

# Building Sector

## NZ Consents – Best Since '73, again

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Residential consents have well and truly shrugged off the pandemic with double digit growth in October. This was underpinned by apartments which more than doubled while detached dwellings were down slightly with the mix change resulting in floor area consented growing +4% yoy. We expect residential activity to remain robust supported by low mortgage rates, tight supply, and strong interest from first home buyers and investors (barring any government policy changes). Volatile non-residential consents softened, placing a question mark over suggestions they may be turning a corner.

### Residential consents in the 40k's

October consents were 43.5k (seasonally adjusted and annualised) which was +8.8 mom and +10.6% yoy and the 3rd strongest month on record (with the top two in 1973). Growth remains dominated by smaller, multi-tenanted dwellings as the market responds to affordability challenges. As such the headline number likely overstates the positive trend in activity with overall floor area consented, the best measure of future construction activity, +3.5% yoy, with detached dwellings -3.6% yoy.

Regionally, growth continues to be consistently driven by Auckland +15% yoy with October including a strong contribution from Canterbury (+22% yoy) as well as declines in Regional North Island (-10%) and Regional South Island (-13%). On a 12m rolling basis regional consents are up +2-7% yoy with the exceptions being Waikato-Bay of Plenty (-5%) and Regional South Island (-6%). High density dwellings continue to print new records, comprising 42% of total consents over the past 12 months and 58% in Auckland.

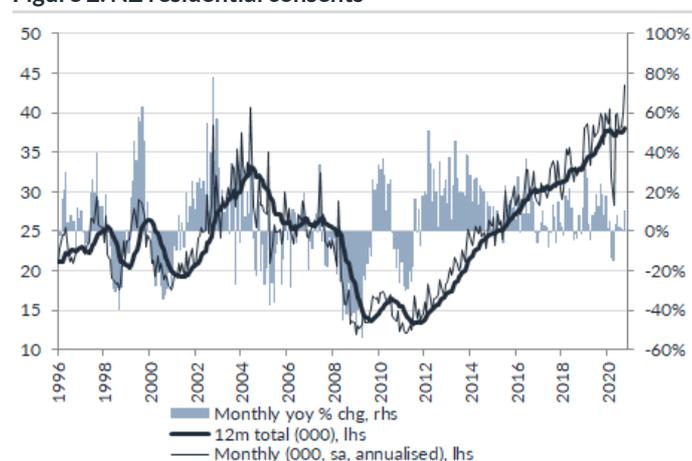
### Non-residential softens

Following a solid three months, non-residential consents softened with value/sqm -18%/-62% yoy in October with declines across most sub-sectors. While non-residential consents are often variable due to the size and nature of projects this dents suggestions they may have been turning a corner. Anecdotes suggest projects are being delayed and/or cancelled due to the uncertain outlook, particularly in the office, retail, and accommodation sectors. 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 (October 2020)**

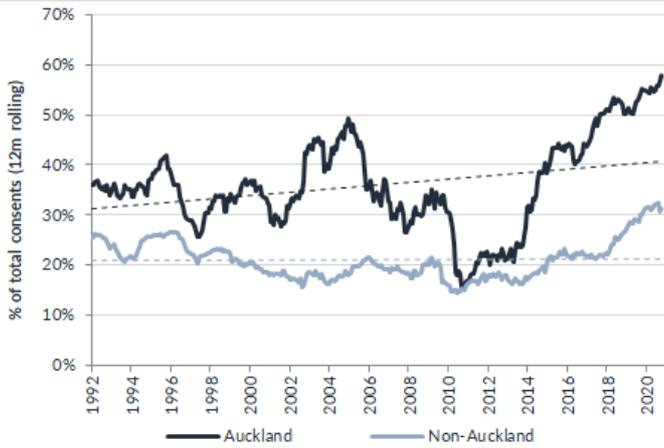
	1 month	3 months	6 months	Annual
<b>Residential</b>				
<b>Consented dwellings (#)</b>				
Detached houses ('000s)	22.0	22.3	22.2	21.9
Total ('000s)	43.5	40.6	39.9	38.0
<b>yoy % chg</b>				
Detached houses	-3.6%	0.4%	0.4%	-0.6%
Total	10.6%	4.3%	4.5%	2.8%
Total floor area	3.5%	2.7%	2.9%	0.7%
<b>Non-residential</b>				
Total (NZ\$m)	510	1,936	3,875	6,887
yoy % chg	-18.3%	8.0%	9.5%	-9.2%

Source: Statistics NZ, Forsyth Barr analysis

**Figure 2. NZ residential consents**


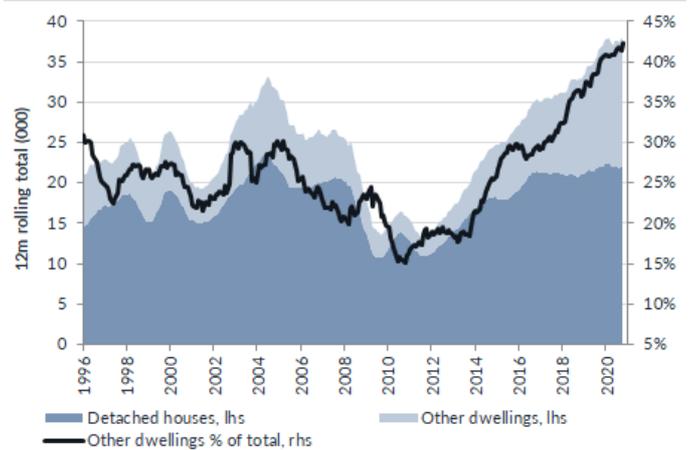
Source: Eikon, Forsyth Barr analysis

**Figure 3. % of residential consents multi-tenanted**



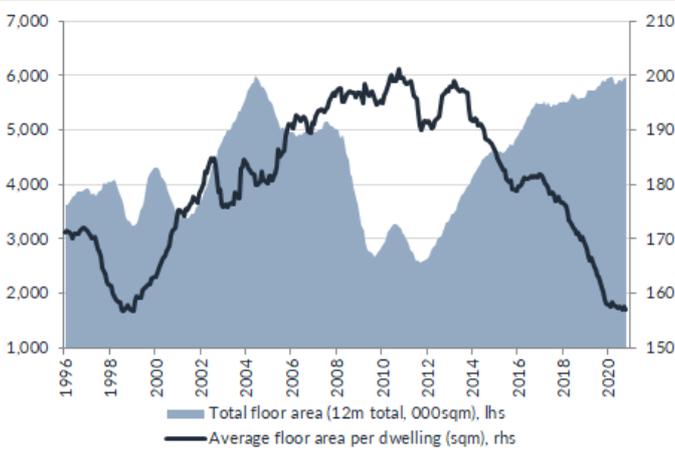
Source: Statistics NZ, Forsyth Barr analysis

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



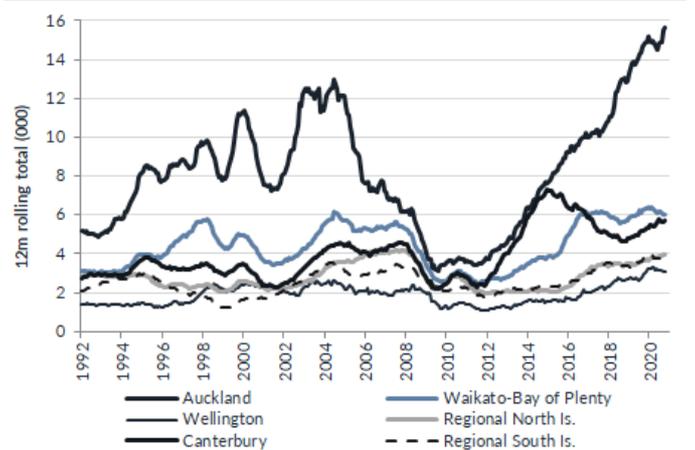
Source: Statistics NZ, Forsyth Barr analysis

**Figure 5. NZ residential floor area consented**



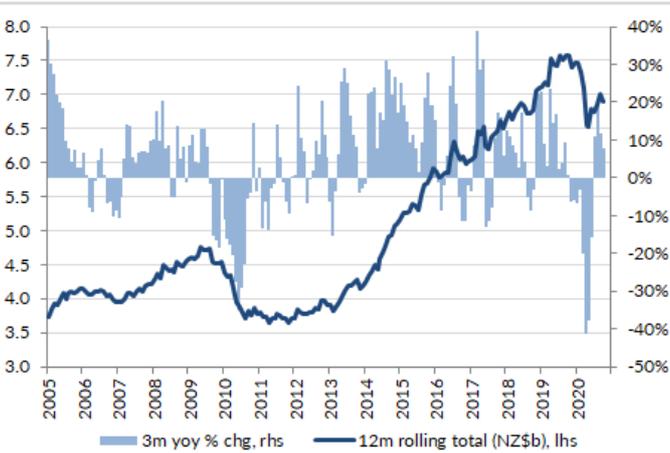
Source: Statistics NZ, Forsyth Barr analysis

**Figure 6. NZ residential consents by region**



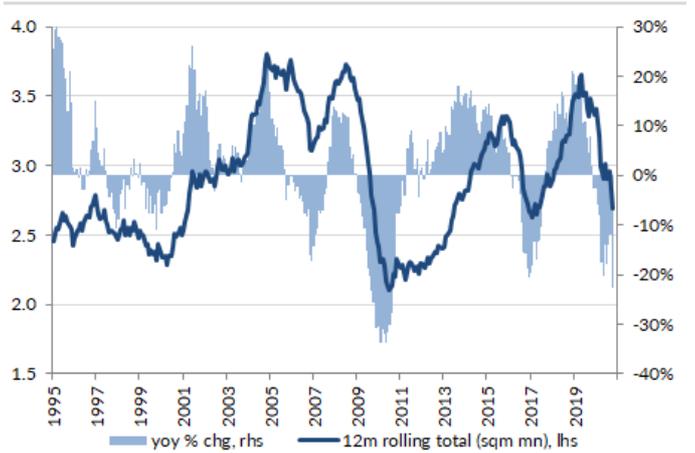
Source: Statistics NZ, Forsyth Barr analysis

**Figure 7. NZ non-residential consents (value)**

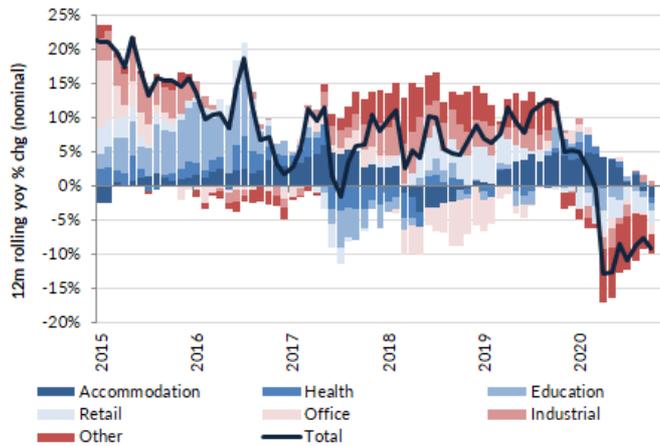


Source: Statistics NZ, Forsyth Barr analysis

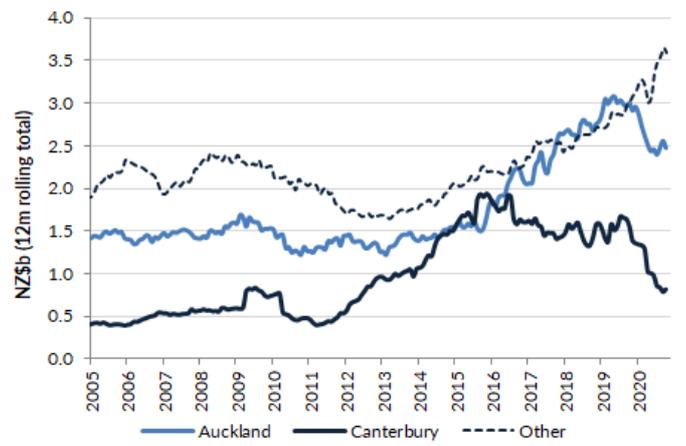
**Figure 8. NZ non-residential consents (sqm)**



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
<b>Residential</b>				
<b>Consented dwellings (yoy % chg)</b>				
Auckland	14.9%	19.9%	10.9%	5.1%
Waikato-Bay of Plenty	0.8%	-6.9%	-5.7%	-4.8%
Wellington	3.5%	-6.9%	-6.8%	2.4%
Regional North Is	-9.7%	4.1%	8.4%	6.9%
Canterbury	22.3%	-0.4%	10.7%	2.8%
Regional South Is	-13.1%	-22.5%	-12.4%	-6.2%
Detached houses	-3.6%	0.4%	0.4%	-0.6%
Apartments	108.0%	-13.7%	-25.3%	-22.5%
Retirement village units	-41.7%	-44.1%	-18.5%	-24.5%
Townhouses, flats, units	43.0%	37.1%	38.0%	35.6%
<b>Non-residential</b>				
<b>Regional (value) yoy % chg</b>				
Auckland	-33.7%	11.3%	-3.0%	-17.6%
Canterbury	31.2%	-16.7%	-33.5%	-47.2%
Other	-20.1%	12.6%	38.2%	18.8%
<b>Total</b>	<b>-18.3%</b>	<b>8.0%</b>	<b>9.5%</b>	<b>-9.2%</b>
m2 (000)	162	599	1,365	2,692
yoy % chg	-61.6%	-25.7%	-18.1%	-22.6%
<b>Key sectors (value) yoy % chg</b>				
Accommodation	-21.1%	-23.1%	-34.5%	-13.8%
Health	-51.8%	-11.5%	11.8%	-9.5%
Education	3.1%	-7.5%	33.8%	-8.4%
Retail	-7.4%	-10.0%	-10.0%	-14.4%
Office	-24.1%	-4.1%	7.3%	-10.1%
Industrial	-38.4%	28.2%	21.6%	3.8%

Source: Statistics NZ, Forsyth Barr analysis

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