



Input to your Strategy for Adapting to Challenges

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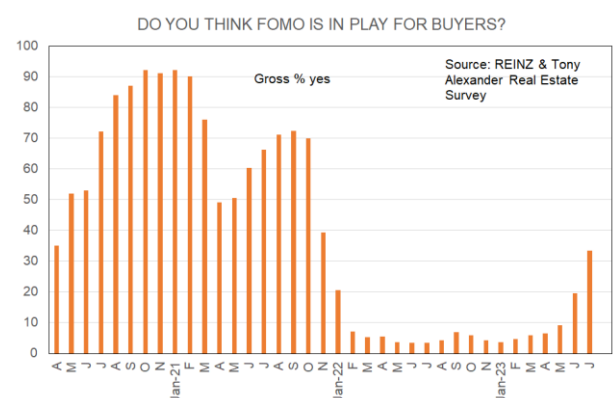
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Regional housing recoveries

Each month in my Regional Property Insights report prepared for FMT I discuss a couple of aspects of housing markets at the regional level. The proportion of my 31,000 subscribers who clicked on the most recent pdf well outstripped clicks for previous issues and of other documents recently. On that basis I feel fairly safe saying that there is a high level of interest in the housing market as people see a shift in the tone of commentary and perhaps have been aware of the indicators of improvement I've been citing from over four months ago.

Taking that high level of interest into account, this week I'm going to have a look at some of the key results from my latest survey of real estate agents around the country for which the full results will be released next week. I'm going to start by focussing in on two measures which are not produced anywhere else in New Zealand – FOMO and FOOP. These are fear of missing out and fear of over-paying.

At the national level the proportion of agents who say that buyers are displaying FOMO has risen to its highest level since November 2021 at 33% from 19% last month and 9% two months ago.



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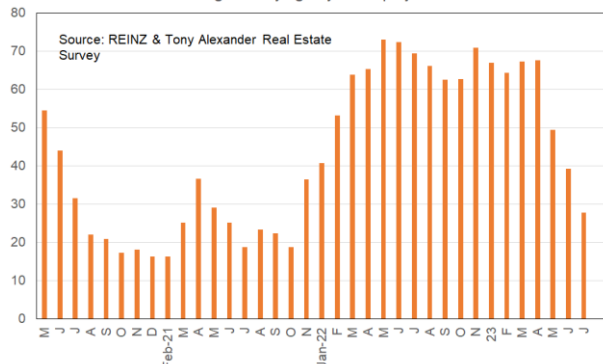
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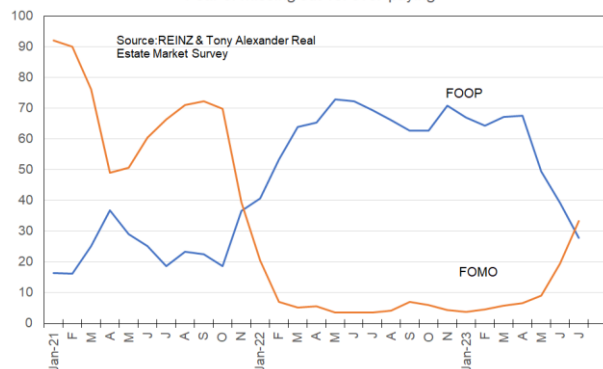
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Gross % of agents saying buyers display FOOP



If we put the two measures on the same graph, we get this.

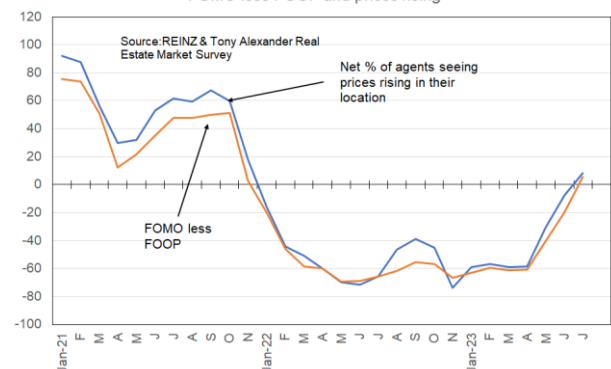
Fear of missing out vs. over-paying



The measures have crossed over and the transition has been quite sudden, taking just three months to go from a 61 point difference of higher FOOP to 6 point difference for higher FOMO. The speed seems broadly similar to what happened late in 2021 when the credit crunch struck.

What we can do is calculate the difference between FOMO and FOOP and plot it as the orange line in the graph below. The blue line shows the net proportion of agents who feel that prices are rising in their location. To say that they are closely correlated would be an understatement.

FOMO less FOOP and prices rising



In a nutshell what this means is this. If you believe that buyer worries about falling prices will continue to ease and that FOMO will rise further, then you need to realise this is going to immediately translate through to more agents seeing prices rising. We also know that this means prices rising at a hastening clip.

The upshot is one of the stronger messages I have been seeking to get across this year. When prices truly start rising their pace of gain is likely to comfortably exceed the rates generally bandied about of 5% or so. I expect gains near 10% next



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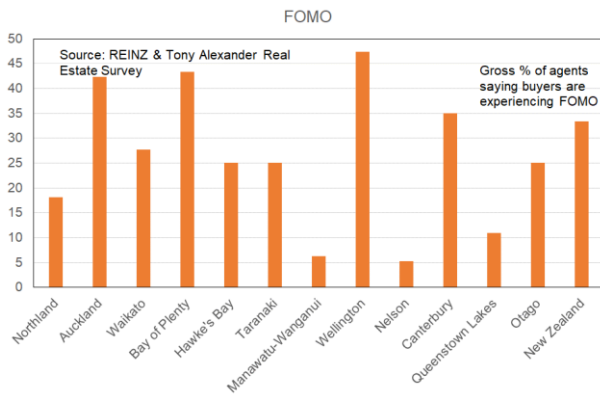
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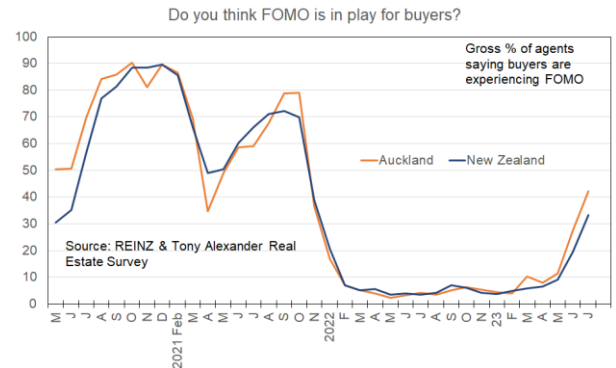


year and more in 2025, with this year producing around 5% nationwide.

Now, let's have a look at what is happening with FOMO at the regional level. First, here are the latest readings all in one graph. Note that the Queenstown Lakes reading is for last month as not enough agents responded from there this month to allow calculations to be made.



Now, here are the readings for the past three years for the main centres. In Auckland FOMO is above average and has been tending to be so in the most recent months.



There is probably a good reason for this. In Auckland the number of properties listed for sale peaked in August last year. The latest data from realestate.co.nz show that listings have since then fallen by 13%.

There may be a great number of townhouses being built in Auckland courtesy of the push for intensification encapsulated mainly in the 2016 Unitary Plan. But the migration boom is something which will benefit Auckland's population more than other parts of the country. Add in the shift of rental properties back to servicing students and tourists and we get potential for a rapid tightening in the supply of property first for rent and then for purchase.

Note, Auckland presents as under-priced currently, therefore potential for price-gain outperformance for the just starting upward leg of the house price cycle is strong.

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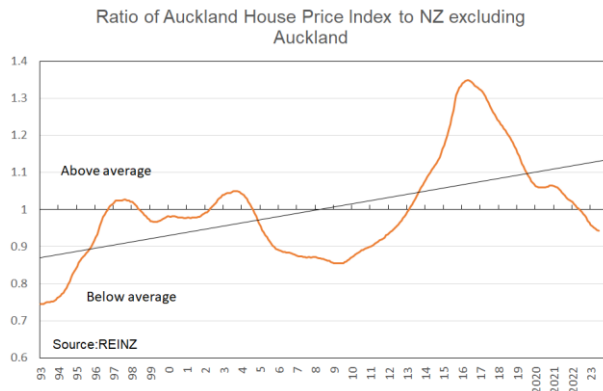
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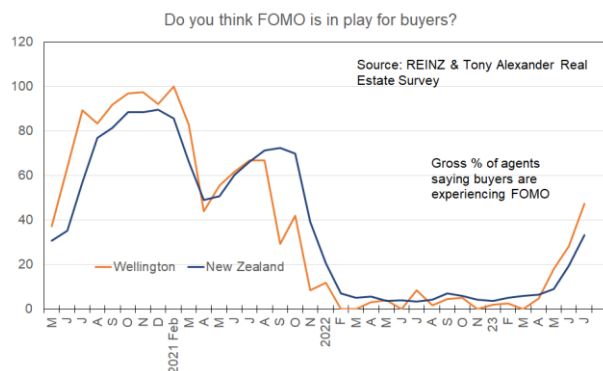


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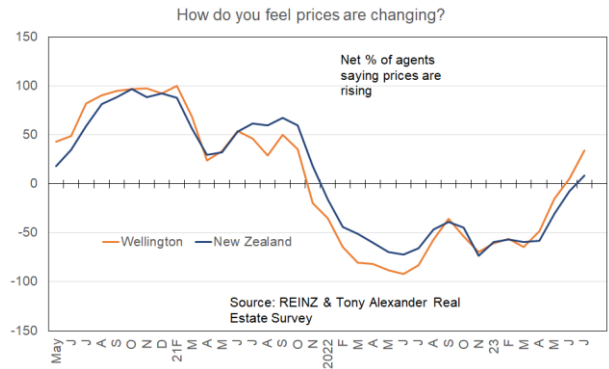


Turning now to Wellington, listings peaked in August last year and now they are 42% lower. This strong reduction in the quantity of property available for buyers to peruse helps explain some of the frenzy recently reported about an open home.

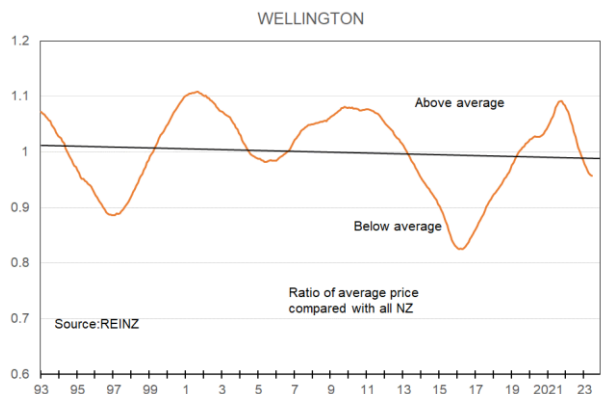
The lifting of FOMO to above NZ average levels in the Wellington region has been stronger than for Auckland and the 47% of agents seeing it is the highest across all regions.



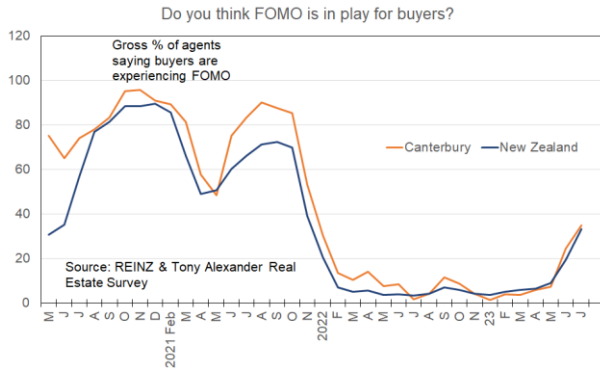
The net 34% of agents in Wellington saying that they are seeing prices rising is also the strongest of all regions. The NZ average is 8%.



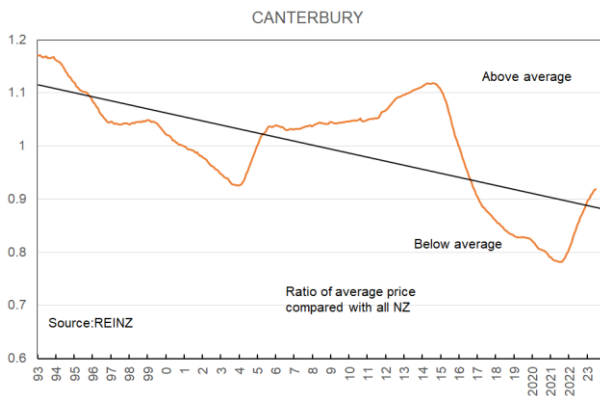
My graph of the long-term relationship between prices in Wellington and the country overall does not show Wellington to be as over-sold as Auckland. But for now it is somewhat leading the price upturn, probably because of the early onset of a listings shortage.



In Canterbury the following graph shows that FOMO is right on the national average and has been tracking close to it since early in 2022.



Canterbury has shifted from an over-sold position. However, I am of the view that the black trend line in the graph below for now remains biased downward by the earthquake 12 years ago and some shifting in its slope upward is likely in the coming years. The bulk of the price catch-up has happened. But out-performance this leg of the cycle looks likely on the basis of having the best CBD of all major centres, the double shot tourism recovery (both post-earthquake and post-pandemic), and affordability bringing internal migration from other expensive locations.



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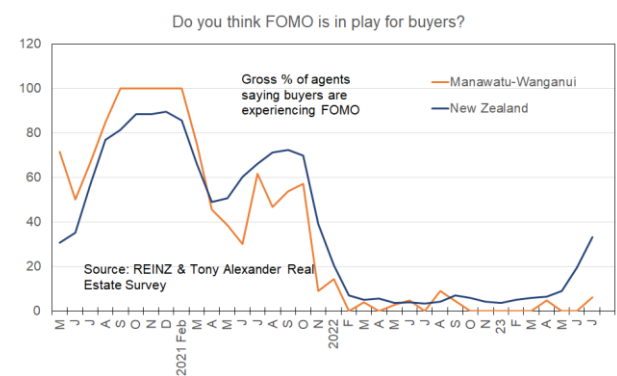
Just briefly, Manawatu-Wanganui is well lagging on FOMO, and one suspects recent comments from the Spanish soccer team won't help. Then again, John Cleese's comments a few years back

have not stopped many people shifting to Palmerston North and Wanganui for affordability reasons and maybe the miniature train the mayor said the soccer players were missing out on.

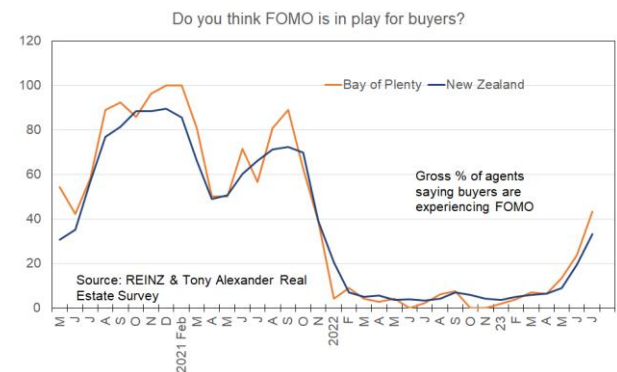
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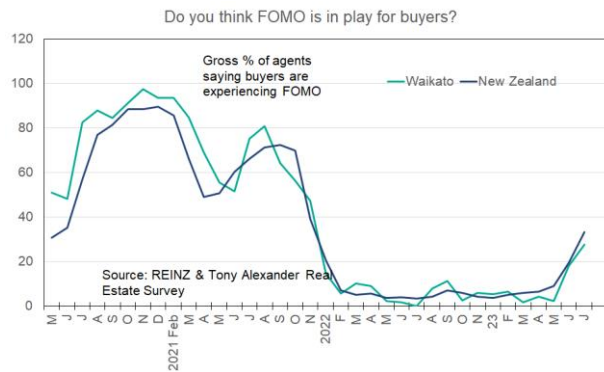
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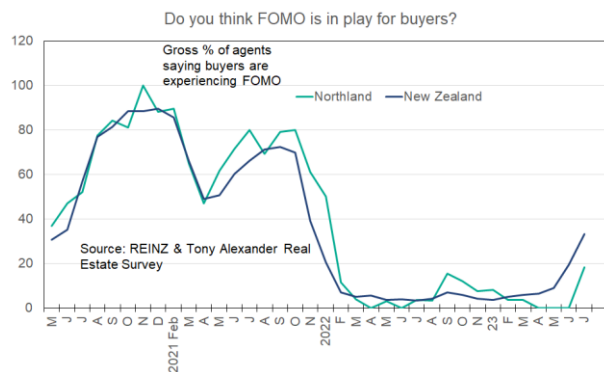
Bay of Plenty is a little bit above average for FOMO.



Waikato is a bit below average.



Northland is below average for now.



In case you missed it

Nothing extra sent out this past week.

If I were a borrower, what would I do?

I'd still be looking to fix 12-24 months. The uncertainty regarding inflation's track down from the current 6% remains very strong. The labour market is easing but only slowly. Inflation expectations and business pricing plans are easing, but also only slowly. It will likely be quite a number of months before the Reserve Bank sends an easing signal, but the common view is their first cut could come before the middle of next year rather than the October 2024 month they have pencilled in.

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