

Building Sector

NZ Consents — Still Tracking Well

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Three months out of lockdown and residential consents remain robust while non-residential has stabilised (for now). Residential consents were up +2% yoy in August and continue to track well with tight supply and record low mortgage rates outweighing greater restrictions in Auckland and economic uncertainty. The declines in non-residential value/area consented looks to have abated with 3-month rolling up +17%/+5% yoy respectively. Non-residential is inherently variable and this stabilisation may only be temporary with anecdotes suggesting that the pipeline is thinning, which would weigh on activity through 2021.

Residential consents remain at high levels

August consents were a robust 38.2k (seasonally adjusted and annualised) which was broadly flat mom and +2% yoy. The overall floor area consented, the best measure of future construction activity (while volatile month-to-month and down -7% in Aug.) also remains solid at +1% on a 12-month rolling basis. In our view, near term residential activity is being supported by low mortgage rates (as low as 2.45%), tight supply, and strong interest from first home buyers and investors.

Regionally, outcomes were mixed with declines in the South Island (-15% yoy) and Waikato-Bay of Plenty (-6%), a negligible impact from Level 3 restrictions in Auckland (-1%), and a rebound in Wellington (+17%). On a 12m rolling basis consents remain up +4–15% yoy with the exception of Waikato-Bay of Plenty which is broadly flat. Growth remains dominated by smaller, multi-tenanted dwellings as the market responds to affordability challenges. High density dwellings remained at record levels, comprising 42% of total consents over the past 12 months and 56% in Auckland.

Strong June, but weaker half for non-residential

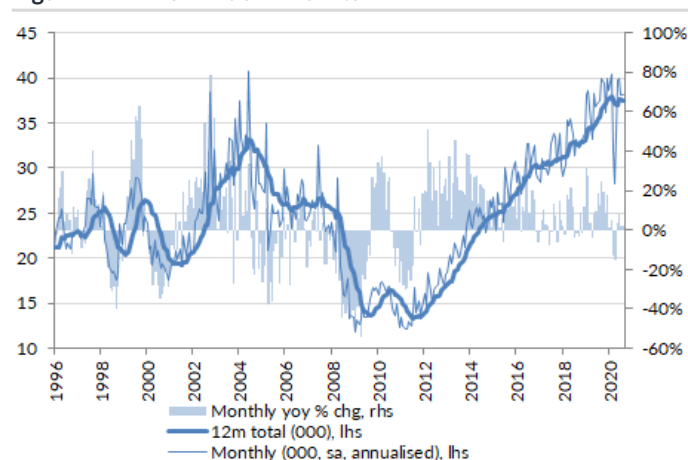
Non-residential consents value/sqm were up +19%/+20% yoy in August with a strong month for industrial (one of the relatively unaffected commercial property sectors), accommodation, and healthcare. On 3-month rolling basis value/sqm was up +17%/+5% yoy suggesting non-residential consents may be stabilising after c.12-months of declines. Given anecdotes suggest projects are being delayed and/or cancelled due to the uncertain outlook, particularly in the office, retail, and accommodation sectors, this stabilisation may only be temporary. Non-residential consents are often variable due to the size and nature of projects, and government stimulus will be important for the sector going forward, but at this stage proposals appear to favour infrastructure projects.

Figure 1. NZ building consents (August 2020)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (#)				
Detached houses ('000s)	21.6	21.8	20.9	21.8
Total ('000s)	38.2	38.7	36.0	37.5
yoy % chg				
Detached houses	-3.7%	-2.3%	-5.7%	-0.3%
Total	1.9%	4.1%	-1.8%	5.1%
Total floor area	-7.4%	2.8%	-2.9%	1.2%
Non-residential				
Total (NZ\$m)	659	2,004	3,356	6,812
yoy % chg	19.4%	17.1%	-13.7%	-9.4%

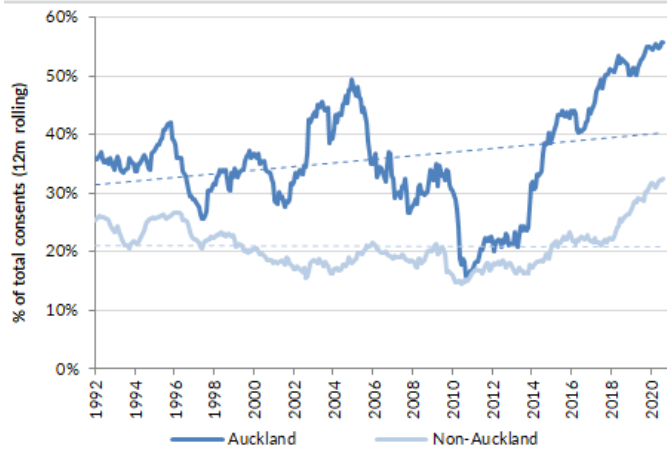
Source: Statistics NZ, Forsyth Barr analysis

Figure 2. NZ residential consents



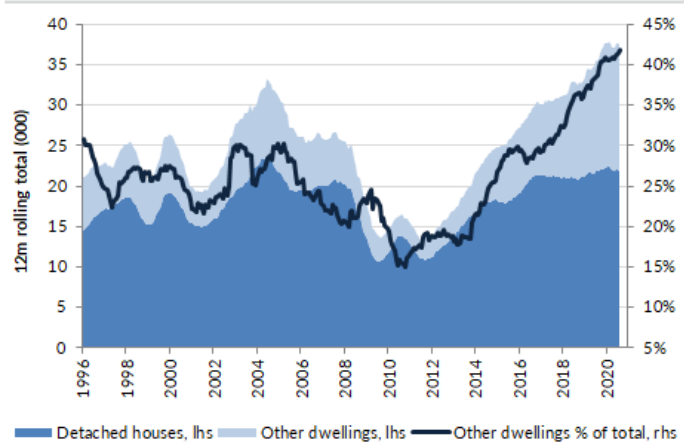
Source: Eikon, Forsyth Barr analysis

Figure 3. % of residential consents multi-tenanted



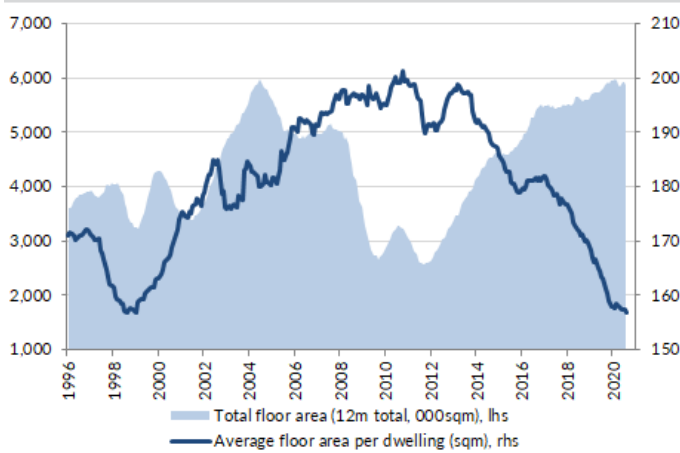
Source: Statistics NZ, Forsyth Barr analysis

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



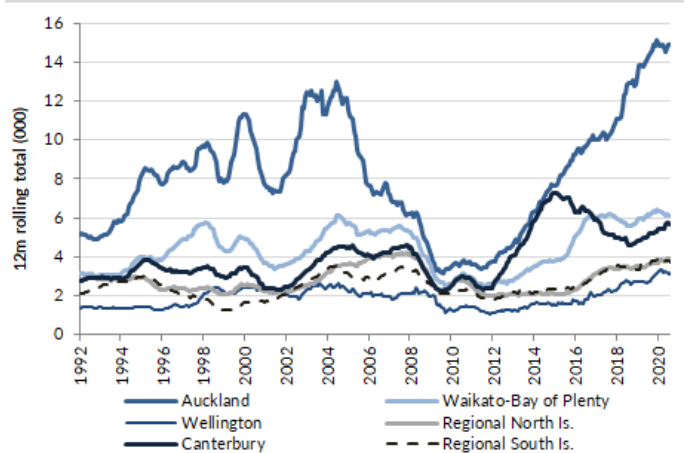
Source: Statistics NZ, Forsyth Barr analysis

Figure 5. NZ residential floor area consented



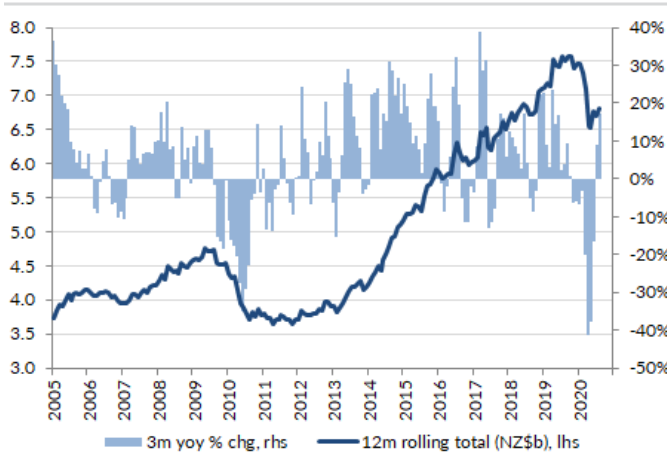
Source: Statistics NZ, Forsyth Barr analysis

Figure 6. NZ residential consents by region



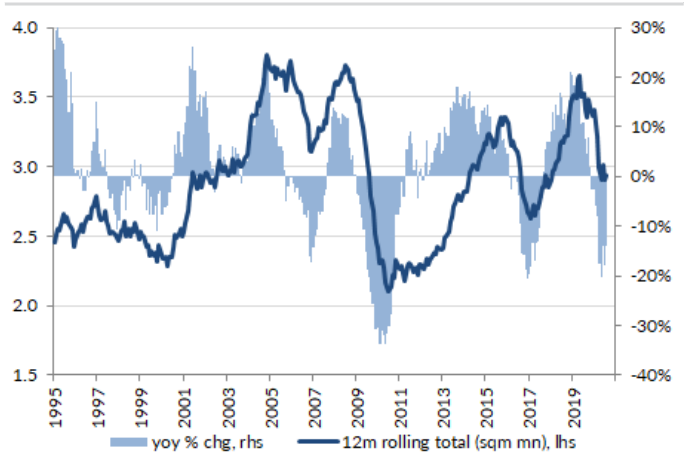
Source: Statistics NZ, Forsyth Barr analysis

Figure 7. NZ non-residential consents (value)

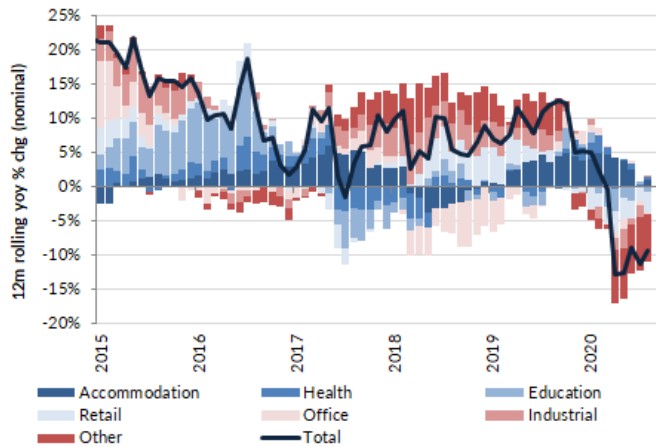


Source: Statistics NZ, Forsyth Barr analysis

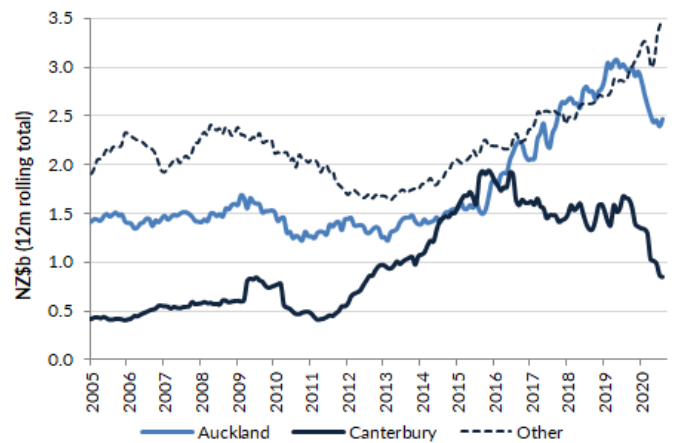
Figure 8. NZ non-residential consents (sqm)



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 (August 2020)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (yoy % chg)				
Auckland	-1.1%	9.6%	0.3%	3.7%
Waikato-Bay of Plenty	-6.3%	1.6%	-7.9%	-0.2%
Wellington	16.9%	-8.2%	-11.7%	15.1%
Regional North Is	2.1%	12.1%	3.8%	8.1%
Canterbury	-14.9%	-0.1%	7.0%	5.1%
Regional South Is	-13.7%	-2.3%	-13.9%	3.5%
Detached houses	-3.7%	-2.3%	-5.7%	-0.3%
Apartments	-39.7%	-46.0%	-34.7%	-13.0%
Retirement village units	-55.4%	6.9%	-21.0%	-12.3%
Townhouses, flats, units	42.4%	56.0%	34.0%	36.6%
Non-residential				
Regional (value) yoy % chg				
Auckland	34.9%	5.4%	-18.5%	-17.4%
Canterbury	-24.4%	-45.8%	-56.6%	-49.0%
Other	19.2%	59.8%	14.0%	21.8%
Total	19.4%	17.1%	-13.7%	-9.4%
m2 (000)	231	754	1,368	2,939
yoy % chg	20.3%	5.0%	-21.5%	-13.9%
Key sectors (value) yoy % chg				
Accommodation	68.5%	-35.6%	-35.7%	9.8%
Health	57.0%	36.4%	-24.6%	6.8%
Education	-22.0%	46.6%	5.3%	-5.8%
Retail	-46.2%	-23.9%	-28.4%	-21.0%
Office	7.2%	38.3%	-4.0%	-1.8%
Industrial	88.5%	48.0%	13.7%	0.8%

Source: Statistics NZ, Forsyth Barr analysis

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