

## Rent or buy report for March 2019 - New Zealand

26 April 2019

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

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### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 26.8% of a typical household's 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 March 2019, it takes 0.7% 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 March is -0.7%*

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 March:

### Rental affordability

*There has been a \$34.38 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 \$1,635.29 in March, up from \$1,632.57 last month and up from \$1,600.90 in March 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 \$450 per week, up from last month's \$420 and unchanged from last year's \$450 per week.

In March, 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 up from last month's 25.7% and down from last year's 28.1%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$7.97 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$408,500 will require a weekly mortgage payment of \$368.20. This is up from last month's \$359.18 and up from the \$360.23 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 \$70.57 per week.

This is equivalent of 26.8% of the after-tax income of a first buyer household income. This is up from last year's 26.9%.

## 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**

This work must be referred to as **The Rent-or-Buy report**. It has been produced by [www.interest.co.nz](http://www.interest.co.nz). Please direct queries via email to [info@interest.co.nz](mailto: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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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:**

Median house prices are as reported by the [Real Estate Institute of New Zealand](http://www.reinz.co.nz). Although the REINZ series is more volatile than the [QV](http://www.interest.co.nz) 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.

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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](#).

**Contact**

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26 April 2019

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 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 25.9% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 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 March is 1.8%*

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 March:

### Rental affordability

*There has been a \$32.85 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Northland was \$1,542.45 in March, up from \$1,539.68 last month and up from \$1,509.60 in March 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 \$399 per week, up from last month's \$342 and up from last year's \$371 per week.

In March, it takes 25.9% 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 22.2% and down from last year's 24.6%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$23.02 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$400,000 will require a weekly mortgage payment of \$363.44. This is up from last month's \$345.75 and up from the \$340.42 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 \$63.45 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 26.7%.

## 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:***

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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 March 2019 - Auckland

26 April 2019

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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.

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.

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 45.5% of a typical household's 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 March 2019, it takes 12.9% 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 March is 12.9%*

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 March:

### Rental affordability

*There has been a \$32.98 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Auckland was \$1,663.29 in March, up from \$1,660.52 last month and up from \$1,630.31 in March 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 \$542 per week, up from last month's \$527 and down from last year's \$557 per week.

In March, 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 31.7% and down from last year's 34.2%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$19.09 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$680,000 will require a weekly mortgage payment of \$666.45. This is down from last month's \$686.01 and down from the \$685.54 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 \$89.70 per week.

This is equivalent of 45.5% of the after-tax income of a first buyer household income. This is up from last year's 47.5%.

## 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.

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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 March 2019 - Waikato

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 28.0% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 24.8% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 3.1% 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 March is 3.1%*

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 March:

### Rental affordability

*There has been a \$34.35 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Waikato was \$1,605.83 in March, up from \$1,602.94 last month and up from \$1,571.48 in March 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 \$399 per week, up from last month's \$366 and up from last year's \$395 per week.

In March, it takes 24.8% 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 22.8% and down from last year's 25.1%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$11.08 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$417,850 will require a weekly mortgage payment of \$379.97. This is down from last month's \$399.31 and up from the \$368.89 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 \$69.14 per week.

This is equivalent of 28.0% of the after-tax income of a first buyer household income. This is up from last year's 27.9%.

## 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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](http://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](http://www.renz.govt.nz). Although the REINZ series is more volatile than the [QV](http://www.interest.co.nz) 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:**

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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 March 2019 - Hawkes Bay

26 April 2019

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

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interest.co.nz

## 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 27.5% of a typical household's 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 March 2019, it takes 0.2% 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 March is 0.2%*

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 March:

### Rental affordability

*There has been a \$32.04 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 \$1,508.26 in March, up from \$1,505.57 last month and up from \$1,476.22 in March 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 \$412 per week, up from last month's \$362 and up from last year's \$376 per week.

In March, 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 24.1% and down from last year's 25.5%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$35.26 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$385,000 will require a weekly mortgage payment of \$349.32. This is up from last month's \$314.21 and up from the \$314.06 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 \$65.54 per week.

This is equivalent of 27.5% of the after-tax income of a first buyer household income. This is up from last year's 25.7%.

## 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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# Rent or buy report for March 2019 - Manawatu/Wanganui

26 April 2019

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

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interest.co.nz

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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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 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 21.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 4.3% 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 March is -4.3%*

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 March:

### Rental affordability

*There has been a \$33.15 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 \$1,555.28 in March, up from \$1,552.49 last month and up from \$1,522.13 in March 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 \$328 per week, up from last month's \$304 and up from last year's \$324 per week.

In March, it takes 21.1% 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 19.6% and down from last year's 21.3%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$15.12 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$240,000 will require a weekly mortgage payment of \$211.99. This is down from last month's \$222.71 and up from the \$196.87 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 \$48.34 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 16.1%.

## 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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### 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:

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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](http://www.ird.govt.nz) 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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**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 March 2019 - Taranaki

26 April 2019

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

---



interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 18.5% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 21.6% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 3.1% 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 March is -3.1%*

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 March:

### Rental affordability

*There has been a \$33.15 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Taranaki was \$1,555.28 in March, up from \$1,552.49 last month and up from \$1,522.13 in March 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 \$336 per week, up from last month's \$315 and down from last year's \$337 per week.

In March, it takes 21.6% 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 20.3% and down from last year's 22.1%



## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$21.81 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$263,500 will require a weekly mortgage payment of \$232.74. This is down from last month's \$248.16 and up from the \$210.93 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 \$54.83 per week.

This is equivalent of 18.5% of the after-tax income of a first buyer household income. This is up from last year's 17.4%.

## 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

This work must be referred to as **The Rent-or-Buy report**. It has been produced by [www.interest.co.nz](http://www.interest.co.nz). Please direct queries via email to [info@interest.co.nz](mailto: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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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 March 2019 - Wellington

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 30.1% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 31.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 1.4% 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 March is -1.4%*

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 March:

### Rental affordability

*There has been a \$33.82 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Wellington was \$1,698.77 in March, up from \$1,695.93 last month and up from \$1,664.96 in March 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 \$535 per week, up from last month's \$491 and up from last year's \$508 per week.

In March, it takes 31.5% 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 29.0% and down from last year's 30.5%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$10.67 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$476,000 will require a weekly mortgage payment of \$439.22. This is down from last month's \$479.43 and up from the \$428.55 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 \$71.83 per week.

This is equivalent of 30.1% of the after-tax income of a first buyer household income. This is up from last year's 30.1%.

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

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## Rent or buy report for March 2019 - Nelson

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 32.7% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 26.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 6.7% 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 March is 6.7%*

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 March:

### Rental affordability

*There has been a \$33.42 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Nelson was \$1,566.73 in March, up from \$1,563.92 last month and up from \$1,533.31 in March 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 \$408 per week, up from last month's \$385 and down from last year's \$410 per week.

In March, it takes 26.1% 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 24.6% and down from last year's 26.7%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$46.76 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$470,000 will require a weekly mortgage payment of \$439.95. This is down from last month's \$441.55 and up from the \$393.19 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 \$72.63 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 30.4%.

## 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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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 March 2019 - Canterbury

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 23.6% of a typical household's 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 March 2019, it takes 0.5% 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 March is 0.5%*

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 March:

### Rental affordability

*There has been a \$35.55 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Canterbury was \$1,656.68 in March, up from \$1,653.69 last month and up from \$1,621.13 in March 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 \$384 per week, up from last month's \$379 and down from last year's \$393 per week.

In March, 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 up from last month's 22.9% and down from last year's 24.2%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$14.10 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$364,000 will require a weekly mortgage payment of \$321.51. This is down from last month's \$322.70 and down from the \$335.61 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 \$69.75 per week.

This is equivalent of 23.6% 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

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:**

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](http://www.statistics.govt.nz).

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

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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.

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## Rent or buy report for March 2019 - Bay of Plenty

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 31.9% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 29.7% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 2.2% 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 March is 2.2%*

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 March:

### Rental affordability

*There has been a \$32.49 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 \$1,527.14 in March, up from \$1,524.40 last month and up from \$1,494.65 in March 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 March, it takes 29.7% 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 29.7% and down from last year's 30.3%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$8.73 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$450,000 will require a weekly mortgage payment of \$419.88. This is down from last month's \$432.27 and up from the \$411.15 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 \$66.56 per week.

This is equivalent of 31.9% of the after-tax income of a first buyer household income. This is up from last year's 31.9%.

## 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)

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 March 2019 - Otago

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 23.7% 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 23.9% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 0.2% 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 March is -0.2%*

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 March:

### Rental affordability

*There has been a \$33.18 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Otago was \$1,556.41 in March, up from \$1,553.62 last month and up from \$1,523.23 in March 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 \$372 per week, up from last month's \$351 and down from last year's \$380 per week.

In March, 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 up from last month's 22.6% and down from last year's 25.0%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$26.50 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$350,000 will require a weekly mortgage payment of \$309.15. This is down from last month's \$318.16 and up from the \$282.65 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 \$60.18 per week.

This is equivalent of 23.7% of the after-tax income of a first buyer household income. This is up from last year's 22.5%.

## 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

**\*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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](http://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](http://www.renz.govt.nz). Although the REINZ series is more volatile than the [QV](http://www.interest.co.nz) 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.

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**Saving Rates:**

Average savings interest rates are sourced from [www.interest.co.nz](http://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 March 2019 - Southland

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 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 13.8% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 1.2% 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 March is 1.2%*

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 March:

### Rental affordability

*There has been a \$34.22 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Southland was \$1,600.56 in March, up from \$1,597.68 last month and up from \$1,566.34 in March 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 March, it takes 13.8% 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 13.8% and down from last year's 14.1%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$44.06 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$225,000 will require a weekly mortgage payment of \$198.74. This is up from last month's \$190.90 and up from the \$154.68 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 \$41.13 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 12.5%.

## 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

**\*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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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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# Rent or buy report for March 2019 - Auckland City

26 April 2019

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

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interest.co.nz

## 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 46.6% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 35.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 11.1% 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 March is 11.1%*

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 March:

### Rental affordability

*There has been a \$32.98 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 \$1,663.29 in March, up from \$1,660.52 last month and up from \$1,630.31 in March 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 March, it takes 35.5% 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 35.5% and down from last year's 36.2%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$26.76 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$695,000 will require a weekly mortgage payment of \$683.01. This is down from last month's \$731.46 and up from the \$656.25 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 \$91.61 per week.

This is equivalent of 46.6% 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.

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### Sources / Definitions / Methodology

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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](http://www.statistics.govt.nz).

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**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 March 2019 - North Shore

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 55.1% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 36.7% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 18.4% 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 March is 18.4%*

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 March:

### Rental affordability

*There has been a \$32.98 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 \$1,663.29 in March, up from \$1,660.52 last month and up from \$1,630.31 in March 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 \$610 per week, up from last month's \$580 and up from last year's \$590 per week.

In March, it takes 36.7% 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 34.9% and down from last year's 36.2%



## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$76.97 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$808,000 will require a weekly mortgage payment of \$807.78. This is up from last month's \$805.32 and down from the \$884.75 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 \$108.01 per week.

This is equivalent of 55.1% of the after-tax income of a first buyer household income. This is up from last year's 60.9%.

## 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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](http://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](http://www.renz.govt.nz). Although the REINZ series is more volatile than the [QV](http://www.interest.co.nz) 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](http://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 March 2019 - Manukau

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 43.2% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 27.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 16.1% 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 March is 16.1%*

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 March:

### Rental affordability

*There has been a \$32.98 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Manukau was \$1,663.29 in March, up from \$1,660.52 last month and up from \$1,630.31 in March 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, unchanged from last month's \$450 and unchanged from last year's \$450 per week.

In March, it takes 27.1% 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 27.1% and down from last year's 27.6%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$26.57 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$652,000 will require a weekly mortgage payment of \$635.54. This is up from last month's \$634.88 and down from the \$662.11 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 \$82.71 per week.

This is equivalent of 43.2% of the after-tax income of a first buyer household income. This is up from last year's 45.7%.

## 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

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

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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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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:**

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**Rates, Insurance and Maintenance:**

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## Rent or buy report for March 2019 - Waitakere

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 43.3% of a typical household's 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 March 2019, it takes 10.8% 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 March is 10.8%*

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 March:

### Rental affordability

*There has been a \$32.98 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Waitakere was \$1,663.29 in March, up from \$1,660.52 last month and up from \$1,630.31 in March 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 \$540 per week, up from last month's \$530 and up from last year's \$520 per week.

In March, 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 down from last year's 31.9%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$52.21 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$650,000 will require a weekly mortgage payment of \$633.33. This is down from last month's \$678.06 and down from the \$685.54 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 \$86.72 per week.

This is equivalent of 43.3% of the after-tax income of a first buyer household income. This is up from last year's 47.4%.

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

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## Rent or buy report for March 2019 - Tauranga

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 38.0% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 32.2% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 5.7% 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 March is 5.7%*

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 March:

### Rental affordability

*There has been a \$33.07 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Tauranga was \$1,551.57 in March, up from \$1,548.79 last month and up from \$1,518.51 in March 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, up from last month's \$460 and up from last year's \$480 per week.

In March, it takes 32.2% 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 down from last year's 31.6%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$42.11 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$530,000 will require a weekly mortgage payment of \$506.53. This is down from last month's \$558.36 and down from the \$548.64 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 \$82.66 per week.

This is equivalent of 38.0% of the after-tax income of a first buyer household income. This is up from last year's 41.5%.

## 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

**\*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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](http://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](http://www.reinz.co.nz). Although the REINZ series is more volatile than the [QV](http://www.qu.co.nz) 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.

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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:-

- 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**

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## Rent or buy report for March 2019 - Wellington

26 April 2019

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

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interest.co.nz

### 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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### Market overview

The national median house selling price has increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 36.4% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 35.3% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 1.2% 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 March is 1.2%*

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 March:

### Rental affordability

*There has been a \$39.25 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Wellington was \$1,928.65 in March, up from \$1,925.35 last month and up from \$1,889.39 in March 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 \$680 per week, up from last month's \$620 and up from last year's \$620 per week.

In March, it takes 35.3% 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 32.2% and down from last year's 32.8%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$26.39 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$640,000 will require a weekly mortgage payment of \$608.70. This is down from last month's \$639.21 and up from the \$582.31 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 \$94.11 per week.

This is equivalent of 36.4% of the after-tax income of a first buyer household income. This is up from last year's 35.9%.

## 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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## Rent or buy report for March 2019 - Lower Hutt

26 April 2019

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

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interest.co.nz

### To buy or to rent

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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.

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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 30.8% 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 31.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 0.3% 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 March 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 March:

### Rental affordability

*There has been a \$32.73 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 \$1,652.80 in March, up from \$1,650.05 last month and up from \$1,620.07 in March 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 \$514 per week, up from last month's \$479 and up from last year's \$463 per week.

In March, it takes 31.1% 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 29.0% and up from last year's 28.6%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$29.93 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$475,000 will require a weekly mortgage payment of \$440.47. This is up from last month's \$436.41 and up from the \$410.54 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 \$68.60 per week.

This is equivalent of 30.8% of the after-tax income of a first buyer household income. This is up from last year's 29.6%.

## 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.

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## ***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:**

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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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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**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](#).
- Maintenance – Based the average weekly property maintenance related expenses as sourced from [Statistics New Zealand](#).

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# Rent or buy report for March 2019 - Christchurch City

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

## 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 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 26.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 0.0% 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 March is 0.0%*

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 March:

### Rental affordability

*There has been a \$35.40 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 \$1,650.28 in March, up from \$1,647.30 last month and up from \$1,614.88 in March 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 \$430 per week, up from last month's \$420 and up from last year's \$412 per week.

In March, it takes 26.1% 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 25.5% and down from last year's 25.5%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$11.06 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$380,000 will require a weekly mortgage payment of \$335.80. This is up from last month's \$333.16 and down from the \$346.86 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 \$94.15 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 27.3%.

## 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

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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](http://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:

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**Rents:**

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## Rent or buy report for March 2019 - Whangarei

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 26.7% of a typical household's 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 March 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 March is 0.3%*

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 March:

### Rental affordability

*There has been a \$35.37 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Whangarei was \$1,648.81 in March, up from \$1,645.84 last month and up from \$1,613.44 in March 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 \$435 per week, up from last month's \$410 and up from last year's \$400 per week.

In March, 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 24.9% and up from last year's 24.8%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$12.19 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$416,000 will require a weekly mortgage payment of \$375.74. This is down from last month's \$402.73 and up from the \$363.55 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 \$64.25 per week.

This is equivalent of 26.7% of the after-tax income of a first buyer household income. This is up from last year's 26.5%.

## 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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## Rent or buy report for March 2019 - Hamilton City

26 April 2019

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

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interest.co.nz

### 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.

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Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 32.5% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 28.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 4.4% 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 March is 4.4%*

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 March:

### Rental affordability

*There has been a \$34.21 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 \$1,599.80 in March, up from \$1,596.92 last month and up from \$1,565.59 in March 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 \$420 and up from last year's \$420 per week.

In March, it takes 28.1% 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 26.3% and down from last year's 26.8%



## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$6.39 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$473,000 will require a weekly mortgage payment of \$441.17. This is up from last month's \$438.25 and up from the \$434.78 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 \$79.28 per week.

This is equivalent of 32.5% of the after-tax income of a first buyer household income. This is up from last year's 32.8%.

## 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.

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## ***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:**

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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](http://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](http://www.reinz.co.nz). Although the REINZ series is more volatile than the [QV](http://www.interest.co.nz) 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](http://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 March 2019 - Rotorua

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 22.8% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 24.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 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 March is -1.7%*

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 March:

### Rental affordability

*There has been a \$34.06 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Rotorua was \$1,593.77 in March, up from \$1,590.91 last month and up from \$1,559.71 in March 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 \$390 per week, up from last month's \$340 and up from last year's \$370 per week.

In March, it takes 24.5% 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 21.4% and down from last year's 23.7%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$51.35 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$350,000 will require a weekly mortgage payment of \$309.15. This is down from last month's \$318.16 and up from the \$257.80 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 \$53.54 per week.

This is equivalent of 22.8% of the after-tax income of a first buyer household income. This is up from last year's 19.9%.

## 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**

This work must be referred to as **The Rent-or-Buy report**. It has been produced by [www.interest.co.nz](http://www.interest.co.nz). Please direct queries via email to [info@interest.co.nz](mailto: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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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 March 2019 - Gisborne

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 21.3% 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 30.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 9.2% 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 March is -9.2%*

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 March:

### Rental affordability

*There has been a \$32.04 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Gisborne was \$1,392.77 in March, up from \$1,390.08 last month and up from \$1,360.73 in March 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 \$425 per week, up from last month's \$310 and up from last year's \$325 per week.

In March, it takes 30.5% 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 22.3% and down from last year's 23.9%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$31.70 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$280,000 will require a weekly mortgage payment of \$247.32. This is down from last month's \$268.16 and up from the \$215.62 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 \$49.39 per week.

This is equivalent of 21.3% of the after-tax income of a first buyer household income. This is up from last year's 19.4%.

## 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](http://www.statistics.govt.nz).

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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:**

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**Rates, Insurance and Maintenance:**

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## Rent or buy report for March 2019 - Napier

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 30.4% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 29.7% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 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 March is 0.6%*

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 March:

### Rental affordability

*There has been a \$32.18 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Napier was \$1,514.26 in March, up from \$1,511.55 last month and up from \$1,482.07 in March 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 \$450 per week, up from last month's \$440 and up from last year's \$425 per week.

In March, it takes 29.7% 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 29.1% and up from last year's 28.7%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$8.11 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$420,000 will require a weekly mortgage payment of \$387.66. This is down from last month's \$393.43 and down from the \$395.77 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 \$71.98 per week.

This is equivalent of 30.4% 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**

**\*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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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 March 2019 - Hastings

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 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 28.5% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 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 March is -0.9%*

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 March:

### Rental affordability

*There has been a \$32.04 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Hastings was \$1,508.26 in March, up from \$1,505.57 last month and up from \$1,476.22 in March 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 \$430 per week, up from last month's \$380 and up from last year's \$370 per week.

In March, 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 25.2% and up from last year's 25.1%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$38.55 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$385,000 will require a weekly mortgage payment of \$349.32. This is up from last month's \$295.43 and up from the \$310.77 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 \$67.32 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

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](http://www.statistics.govt.nz).

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

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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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### House price data:

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**Rents:**

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## Rent or buy report for March 2019 - Palmerston North

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 22.8% of a typical household's 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 March 2019, it takes 1.1% 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 March is -1.1%*

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 March:

### Rental affordability

*There has been a \$35.46 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 \$1,652.65 in March, up from \$1,649.67 last month and up from \$1,617.20 in March 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 \$395 per week, up from last month's \$360 and up from last year's \$360 per week.

In March, 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 up from last month's 21.8% and down from last year's 22.3%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$27.63 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$355,000 will require a weekly mortgage payment of \$313.56. This is down from last month's \$341.79 and up from the \$285.93 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 \$62.98 per week.

This is equivalent of 22.8% of the after-tax income of a first buyer household income. This is up from last year's 21.6%.

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

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# Rent or buy report for March 2019 - Whanganui

26 April 2019

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

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## To buy or to rent

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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.

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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 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 22.9% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 7.2% 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 March is -7.2%*

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 March:

### Rental affordability

*There has been a \$30.39 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Whanganui was \$1,438.43 in March, up from \$1,435.87 last month and up from \$1,408.04 in March 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 \$330 per week, up from last month's \$310 and up from last year's \$295 per week.

In March, it takes 22.9% 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 21.6% and up from last year's 21.0%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$20.03 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$210,000 will require a weekly mortgage payment of \$185.49. This is up from last month's \$177.26 and up from the \$165.46 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 \$41.49 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 14.7%.

## 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

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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](#).
- Maintenance – Based the average weekly property maintenance related expenses as sourced from [Statistics New Zealand](#).

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## Rent or buy report for March 2019 - New Plymouth

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 26.0% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 26.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 0.1% 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 March is -0.1%*

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 March:

### Rental affordability

*There has been a \$32.58 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 \$1,531.10 in March, up from \$1,528.36 last month and up from \$1,498.52 in March 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 \$400 per week, up from last month's \$380 and up from last year's \$392 per week.

In March, it takes 26.1% 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 24.9% and down from last year's 26.2%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$7.12 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$363,500 will require a weekly mortgage payment of \$323.51. This is down from last month's \$333.62 and up from the \$316.39 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 \$74.50 per week.

This is equivalent of 26.0% of the after-tax income of a first buyer household income. This is up from last year's 26.1%.

## 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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### **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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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 March 2019 - Porirua

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 35.8% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 30.8% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 4.9% 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 March is 4.9%*

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 March:

### Rental affordability

*There has been a \$32.08 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Porirua was \$1,611.93 in March, up from \$1,609.26 last month and up from \$1,579.86 in March 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 \$497 per week, up from last month's \$442 and up from last year's \$437 per week.

In March, it takes 30.8% 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 27.5% and down from last year's 27.7%



## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$41.42 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$528,000 will require a weekly mortgage payment of \$501.16. This is down from last month's \$534.08 and up from the \$459.74 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 \$75.54 per week.

This is equivalent of 35.8% of the after-tax income of a first buyer household income. This is up from last year's 33.9%.

## 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.

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### **Household Weekly Income:**

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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 March 2019 - Kapiti Coast

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 2019, it takes 34.7% 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 29.7% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 5.0% 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 March is 5.0%*

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 March:

### Rental affordability

*There has been a \$32.19 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 \$1,514.39 in March, up from \$1,511.69 last month and up from \$1,482.21 in March 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 \$450 per week, up from last month's \$430 and up from last year's \$410 per week.

In March, it takes 29.7% 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 28.4% and up from last year's 27.7%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$32.00 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$485,000 will require a weekly mortgage payment of \$458.88. This is down from last month's \$466.71 and up from the \$426.88 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 \$66.90 per week.

This is equivalent of 34.7% of the after-tax income of a first buyer household income. This is up from last year's 33.3%.

## 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

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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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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**Rates, Insurance and Maintenance:**

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**Contact**

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## Rent or buy report for March 2019 - Nelson

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles confirms it. That means that

supply of housing is lagging further 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 March:

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

In March 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 28.7% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 4.0% 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 March is 4.0%*

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 March:

### Rental affordability

*There has been a \$33.42 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Nelson was \$1,566.73 in March, up from \$1,563.92 last month and up from \$1,533.31 in March 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 \$450 per week, up from last month's \$420 and up from last year's \$440 per week.

In March, it takes 28.7% 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 26.9% and unchanged from last year's 28.7%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$46.76 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$470,000 will require a weekly mortgage payment of \$439.95. This is down from last month's \$441.55 and up from the \$393.19 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 \$72.63 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 30.4%.

## 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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### **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 March 2019 - Timaru

26 April 2019

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

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The logo for interest.co.nz is displayed in white text on a dark blue rectangular background.

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 19.8% 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 23.2% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 3.4% 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 March is -3.4%*

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 March:

### Rental affordability

*There has been a \$32.07 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Timaru was \$1,509.52 in March, up from \$1,506.82 last month and up from \$1,477.44 in March 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 \$350 per week, up from last month's \$325 and up from last year's \$345 per week.

In March, 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 up from last month's 21.6% and down from last year's 23.4%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$12.25 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$278,000 will require a weekly mortgage payment of \$245.55. This is down from last month's \$262.71 and down from the \$257.80 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 \$53.86 per week.

This is equivalent of 19.8% of the after-tax income of a first buyer household income. This is up from last year's 21.1%.

## 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.

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

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

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- Maintenance – Based the average weekly property maintenance related expenses as sourced from [Statistics New Zealand](#).

**Contact**

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# Rent or buy report for March 2019 - Queenstown-Lakes District

26 April 2019

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

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interest.co.nz

## 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 51.4% of a typical household's take-home pay to service the mortgage and related household costs on a lower quartile priced house.

But it also takes 32.1% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 19.2% 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 March is 19.2%*

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 March:

### Rental affordability

*There has been a \$33.18 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 \$1,556.41 in March, up from \$1,553.62 last month and up from \$1,523.23 in March 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 March, it takes 32.1% 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 32.2% and down from last year's 32.8%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$32.63 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$700,000 will require a weekly mortgage payment of \$694.01. This is down from last month's \$771.19 and down from the \$726.64 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 \$105.58 per week.

This is equivalent of 51.4% of the after-tax income of a first buyer household income. This is up from last year's 54.6%.

## 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](http://www.interest.co.nz). Please direct queries via email to [info@interest.co.nz](mailto: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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](http://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](http://www.renz.govt.nz). Although the REINZ series is more volatile than the [QV](http://www.interest.co.nz) 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](http://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 March 2019 - Dunedin

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 25.5% of a typical household's 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 March 2019, it takes 1.7% 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 March 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 March:

### Rental affordability

*There has been a \$30.82 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Dunedin was \$1,456.35 in March, up from \$1,453.76 last month and up from \$1,425.54 in March 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 March, 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 down from last month's 23.9% and down from last year's 24.3%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$29.29 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$348,000 will require a weekly mortgage payment of \$310.53. This is down from last month's \$334.49 and up from the \$281.24 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 \$60.88 per week.

This is equivalent of 25.5% of the after-tax income of a first buyer household income. This is up from last year's 24.0%.

## 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:**

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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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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 March 2019 - Invercargill

26 April 2019

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

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interest.co.nz

### 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 increased to \$585,000 in March, increase from \$560,000 the previous month. Annually, the growth is recorded at 4.5% against last year. Among major cities, Wellington has dominated the growth with an annual rise of 5.1%.

Lower quartile houses, which are usually sought by the landlords and first-home buyers, increased 7.2% annually to \$408,500 at the national level. In Wellington, this category rose to 7.6%.

At the national level, median rents for a three-bedroom house are \$450/week, unchanged from \$450/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 titles 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 March:

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

In March 2019, it takes 16.1% 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 16.8% of household take-home pay to make the median rent on a 3 bedroom house.

That means in March 2019, it takes 0.8% 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 March is -0.8%*

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 March:

### Rental affordability

*There has been a \$32.45 increase in after tax income over the last year.*

The median weekly after tax income for a first-home buyer household in Invercargill was \$1,525.69 in March, up from \$1,522.96 last month and up from \$1,493.24 in March 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 March, it takes 16.8% 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 16.9% and down from last year's 17.2%

## Home loan affordability (HLA) with costs

*The weekly mortgage payment has increased by \$39.09 since last year.*

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

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

In March, two years fixed mortgage rate of 4.02% and a lower-quartile house price of \$230,000 will require a weekly mortgage payment of \$203.15. This is up from last month's \$194.08 and up from the \$164.06 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 \$42.38 per week.

This is equivalent of 16.1% of the after-tax income of a first buyer household income. This is up from last year's 13.8%.

## 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**

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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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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:

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

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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.

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](http://www.interest.co.nz). Please direct queries via email to [info@interest.co.nz](mailto: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](http://www.statistics.govt.nz).

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

Income tax rates from [IRD](http://www.ird.govt.nz) 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](http://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](http://www.reinz.co.nz). Although the REINZ series is more volatile than the [QV](http://www.interest.co.nz) 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](http://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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