

Building Sector

NZ Consents — Encouraging Signs

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Despite initial fears of a sharp downturn, residential consents have remained at recent high levels (c.39k annualised) post-lockdown with demand supported by tight supply and record low mortgage rates. Auckland continues to lead the charge with consents +52% yoy, the highest month since October 2002 (which appears to be an extreme outlier). The recovery in non-residential continues with the 3-month rolling value of consents up +12% yoy. While this data may have been surprising six months ago, the construction sector appears optimistic and was the most positive sector in the October ANZ NZ Business Outlook.

Residential consents remain at high levels

September consents were a robust 39.6k (seasonally adjusted and annualised) which was +3.6% mom and -0.7% yoy. The overall floor area consented, the best measure of future construction activity (while volatile month-to-month; up +12.4% in Sep. and down -7.4% in Aug.) also remains solid at +1.2% on a 12-month rolling basis. Residential activity continues to be supported by low mortgage rates (as low as 1.99%), tight supply, and strong interest from first home buyers and investors.

Regionally, outcomes remain mixed with Auckland strength (+52% yoy), increasing, declines in the South Island (-21% yoy) and Waikato-Bay of Plenty (-14%), and month-to-month volatility in Wellington (-32% in Sep. vs. +17% in Aug.). On a 12m rolling basis consents remain up +4-8% yoy with the exception of Waikato-Bay of Plenty (-4%) and Regional South Island (-5%). Detached dwellings had a strong September with consents up +10% yoy. High density dwellings remained at record levels on a 12-month rolling basis, comprising 41% of total consents and 57% in Auckland as the market responds to affordability challenges.

Non-residential turning a corner?

Non-residential consents value/sqm were up +23%/+7% yoy in September with continued strength in industrial (one of the relatively unaffected commercial property sectors) and healthcare as well as a surprise tick up in retail. On 3-month rolling basis value/sqm was up +12%/-8% yoy suggesting non-residential consents may be turning a corner after c.12-months of declines. Given anecdotes suggest projects have been delayed and/or cancelled due to the uncertain outlook, particularly in the office, retail, and accommodation sectors, this lift in value consented has surprised us. Non-residential consents are often variable due to the size and nature of projects, and government stimulus will be important going forward, but at this stage proposals appear to favour infrastructure projects.

Figure 1. NZ building consents (September 2020)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (#)				
Detached houses ('000s)	23.3	22.2	21.6	22.1
Total ('000s)	39.6	38.6	37.3	37.7
yoy % chg				
Detached houses	9.7%	-0.4%	-1.6%	0.7%
Total	-0.7%	1.1%	0.3%	3.5%
Total floor area	12.4%	1.5%	-0.4%	1.2%
Non-residential				
Total (NZ\$m)	758	2,039	3,730	7,001
yoy % chg	22.6%	11.6%	-2.7%	-7.6%

Source: Statistics NZ, Forsyth Barr analysis

Figure 2. NZ residential consents

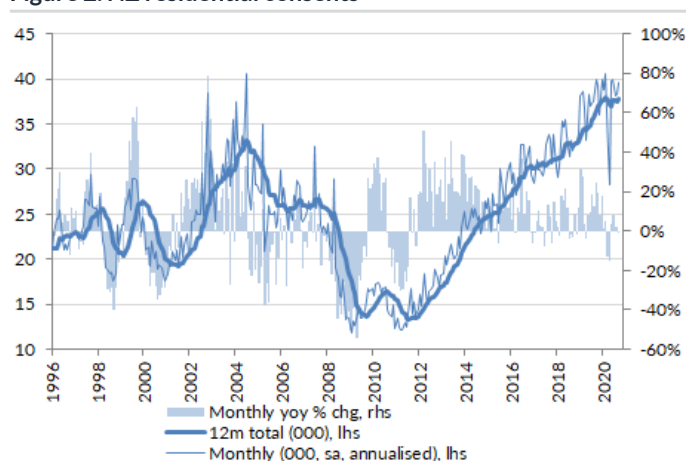
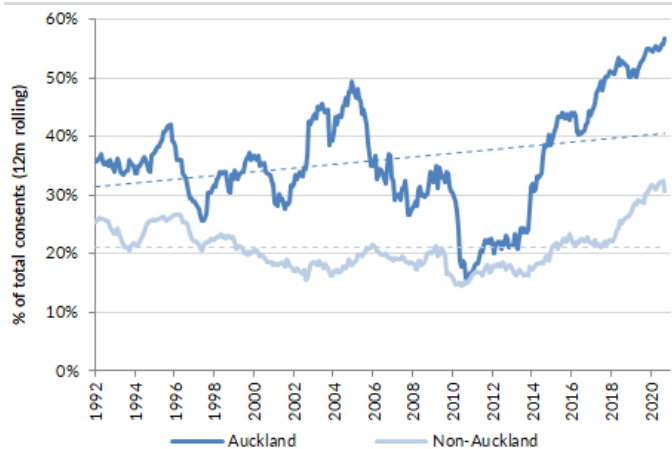
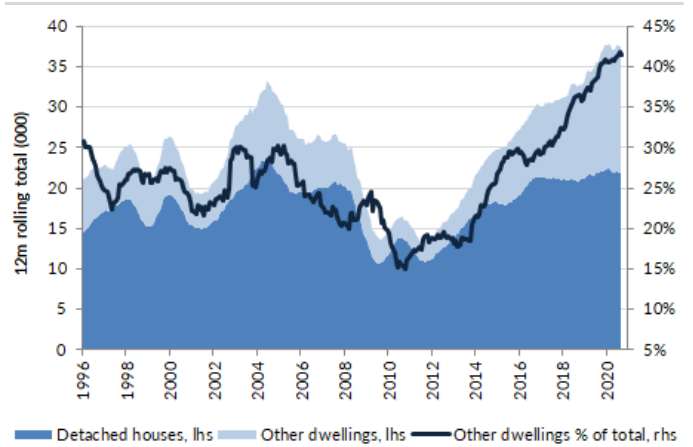


Figure 3. % of residential consents multi-tenanted



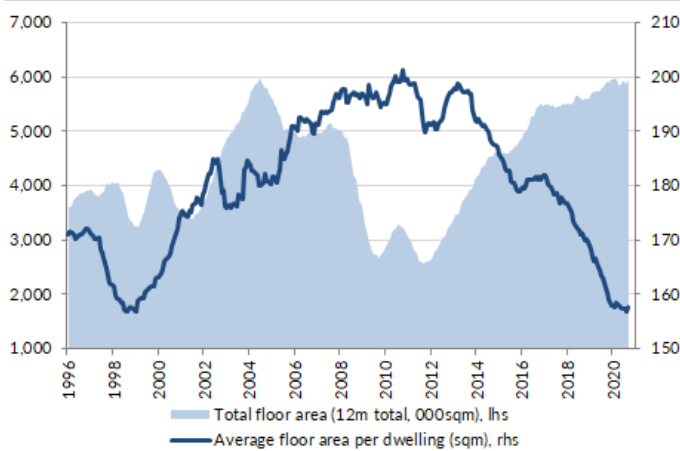
Source: Statistics NZ, Forsyth Barr analysis

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



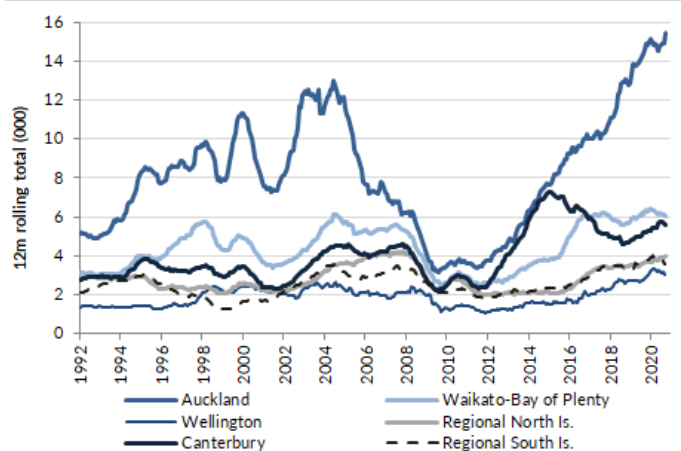
Source: Statistics NZ, Forsyth Barr analysis

Figure 5. NZ residential floor area consented



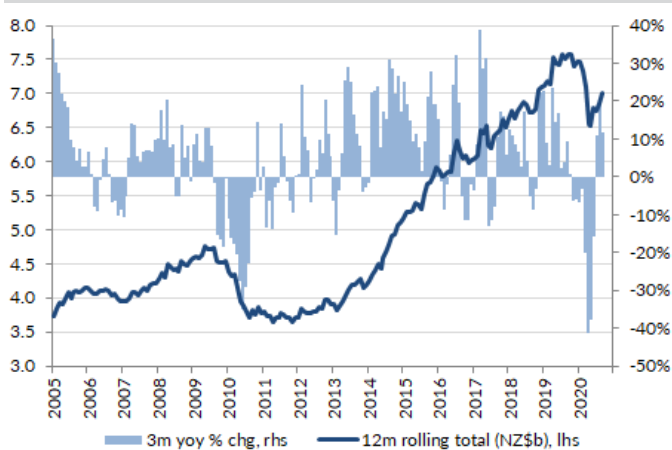
Source: Statistics NZ, Forsyth Barr analysis

Figure 6. NZ residential consents by region



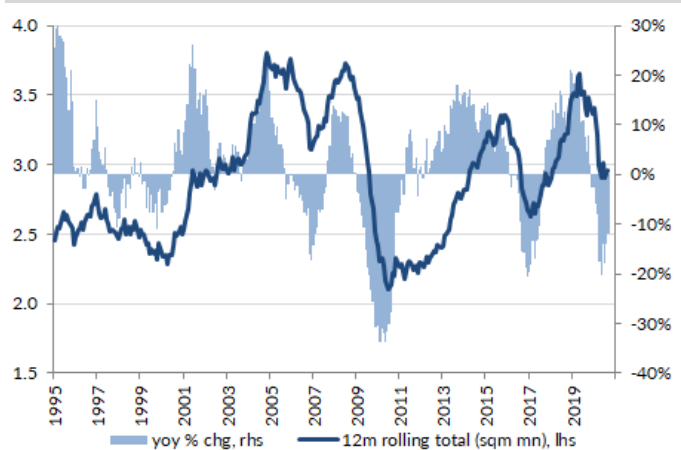
Source: Statistics NZ, Forsyth Barr analysis

Figure 7. NZ non-residential consents (value)

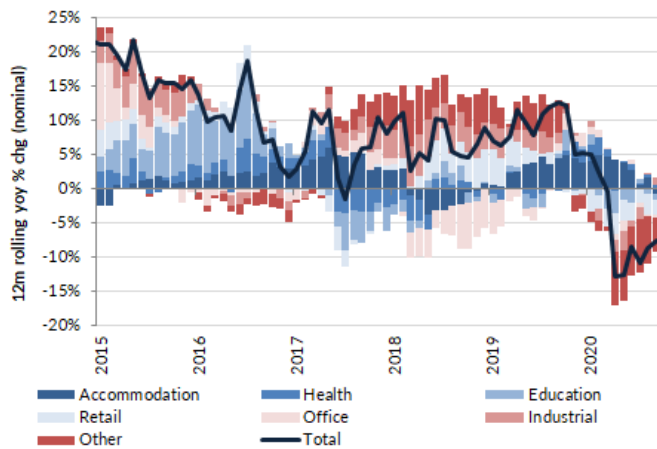


Source: Statistics NZ, Forsyth Barr analysis

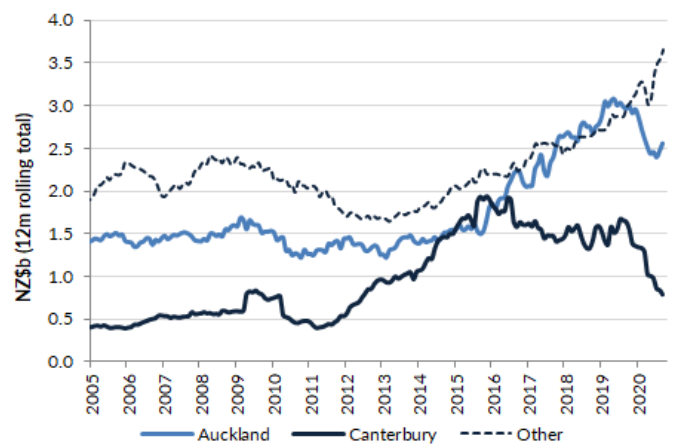
Figure 8. NZ non-residential consents (sqm)



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 (September 2020)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (yoy % chg)				
Auckland	51.7%	17.2%	6.8%	5.7%
Waikato-Bay of Plenty	-14.4%	-10.5%	-8.2%	-3.9%
Wellington	-32.2%	-15.1%	-15.8%	5.4%
Regional North Is	21.4%	6.9%	7.2%	7.8%
Canterbury	-7.4%	-10.8%	6.5%	3.5%
Regional South Is	-35.4%	-17.4%	-11.7%	-4.8%
Detached houses	9.7%	-0.4%	-1.6%	0.7%
Apartments	-34.0%	-38.8%	-34.3%	-25.2%
Retirement village units	-33.0%	-36.5%	-19.9%	-15.2%
Townhouses, flats, units	26.5%	41.1%	33.0%	33.9%
Non-residential				
Regional (value) yoy % chg				
Auckland	37.6%	14.3%	-4.4%	-13.6%
Canterbury	-57.1%	-53.1%	-58.5%	-51.7%
Other	35.0%	38.5%	29.0%	22.5%
Total	22.6%	11.6%	-2.7%	-7.6%
m2 (000)	206	649	1,368	2,953
yoy % chg	7.4%	-7.9%	-15.9%	-12.0%
Key sectors (value) yoy % chg				
Accommodation	-69.3%	-36.9%	-38.7%	-6.5%
Health	20.7%	16.6%	-1.6%	8.1%
Education	8.2%	53.6%	26.4%	-5.8%
Retail	33.1%	-13.4%	-16.4%	-15.8%
Office	5.6%	-10.7%	6.1%	-3.9%
Industrial	44.5%	34.9%	18.5%	5.2%

Source: Statistics NZ, Forsyth Barr analysis

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