

It's not just the low paid who are being squeezed out of Auckland's housing market, its affecting middle income earners too

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This might be as close as many Aucklanders get to owning their own home.

By Greg Ninness

It will now take a typical Auckland couple nearly eight years to save a 20% deposit on their first home, compared to about four years in other main centres, according to Interest.co.nz's Home Loan Affordability Report.

The report tracks how long it would take typical first home buyers in each region to save a 20% deposit on the REINZ's lower quartile selling price in their region.

The income calculations assume both partners work full time and earn the median weekly wage for people of their age group (25-29) in each region and are able to save 20% of their take home pay to put towards a deposit.

The accompanying table shows how the ability of typical first home buyers to save a 20% deposit has changed over the last three years.

In August 2013 it would have taken a typical first home buying couple in Auckland 5.5 years to save the 20% deposit for a home at the REINZ's lower quartile selling price for the region, at that time, of \$453,300.

But by August 2016, Auckland's lower quartile selling price hit a new all time high of \$695,600, a massive increase of \$242,300 (53.5%) in three years.

Wage growth lags

However the median income for typical first home buyers in Auckland hasn't increased by nearly as much over the same period, rising from \$1489.36 a week (after tax) in August 2013 to \$1582.57 in August this year, an increase of just 6.3% over the same period.

That means Auckland's lower quartile house price has increased at 8.5 times the rate at which typical first home buyers' after tax incomes have increased over the last three years, which has inevitably pushed out the timeline for them to save a deposit.

Saving 20% of your net income each week is no easy feat, especially at a time in young people's lives when they are forming lasting personal relationships and perhaps thinking about starting a family, if they haven't already.

Stashing away 20% of their net income is likely to put significant restrictions on their lifestyles, which might be bearable when the prospect of owning your own home is only four or five years away.

But when that stretches out to seven or eight years, the goal of home ownership may seem an impossible dream, or perhaps the type of nightmare where you keep running towards your goal as fast as you can, but it remains forever out of reach.

The social danger in this scenario is that many younger people will just give up on trying to buy their own home and start to organise their finances around the fact that they will be renting for the rest of their lives.

And the figures used in the Home Loan Affordability Report are not for people on low incomes.

They are based on median incomes, and the bottom quartile of house prices.

So it is not just the lowly paid who are being kept out of home ownership by Auckland's inflated house prices and low income growth, it is now middle income earners as well.

Easier outside Auckland

For those first home buyers lucky enough to live outside of Auckland, the problem is not nearly as bad.

Although regions beyond Auckland have also seen some quite strong growth in lower quartile house prices, particularly over the last 12 months, it has not yet been at a level that has pushed home ownership out of reach for first home buyers on median incomes.

First home buyers in the main centres except Auckland should still be able to save a 20% deposit to buy a lower quartile-priced home within four years.

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Saving the deposit for a first home at the REINZ's Lower Quartile selling price August 2013 compared with August 2016				
	Auckland	Waikato/BoP	Wellington	Canterbury
Lower quartile dwelling price August 2013	\$453,300	\$244,800	\$303,400	\$308,800
Lower quartile dwelling price August 2016	\$695,600	\$334,200	\$361,800	\$350,200
Change Aug 2013 - Aug 2016	+\$242,300(53.5%)	+\$89,400(36.5%)	+\$58,400(19.3%)	+\$41,400(13.4%)
Median weekly wage for typical first home buying couple (after tax) - August 2013	\$1489.36	\$1374.39	\$1523.06	\$1461.30
Median weekly wage for typical first home buying couple (after tax) - August 2016	\$1582.57	\$1478.53	\$1613.00	\$1587.18
Change	+\$93.21(6.3%)	+\$104.14(7.6%)	+\$89.94(5.9%)	+\$125.88(8.6%)
Time needed to save a 20% deposit August 2013	5.5 years	3.2 years	3.6 years	3.9 years
Time needed to save a 20% deposit August 2016	7.7 years	4 years	3.9 years	3.9 years
Change	+2.2 years	+0.8 years	+0.3 years	No change

The full set of Home Loan Affordability Reports for all major centres throughout the country is available [here](#).