (27% a year ago), while Upper Hutt's figure is 40%, and Lower Hutt has reached 45% – a record high for the latter.

The affordability situation for renters in each of these areas is also tougher than it's been for at least 17-18 years. An important point to note here is that the relatively easy commute to higher-paying jobs in Wellington City may flatter local owners' and renters' affordability in the Hutt Valley and Porirua. In other words, if we looked at a local wage for those areas, affordability may be worse.

		15 years ago (Q4 2006)	10 years ago (Q4 2011)	5 years ago (Q4 2016)	Latest (Q4 2021)
Average property value	$	$474,345	$508,525	$693,842	$1,258,410
	% Change		7%	36%	81%
Average annual household income	$	$89,562	$111,968	$118,959	$151,852
	% Change		25%	6%	28%
Value to income ratio		5.3	4.5	5.8	8.3
Share of income for repayments		40%	28%	33%	45%
Years to save deposit		7.1	6.1	7.8	11.0
Rent to income ratio		18%	17%	18%	19%

Christchurch

Christchurch is still more affordable than the other main centres, and (anecdotally) that is drawing people in from other parts of NZ. However, this creates a vicious circle where the new/extra demand has started to see values rise more quickly and affordability deteriorate. The value to income ratio is now 6.9, which is well below the national figure of 8.8, but still a record high for Christchurch itself.

Meanwhile, the years to save a deposit measure topped 9.0 in Q4 2021, also a record high, while mortgage payments are 37% of gross average household income – below the national figure (48%), but above Christchurch's own average (32%). Rental affordability also continues to steadily deteriorate in Christchurch too.

		15 years ago (Q4 2006)	10 years ago (Q4 2011)	5 years ago (Q4 2016)	Latest (Q4 2021)
Average property value	$	$349,447	$381,499	$494,247	$744,661
	% Change		9%	30%	51%
Average annual household income	$	$61,132	$81,866	$92,492	$108,545
	% Change		34%	13%	17%
Value to income ratio		5.7	4.7	5.3	6.9
Share of income for repayments		43%	29%	30%	37%
Years to save deposit		7.6	6.2	7.1	9.1
Rent to income ratio		21%	19%	21%	20%

Dunedin

Dunedin has seen some of the largest increases in property values of any part of NZ over the past 4-5 years and that has gone hand in hand with declining housing affordability. As at Q4 2021, its value to income ratio was 9.1 (above NZ average of 8.8), with years to save a deposit sitting at 12.1 (again above the NZ figure of 11.7).

Rental affordability also looks stretched in Dunedin, with rents equivalent to 26% of gross average household income, versus its own average of 23%, and the national figure of 22%. At 49%, mortgage payments as a share of gross average household income are also at a record high, and a little above the NZ average of 48%.

		15 years ago (Q4 2006)	10 years ago (Q4 2011)	5 years ago (Q4 2016)	Latest (Q4 2021)
Average property value	$	$267,269	$270,776	$354,133	$713,773
	% Change		1%	31%	102%
Average annual household income	$	$45,882	$58,934	$62,766	$78,647
	% Change		28%	7%	25%
Value to income ratio		5.8	4.6	5.6	9.1
Share of income for repayments		44%	28%	32%	49%
Years to save deposit		7.8	6.1	7.5	12.1
Rent to income ratio		24%	22%	24%	26%

Main Urban Areas

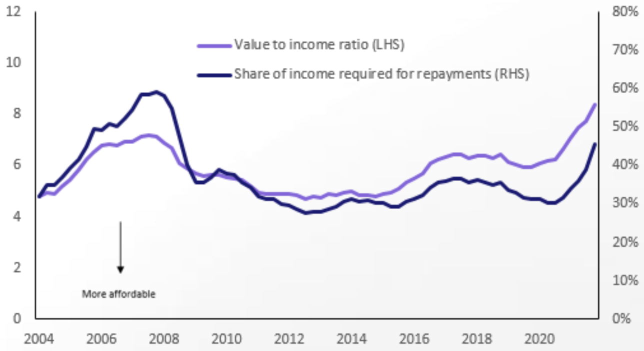
The broad story of a further decline in housing affordability over the past 3-6 months across NZ has certainly been replicated in the 12 'main urban areas' (outside the main centres). Taking the value to income ratio for example, this is now a record high across the board (for our data which extends back to Q1 2004, i.e. an 18-year history), with areas such as Napier (9.8), Kapiti Coast (9.9), and Nelson (9.7) now very close to double digits. Queenstown is well above the 10 mark, now sitting at 13.7.

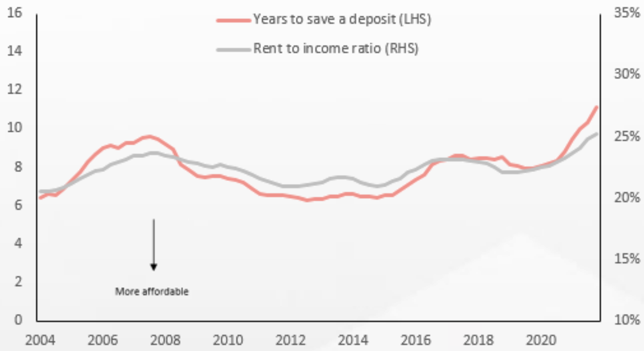
Meanwhile, the years to save a deposit measure now exceeds 10 in Whangarei, Napier, Palmerston North, Kapiti Coast, Nelson, and Queenstown. But right across each of the 12 main urban areas, even if it's still below 10, the years to save a deposit measure is at a record high in its own right.

Because mortgage rates are still below levels that have prevailed in previous years, many of the 12 main urban areas have a mortgage repayment figure as % of gross average household income that is below past peaks. However, the figures are nevertheless rising (i.e. affordability is getting worse), and in Napier for example, this measure now exceeds 50%. And in Whanganui, Palmerston North, and Nelson, it is in fact at a record high.

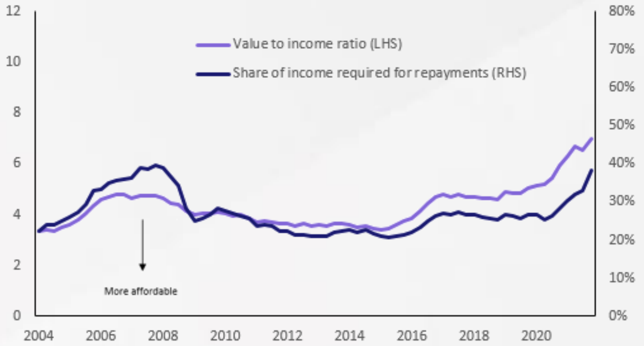
Around many of the main urban areas, rents currently absorb a higher percentage of average gross household income than any other time in the history of our series, although one exception is Queenstown – where the figure is currently 23%, versus previous peaks of 25% or more. This presumably reflects the idea that it still has to 'catch up' after previous COVID-related weakness in rents.

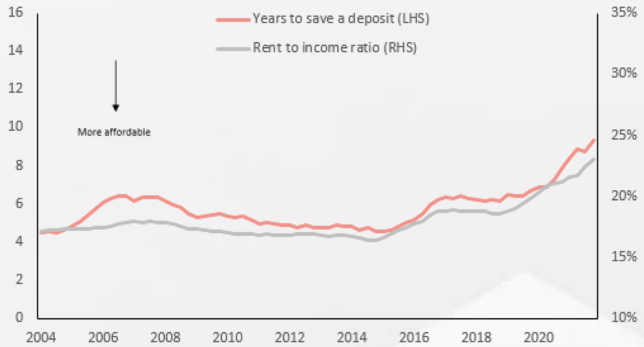
Whangarei



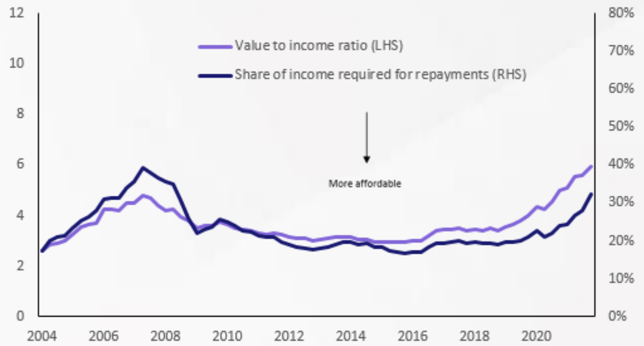


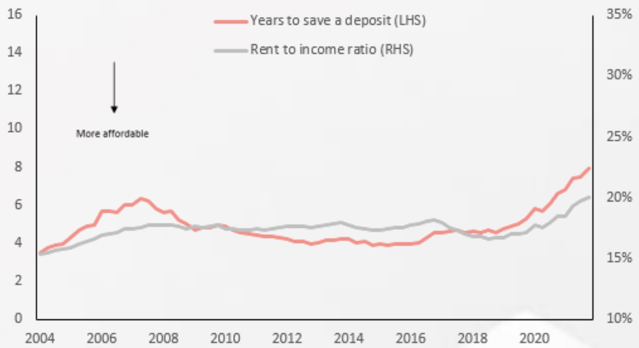
Rotorua



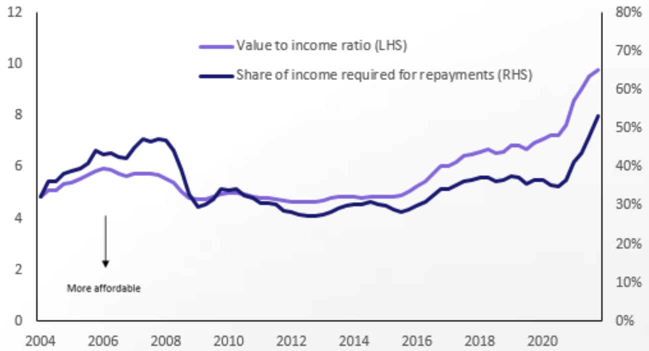


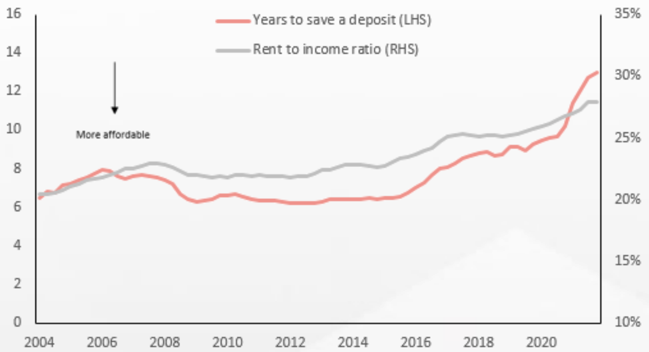
Gisborne



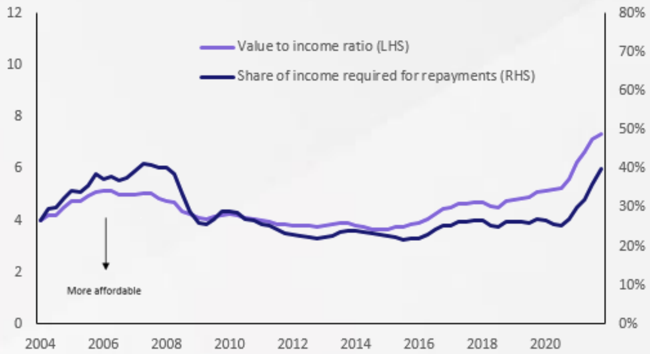


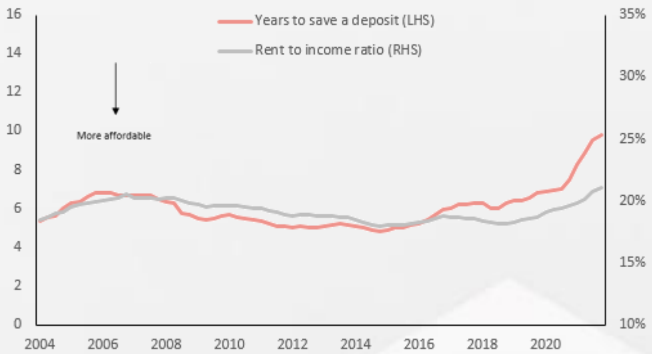
Napier



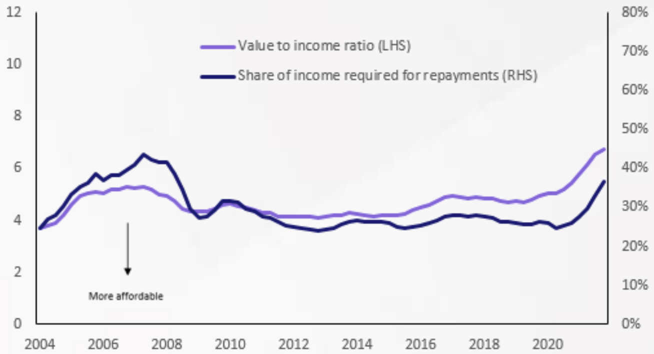


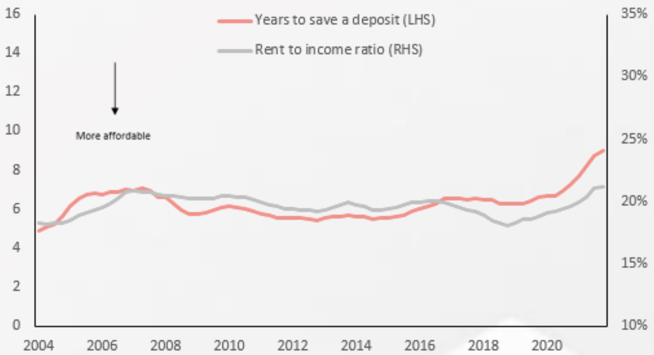
Hastings



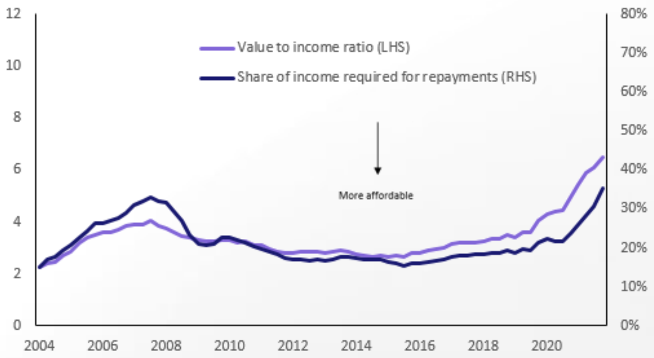


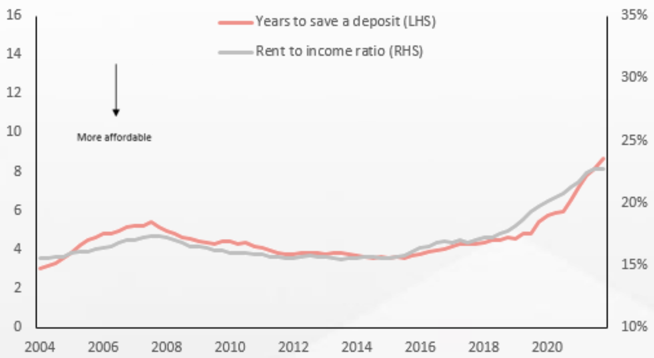
New Plymouth



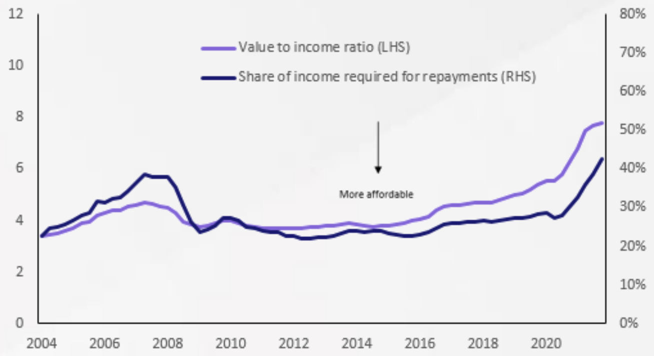


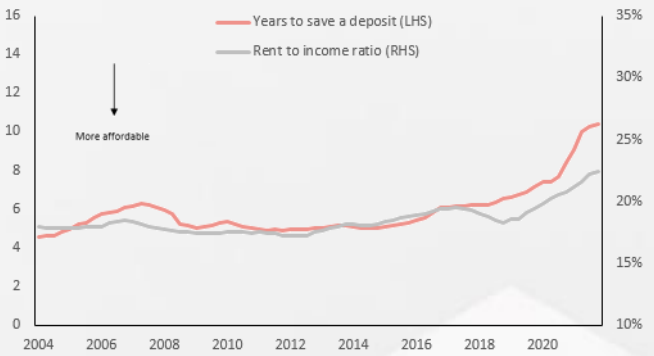
Wanganui



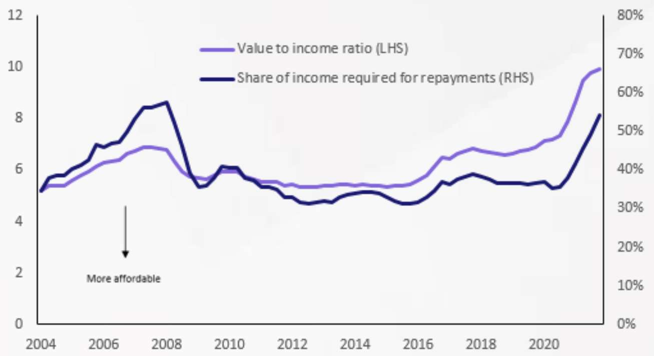


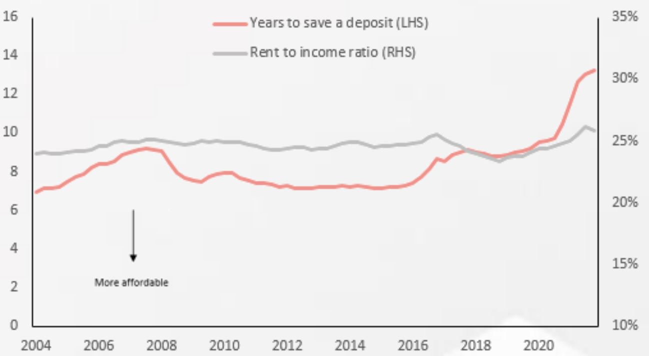
Palmerston North



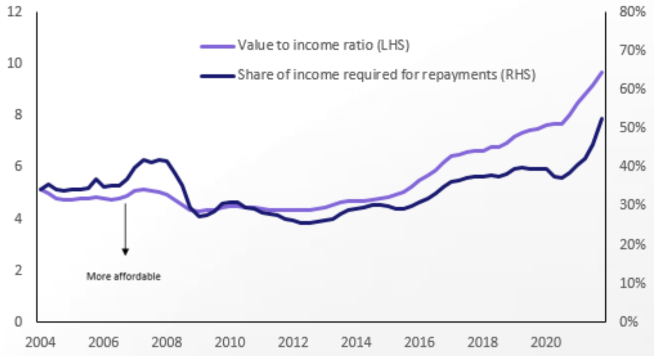


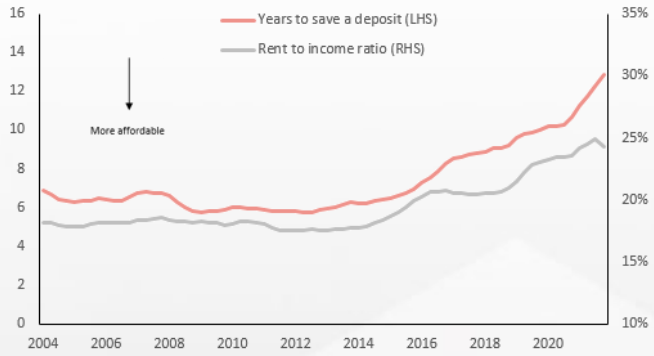
Kapiti Coast



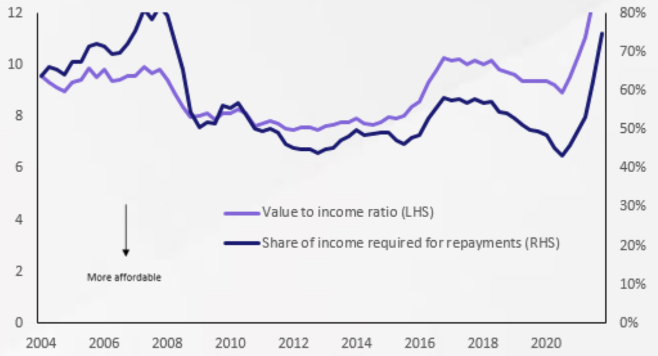


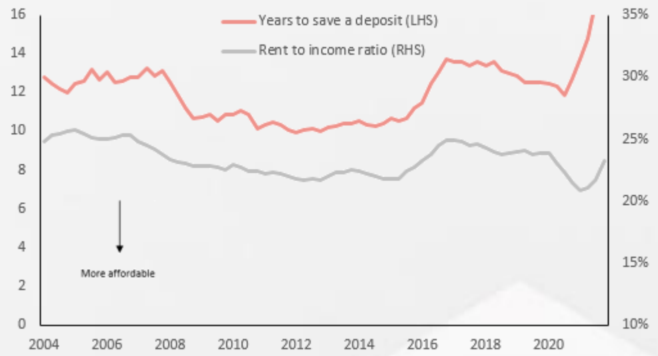
Nelson



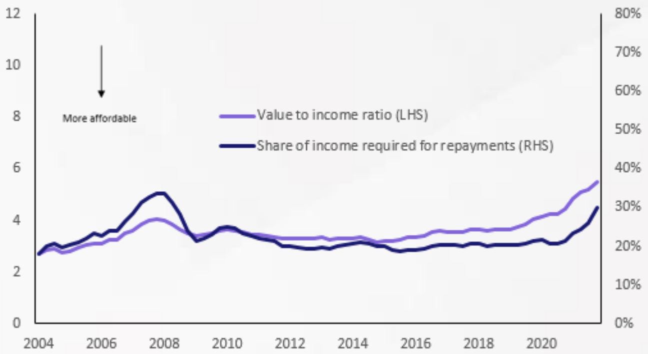


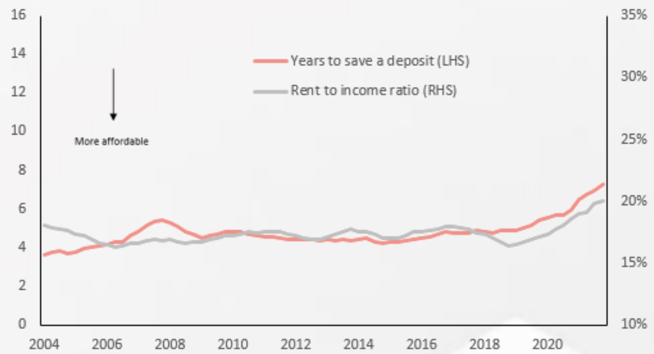
Queenstown-Lakes





Invercargill





The rest of NZ

Around the rest of the country, the key message is the same – housing affordability had already generally been getting worse in recent years, and now the increase in mortgage interest rates is exacerbating that trend. For example, the vast majority of 'provincial' NZ areas now have a value to income ratio that is at a record high, and many are very close to that mark (including Hurunui, Grey, Marlborough, Stratford, Hauraki, and Waitomo). In other words, on this measure, affordability is basically at a record low everywhere across NZ.

The same thing applies for the years to save a deposit measure, which is now at 10 or more in many parts of the country. Recent additions to that 'club' include Waikato (District), which has gone from 9.0 in Q3 to 10.2 in Q4 2021, and Western Bay of Plenty (9.7 to 10.5).

Mortgage payments as a share of average gross household income have also continued to rise steadily around every part of New Zealand in recent months, and areas such as South Waikato, Tararua, South Wairarapa, and Selwyn all stand out due the fact that this measure has recently hit record highs. The same applies for rental affordability, which is currently at record lows in many parts of provincial NZ too.

As a final note, Thames-Coromandel and Tasman stand out for the having some of the highest (worst) readings across most affordability measures. However, we can't look at that in isolation – compared to their own averages, affordability in those two areas isn't as stretched. In addition, our measure of income which excludes investment returns probably has a larger dampening effect on those areas (due to high retiree presence and higher wealth), perhaps making affordability based on incomes look worse than it really is.

Q4 2021

	Average property vals.	Average h/h income	Value to income ratio Now	Average	Difference	Mortgage servicing Now	Average	Difference	Years to save deposit Now	Average	Difference	Rent affordability Now	Average	Difference
Far North District	$660,918	$95,745	6.9	6.0	0.9	38%	38%	-1%	9.2	7.9	1.3	23%	22%	1%
Whangarei District	$811,173	$97,012	8.4	5.9	2.5	46%	37%	8%	11.1	7.8	3.3	25%	22%	3%
Kaipara District	$862,096	$68,670	12.6	6.5	6.0	68%	40%	28%	16.7	8.7	8.1	33%	22%	11%
Thames-Coromandel District	$1,122,613	$68,527	16.4	11.9	4.5	89%	76%	13%	21.8	15.9	5.9	33%	28%	4%
Hauraki District	$630,253	$80,971	7.8	5.1	2.7	42%	32%	10%	10.4	6.8	3.5	25%	22%	3%
Waikato District	$759,435	$99,569	7.6	5.2	2.4	42%	33%	9%	10.2	6.9	3.2	24%	24%	0%
Matamata-Piako District	$705,105	$97,839	7.2	4.1	3.1	39%	26%	14%	9.6	5.5	4.1	23%	18%	5%
Waipa District	$879,558	$122,374	7.2	4.7	2.5	39%	29%	10%	9.6	6.2	3.4	21%	19%	2%
Otorohanga District	$545,716	$96,237	5.7	2.5	3.1	31%	15%	15%	7.6	3.4	4.2	20%	12%	8%
South Waikato District	$458,051	$111,943	4.1	2.0	2.1	22%	13%	10%	5.5	2.7	2.8	15%	12%	4%
Waitomo District	$377,574	$86,566	4.4	3.0	1.4	24%	19%	5%	5.8	4.0	1.9	18%	17%	0%
Taupo District	$821,844	$93,687	8.8	5.8	2.9	48%	37%	11%	11.7	7.8	3.9	23%	20%	3%
Western Bay of Plenty District	$995,631	$126,932	7.8	5.8	2.0	43%	37%	6%	10.5	7.7	2.7	19%	18%	1%
Rotorua District	$703,990	$100,507	7.0	4.3	2.7	38%	27%	11%	9.3	5.8	3.6	23%	18%	5%
Whakatane District	$721,234	$107,526	6.7	4.6	2.1	37%	29%	7%	8.9	6.2	2.8	20%	19%	1%
Kawerau District	$409,890	$78,378	5.2	2.4	2.9	28%	15%	14%	7.0	3.2	3.8	22%	15%	7%
Opotiki District	$505,706	$79,027	6.4	4.5	1.9	35%	28%	6%	8.5	6.0	2.5	23%	19%	4%
Gisborne District	$641,363	$107,991	5.9	3.7	2.3	32%	23%	9%	7.9	4.9	3.0	20%	17%	3%
Wairoa District	$408,345	$87,504	4.7	2.5	2.2	25%	16%	10%	6.2	3.3	2.9	18%	12%	5%
Hastings District	$879,671	$119,990	7.3	4.5	2.8	40%	28%	11%	9.8	6.0	3.7	21%	19%	2%
Napier City	$882,091	$90,412	9.8	5.7	4.0	53%	36%	17%	13.0	7.6	5.4	28%	23%	5%
Central Hawke's Bay District	$618,755	$100,689	6.1	3.6	2.5	33%	23%	11%	8.2	4.9	3.3	19%	15%	3%
New Plymouth District	$704,155	$104,215	6.8	4.7	2.1	37%	30%	7%	9.0	6.3	2.8	21%	20%	2%
Stratford District	$474,019	$75,938	6.2	3.8	2.5	34%	24%	10%	8.3	5.0	3.3	25%	19%	6%
South Taranaki District	$434,696	$92,026	4.7	2.7	2.0	26%	17%	9%	6.3	3.7	2.6	21%	16%	5%
Ruapehu District	$415,767	$93,965	4.4	2.5	1.9	24%	16%	8%	5.9	3.4	2.5	16%	14%	2%
Wanganui District	$570,392	$87,892	6.5	3.4	3.1	35%	21%	14%	8.7	4.5	4.1	23%	17%	6%
Rangitikei District	$492,650	$99,069	5.0	2.7	2.3	27%	17%	10%	6.6	3.5	3.1	19%	15%	4%
Manawatu District	$677,733	$135,423	5.0	3.4	1.6	27%	22%	5%	6.7	4.6	2.1	16%	16%	-0%
Palmerston North City	$750,536	$96,253	7.8	4.4	3.4	42%	27%	15%	10.4	5.9	4.5	22%	18%	4%
Tararua District	$467,674	$99,688	4.7	2.3	2.4	26%	14%	11%	6.3	3.1	3.2	16%	12%	4%
Horowhenua District	$663,844	$81,981	8.1	4.2	3.9	44%	26%	18%	10.8	5.6	5.2	27%	20%	7%
Kapiti Coast District	$984,511	$99,084	9.9	6.2	3.7	54%	39%	15%	13.2	8.3	4.9	26%	25%	1%
Porirua City	$1,000,088	$147,028	6.8	4.4	2.4	37%	28%	9%	9.1	5.9	3.2	20%	19%	2%
Upper Hutt City	$948,354	$127,917	7.4	4.7	2.7	40%	30%	11%	9.9	6.3	3.6	21%	19%	2%
Lower Hutt City	$1,002,880	$121,674	8.2	4.7	3.6	45%	29%	16%	11.0	6.2	4.8	22%	18%	4%
Masterton District	$671,501	$92,348	7.3	4.1	3.2	40%	26%	14%	9.7	5.5	4.2	22%	17%	4%
Carterton District	$742,010	$84,897	8.7	4.9	3.8	48%	30%	17%	11.7	6.5	5.1	25%	21%	4%
South Wairarapa District	$904,924	$101,967	8.9	4.5	4.4	48%	28%	21%	11.8	6.0	5.9	23%	17%	7%
Tasman District	$843,523	$94,842	8.9	9.1	-0.3	48%	59%	-10%	11.9	12.2	-0.3	25%	33%	-8%
Nelson City	$872,656	$90,391	9.7	5.5	4.1	53%	34%	18%	12.9	7.4	5.5	24%	19%	5%
Marlborough District	$715,719	$112,517	6.4	5.0	1.4	35%	32%	3%	8.5	6.6	1.8	20%	19%	1%
Kaikoura District	$612,131	$73,451	8.3	7.0	1.3	45%	45%	1%	11.1	9.3	1.8	26%	24%	2%
Buller District	$298,934	$79,888	3.7	3.1	0.7	20%	20%	1%	5.0	4.1	0.9	17%	17%	-0%
Grey District	$350,402	$93,659	3.7	2.9	0.8	20%	19%	2%	5.0	3.9	1.1	18%	17%	1%
Westland District	$358,039	$100,269	3.6	3.2	0.4	19%	20%	-1%	4.8	4.3	0.5	14%	16%	-2%
Hurunui District	$551,183	$100,565	5.5	4.7	0.8	30%	30%	0%	7.3	6.3	1.0	18%	19%	-1%
Waimakariri District	$665,395	$89,474	7.4	5.9	1.6	40%	37%	3%	9.9	7.8	2.1	26%	28%	-2%
Selwyn District	$842,780	$93,029	9.1	5.3	3.8	49%	33%	16%	12.1	7.0	5.1	27%	23%	3%
Ashburton District	$501,167	$89,123	5.6	4.1	1.5	31%	26%	5%	7.5	5.5	2.0	21%	19%	1%
Timaru District	$479,328	$101,985	4.7	3.8	0.9	26%	24%	2%	6.3	5.1	1.2	18%	17%	1%
Mackenzie District	$682,089	$64,849	10.5	5.7	4.9	57%	35%	22%	14.0	7.6	6.5	24%	19%	5%
Waimate District	$377,552	$78,151	4.8	3.5	1.3	26%	22%	4%	6.4	4.7	1.7	19%	18%	1%
Waitaki District	$476,298	$88,811	5.4	3.7	1.7	29%	23%	6%	7.2	4.9	2.3	19%	17%	2%
Central Otago District	$730,867	$104,077	7.0	5.0	2.1	38%	31%	7%	9.4	6.6	2.8	22%	20%	2%
Queenstown-Lakes District	$1,568,820	$114,285	13.7	9.0	4.7	75%	57%	18%	18.3	12.0	6.3	23%	23%	-0%
Clutha District	$392,716	$73,842	5.3	3.2	2.1	29%	20%	9%	7.1	4.3	2.8	21%	17%	4%
Southland District	$469,029	$83,471	5.6	3.8	1.9	31%	24%	7%	7.5	5.0	2.5	19%	16%	3%
Gore District	$375,601	$72,695	5.2	3.3	1.9	28%	21%	8%	6.9	4.4	2.5	22%	16%	6%
Invercargill City	$468,671	$85,511	5.5	3.6	1.9	30%	22%	7%	7.3	4.8	2.6	20%	17%	3%

corelogic.co.nz