Rent or buy report for January 2019 - New Zealand

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 26.2% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 27.3% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 1.0% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -1.0%

It takes a typical household 3.6 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $34.56 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in New Zealand was $1,614.68 in January, up from $1,611.76 last month and up from $1,580.12 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in New Zealand was $440 per week, up from last month's $430 and up from last year's $380 per week.

In January, it takes 27.3% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 26.7% and up from last year's 24.0%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $21.57 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $386,000 will require a weekly mortgage payment of $353.28. This is down from last month's $361.44 and up from the $331.71 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $70.47 per week.

This is equivalent of 26.2% of the after-tax income of a first buyer household income. This is up from last year's 25.4%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
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Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
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House price data:
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****In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.***

Saving Rates:
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Rents:
This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:
These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Northland

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 27.6% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 24.4% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 3.2% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 3.2%

It takes a typical household 3.2 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.33 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Northland was $1,520.50 in January, up from $1,517.77 last month and up from $1,488.16 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Northland was $372 per week, down from last month's $390 and up from last year's $322 per week.

In January, it takes 24.4% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 25.7% and up from last year's 21.6%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $43.22 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $385,000 will require a weekly mortgage payment of $356.92. This is up from last month's $311.52 and up from the $313.70 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $63.17 per week.

This is equivalent of 27.6% of the after-tax income of a first buyer household income. This is up from last year's 25.3%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Rent or buy report for January 2019 - Auckland

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

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For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 45.2% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 32.7% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 12.5% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 12.5%

It takes a typical household 7.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.41 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Auckland was $1,639.11 in January, up from $1,636.38 last month and up from $1,606.70 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Auckland was $535 per week, up from last month's $527 and up from last year's $471 per week.

In January, it takes 32.7% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 32.2% and up from last year's 29.3%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $30.40 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $650,000 will require a weekly mortgage payment of $651.20. This is down from last month's $686.34 and down from the $681.60 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $89.66 per week.

This is equivalent of 45.2% of the after-tax income of a first buyer household income. This is up from last year's 48.0%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Rent or buy report for January 2019 - Waikato

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At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 29.1% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 25.0% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 4.1% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 4.1%

It takes a typical household 3.6 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $33.92 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Waikato was $1,587.62 in January, up from $1,584.76 last month and up from $1,553.71 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Waikato was $398 per week, up from last month's $381 and up from last year's $334 per week.

In January, it takes 25.0% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 24.0% and up from last year's 21.5%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $33.64 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $420,000 will require a weekly mortgage payment of $393.28. This is down from last month's $397.26 and up from the $359.64 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $69.01 per week.

This is equivalent of 29.1% of the after-tax income of a first buyer household income. This is up from last year's 27.6%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
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Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
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House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

***In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.*

Saving Rates:
Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:
This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:
These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Hawkes Bay

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 24.6% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 26.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 1.9% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -1.9%

It takes a typical household 3.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $31.44 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Hawkes Bay was $1,482.90 in January, up from $1,480.24 last month and up from $1,451.45 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Hawkes Bay was $392 per week, up from last month's $380 and up from last year's $317 per week.

In January, it takes 26.5% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 25.7% and up from last year's 21.9%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $13.68 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $330,000 will require a weekly mortgage payment of $299.42. This is down from last month's $331.13 and up from the $285.74 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $65.15 per week.

This is equivalent of 24.6% of the after-tax income of a first buyer household income. This is up from last year's 24.1%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Interpreting this Index:
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Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

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- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

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Disclaimer

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If you are making a specific investment or purchase decision, you are strongly advised to seek independent advice from a qualified professional you trust.

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Rent or buy report for January 2019 - Manawatu/Wanganui

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 17.8% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 20.7% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 2.9% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -2.9%

It takes a typical household 1.8 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.94 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Manawatu/Wanganui was $1,546.20 in January, up from $1,543.42 last month and up from $1,513.27 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Manawatu/Wanganui was $321 per week, up from last month's $320 and up from last year's $264 per week.

In January, it takes 20.7% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is unchanged from last month's 20.7% and up from last year's 17.4%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $27.82 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $250,000 will require a weekly mortgage payment of $226.84. This is up from last month's $219.90 and up from the $199.02 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $48.24 per week.

This is equivalent of 17.8% of the after-tax income of a first buyer household income. This is up from last year's 16.3%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Home Loan: (Lower quartile house price less the deposit)

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Rent or buy report for January 2019 - Taranaki

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 18.1% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 21.0% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 2.9% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -2.9%

It takes a typical household 2.8 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.94 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Taranaki was $1,546.20 in January, up from $1,543.42 last month and up from $1,513.27 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Taranaki was $324 per week, down from last month's $329 and up from last year's $279 per week.

In January, it takes 21.0% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 21.3% and up from last year's 18.4%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $2.44 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $248,000 will require a weekly mortgage payment of $225.02. This is down from last month's $251.97 and down from the $227.46 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $54.72 per week.

This is equivalent of 18.1% of the after-tax income of a first buyer household income. This is up from last year's 18.6%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
This work must be referred to as **The Rent-or-Buy report.** It has been produced by www.interest.co.nz. Please direct queries via email to info@interest.co.nz, or see our contact information below.

Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
Average mortgage interest rates are sourced from www.interest.co.nz. These averages are for banks only as banks have 90%+ of the mortgage market. Affordability calculations are done for mortgages at the floating rate and one year through to the five fixed-rate terms. In this report, the two-year fixed mortgage interest rate is used. Until August 2010 this series used a 2 year fixed rate loan as the basis for interest rates. In September 2010 it was switched to the floating rate, reflecting actual market shifts by borrowers. In June 2014, it was switched back to the 2 year fixed rates, again reflecting market shifts.

House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.
- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Wellington

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 27.6% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 30.4% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 2.8% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -2.8%

It takes a typical household 3.5 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $33.51 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Wellington was $1,685.57 in January, up from $1,682.74 last month and up from $1,652.06 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Wellington was $512 per week, up from last month's $501 and up from last year's $422 per week.

In January, it takes 30.4% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 29.7% and up from last year's 25.6%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $43.09 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $425,000 will require a weekly mortgage payment of $393.75. This is down from last month's $449.28 and up from the $350.66 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $71.88 per week.

This is equivalent of 27.6% of the after-tax income of a first buyer household income. This is up from last year's 25.6%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Interpreting this Index:
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Household Weekly Income:
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A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Nelson

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 35.6% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 26.4% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 9.2% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 9.2%

It takes a typical household 4.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.77 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Nelson was $1,539.09 in January, up from $1,536.33 last month and up from $1,506.32 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Nelson was $406 per week, up from last month's $402 and up from last year's $352 per week.

In January, it takes 26.4% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 26.1% and up from last year's 23.4%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $72.12 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $490,000 will require a weekly mortgage payment of $475.37. This is up from last month's $432.05 and up from the $403.25 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $72.31 per week.

This is equivalent of 35.6% of the after-tax income of a first buyer household income. This is up from last year's 31.5%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Sources / Definitions / Methodology

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Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
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A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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House price data:
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Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

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Rent or buy report for January 2019 - Canterbury

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 23.9% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 23.2% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 0.7% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 0.7%

It takes a typical household 3.8 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $35.10 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Canterbury was $1,637.77 in January, up from $1,634.81 last month and up from $1,602.67 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Canterbury was $381 per week, down from last month's $386 and up from last year's $345 per week.

In January, it takes 23.2% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 23.6% and up from last year's 21.5%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $8.65 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $355,000 will require a weekly mortgage payment of $322.11. This is down from last month's $334.43 and down from the $330.76 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $69.71 per week.

This is equivalent of 23.9% of the after-tax income of a first buyer household income. This is up from last year's 25.0%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
Average mortgage interest rates are sourced from www.interest.co.nz. These averages are for banks only as banks have 90%+ of the mortgage market. Affordability calculations are done for mortgages at the floating rate and one year through to the five fixed-rate terms. In this report, the two-year fixed mortgage interest rate is used. Until August 2010 this series used a 2 year fixed rate loan as the basis for interest rates. In September 2010 it was switched to the floating rate, reflecting actual market shifts by borrowers. In June 2014, it was switched back to the 2 year fixed rates, again reflecting market shifts.

House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Bay of Plenty

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 33.3% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 30.3% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 3.0% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 3.0%

It takes a typical household 3.9 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $31.76 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Bay of Plenty was $1,496.12 in January, up from $1,493.43 last month and up from $1,464.36 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Bay of Plenty was $453 per week, unchanged from last month's $453 and unchanged from last year's $453 per week.

In January, it takes 30.3% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is unchanged from last month's 30.3% and down from last year's 30.9%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $38.48 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $450,000 will require a weekly mortgage payment of $432.11. This is down from last month's $443.34 and up from the $393.63 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $66.12 per week.

This is equivalent of 33.3% of the after-tax income of a first buyer household income. This is up from last year's 31.4%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

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Home Loan: (Lower quartile house price less the deposit)

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Rents:
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Rates, Insurance and Maintenance:
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Rent or buy report for January 2019 - Otago

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 24.0% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 23.9% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 0.1% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 0.1%

It takes a typical household 2.9 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.67 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Otago was $1,534.82 in January, up from $1,532.06 last month and up from $1,502.15 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Otago was $368 per week, up from last month's $367 and up from last year's $309 per week.

In January, it takes 23.9% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is unchanged from last month's 23.9% and up from last year's 20.6%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $14.70 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $340,000 will require a weekly mortgage payment of $308.50. This is up from last month's $284.04 and up from the $293.80 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $59.92 per week.

This is equivalent of 24.0% of the after-tax income of a first buyer household income. This is up from last year's 23.5%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

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Sources / Definitions / Methodology

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Interpreting this Index:
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Household Weekly Income:
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Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Rent or buy report for January 2019 - Southland

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 15.0% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 14.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 1.0% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 1.0%

It takes a typical household 1.8 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $33.51 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Southland was $1,570.45 in January, up from $1,567.63 last month and up from $1,536.94 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Southland was $221 per week, unchanged from last month's $221 and unchanged from last year's $221 per week.

In January, it takes 14.1% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is unchanged from last month's 14.1% and down from last year's 14.4%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $20.70 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $215,000 will require a weekly mortgage payment of $195.08. This is up from last month's $160.34 and up from the $174.38 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $40.87 per week.

This is equivalent of 15.0% of the after-tax income of a first buyer household income. This is up from last year's 14.0%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Auckland City

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 46.7% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 36.0% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 10.7% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 10.7%

It takes a typical household 6.7 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.41 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Auckland City was $1,639.11 in January, up from $1,636.38 last month and up from $1,606.70 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Auckland City was $590 per week, unchanged from last month's $590 and unchanged from last year's $590 per week.

In January, it takes 36.0% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 36.1% and down from last year's 36.7%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $27.83 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $670,000 will require a weekly mortgage payment of $673.89. This is down from last month's $716.12 and up from the $646.06 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $91.56 per week.

This is equivalent of 46.7% of the after-tax income of a first buyer household income. This is up from last year's 45.9%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
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Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
Average mortgage interest rates are sourced from www.interest.co.nz. These averages are for banks only as banks have 90%+ of the mortgage market. Affordability calculations are done for mortgages at the floating rate and one year through to the five fixed-rate terms. In this report, the two-year fixed mortgage interest rate is used. Until August 2010 this series used a 2 year fixed rate loan as the basis for interest rates. In September 2010 it was switched to the floating rate, reflecting actual market shifts by borrowers. In June 2014, it was switched back to the 2 year fixed rates, again reflecting market shifts.

House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

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Rent or buy report for January 2019 - North Shore

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 55.0% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 36.9% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 18.1% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 18.1%

It takes a typical household 8.8 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.41 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in North Shore was $1,639.11 in January, up from $1,636.38 last month and up from $1,606.70 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in North Shore was $605 per week, down from last month's $620 and up from last year's $600 per week.

In January, it takes 36.9% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 37.9% and up from last year's 37.3%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $90.01 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $775,000 will require a weekly mortgage payment of $792.98. This is down from last month's $829.50 and down from the $882.99 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $107.97 per week.

This is equivalent of 55.0% of the after-tax income of a first buyer household income. This is up from last year's 61.7%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Sources / Definitions / Methodology

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Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
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Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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House price data:
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Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

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Disclaimer

IMPORTANT – PLEASE READ

No reader should rely on the contents of this report for making a specific investment or purchase decision. The information in this report is supplied strictly on the basis that only overall market trends are being reported on, and that all data, conclusions and opinions expressed are provisional and subject to revision.

If you are making a specific investment or purchase decision, you are strongly advised to seek independent advice from a qualified professional you trust.

The conditions and disclaimers set out at http://www.interest.co.nz/terms-conditions are applicable to this report as well.

This report is made available on these terms only, and JDJL Limited or www.interest.co.nz is not responsible for any actions taken on the basis of information in this report, or for any error in or omission from this report.

Rent or buy report for January 2019 - Manukau

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 44.1% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 27.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 16.6% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 16.6%

It takes a typical household 6.9 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.41 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Manukau was $1,639.11 in January, up from $1,636.38 last month and up from $1,606.70 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Manukau was $450 per week, down from last month's $460 and unchanged from last year's $450 per week.

In January, it takes 27.5% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 28.1% and up from last year's 28.0%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $35.27 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $640,000 will require a weekly mortgage payment of $639.86. This is down from last month's $651.98 and up from the $604.59 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $82.66 per week.

This is equivalent of 44.1% of the after-tax income of a first buyer household income. This is up from last year's 42.8%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Rent or buy report for January 2019 - Waitakere

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 45.2% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 32.0% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 13.1% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 13.1%

It takes a typical household 7.2 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.41 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Waitakere was $1,639.11 in January, up from $1,636.38 last month and up from $1,606.70 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Waitakere was $525 per week, down from last month's $540 and up from last year's $500 per week.

In January, it takes 32.0% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 33.0% and up from last year's 31.1%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $27.87 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $652,000 will require a weekly mortgage payment of $653.47. This is down from last month's $717.26 and down from the $681.34 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $86.68 per week.

This is equivalent of 45.2% of the after-tax income of a first buyer household income. This is up from last year's 47.8%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
This work must be referred to as **The Rent-or-Buy report.** It has been produced by www.interest.co.nz. Please direct queries via email to info@interest.co.nz, or see our contact information below.

Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
Average mortgage interest rates are sourced from www.interest.co.nz. These averages are for banks only as banks have 90%+ of the mortgage market. Affordability calculations are done for mortgages at the floating rate and one year through to the five fixed-rate terms. In this report, the two-year fixed mortgage interest rate is used. Until August 2010 this series used a 2 year fixed rate loan as the basis for interest rates. In September 2010 it was switched to the floating rate, reflecting actual market shifts by borrowers. In June 2014, it was switched back to the 2 year fixed rates, again reflecting market shifts.

House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:
Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:
This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:
These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Tauranga

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 40.9% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 32.6% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 8.3% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 8.3%

It takes a typical household 4.3 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.65 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Tauranga was $1,534.05 in January, up from $1,531.30 last month and up from $1,501.40 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Tauranga was $500 per week, unchanged from last month's $500 and up from last year's $460 per week.

In January, it takes 32.6% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 32.7% and up from last year's 30.6%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $34.64 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $551,000 will require a weekly mortgage payment of $544.65. This is down from last month's $548.96 and up from the $510.01 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $82.45 per week.

This is equivalent of 40.9% of the after-tax income of a first buyer household income. This is up from last year's 39.4%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
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Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
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House price data:
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In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Wellington

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 34.8% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 34.0% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 0.8% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 0.8%

It takes a typical household 4.3 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $38.89 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Wellington was $1,913.32 in January, up from $1,910.03 last month and up from $1,874.42 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Wellington was $650 per week, up from last month's $610 and up from last year's $600 per week.

In January, it takes 34.0% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 31.9% and down from last year's 32.0%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $140.45 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $591,500 will require a weekly mortgage payment of $570.75. This is down from last month's $597.68 and up from the $430.30 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $94.74 per week.

This is equivalent of 34.8% of the after-tax income of a first buyer household income. This is up from last year's 28.1%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

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Household Weekly Income:
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A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

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Rent or buy report for January 2019 - Lower Hutt

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 28.7% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 30.4% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 1.7% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -1.7%

It takes a typical household 3.2 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.43 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Lower Hutt was $1,640.02 in January, up from $1,637.28 last month and up from $1,607.59 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Lower Hutt was $499 per week, down from last month's $523 and up from last year's $480 per week.

In January, it takes 30.4% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 31.9% and up from last year's 29.9%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $40.15 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $430,000 will require a weekly mortgage payment of $401.84. This is down from last month's $405.91 and up from the $361.69 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $68.57 per week.

This is equivalent of 28.7% of the after-tax income of a first buyer household income. This is up from last year's 26.8%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
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Sources / Definitions / Methodology

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Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
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House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Christchurch City

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 26.1% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 25.7% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 0.3% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 0.3%

It takes a typical household 3.9 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $34.96 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Christchurch City was $1,631.45 in January, up from $1,628.50 last month and up from $1,596.50 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Christchurch City was $420 per week, down from last month's $430 and unchanged from last year's $420 per week.

In January, it takes 25.7% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 26.4% and up from last year's 26.3%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $9.06 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $365,000 will require a weekly mortgage payment of $331.18. This is down from last month's $347.77 and down from the $340.24 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $94.09 per week.

This is equivalent of 26.1% of the after-tax income of a first buyer household income. This is up from last year's 27.2%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

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- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

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For more information, contact

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Disclaimer

Rent or buy report for January 2019 - Whangarei

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 27.7% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 25.0% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 2.6% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 2.6%

It takes a typical household 3.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $34.81 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Whangarei was $1,625.18 in January, up from $1,622.24 last month and up from $1,590.37 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Whangarei was $407 per week, down from last month's $440 and up from last year's $395 per week.

In January, it takes 25.0% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 27.1% and up from last year's 24.8%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $53.77 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $415,000 will require a weekly mortgage payment of $385.48. This is up from last month's $349.29 and up from the $331.71 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $64.17 per week.

This is equivalent of 27.7% of the after-tax income of a first buyer household income. This is up from last year's 24.9%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Home Loan: (Lower quartile house price less the deposit)

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Disclaimer

Rent or buy report for January 2019 - Hamilton City

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

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At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 35.6% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 28.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 7.1% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 7.1%

It takes a typical household 4.3 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $33.78 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Hamilton City was $1,581.67 in January, up from $1,578.82 last month and up from $1,547.89 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Hamilton City was $450 per week, up from last month's $440 and up from last year's $420 per week.

In January, it takes 28.5% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 27.9% and up from last year's 27.1%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $58.67 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $499,000 will require a weekly mortgage payment of $483.19. This is up from last month's $465.14 and up from the $424.52 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $79.13 per week.

This is equivalent of 35.6% of the after-tax income of a first buyer household income. This is up from last year's 32.5%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

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A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
Average mortgage interest rates are sourced from www.interest.co.nz. These averages are for banks only as banks have 90%+ of the mortgage market. Affordability calculations are done for mortgages at the floating rate and one year through to the five fixed-rate terms. In this report, the two-year fixed mortgage interest rate is used. Until August 2010 this series used a 2 year fixed rate loan as the basis for interest rates. In September 2010 it was switched to the floating rate, reflecting actual market shifts by borrowers. In June 2014, it was switched back to the 2 year fixed rates, again reflecting market shifts.

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In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Rotorua

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 24.1% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 25.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 0.9% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -0.9%

It takes a typical household 2.5 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $33.64 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Rotorua was $1,575.72 in January, up from $1,572.88 last month and up from $1,542.08 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Rotorua was $395 per week, up from last month's $385 and up from last year's $360 per week.

In January, it takes 25.1% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 24.5% and up from last year's 23.3%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $70.75 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $360,000 will require a weekly mortgage payment of $326.64. This is up from last month's $308.77 and up from the $255.89 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $53.39 per week.

This is equivalent of 24.1% of the after-tax income of a first buyer household income. This is up from last year's 20.0%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

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Sources / Definitions / Methodology

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Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Saving Rates:

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Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

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- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Gisborne

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 20.7% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 25.4% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 4.7% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -4.7%

It takes a typical household 2.2 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $31.64 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Gisborne was $1,375.79 in January, up from $1,373.12 last month and up from $1,344.15 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Gisborne was $350 per week, down from last month's $360 and up from last year's $330 per week.

In January, it takes 25.4% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 26.2% and up from last year's 24.6%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $60.58 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $260,000 will require a weekly mortgage payment of $235.91. This is down from last month's $256.09 and up from the $175.33 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $49.05 per week.

This is equivalent of 20.7% of the after-tax income of a first buyer household income. This is up from last year's 16.6%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

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Sources / Definitions / Methodology

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Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
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A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

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Rent or buy report for January 2019 - Napier

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 32.7% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 30.9% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 1.8% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 1.8%

It takes a typical household 3.7 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $31.58 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Napier was $1,488.78 in January, up from $1,486.11 last month and up from $1,457.20 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Napier was $460 per week, down from last month's $480 and up from last year's $395 per week.

In January, it takes 30.9% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 32.3% and up from last year's 27.1%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $26.61 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $435,000 will require a weekly mortgage payment of $415.94. This is up from last month's $415.00 and up from the $389.33 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $71.60 per week.

This is equivalent of 32.7% of the after-tax income of a first buyer household income. This is up from last year's 31.6%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Rent or buy report for January 2019 - Hastings

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 23.8% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 28.3% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 4.5% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -4.5%

It takes a typical household 3.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $31.44 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Hastings was $1,482.90 in January, up from $1,480.24 last month and up from $1,451.45 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Hastings was $420 per week, unchanged from last month's $420 and up from last year's $375 per week.

In January, it takes 28.3% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 28.4% and up from last year's 25.8%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $6.23 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $315,000 will require a weekly mortgage payment of $285.81. This is down from last month's $319.68 and up from the $279.58 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $66.93 per week.

This is equivalent of 23.8% of the after-tax income of a first buyer household income. This is up from last year's 23.8%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

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Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
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House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

Contact

For more information, contact

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Rent or buy report for January 2019 - Palmerston North

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a ‘second best’ outcome – what you are left doing if you can’t afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 23.2% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 22.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 0.6% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 0.6%

It takes a typical household 2.7 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $35.23 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Palmerston North was $1,642.95 in January, up from $1,639.98 last month and up from $1,607.72 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Palmerston North was $370 per week, down from last month's $380 and up from last year's $350 per week.

In January, it takes 22.5% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 23.2% and up from last year's 21.8%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $26.62 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $350,000 will require a weekly mortgage payment of $317.57. This is up from last month's $300.07 and up from the $290.95 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $62.96 per week.

This is equivalent of 23.2% of the after-tax income of a first buyer household income. This is up from last year's 22.0%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Sources / Definitions / Methodology

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Interpreting this Index:
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Household Weekly Income:
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A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

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Rent or buy report for January 2019 - Whanganui

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

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Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It’s better to rent at present (but depends on city).

In January 2019, it takes 16.7% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 23.8% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 7.1% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -7.1%

It takes a typical household 1.5 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $30.50 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Whanganui was $1,430.11 in January, up from $1,427.56 last month and up from $1,399.61 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Whanganui was $340 per week, up from last month’s $330 and up from last year’s $300 per week.

In January, it takes 23.8% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month’s 23.1% and up from last year’s 21.4%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $49.99 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $217,000 will require a weekly mortgage payment of $196.89. This is up from last month's $183.25 and up from the $146.90 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $41.33 per week.

This is equivalent of 16.7% of the after-tax income of a first buyer household income. This is up from last year's 13.4%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Household Weekly Income:
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Home Loan: (Lower quartile house price less the deposit)

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Rent or buy report for January 2019 - New Plymouth

20 February 2019

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At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 26.6% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 25.6% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 1.0% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 1.0%

It takes a typical household 3.7 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.37 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in New Plymouth was $1,522.19 in January, up from $1,519.45 last month and up from $1,489.81 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in New Plymouth was $390 per week, down from last month's $400 and up from last year's $360 per week.

In January, it takes 25.6% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 26.3% and up from last year's 24.2%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $14.86 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $362,000 will require a weekly mortgage payment of $330.93. This is up from last month's $311.52 and up from the $316.07 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $74.38 per week.

This is equivalent of 26.6% of the after-tax income of a first buyer household income. This is up from last year's 26.2%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
This work must be referred to as **The** R**ent-or-Buy report.** It has been produced by www.interest.co.nz. Please direct queries via email to info@interest.co.nz, or see our contact information below.

Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
Average mortgage interest rates are sourced from www.interest.co.nz. These averages are for banks only as banks have 90%+ of the mortgage market. Affordability calculations are done for mortgages at the floating rate and one year through to the five fixed-rate terms. In this report, the two-year fixed mortgage interest rate is used. Until August 2010 this series used a 2 year fixed rate loan as the basis for interest rates. In September 2010 it was switched to the floating rate, reflecting actual market shifts by borrowers. In June 2014, it was switched back to the 2 year fixed rates, again reflecting market shifts.

House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

****In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.*

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.
- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Porirua

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 28.8% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 32.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 3.7% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -3.7%

It takes a typical household 4.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.40 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Porirua was $1,599.53 in January, up from $1,596.87 last month and up from $1,567.13 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Porirua was $520 per week, up from last month's $510 and up from last year's $470 per week.

In January, it takes 32.5% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 31.9% and up from last year's 30.0%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $15.65 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $413,000 will require a weekly mortgage payment of $384.79. This is down from last month's $547.88 and up from the $369.14 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $75.46 per week.

This is equivalent of 28.8% of the after-tax income of a first buyer household income. This is up from last year's 28.4%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

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Sources / Definitions / Methodology

***Targeted renter or buyer:** An individual in the 25-29 year old age group that buys the lower-quartile priced house with a deposit as calculated below.

Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
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House price data:
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In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:
Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:
This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:
These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Kapiti Coast

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 32.9% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 32.6% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 0.3% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 0.3%

It takes a typical household 4.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $33.34 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Kapiti Coast was $1,502.25 in January, up from $1,499.56 last month and up from $1,468.91 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Kapiti Coast was $490 per week, up from last month's $450 and up from last year's $450 per week.

In January, it takes 32.6% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 30.0% and down from last year's 30.6%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $33.88 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $446,000 will require a weekly mortgage payment of $427.56. This is down from last month's $465.09 and up from the $393.68 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $66.72 per week.

This is equivalent of 32.9% of the after-tax income of a first buyer household income. This is up from last year's 31.3%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Home Loan: (Lower quartile house price less the deposit)

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Rent or buy report for January 2019 - Nelson

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 35.6% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 30.0% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 5.6% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 5.6%

It takes a typical household 4.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.77 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Nelson was $1,539.09 in January, up from $1,536.33 last month and up from $1,506.32 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Nelson was $462 per week, up from last month's $445 and up from last year's $430 per week.

In January, it takes 30.0% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is up from last month's 29.0% and up from last year's 28.5%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $72.12 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $490,000 will require a weekly mortgage payment of $475.37. This is up from last month's $432.05 and up from the $403.25 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $72.31 per week.

This is equivalent of 35.6% of the after-tax income of a first buyer household income. This is up from last year's 31.5%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

Landlords pay rates, insurance and [some] maintenance, and these costs are included in rent. This study adjusts for these items.

Note to Editors
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Sources / Definitions / Methodology

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Interpreting this Index:
These affordability indexes measure the proportion a weekly median rent for a 3 bedroom house and a weekly mortgage payment is of weekly take-home pay. A separate measure is generated for each region, plus a national one, and for other various mortgage interest rate terms.

Household Weekly Income:
The source on which we base our estimates of weekly income, is now the LEEDS (Linked employer-employee data survey) data from Statistics New Zealand.

A household of one male and one female, both on full median incomes, is used.

Income tax rates from IRD are used to calculate a take-home pay (which is the LEEDS-based data net of the specific income tax rate).

Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

Mortgage Rates:
Average mortgage interest rates are sourced from www.interest.co.nz. These averages are for banks only as banks have 90%+ of the mortgage market. Affordability calculations are done for mortgages at the floating rate and one year through to the five fixed-rate terms. In this report, the two-year fixed mortgage interest rate is used. Until August 2010 this series used a 2 year fixed rate loan as the basis for interest rates. In September 2010 it was switched to the floating rate, reflecting actual market shifts by borrowers. In June 2014, it was switched back to the 2 year fixed rates, again reflecting market shifts.

House price data:
Median house prices are as reported by the Real Estate Institute of New Zealand. Although the REINZ series is more volatile than the QV equivalent, there is a highly positive correlation between the two series. The REINZ series is more current and offers an earlier indication of market trends.

In September 2013, REINZ advised that there were calculation errors in some first-quartile house prices supplied over the past twelve to eighteen months. We are now using the updated and corrected data. Earlier published results may not be accurate on this aspect.

Saving Rates:

Average savings interest rates are sourced from www.interest.co.nz. These averages are for banks only, and use the 90 day term deposit rate. Saving calculations take into account the individuals marginal tax rates as defined by IRD.

Rents:

This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:

These are costs paid by a landlord and included in rent. To ensure this Rent-or-Buy analysis is fair, we have assumed the following costs will be incurred by homeowners:-

- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

- Maintenance – Based the average weekly property maintenance related expenses as sourced from Statistics New Zealand.

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Rent or buy report for January 2019 - Timaru

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 20.4% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 22.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 1.7% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -1.7%

It takes a typical household 3.1 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $31.67 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Timaru was $1,492.46 in January, up from $1,489.79 last month and up from $1,460.79 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Timaru was $330 per week, down from last month's $350 and up from last year's $320 per week.

In January, it takes 22.1% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is down from last month's 23.5% and up from last year's 21.9%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $40.57 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $277,000 will require a weekly mortgage payment of $251.33. This is down from last month's $266.17 and down from the $291.90 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $53.60 per week.

This is equivalent of 20.4% of the after-tax income of a first buyer household income. This is up from last year's 23.6%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

Mortgage repayments are based on the value of the home loan, paid weekly for 25 years, using the 2 year bank average interest rate. The home loan is assumed to be a standard table mortgage, where both interest and principal is repaid in a fixed weekly payment made in arrears. The repayment is calculated using the tools at http://www.interest.co.nz/calculators/mortgage-calculator.

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Rents:
This study uses data sourced from the Department of Building & Housing tenancy bond service, focusing on median rents for a 3 bedroom house.

Rates, Insurance and Maintenance:
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- Rates and insurance – The average rates and insurance costs are sourced from the Household Economic Survey published by Statistics New Zealand.

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Rent or buy report for January 2019 - Queenstown-Lakes District

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

However, this Report is aimed at renters who want to buy, and suggests when conditions are appropriate to make the move from renting to owning.

Market overview

The national median house selling price has decreased to $550,000 in January, increase from $560,000 the previous month. Annually, the growth is recorded at 5.8% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 12.2%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 54.5% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 32.6% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 21.9% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 21.9%

It takes a typical household 7.7 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $32.67 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Queenstown-Lakes District was $1,534.82 in January, up from $1,532.06 last month and up from $1,502.15 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Queenstown-Lakes District was $500 per week, unchanged from last month's $500 and unchanged from last year's $500 per week.

In January, it takes 32.6% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is unchanged from last month's 32.6% and down from last year's 33.3%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $95.17 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $715,495 will require a weekly mortgage payment of $731.12. This is down from last month's $858.11 and down from the $826.29 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $105.33 per week.

This is equivalent of 54.5% of the after-tax income of a first buyer household income. This is up from last year's 62.0%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Sources / Definitions / Methodology

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Interpreting this Index:
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Household Weekly Income:
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Deposit - First home buyer index:
As house prices vary by region to a larger extent than wages, we refrained from using a simple 10% deposit-90% mortgage rule to emulate a first home buyer. Instead, to capture the disparity between incomes and house prices we estimate the deposit as a function of savings – that is 20% of weekly income saved for 4 years, plus interest earned at a 90 day deposit interest rate.

Home Loan: (Lower quartile house price less the deposit)

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Rents:

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Rent or buy report for January 2019 - Dunedin

20 February 2019

A monthly assessment of renting a property versus taking out a mortgage

To buy or to rent

The purpose of this Report is to help you decide when to move from renting to owning. The indicators in here show whether you should continue to rent-and-save-for-a-deposit, or when the time is right to buy.

For many, the goal of owning your own home remains a powerful objective - one we support. But affordability issues can be serious barrier to achieving this, and renting is often seen as a 'second best' outcome – what you are left doing if you can't afford to buy.

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At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 24.4% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 24.2% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 0.3% more of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is 0.3%

It takes a typical household 3.2 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $31.15 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Dunedin was $1,436.31 in January, up from $1,433.74 last month and up from $1,405.15 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Dunedin was $347 per week, unchanged from last month's $347 and unchanged from last year's $347 per week.

In January, it takes 24.2% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is unchanged from last month's 24.2% and down from last year's 24.7%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $15.46 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $320,000 will require a weekly mortgage payment of $290.35. This is down from last month's $304.54 and up from the $274.89 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $60.52 per week.

This is equivalent of 24.4% of the after-tax income of a first buyer household income. This is up from last year's 23.8%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

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Home Loan: (Lower quartile house price less the deposit)

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Rent or buy report for January 2019 - Invercargill

20 February 2019

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 10.3% annually to $386,000 at the national level. In Wellington, this category rose to 14.5%.

At the national level, median rents for a three-bedroom house are $440/week, up from $380/week last year.

There is a definite leveling off in new housing construction nationwide. Building consents data shows that, and our own monitoring of new residential tittles confirms it. That means that supply of housing is lagging furthers and what is being built is the expensive end, which in turn means affordable housing is under even more intense pressure.

At the same time, low interest rates make it harder to save for a deposit, and those same low rates work to push up prices for the existing housing stocks

The rent or buy results for January:

It's better to rent at present (but depends on city).

In January 2019, it takes 15.8% of a typical households take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 17.2% of household take-home pay to make the median rent on a 3 bedroom house.

That means in January 2019, it takes 1.3% less of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for January is -1.3%

It takes a typical household 2.0 years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for January:

Rental affordability

There has been a $31.78 increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in Invercargill was $1,497.14 in January, up from $1,494.46 last month and up from $1,465.36 in January 2018. (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in Invercargill was $257 per week, unchanged from last month's $257 and unchanged from last year's $257 per week.

In January, it takes 17.2% of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is unchanged from last month's 17.2% and down from last year's 17.5%

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $31.60 since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in January.

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In January, two years fixed mortgage rate of 4.25% and a lower-quartile house price of $215,000 will require a weekly mortgage payment of $195.08. This is up from last month's $183.25 and up from the $163.48 that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $41.97 per week.

This is equivalent of 15.8% of the after-tax income of a first buyer household income. This is up from last year's 14.0%.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

However, until the new Government's strategy of supplying significant volumes of affordable housing, pressure will rise for rents. Limited supply and a refocus by landlords on 'yield' will be the main pressures. Competition for places by renters may get even more fierce. Rental affordability is the next area of housing stress. Having said that, there are fixed upper limits to what renters can pay. Sadly if may be the quality and standards of available rental options that suffer next.

Now, the assumptions:

We assume you are a first home buyer household, renting a 3 bedroom house and paying a median rent. Your household income consists of one male median income and one female median income from the 25-29 age group.

We assume you want to buy a similar house, but as you are starting out, it will be one priced in the first quartile. You have saved a deposit based on 20% of your household income for the past four years to a maximum of 20% of the house price. The resulting mortgage is for 25 years as a traditional table mortgage. In this report, the two-year fixed mortgage interest rate is used until August 2010. From September 2010 onward, this research has adopted a variable or floating interest rate as the market is shifted to a lower and cheaper rate on a floating basis

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Home Loan: (Lower quartile house price less the deposit)

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That means in 2019, it takes % of your household income to afford the mortgage than to rent. Of course, this assumes you have saved the deposit to afford a mortgage, and that may well be another big barrier for many.

Rent or buy differential for is %

It takes a typical household years (with a saving rate of 20%) to save a 20% deposit, as now required by most banks.

The key drivers for :

Rental affordability

There has been a $ increase in after tax income over the last year.

The median weekly after tax income for a first-home buyer household in was $ in , from $ last month from $ in . (A first-home buyer household comprises one male and one female, both working full-time. They are both aged between 25 and 29 years old and have no children)

Median rent for a 3 bedroom house in was $ per week, from last month's $ and from last year's $ per week.

In , it takes % of your after tax income as a first home buyer household to pay the median rent of a 3 bedroom house. This is from last month's % and from last year's %

Home loan affordability (HLA) with costs

The weekly mortgage payment has increased by $ since last year.

HLA measures of the percentage of after tax income needed to service the mortgage of a lower quartile house bought in .

Factors that determine this figure includes house price, interest rate, income, rates, insurance and maintenance.

In , two years fixed mortgage rate of % and a lower-quartile house price of $ will require a weekly mortgage payment of $. This is from last month's $ and from the $ that was required the same month last year.

In addition to the mortgage payment, this analysis also includes the household costs of rates, insurance and maintenance, amounting to $ per week.

This is equivalent of % of the after-tax income of a first buyer household income. This is up from last year's %.

Conclusion:

On a national basis it is clearly less expensive to stay renting than to buy. But apart for Auckland and Queenstown, buying is still a practical option for most.

The recent leveling off housing prices, even small falls in same markets, don't really change the situation. But buying in anticipation of capital gains may not be wise any more. Housing may be returning to its primary purpose of 'shelter' rather than as an 'investment'. And that may effect its positioning in retirement savings plan.

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Conclusion:

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