

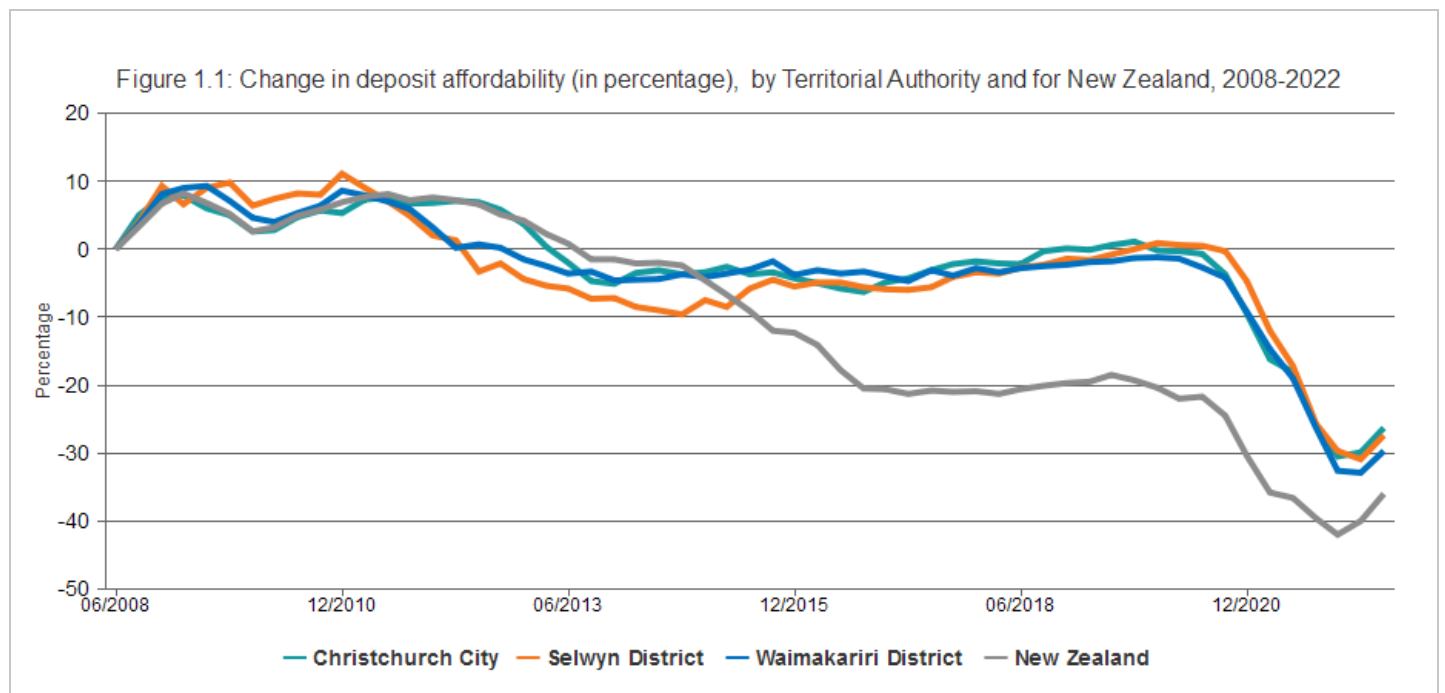
## Housing: Change in housing affordability

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The Change in Housing Affordability indicators show that the affordability of renting a home, saving for a deposit, and servicing a mortgage for people entering the market has changed over time. Each indicator compares price change with growth in median household income. These three indicators provide insight into affordability nationally and by Territorial Authority (note 2008 has been selected as the baseline/reference year in figures 1.1–1.3) [10]. An increase in affordability index means that the aspect in question has become more affordable. The indicators do not set a level at which housing is or is not affordable. Determining affordability depends on each household's circumstances and expectations of what qualifies as a socially accepted standard of living (i.e., rating what goods and services are necessary is subjective). Individual experiences of affordability will vary, for example if a household's income does not change in line with the national median. The indicators track whether affordability is improving or worsening in an area but not how affordable an area is at a point in time. Currently, breakdowns by demographic variables, including ethnicity, are not available.

### Change in deposit affordability

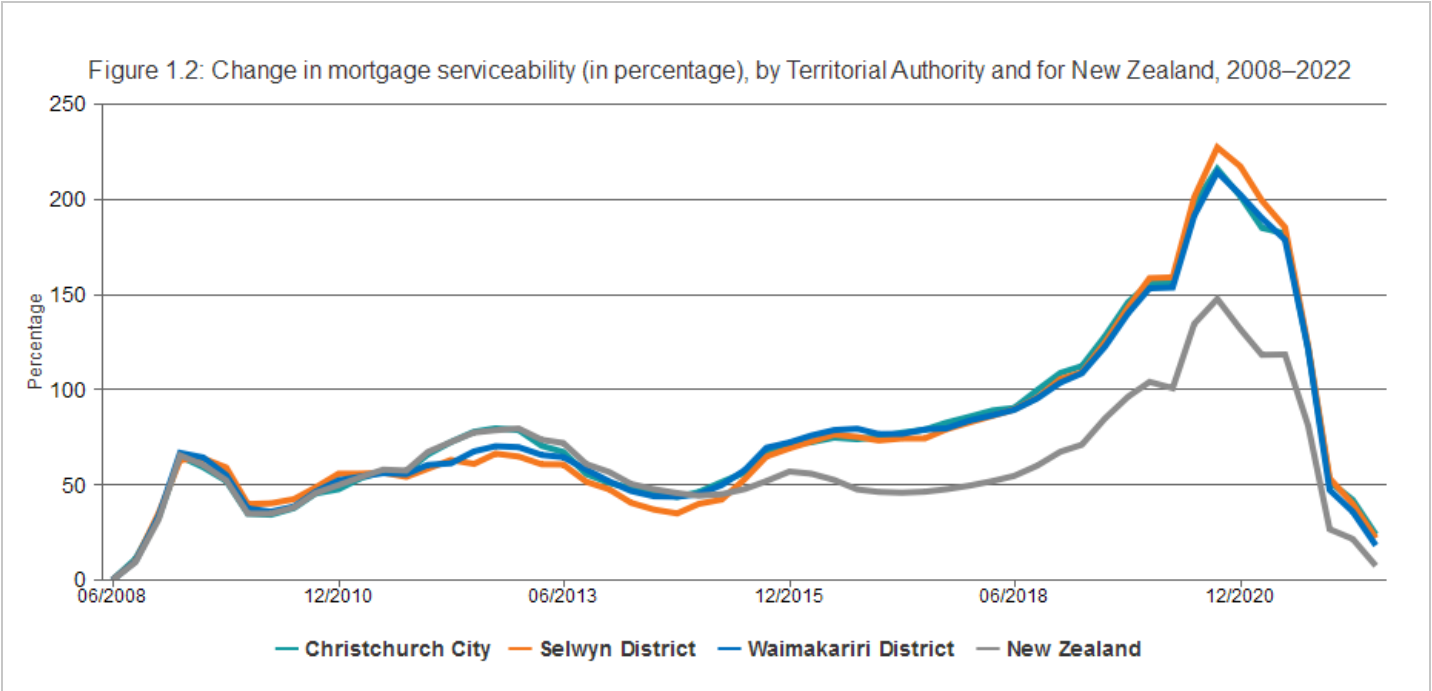
This indicator, *change in deposit affordability*, compares changes in house sales prices with the growth in median household disposable (after tax) income (the two main factors that can affect deposit affordability). Positive changes in the affordability index imply greater affordability as incomes are increasing faster than house sales prices; negative changes imply declining affordability as house sales prices are rising faster than incomes.



The figure shows that deposit affordability has declined substantially since 2009, as house sales prices have increased at a faster rate than household income. Deposit affordability in the three Territorial Authorities in greater Christchurch was notably higher than for New Zealand overall for the period 2015 through to 2020, however, notable convergence towards New Zealand overall is evident from 2020 onwards (Christchurch City, -26.3%; Waimakariri District, -29.7%; Selwyn district, -27.4%, 2022; New Zealand, -36.0, all compared with 2008 affordability levels).

# Change in mortgage serviceability

This indicator, *change in mortgage serviceability*, compares changes in the purchasing power of mortgage interest payments for new home loans, with the growth in median household disposable (after tax) income. Positive changes in the affordability index imply greater affordability as incomes are increasing faster than the interest price index; negative changes imply declining affordability as the interest price index is rising faster than incomes.

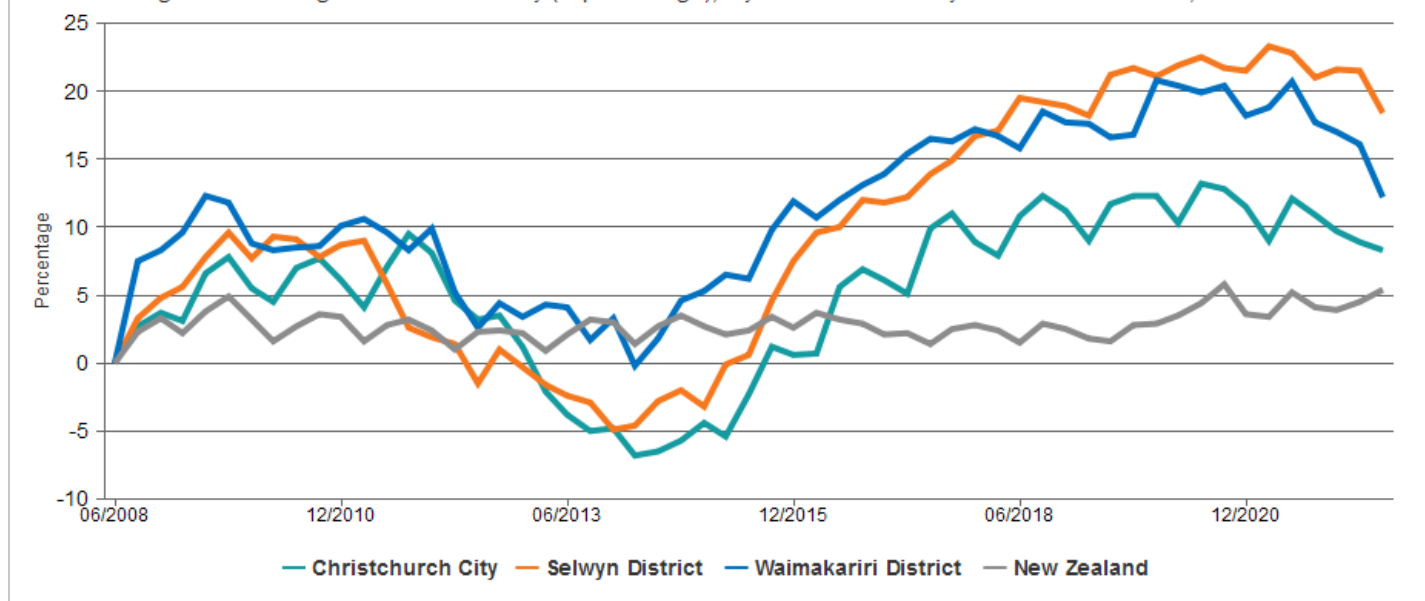


The figure shows that mortgage serviceability across New Zealand overall improved notably from mid-2019 to mid-2020 as interest rates fell, but the recent trend is a reversal as interest rates rise again. Mortgage serviceability was higher in the three Territorial Authorities in greater Christchurch compared with New Zealand overall, for the period 2015 to 2021. However, the figure shows notable convergence in levels of mortgage serviceability across greater Christchurch towards the New Zealand average from 2020 onwards (Christchurch City, +23.9%; Waimakariri District, +18.2%; Selwyn district, +22.0%, New Zealand, +7.5% in 2022, all compared with 2008 serviceability levels).

# Change in rental affordability

This indicator, *change in rental affordability* (Rental Affordability Index), compares changes in new tenancy rental prices with the growth in median household disposable (after tax) income. Positive changes in the affordability index imply greater affordability as incomes are increasing faster than rent prices; negative changes imply declining affordability as rent prices are rising faster than incomes.

Figure 1.3: Change in rent affordability (in percentage), by Territorial Authority and for New Zealand, 2008-2022



The figure shows that at a national level, over the past decade, rental affordability is little changed, with an increase overall since approximately 2015. This indicates that median household income growth has broadly kept pace with rental price growth. However, the national aggregated result hides regional variations; and rent affordability in Christchurch City, Waimakariri District, and Selwyn District has improved substantially compared with the national average from mid-2014 (Christchurch City, 8.3%; Waimakariri District, 12.2%; Selwyn District, 18.4%; New Zealand, 5.4% 2022, all compared with 2008 affordability levels). Notable convergence back towards the New Zealand percentage can be seen from 2020 onwards.

Taken together, the three housing affordability indicators show that affordability for owner and renter households in greater Christchurch improved steadily from mid-2014 to 2020, from which point a notable decline in housing ownership affordability is evident across greater Christchurch and for New Zealand overall. Rent affordability for greater Christchurch and New Zealand overall remains relatively stable.

## Data Sources

**Source:** Ministry of Housing and Urban Development.

**Survey/data set:** Summary statistics are created by Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development using tenancy bonds data, data supplied by CoreLogic, the Reserve Bank of New Zealand, Statistics New Zealand, and Inland Revenue. Access publicly available data from the Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development website <https://www.hud.govt.nz/stats-and-insights/change-in-housing-affordability-indicators/affordability-indicators/#tabset>.

**Source data frequency:** Calculated quarterly.

Metadata for this indicator is available at <https://www.canterburywellbeing.org.nz/our-wellbeing/index-data>

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