FORSYTH BARR

Building Sector
NZ Consents — Yet to Waver

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The second full month out of lockdown remained robust for residential consents but non-residential retraced some of its June lift. Residential consents were +2% yoy in July and have not yet been quelled by the pandemic. Consents continue to track well post lockdown, supported by tight supply and record low mortgage rates, and economic uncertainty is yet to dampen activity. Non-residential value and area consented are down -10%/-34% yoy respectively. While non-residential is inherently variable, anecdotes suggest that there has been significant project cancellations/deferrals, which we expect to weigh on activity through 2021.

Residential consents remain robust

July consents were -5% mom (with June likely boosted by easing of lockdown bottlenecks) and remained robust at 38.3k (annualised) or +2% yoy. Anecdotes suggest near term residential activity has not yet been quelled by COVID-19 related uncertainty. We believe low mortgage rates (as low as 2.45%), tight supply, and strong interest from first home buyers as well as investors are all supporting housing demand.

Regionally, Auckland was up +8% mom and partially offset declines of -21% in Wellington and -10% in both Canterbury and Waikato-Bay of Plenty. On a 12m rolling basis consents remain up +5–15% yoy with the exception of Waikato-Bay of Plenty which is now -1% yoy. Growth does remain dominated by smaller, multi-tenanted dwellings as the market responds to affordability challenges. High-density dwelling now comprises a record 42% (+3ppts vs. July-19) of total consents over the past 12 months and 56% in Auckland. Overall floor area consented, the best measure of future construction activity, was broadly flat mom and +2.1% 12m rolling.

Non-residential remains volatile

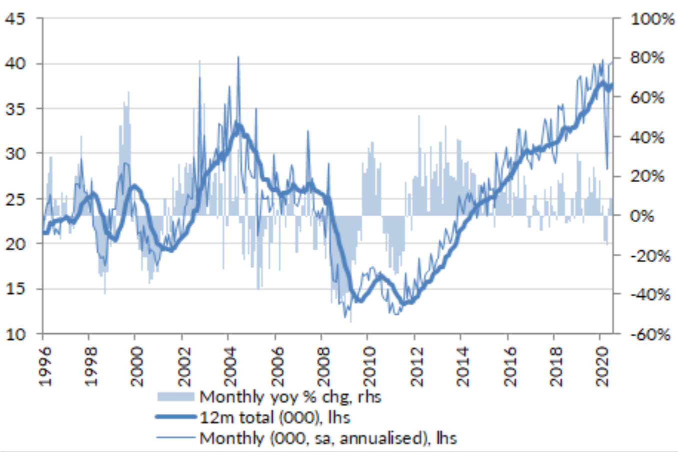
July non-residential consents partially retraced the June jump with value/sqm -10%/-34% yoy. Non-residential consents are often variable due to the size and nature of projects. The softness is largely attributable to Auckland (-25% yoy) and Canterbury (-63%), while regional New Zealand (+52%) did better. Alongside slowing consent volumes, many projects are being delayed due to the uncertainty at hand, particularly in the office, retail and accommodation sectors with education the only sector to see yoy improvement. Government stimulus will be important for the non-residential sector, but at this stage proposals appear to favour infrastructure projects.

Figure 1. NZ building consents (July 2020)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (#)				
Detached houses ('000s)	21.6	22.0	21.3	22.0
Total ('000s)	38.3	39.4	36.5	37.6
yoy % chg				
Detached houses	-6.5%	0.3%	-3.6%	0.8%
Total	2.5%	4.8%	-1.1%	6.0%
Total floor area	0.1%	3.1%	-1.0%	2.1%
Non-residential				
Total (NZ$m)	592	1,899	3,178	6,704
yoy % chg	-9.9%	8.8%	-19.2%	-11.4%

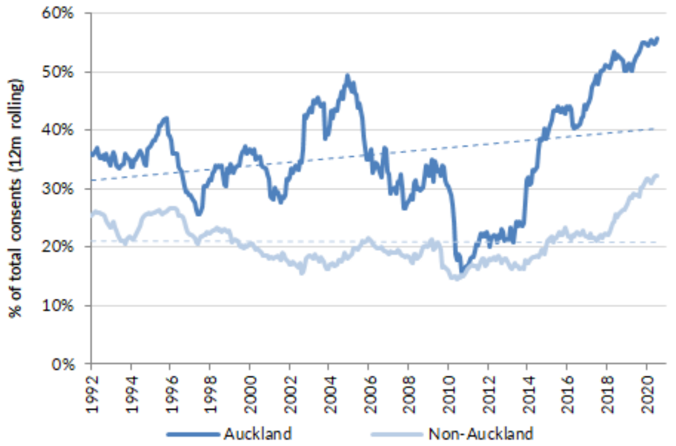
Source: Statistics NZ, Forsyth Barr analysis

Figure 2. NZ residential consents



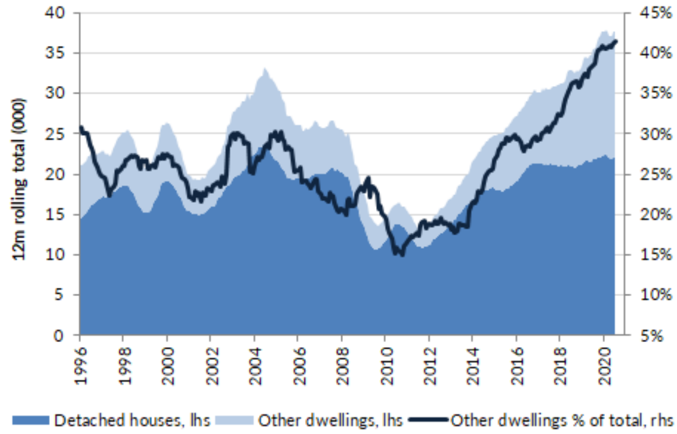
Source: Eikon, Forsyth Barr analysis

Figure 3. % of residential consents multi-tenanted



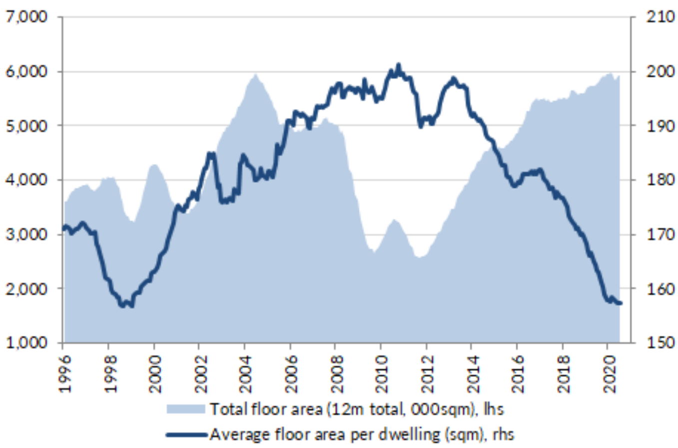
Source: Statistics NZ, Forsyth Barr analysis

Figure 4. NZ residential consents: houses vs. other dwellings



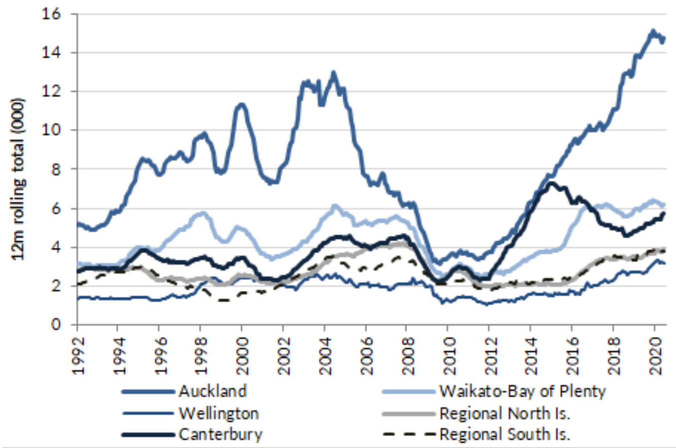
Source: Statistics NZ, Forsyth Barr analysis

Figure 5. NZ residential floor area consented



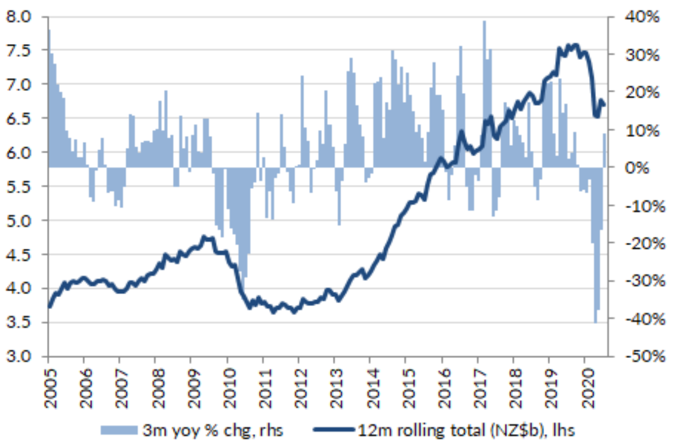
Source: Statistics NZ, Forsyth Barr analysis

Figure 6. NZ residential consents by region



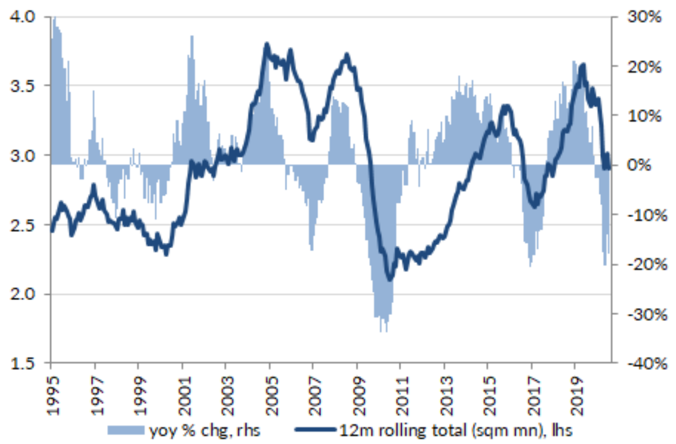
Source: Statistics NZ, Forsyth Barr analysis

Figure 7. NZ non-residential consents (value)



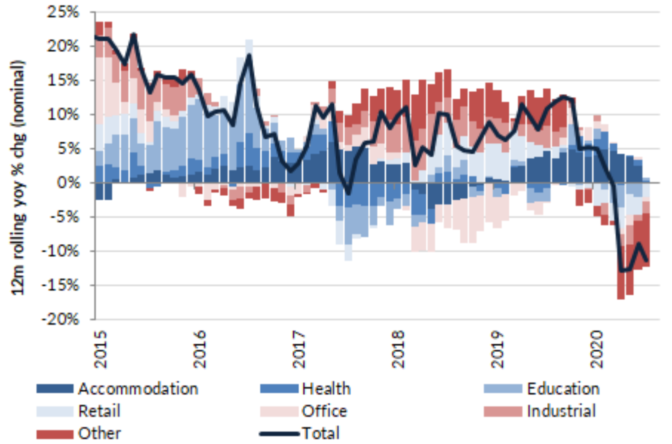
Source: Statistics NZ, Forsyth Barr analysis

Figure 8. NZ non-residential consents (sqm)



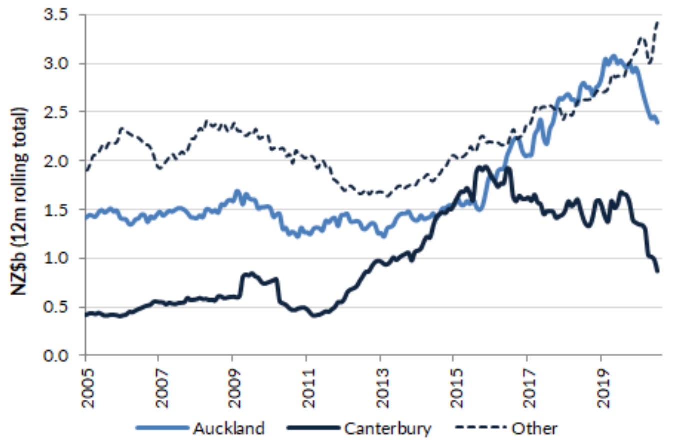
Source: Statistics NZ, Forsyth Barr analysis

Figure 9. NZ non-residential consents by sector



Source: Statistics NZ, Forsyth Barr analysis

Figure 10. NZ non-residential consents by region



Source: Statistics NZ, Forsyth Barr analysis

Figure 11. NZ building consents (July 2020)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (yoy % chg)				
Auckland	7.9%	2.6%	-1.0%	4.6%
Waikato-Bay of Plenty	-9.8%	-4.4%	-5.3%	-1.1%
Wellington	-21.0%	-6.7%	-9.5%	14.7%
Regional North Is	-0.8%	12.2%	10.2%	8.3%
Canterbury	-9.7%	23.3%	10.2%	6.0%
Regional South Is	1.9%	-1.1%	-9.0%	5.0%
Detached houses	-6.5%	0.3%	-3.6%	0.8%
Apartments	-43.9%	-33.9%	-36.3%	-13.2%
Retirement village units	-12.3%	15.2%	-13.2%	-5.0%
Townhouses, flats, units	58.0%	38.9%	34.3%	36.8%
Non-residential				
Regional (value) yoy % chg				
Auckland	-24.8%	-17.6%	-31.5%	-21.0%
Canterbury	-62.6%	-44.8%	-56.3%	-48.4%
Other	52.5%	63.4%	13.1%	20.5%
Total	-9.9%	8.8%	-19.2%	-11.4%
m2 (000)	212	765	1,330	2,900
yoy % chg	-34.0%	-11.0%	-27.6%	-17.8%
Key sectors (value) yoy % chg				
Accommodation	-70.4%	-60.5%	-37.0%	0.6%
Health	-5.2%	40.8%	-29.1%	3.9%
Education	302.0%	90.2%	-5.5%	3.9%
Retail	-18.5%	-10.0%	-10.6%	-14.6%
Office	-40.4%	18.8%	-2.5%	-4.8%
Industrial	-16.0%	15.3%	-10.5%	-7.6%

Source: Statistics NZ, Forsyth Barr analysis

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