Housing Affordability Report

New Zealand | Quarter 2 2023

Released August 2023

Data to June 2023

Contents

New Zealand
Quarter 2, 2023

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 2, 12 Madden Street
Auckland 1010

Email
reports@corelogic.co.nz

Executive Summary

Over the six months since our previous report (February 2023), housing affordability across New Zealand has generally continued to improve, as property values have fallen, incomes have risen, and the previously large increases in mortgage rates have lost momentum.

Starting with the value to income ratio, the national figure now stands at 7.2. That's still above the long-term average of 6.1 (since Q1 2004), but it has nevertheless fallen in recent months as property values have dipped and incomes have continued to rise amidst the strong labour market backdrop. Indeed, the latest figure (7.2) is significantly lower than Q1 2022's peak of 8.8 and is the lowest since 7.1 in Q4 2020. In other words, a lot of the strain that emerged post-COVID has been easing.

The same applies for our years to save a deposit measure, which has now dropped back to 9.6 – above the long-term average of 8.1, but still around two years better than the worst reading seen in Q1 2022 (11.7 years). Again, the latest figure is the lowest since Q4 2020.

Looking at mortgage payments as a % of gross annual average household income, the situation still looks pretty testing for new buyers, with a figure of 49% remaining well above the long-term average of 38%. But at least as mortgage rates themselves have flattened off, this measure has been able to drop from its Q4 2022 peak of 53%, and the latest is the lowest for 18 months.

Rising incomes will also have helped tenants in terms of housing affordability, but generally speaking, that has been offset by growth in rents themselves. Indeed, at the national level, rents currently absorb 22% of average household income, a touch above the average, but at least not much different from where it's been for the past 4-5 years now.

In terms of the regional breakdown, the patterns for housing affordability are pretty similar whether you look at the main centres, the next tier of towns and cities, or the 'provincial markets' – value to income ratios are down, years to save is down, mortgage affordability is slowing improving, and rental affordability is stable (or slightly improving).

Overall, then, given the continued downturn in the housing market over the first half of 2023, it's been no surprise to see affordability measures improve further. But it's important to reiterate that housing affordability started from such a stretched position that even after the recent improvements, it remains significantly worse than normal – especially when you look at mortgage payments as a share of average incomes. And looking ahead, although lower mortgage rates seem likely over an horizon of 2-3 years (not immediately though), house prices themselves may of course start to rise again in the meantime.

To be fair, we suspect that this still-stretched starting point for housing affordability will play a role in capping the rate of price growth over the medium term, as would potential limits on debt to income ratios for mortgage lending that might be imposed by the Reserve Bank early next year. But any growth in house prices (even if modest) would still mean that affordability remains a challenge and important issue for NZ in the coming years.

Executive Summary *(continued)*

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

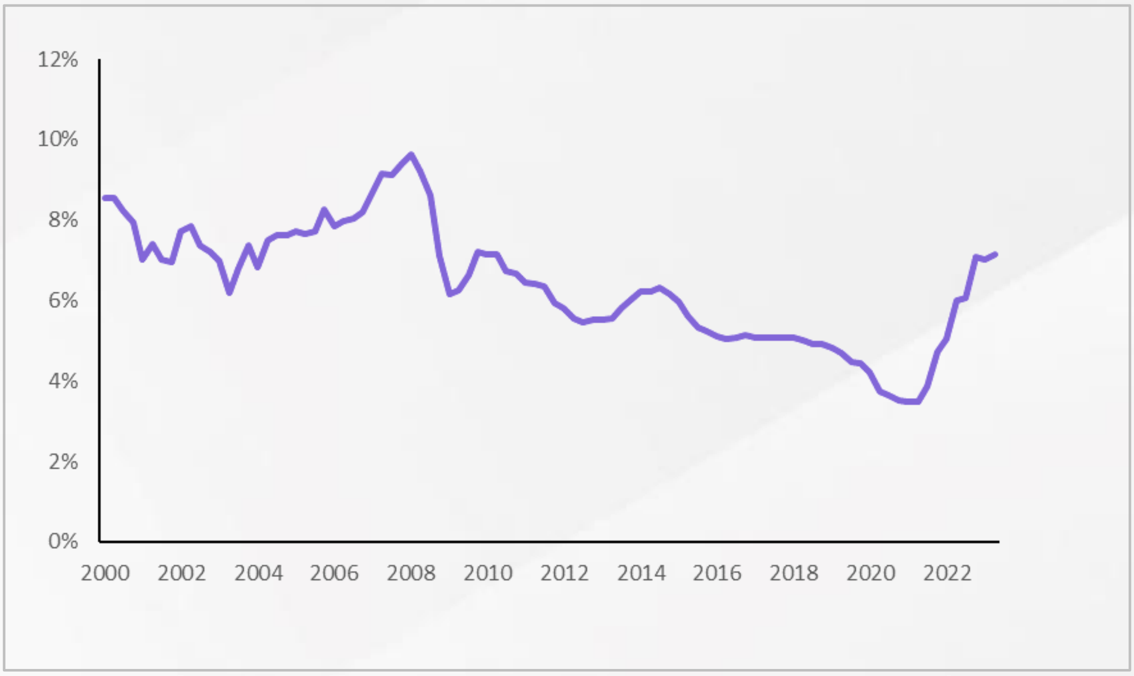
Background

The increase in property values in NZ over the longer term has become a much more prominent issue affecting housing affordability, and reflects 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.

Two-year fixed mortgage rates



Background *(continued)*

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 Q2 2023, the average property value across NZ is 7.2 times gross annual average household income. This is still well above the long-term average of 6.1 (since Q1 2004), but it has nevertheless fallen in recent months as property values have dipped and incomes have continued to rise amidst the strong labour market backdrop. Indeed, the latest figure of 7.2 is significantly lower than Q1 2022's peak of 8.8 and is the lowest figure since 7.1 in Q4 2020. In other words, it's still stretched, but at least affordability on this measure has started to improve steadily.

		15 years ago (Q2 2008)	10 years ago (Q2 2013)	5 years ago (Q2 2018)	Latest (Q2 2023)
Average property value	$	$402,237	$438,771	$673,537	$911,222
	% Change		9.1%	53.5%	35.3%
Average annual household income	$	$72,641	$83,771	$98,416	$126,805
	% Change		15.3%	17.5%	28.8%
Value to income ratio		5.5	5.2	6.8	7.2
Share of income for repayments		45.3%	31.0%	38.5%	49.4%
Years to save deposit		7.4	7.0	9.1	9.6
Rent to income ratio		20.4%	20.3%	21.6%	21.8%

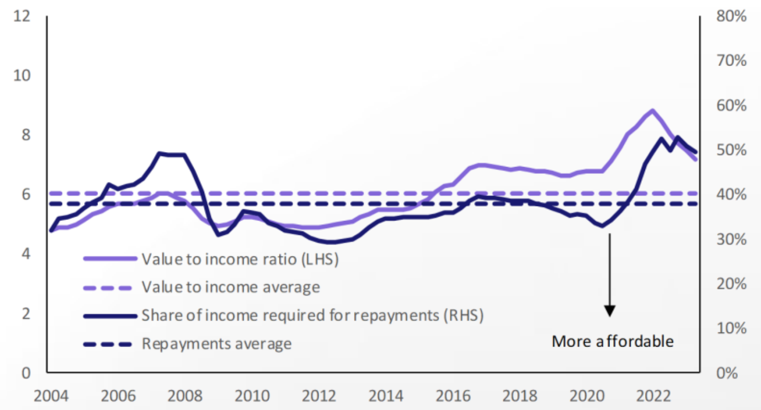
* Note: The % change columns for average property values and household incomes show the total change in each variable over five year intervals, from 2008 to 2013, 2013 to 2018, etc. The figures give readers a good indication of general affordability trends over those periods – e.g. from 2008 to 2013, values rose by 9% and incomes by 15%, so affordability generally improved. But from 2013 to 2018, value growth was significantly higher than incomes, resulting in reduced affordability on most measures.

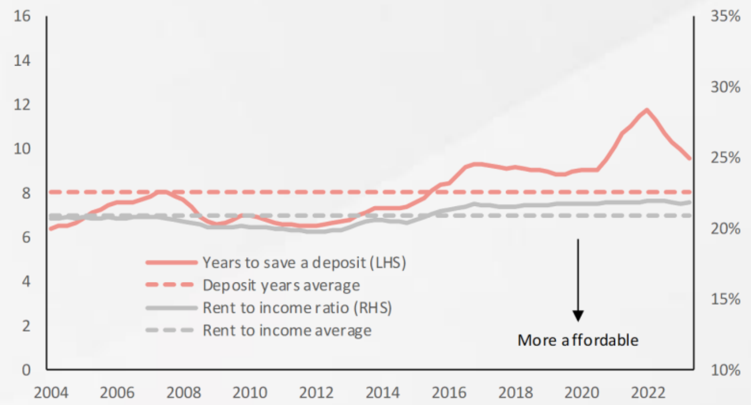
Share of income required for repayments:

Currently 49% 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), which is down from the peak of 53% in Q4 2022 and also lower than Q1 2023's figure of 51%. The latest figure is the lowest since Q4 2021 (47%), albeit above the long-term average of 38%.

In other words, housing affordability on this measure has also improved lately as property values have dropped and incomes have risen – but it remains stretched, given that mortgage rates are still high. The next few quarters may remain testing too, because even though incomes should rise further, potentially flat to modestly rising house prices will work in the other direction for housing affordability – and mortgage rates may not fall much for another 9-12 months either.

National Overview *(continued)*





Years to save a deposit:

As at Q2 2023, it's taking an average of 9.6 years to save a typical deposit, which is still well above the long-term average of 8.1. That said, this measure has improved recently as incomes have continued to rise and property values themselves have dipped, and is now significantly below Q1 2022's peak of 11.7 and also the level of a year ago (11.3). A similar message applies here to other measures in this report – affordability is still stretched but it has at least started to improve for property buyers (and may continue to do so in the coming quarters).

Rent to income ratio:

Rents absorb 22% of gross household income across NZ, which is a bit above the long-term average (21%), but has flattened off lately, as incomes have risen and rental growth has slowed a little. In the next 3-6 months, further growth in incomes would help tenants' affordability, but the likelihood of a pick-up in rental growth too (e.g. as net migration rises) would tend to work in the other direction.

It is also important to acknowledge that some will be finding it much harder than these figures suggest, given that many renting households may actually have incomes below the average.

Main Centres Overview

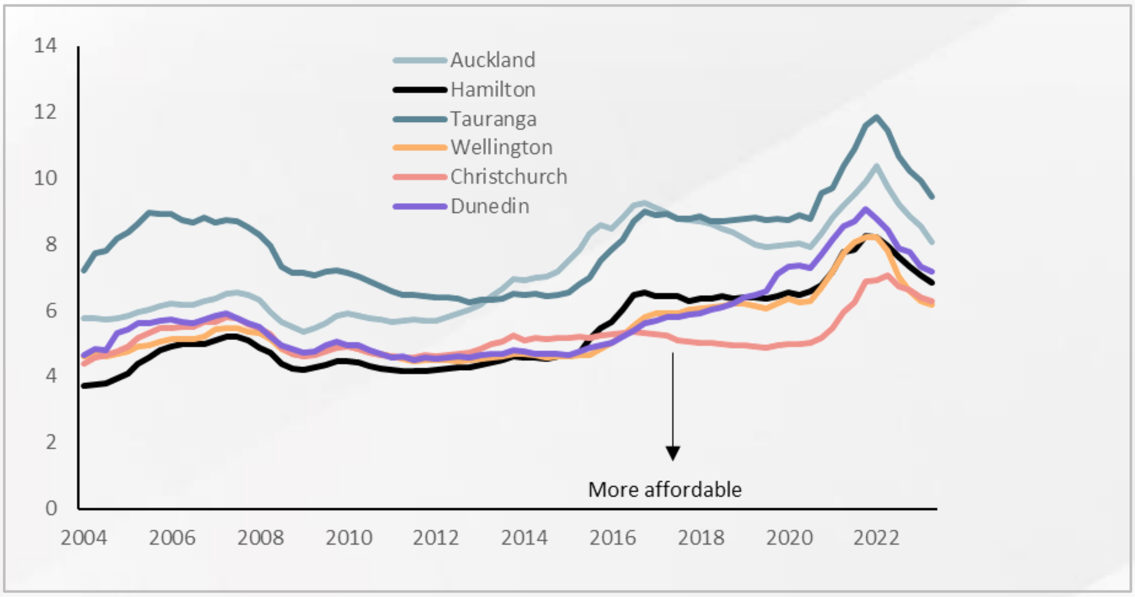
Value to income ratio:

On this measure, Tauranga remains the least affordable main centre, with a value to income ratio of 9.5 in Q2 2023, although that has fallen from the peak of 11.8 in Q1 2022. Auckland's ratio is currently 8.1, with Dunedin at 7.2 (in line with the national average). Hamilton's figure sits at 6.8 in Q2 2023, and Christchurch is at 6.3.

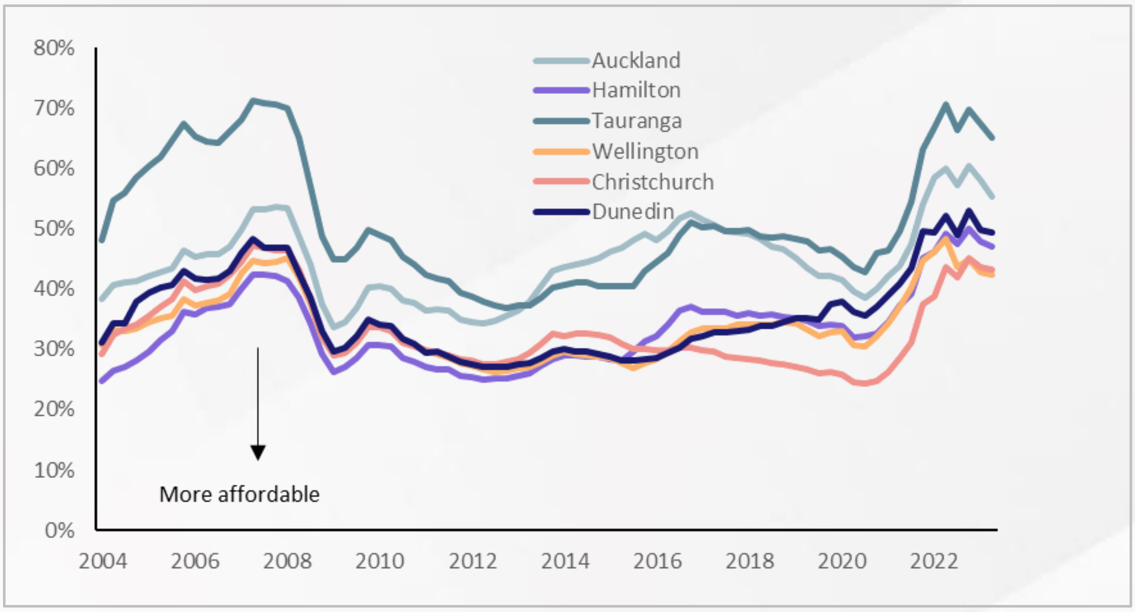
After a period of very stretched affordability, the sharp falls in Wellington house prices lately have seen this part of the country get markedly better in terms of purchasing power – the value to income ratio now sits at 6.1 in Wellington City, down from its peak of 8.2, and lower than Christchurch's figure (previously the most affordable main centre).

To be fair, this measure is still above its own average in each of the main centres, even Wellington City. But it's also true that each of them has seen an improvement since late 2021 or early 2022, as property values have dropped and incomes have risen.

Value to income ratio



Share of income required for payments



Main Centres Overview *(continued)*

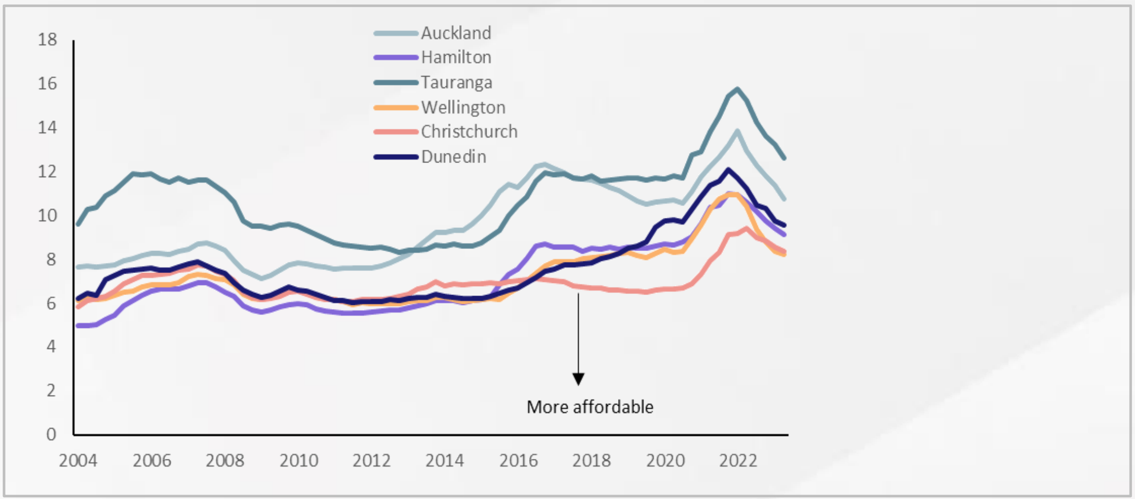
Share of income required for repayments:

Switching to mortgage payment affordability, this measure has generally been helped over the past year or two by rising household incomes and falling house prices – it's just that the rising trend for mortgage rates has broadly offset those other favourable effects. Indeed, at the peak of the market in late 2021, mortgage payments as a share of gross household income nationally were 47%, and as at Q2 2023, that figure is 49%. However, the broad plateau for mortgage rates themselves in recent months has meant that the latest figure is lower than the 53% peak in Q4 2022 and also Q1's 51%.

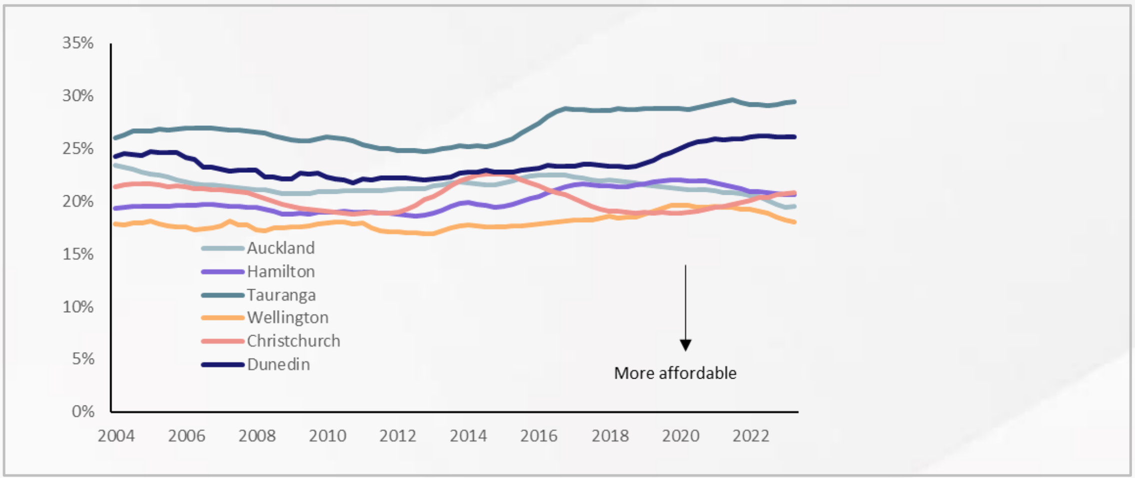
Each main centre has seen this measure of housing affordability improve in the past two quarters, although Tauranga remains the most stretched (and Wellington the least). That said, it's not alone – in fact, each of the main centres still has mortgage payments a % of gross household income at least 8%-points higher than their own long-term averages.

More generally, this measure of affordability is effectively looking at the situation for a recent purchaser, e.g. first home buyer. However, a household that's been in the market longer (and 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 role in raising average household income.

Years to save a deposit



Rent to income ratio



Main Centres Overview *(continued)*

Years to save a deposit:

Amongst the main centres, Tauranga has the longest period of time required to save a deposit, at 12.6 years, which is above its own average (10.8), but still a big improvement from the peak of 15.8 in Q1 2022. Auckland's figure is currently 10.7 years (versus its average of 9.6), and Dunedin sits at 9.6 – which is in line with the national figure.

Hamilton's years to save a deposit measure is currently 9.1, with Christchurch at 8.4, and Wellington at 8.2 – again, now the lowest (or most affordable) of the main centres. To be fair, Wellington City's measure is still above its own average of 7.2 years, but is now back down the lowest levels since mid-2019 (i.e. prior to the COVID-induced boom in house prices).

Overall, each main centre is still above its own average in terms of years to save a deposit. But as house prices have fallen since late 2021 and incomes have risen further, each main centre has seen a fall in years to save from its peak. In other words, affordability is improving on this measure.

Rent to income ratio:

Rental affordability tends to be the steadiest of the main measures, given a longer run tendency for rents to be anchored by tenants' wages (not landlords' costs). Indeed, it's generally been pretty stable in Tauranga and Dunedin lately (albeit with rents as % of incomes still quite high), and on a slowly improving trend in Hamilton, Auckland, and Wellington.

The market that stands out is probably Christchurch, which has long been regarded as NZ's most favourable main centre for housing affordability (both in terms of buying and renting), but this no longer applies to the same extent. Indeed, it's now relatively more expensive to rent in Christchurch than Wellington, Auckland, and Hamilton (albeit cheaper than Dunedin and Tauranga.

	Value to Income ratio		Share of income for repayments		Years to save deposit		Rent to income ratio	
Main centre	Latest (Q2 2023)	Average (2004-23)	Latest (Q2 2023)	Average (2004-23)	Latest (Q2 2023)	Average (2004-23)	Latest (Q2 2023)	Average (2004-23)
Auckland	8.1	7.2	55%	45%	10.7	9.6	19%	21%
Hamilton	6.8	5.4	47%	33%	9.1	7.2	21%	20%
Tauranga	9.5	8.1	65%	51%	12.6	10.8	29%	27%
Wellington	6.1	5.4	42%	34%	8.2	7.2	18%	18%
Christchurch	6.3	5.2	43%	33%	8.4	7.0	21%	20%
Dunedin	7.2	5.7	49%	36%	9.6	7.6	26%	24%
NZ	7.2	6.1	49%	38%	9.6	8.1	22%	21%

Auckland

Auckland has seen a generalised improvement in housing affordability over the past 6-9 months, as property values have fallen, rents have flattened off, and incomes have continue to rise.

Indeed, the value to income ratio has now dropped to 8.1, down from Q1 2022's peak of 10.4, and the lowest figure since Q3 2020 (7.9). To be fair, it's still above average (7.2), but at least it's improving. Years to save a deposit has also declined (from a peak of 13.8 to 10.7 now), while rents as a % of gross annual average household income are 19%, below the long term average of 21%.

Meanwhile, even though mortgage rates remain high (and if anything have edged upwards recently), mortgage payments as % of gross average household income in Auckland have fallen to 55% in Q2 2023 – still high (the average is 45%), but down from the peak of 60% in Q4 2022.

		15 years ago (Q2 2008)	10 years ago (Q2 2013)	5 years ago (Q2 2018)	Latest (Q2 2023)
Average property value	$	$521,820	$640,355	$1,055,613	$1,265,438
	% Change		22.7%	64.8%	19.9%
Average annual household income	$	$87,596	$99,881	$122,583	$157,019
	% Change		14.0%	22.7%	28.1%
Value to income ratio		6.0	6.4	8.6	8.1
Share of income for repayments		48.8%	37.9%	48.4%	55.4%
Years to save deposit		7.9	8.5	11.5	10.7
Rent to income ratio		21.1%	21.6%	21.9%	19.5%

Hamilton

The generalised improvement in housing affordability has also been witnessed in Hamilton, with the value to income ratio now back down at 6.8. That's still above its long-term average (5.4), but is below the national figure (7.2), and also Hamilton's Q4 2021 peak of 8.3. Years to save a deposit has fallen back to 9.1, from a peak of 11.0, while rents as % of income are 21% – down from 22%.

The improvement in housing affordability when measured by mortgage payments as % of gross average household income has been slower to show itself, given that mortgage rates have been rising. But it's now clear in Hamilton too, with this measure dropping (improving) from 50% in Q4 2022 to 47% now.

		15 years ago (Q2 2008)	10 years ago (Q2 2013)	5 years ago (Q2 2018)	Latest (Q2 2023)
Average property value	$	$345,678	$348,399	$558,766	$803,275
	% Change		0.8%	60.4%	43.8%
Average annual household income	$	$73,247	$79,004	$88,075	$117,409
	% Change		7.9%	11.5%	33.3%
Value to income ratio		4.7	4.4	6.3	6.8
Share of income for repayments		38.6%	26.1%	35.7%	47.0%
Years to save deposit		6.3	5.9	8.5	9.1
Rent to income ratio		19.2%	19.2%	21.4%	20.6%

Tauranga

Tauranga has generally seen housing affordability improve in the past few quarters, albeit from a stretched position. The value to income ratio has fallen from a peak of 11.8 in Q1 2022 to 9.5 now, with years to save a deposit also falling pretty significantly, from 15.8 in Q1 2022 to 12.6 now. That's still above its own average (10.8) and also the NZ figure (9.6), but at least it's improving. Meanwhile, rents as % of incomes have also been flat to gently falling, currently sitting at 29%.

Mortgage payments as % of gross average household income have also improved (fallen) in Tauranga in the past few quarters, meaning that affordability (while still stretched) has improved across the board in this market.

Finally, 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 (Q2 2008)	10 years ago (Q2 2013)	5 years ago (Q2 2018)	Latest (Q2 2023)
Average property value	$	$462,918	$428,943	$699,634	$1,023,618
	% Change		-7.3%	63.1%	46.3%
Average annual household income	$	$58,290	$68,018	$80,652	$108,292
	% Change		16.7%	18.6%	34.3%
Value to income ratio		7.9	6.3	8.7	9.5
Share of income for repayments		65.0%	37.3%	48.8%	65.0%
Years to save deposit		10.6	8.4	11.6	12.6
Rent to income ratio		26.5%	25.0%	28.8%	29.4%

Wellington

The improvements in housing affordability in Wellington City have continued in recent months, with the value to income ratio now at 6.1 – down from the peak of 8.2 in late 2021 and early 2022, and the lowest figure since Q3 2019 (also 6.1). In other words, on this measure, housing affordability has been restored to pre-COVID levels. A similar message applies for years to save a deposit, which is currently 8.2 in Wellington City, above the average (7.2), but the lowest since Q3 2019 (8.1).

Meanwhile, rents in Wellington City as % of income are currently 18%, in line with the long-term average, and mortgage payments as % of incomes are 42%. That's still above average (34%), but down from the peak of 48% in Q2 2022 and the lowest since Q3 2021 (40%). Broadly speaking, Wellington City is now NZ's most affordable main centre, surpassing Christchurch.

It's a similar story around wider Wellington too, with significant house price falls in Lower Hutt, Upper Hutt, and Porirua – combined with rising incomes – leading to steady improvements in housing affordability. Indeed, across each of those three areas, the value to income ratio is back down to pre-COVID levels, with the same applying for years to save a deposit. Mortgage payments as % of average household incomes have fallen from their peaks too, while rent affordability is flat to modestly improving in most areas.

		15 years ago (Q2 2008)	10 years ago (Q2 2013)	5 years ago (Q2 2018)	Latest (Q2 2023)
Average property value	$	$522,615	$525,245	$780,250	$1,014,340
	% Change		0.5%	48.5%	30.0%
Average annual household income	$	$101,948	$114,689	$128,285	$164,968
	% Change		12.5%	11.9%	28.6%
Value to income ratio		5.1	4.6	6.1	6.1
Share of income for repayments		42.0%	27.1%	34.2%	42.3%
Years to save deposit		6.8	6.1	8.1	8.2
Rent to income ratio		17.2%	17.2%	18.4%	18.0%

CoreLogic

Christchurch

Christchurch's housing affordability has generally been improving in recent months, with the value to income ratio falling from Q2 2022's peak to 6.3 now (the lowest level in two years). Years to save a deposit in Christchurch now stands at 8.4, down from last year's peak of 9.4, while mortgage payments absorb 43% of gross annual average household incomes, again lower than the previous peak (Q4 2022) of 45%.

However, the improvement in Christchurch's housing affordability hasn't been as significant as some other parts of the country, given that Christchurch has seen only relatively mild declines in house prices lately. And in terms of rental affordability, things have actually got a bit worse, with rents now absorbing 21% of incomes, up from 20% a year ago.

		15 years ago (Q2 2008)	10 years ago (Q2 2013)	5 years ago (Q2 2018)	Latest (Q2 2023)
Average property value	$	$370,664	$429,378	$494,907	$731,964
	% Change		15.8%	15.3%	47.9%
Average annual household income	$	$70,341	$86,301	$98,735	$116,535
	% Change		22.7%	14.4%	18.0%
Value to income ratio		5.3	5.0	5.0	6.3
Share of income for repayments		43.1%	29.4%	28.2%	43.2%
Years to save deposit		7.0	6.6	6.7	8.4
Rent to income ratio		20.3%	20.9%	19.1%	20.9%

Dunedin

Dunedin's housing affordability has continued to improve in recent months, as house prices have fallen further (albeit gradually) and incomes have risen. The value to income ratio currently sits at 7.2 (versus the peak of 9.1 in Q4 2021) and years to save a deposit has improved from 12.1 at the worst point to 9.6 now.

Meanwhile, mortgage payments as % of gross household income in Dunedin now sit at 49%, an improvement from 53% in late 2022, and rental affordability (while still stretched) has been fairly stable in recent months.

		15 years ago (Q2 2008)	10 years ago (Q2 2013)	5 years ago (Q2 2018)	Latest (Q2 2023)
Average property value	$	$268,688	$285,509	$410,342	$618,271
	% Change		6.3%	43.7%	50.7%
Average annual household income	$	$51,773	$60,908	$68,259	$86,133
	% Change		17.6%	12.1%	26.2%
Value to income ratio		5.2	4.7	6.0	7.2
Share of income for repayments		42.5%	27.7%	33.8%	49.3%
Years to save deposit		6.9	6.3	8.0	9.6
Rent to income ratio		22.3%	22.2%	23.3%	26.1%

Main Urban Areas

Generally speaking, the next tier of towns and cities across NZ have also seen housing affordability improve lately, as property values have dropped and incomes have risen.

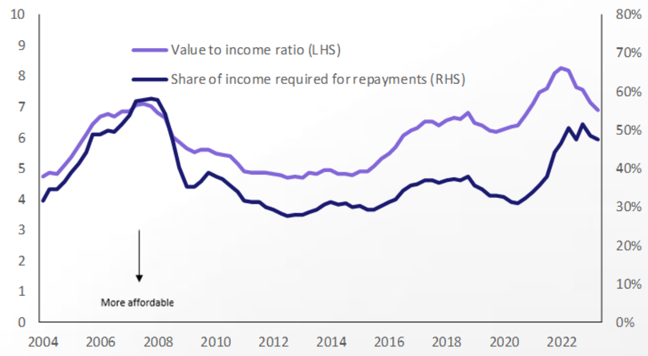
On the value to income ratio, the improvement in affordability is clear across the board, with each of the 12 ‘main urban areas’ currently seeing a level between 8% (Queenstown) and 24% (Kapiti Coast) lower than the previous peak. Hastings, Napier, and Palmerston North all sit towards the upper end of that band, with 22% drops in this ratio since the peak.

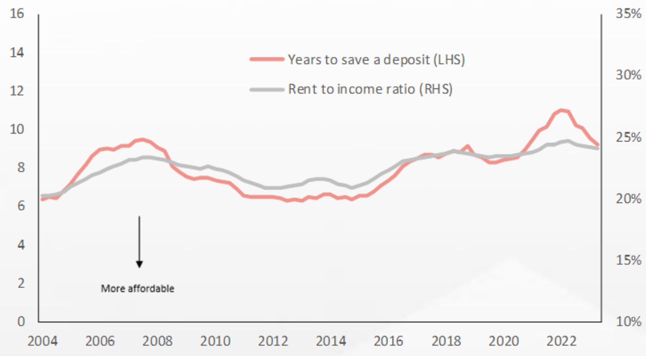
In terms of years to save a deposit, the message is very similar, with this measure now at eight or less in Invercargill, Palmerston North, Whanganui, Hastings, Gisborne, and Rotorua. The improvements (falls) in years to save have been largest, of at least two years, in Nelson, Palmerston North, Hastings, Napier, and Kapiti Coast.

Due to the increases in mortgage rates over the past few years, the shifts in housing affordability as measured by debt servicing haven’t been as significant, but each of the 12 main urban areas has still seen some kind of improvement. At 51% of gross household income to service the mortgage Kapiti Coast has dropped by 6%-points from the peak, while there have been drops of about 4%-points in Whangarei, Napier, and Hastings.

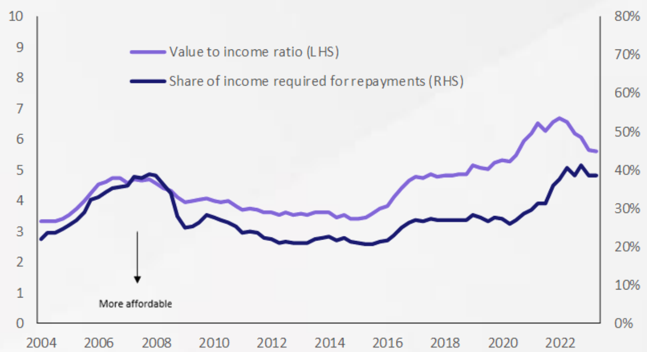
The news is less encouraging for renters, with the growth in rent prices matching or exceeding incomes in a number of areas lately. However, areas such as Whangarei and Hastings are examples where rent affordability has just started to improve a little.

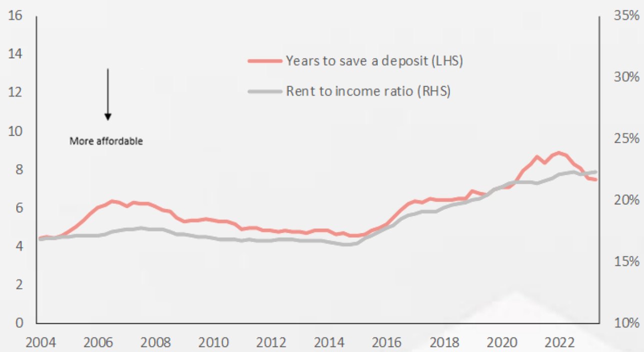
Whangarei



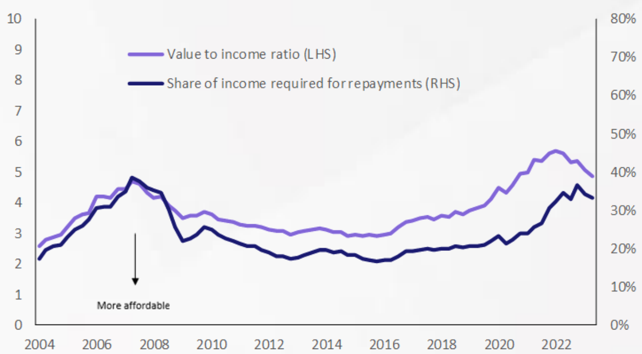


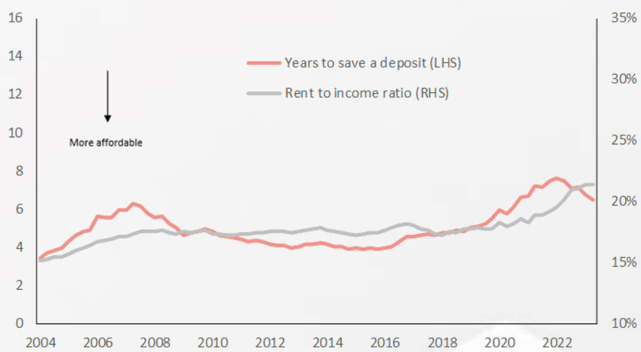
Rotorua



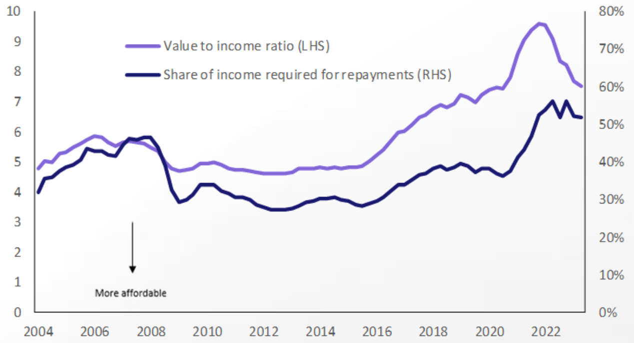


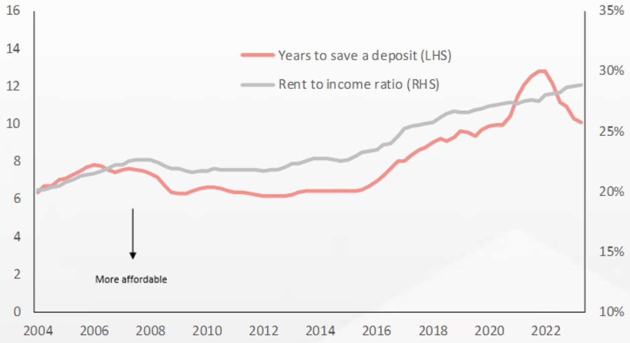
Gisborne



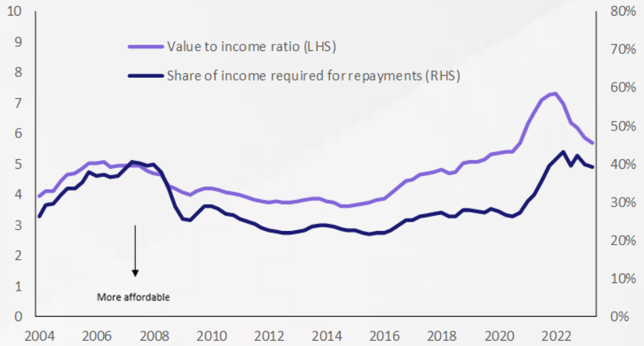


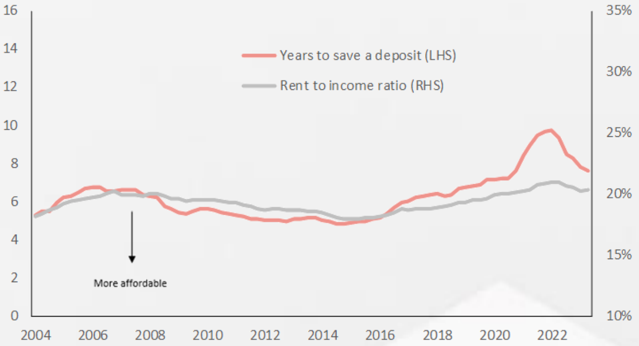
Napier



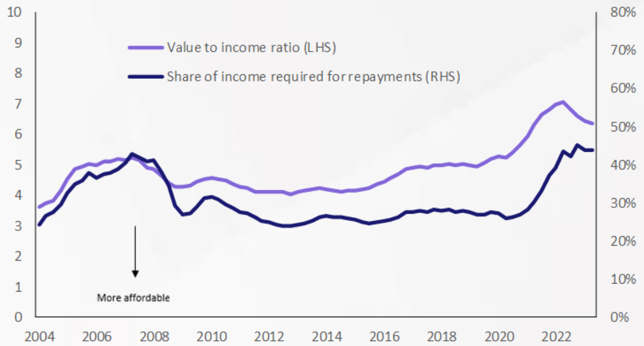


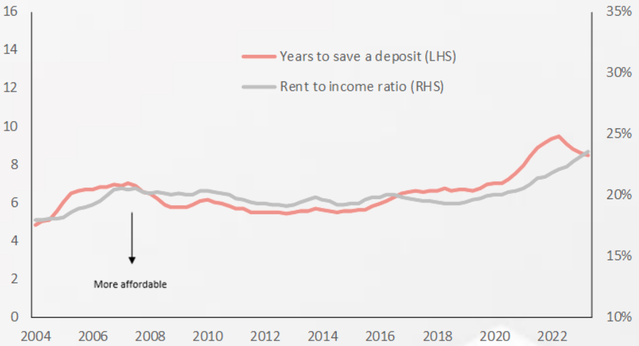
Hastings



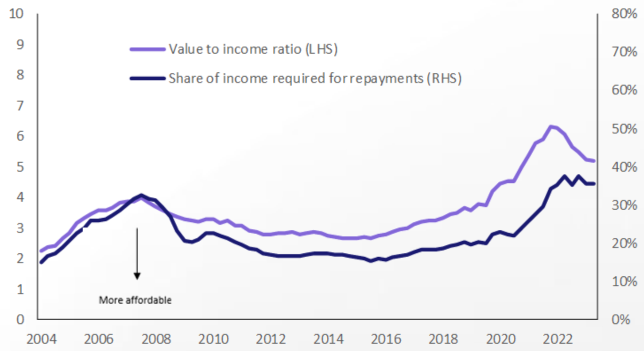


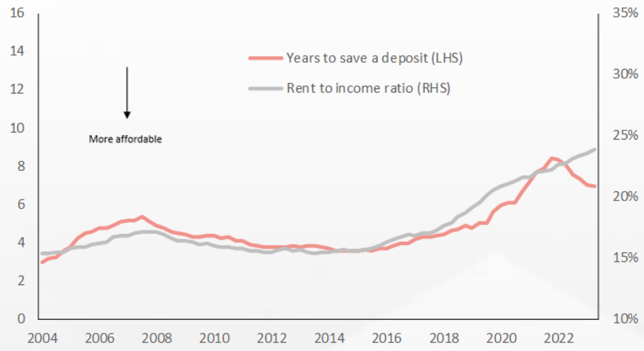
New Plymouth



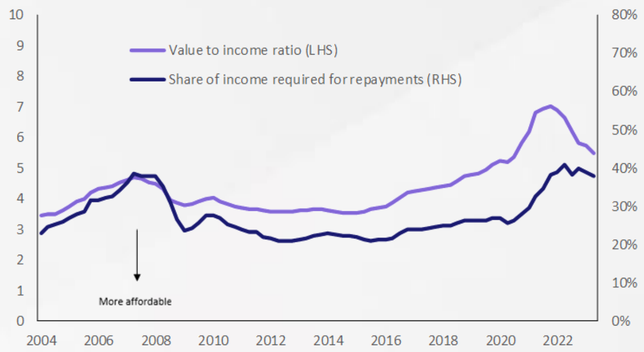


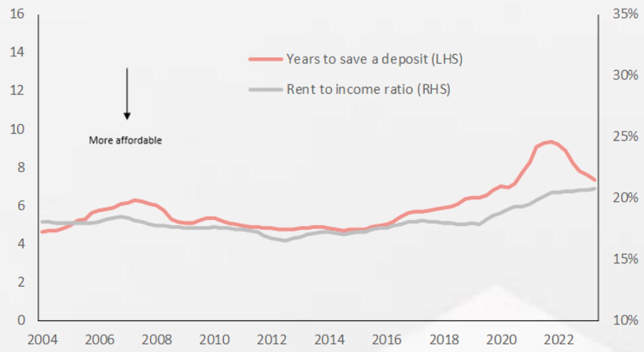
Whanganui



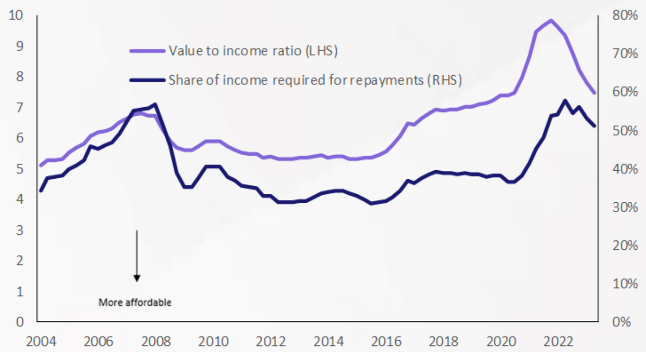


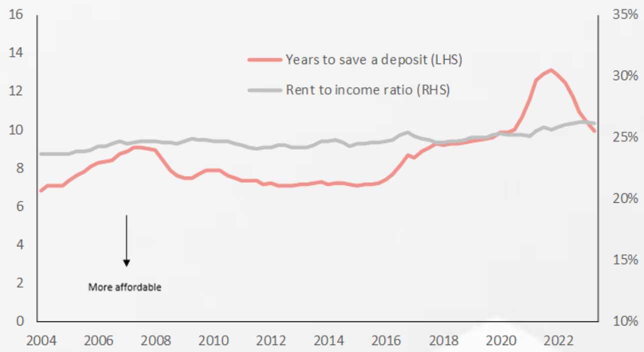
Palmerston North



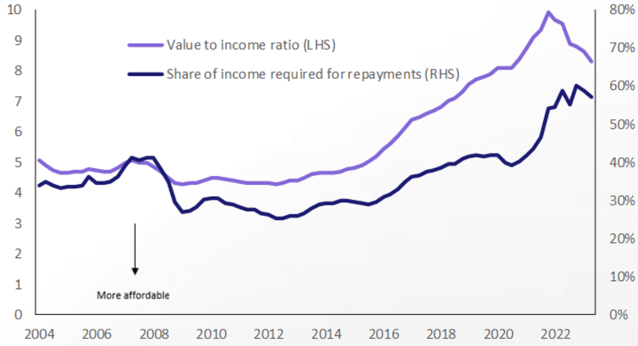


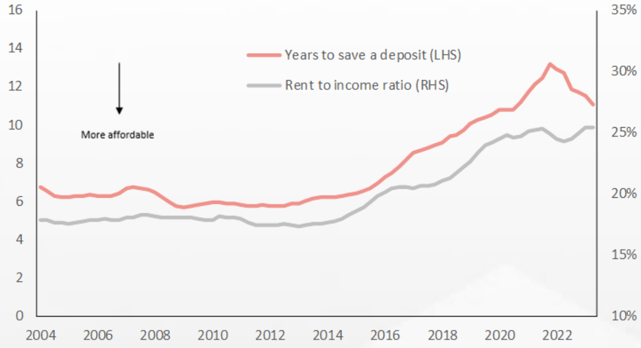
Kapiti Coast



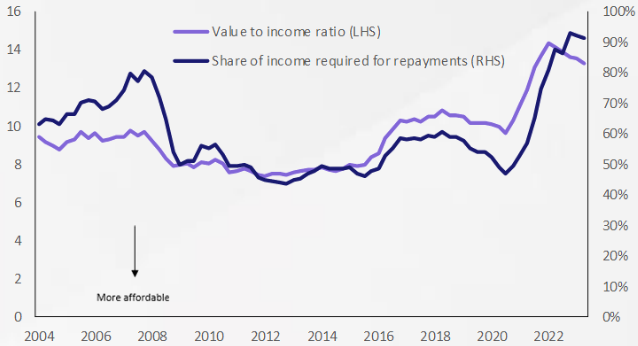


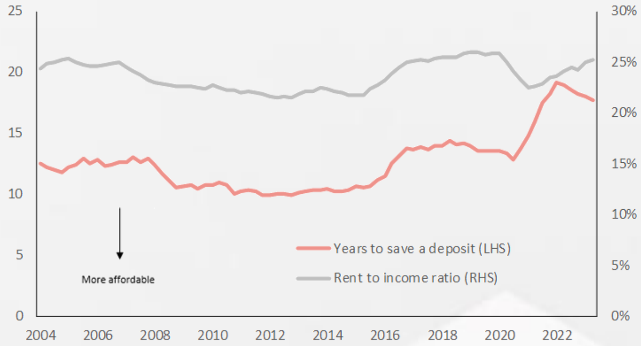
Nelson



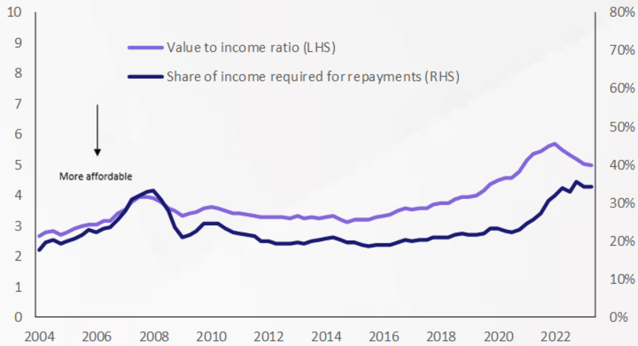


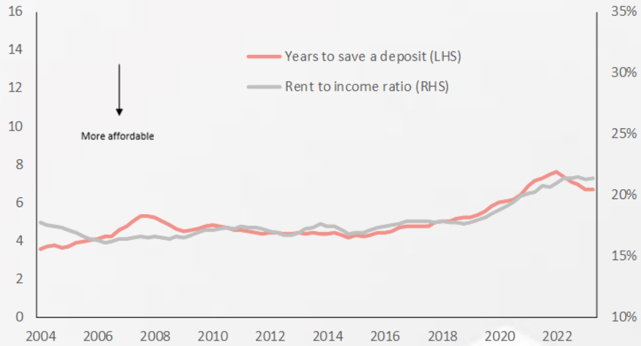
Queenstown-Lakes





Invercargill





The rest of NZ

Around the rest of the country, the key message is the same – housing affordability has generally started to improve as property values have fallen and incomes have risen, but the increases in mortgage rates mean that debt servicing still remains a bit more stretched in terms of how much income it absorbs.

Indeed, when you look at the value to income ratio and the number of years required to save a deposit, affordability is now improving reasonably steadily around ‘provincial’ NZ – although it will require further subdued house price changes and continued income growth for a period of time yet before affordability truly returns to some kind of normal or comfortable level. In other words, even after recent improvements, this measure is still generally worse than average.

The same message applies for years to save a deposit, which has improved across many parts of NZ, but remains worse/higher than average. It will require a lengthy period of subdued house price growth combined with wage rises to improve this measure further.

Mortgage payments as a % of gross annual average household incomes have edged downwards around most of ‘provincial’ NZ lately, but the improvement has been restrained by the rises in mortgage rates themselves.

As a final note, areas such as Thames-Coromandel, Tasman, and Queenstown 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 isn’t as stretched. In addition, our measure of income which excludes investment returns probably has a larger dampening effect (due to high retiree presence and higher wealth), perhaps making affordability based on *incomes* look worse than it really is.

Q2 2023

	Average property vals.	Average h/h income	Value to income ratio			Mortgage servicing			Years to save deposit			Rent affordability		
			Now	Average	Difference	Now	Average	Difference	Now	Average	Difference	Now	Average	Difference
Far North District	$697,291	$109,937	6.3	6.0	0.3	44%	39%	5%	8.5	8.0	0.5	22%	22%	0%
Whangarei District	$743,439	$107,707	6.9	6.0	0.9	47%	38%	10%	9.2	8.0	1.2	24%	23%	2%
Kaipara District	$863,882	$101,516	8.5	6.3	2.2	58%	40%	19%	11.3	8.4	2.9	25%	21%	4%
Thames-Coromandel District	$1,177,543	$74,117	15.9	12.4	3.4	109%	79%	30%	21.2	16.6	4.6	34%	29%	5%
Hauraki District	$646,669	$89,180	7.3	5.3	1.9	50%	33%	16%	9.7	7.1	2.6	27%	23%	4%
Waikato District	$729,685	$109,086	6.7	5.4	1.3	46%	34%	12%	8.9	7.2	1.8	24%	24%	-0%
Matamata-Piako District	$697,349	$109,912	6.3	4.4	2.0	44%	27%	17%	8.5	5.8	2.7	22%	18%	4%
Waipa District	$888,090	$129,699	6.8	4.9	2.0	47%	30%	17%	9.1	6.5	2.6	22%	20%	2%
Otorohanga District	$520,036	$100,589	5.2	2.8	2.4	36%	17%	18%	6.9	3.7	3.2	22%	13%	9%
South Waikato District	$424,935	$126,800	3.4	2.2	1.2	23%	13%	10%	4.5	2.9	1.6	16%	12%	4%
Waitomo District	$385,115	$96,926	4.0	3.1	0.9	27%	20%	8%	5.3	4.1	1.2	20%	18%	2%
Taupo District	$834,491	$103,838	8.0	6.1	1.9	55%	39%	17%	10.7	8.2	2.6	24%	21%	3%
Western Bay of Plenty District	$993,646	$140,392	7.1	5.9	1.1	49%	38%	11%	9.4	7.9	1.5	20%	18%	1%
Rotorua District	$649,950	$115,502	5.6	4.5	1.2	39%	28%	11%	7.5	5.9	1.6	22%	18%	4%
Whakatane District	$731,433	$120,849	6.1	4.8	1.3	42%	30%	12%	8.1	6.3	1.7	21%	19%	2%
Kawerau District	$378,178	$83,581	4.5	2.6	2.0	31%	16%	15%	6.0	3.4	2.6	27%	16%	11%
Opotiki District	$516,464	$87,022	5.9	4.7	1.3	41%	29%	11%	7.9	6.2	1.7	23%	19%	4%
Gisborne District	$593,784	$122,198	4.9	3.8	1.1	33%	24%	10%	6.5	5.0	1.4	21%	18%	4%
Wairoa District	$404,285	$105,087	3.8	2.7	1.2	26%	17%	10%	5.1	3.6	1.6	16%	13%	3%
Hastings District	$766,840	$134,300	5.7	4.7	1.0	39%	29%	10%	7.6	6.2	1.4	20%	19%	1%
Napier City	$747,472	$99,259	7.5	5.9	1.6	52%	37%	15%	10.0	7.9	2.1	29%	24%	5%
Central Hawke's Bay District	$593,599	$108,058	5.5	3.8	1.6	38%	24%	14%	7.3	5.1	2.2	21%	16%	5%
New Plymouth District	$713,833	$112,064	6.4	4.9	1.5	44%	31%	13%	8.5	6.5	2.0	24%	20%	4%
Stratford District	$469,975	$78,148	6.0	4.0	2.0	41%	25%	16%	8.0	5.4	2.6	29%	20%	9%
South Taranaki District	$444,676	$103,294	4.3	2.9	1.4	30%	18%	12%	5.7	3.8	1.9	21%	16%	5%
Ruapehu District	$360,723	$102,839	3.5	2.7	0.9	24%	17%	7%	4.7	3.5	1.1	17%	14%	2%
Wanganui District	$504,331	$96,897	5.2	3.6	1.6	36%	22%	13%	6.9	4.8	2.2	24%	17%	6%
Rangitikei District	$406,680	$109,525	3.7	2.8	0.9	26%	18%	8%	5.0	3.7	1.2	20%	15%	5%
Manawatu District	$607,309	$120,604	5.0	3.8	1.3	35%	24%	11%	6.7	5.0	1.7	20%	17%	3%
Palmerston North City	$636,926	$115,801	5.5	4.4	1.1	38%	28%	10%	7.3	5.9	1.5	21%	18%	3%
Tararua District	$413,229	$113,074	3.7	2.4	1.2	25%	15%	10%	4.9	3.3	1.6	17%	13%	5%
Horowhenua District	$556,736	$92,723	6.0	4.4	1.6	41%	28%	14%	8.0	5.9	2.1	26%	20%	6%
Kapiti Coast District	$806,272	$107,941	7.5	6.4	1.0	51%	40%	11%	10.0	8.6	1.4	26%	25%	1%
Porirua City	$795,534	$166,606	4.8	4.5	0.3	33%	28%	5%	6.4	6.0	0.4	19%	19%	0%
Upper Hutt City	$723,391	$140,679	5.1	4.9	0.3	35%	30%	5%	6.9	6.5	0.4	21%	20%	1%
Lower Hutt City	$768,084	$136,437	5.6	4.8	0.8	39%	30%	9%	7.5	6.4	1.1	21%	18%	3%
Masterton District	$553,434	$100,614	5.5	4.3	1.2	38%	27%	11%	7.3	5.7	1.6	25%	19%	6%
Carterton District	$630,469	$100,316	6.3	4.9	1.3	43%	31%	12%	8.4	6.6	1.8	24%	21%	4%
South Wairarapa District	$796,463	$112,142	7.1	4.7	2.4	49%	29%	19%	9.5	6.3	3.1	24%	18%	6%
Tasman District	$780,442	$102,308	7.6	9.1	-1.5	52%	59%	-6%	10.2	12.2	-2.0	25%	33%	-7%
Nelson City	$786,320	$94,587	8.3	5.8	2.5	57%	36%	21%	11.1	7.8	3.3	25%	20%	6%
Marlborough District	$690,901	$120,910	5.7	5.1	0.6	39%	32%	7%	7.6	6.8	0.8	20%	19%	1%
Kaikoura District	$643,796	$72,784	8.8	7.2	1.6	61%	46%	15%	11.8	9.6	2.2	27%	25%	2%
Buller District	$342,683	$85,173	4.0	3.1	0.9	28%	20%	8%	5.4	4.2	1.2	22%	18%	4%
Grey District	$367,610	$102,813	3.6	3.0	0.6	25%	19%	6%	4.8	4.0	0.8	19%	17%	2%
Westland District	$392,372	$86,180	4.6	3.5	1.0	31%	22%	9%	6.1	4.7	1.4	19%	17%	2%
Hurunui District	$630,045	$102,082	6.2	4.9	1.3	42%	31%	12%	8.2	6.5	1.7	20%	19%	1%
Waimakariri District	$699,039	$94,340	7.4	6.0	1.4	51%	38%	13%	9.9	8.0	1.9	28%	28%	0%
Selwyn District	$806,066	$104,395	7.7	5.5	2.3	53%	34%	19%	10.3	7.3	3.0	27%	23%	3%
Ashburton District	$536,124	$94,350	5.7	4.3	1.4	39%	27%	12%	7.6	5.7	1.9	23%	20%	3%
Timaru District	$509,643	$108,241	4.7	3.9	0.8	32%	25%	8%	6.3	5.2	1.1	19%	17%	2%
Mackenzie District	$659,357	$68,538	9.6	6.2	3.4	66%	38%	28%	12.8	8.3	4.6	27%	20%	7%
Waimate District	$440,672	$80,570	5.5	3.8	1.7	38%	24%	14%	7.3	5.0	2.3	23%	19%	4%
Waitaki District	$471,274	$96,993	4.9	3.8	1.1	33%	24%	10%	6.5	5.1	1.4	20%	18%	2%
Central Otago District	$779,030	$112,174	6.9	5.2	1.8	48%	33%	15%	9.3	6.9	2.4	22%	20%	2%
Queenstown-Lakes District	$1,716,650	$129,252	13.3	9.5	3.8	91%	60%	32%	17.7	12.6	5.1	25%	24%	2%
Clutha District	$400,088	$78,766	5.1	3.4	1.6	35%	22%	13%	6.8	4.6	2.2	24%	18%	6%
Southland District	$497,657	$95,102	5.2	3.9	1.3	36%	25%	11%	7.0	5.2	1.8	19%	17%	3%
Gore District	$418,752	$77,054	5.4	3.5	2.0	37%	22%	16%	7.2	4.6	2.6	24%	17%	7%
Invercargill City	$455,955	$91,260	5.0	3.7	1.3	34%	23%	11%	6.7	5.0	1.7	21%	18%	4%

corelogic.co.nz

CoreLogic®