

# Building Sector

## NZ Consents — Through the Roof

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Residential consents continued to edge higher in November, boosted by a strong print in Auckland. The shift to higher density dwellings has been more pronounced over recent months with townhouse and apartment consents +40% yoy and +69% yoy respectively in November. The strong number of consents translated to a record high in residential floor area consented, despite the mix shift towards smaller, high density dwellings. 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 remain soft.

### Residential consents in the mid-40's

Residential consents remained strong in November and were 44.1k (seasonally adjusted and annualised) which was +1.2% mom and +23.6% yoy, and the third 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. Detached dwellings was less pronounced, up +4.4% yoy. This shift had been a headwind to floor area consented, the best measure of future construction activity, but we are now seeing better growth come through with 3-month rolling floor area consented +11.6% yoy (vs. +2.8% yoy in October). These high density dwellings continue to post new records, comprising 43% of total consents over the past 12 months and 60% in Auckland (65% over the last 3-months).

Regionally, growth continues to be driven by Auckland (+55% yoy to its second highest month on record) with mixed outcomes across the rest of NZ. On a 12m rolling basis consents have increased in Auckland (+10%), Regional North Island (+8%) and Canterbury (+4%) but declined in Wellington (-2%), Waikato-Bay of Plenty (-4%) and Regional South Island (-7%).

### Non-residential remains soft

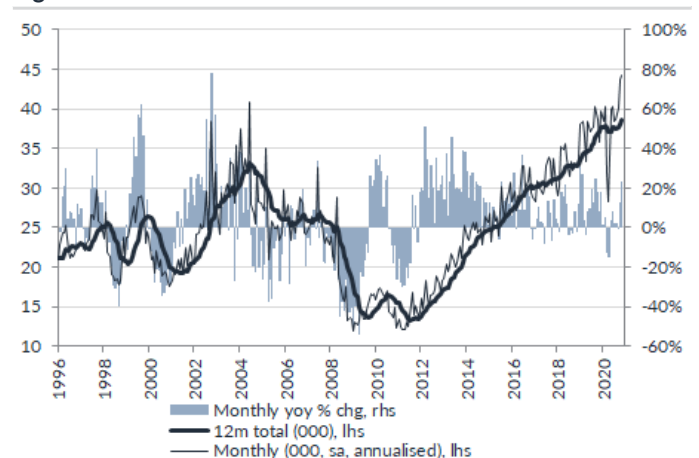
In contrast, non-residential consents remain weak with value/sqm +9%/-20% yoy in November. Accommodation rebounded after some understandably soft months while Retail and Health posted soft numbers. Non-residential consents are often variable due to the size and nature of projects. Listed property vehicles have restarted some projects that were paused due to the pandemic, particularly in Industrial, Office, and Health. 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 (November 2020)**

	1 month	3 months	6 months	Annual
<b>Residential</b>				
<b>Consented dwellings (#)</b>				
Detached houses ('000s)	23.2	22.8	22.4	22.0
Total ('000s)	44.2	42.6	40.9	38.6
<b>yoy % chg</b>				
Detached houses	4.4%	3.2%	0.5%	-0.3%
Total	23.6%	11.6%	8.0%	4.2%
Total floor area	19.8%	11.6%	7.3%	2.9%
<b>Non-residential</b>				
Total (NZ\$m)	703	1,971	4,028	6,950
yoy % chg	9.3%	4.5%	12.0%	-6.0%

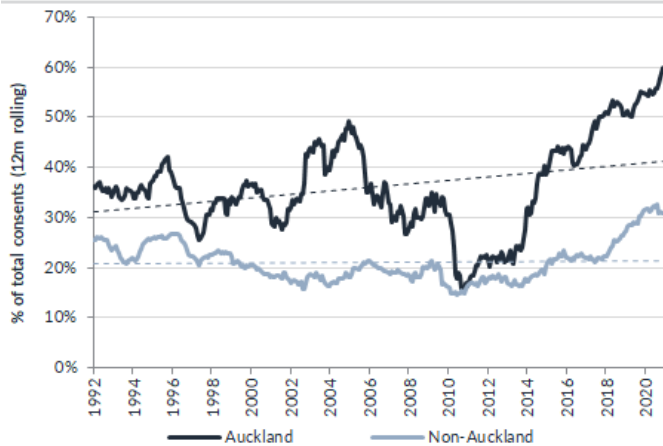
Source: Statistics NZ, Forsyth Barr analysis

**Figure 2. NZ residential consents**



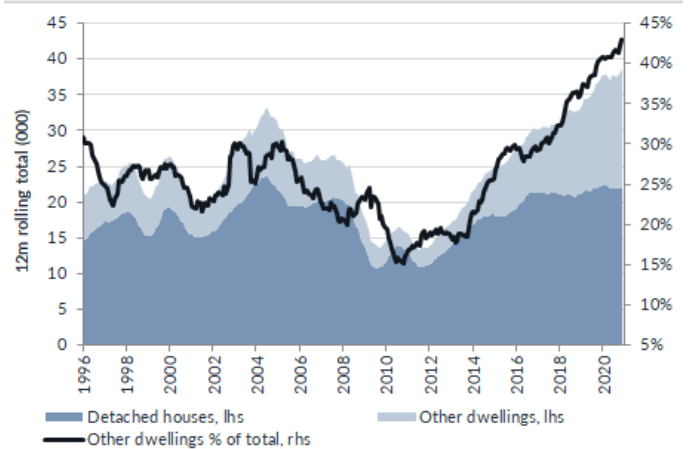
Source: Statistics NZ, Forsyth Barr analysis

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



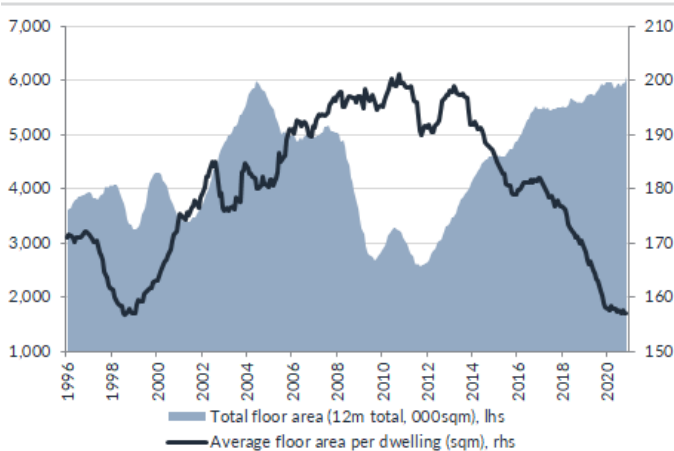
Source: Statistics NZ, Forsyth Barr analysis

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



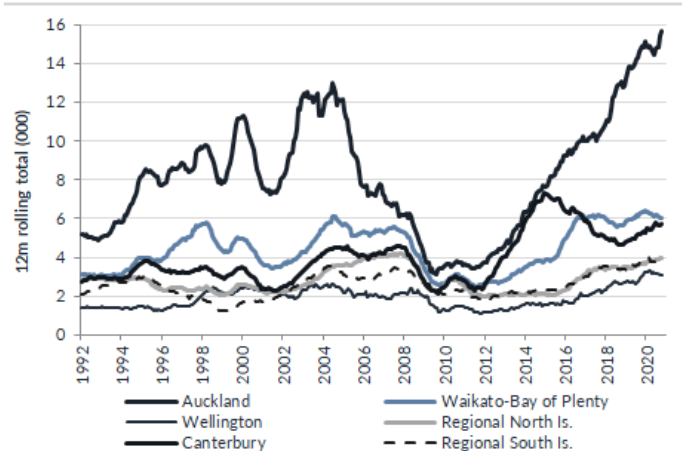
Source: Statistics NZ, Forsyth Barr analysis

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



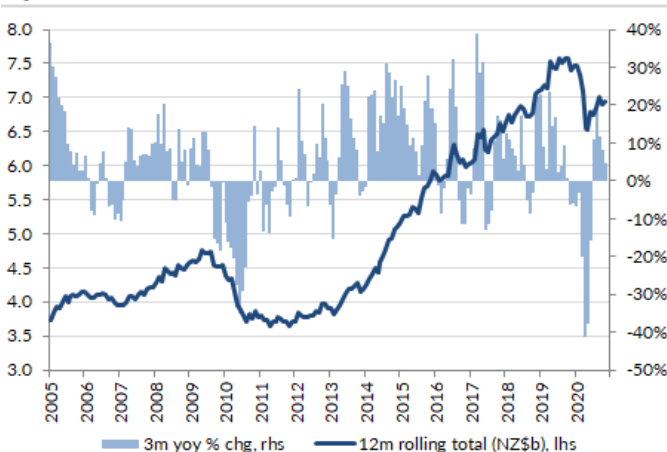
Source: Statistics NZ, Forsyth Barr analysis

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



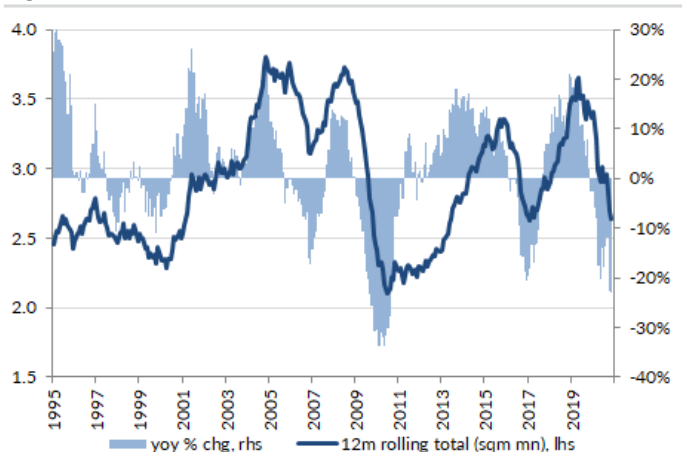
Source: Statistics NZ, Forsyth Barr analysis

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

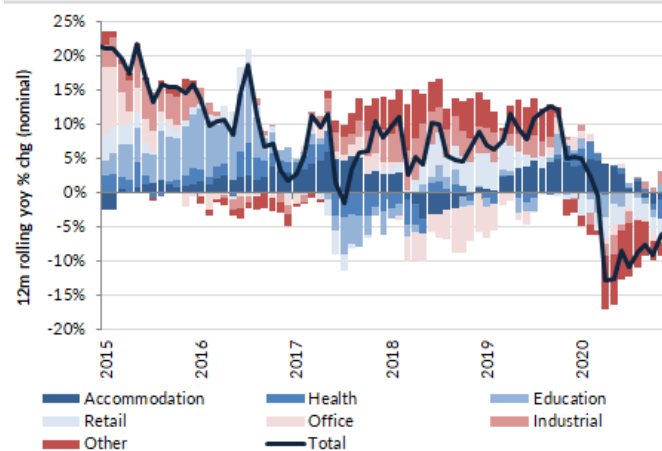


Source: Statistics NZ, Forsyth Barr analysis

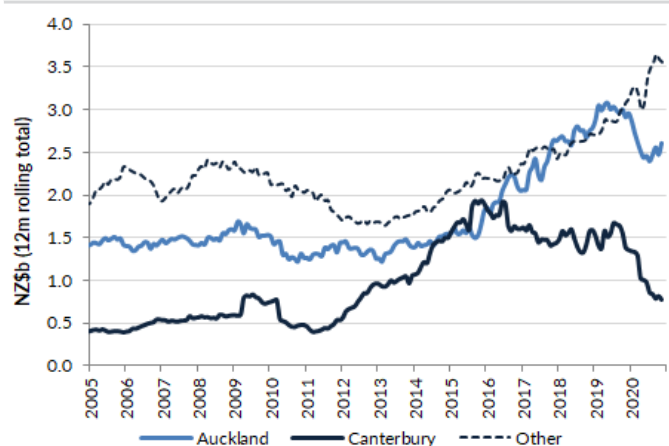
**Figure 8. NZ non-residential consents (sqm)**



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 (November 2020)**

	1 month	3 months	6 months	Annual
<b>Residential</b>				
<b>Consented dwellings (yoy % chg)</b>				
Auckland	55.4%	39.0%	23.6%	9.6%
Waikato-Bay of Plenty	-0.6%	-5.1%	-2.0%	-4.5%
Wellington	-20.7%	-17.1%	-13.3%	-2.2%
Regional North Is	15.1%	9.0%	10.5%	7.6%
Canterbury	13.3%	9.5%	4.9%	4.2%
Regional South Is	-8.5%	-20.7%	-11.9%	-7.3%
Detached houses	4.4%	3.2%	0.5%	-0.3%
Apartments	40.2%	9.1%	-21.5%	-21.1%
Retirement village units	-9.2%	-28.8%	-13.7%	-25.4%
Townhouses, flats, units	68.6%	45.1%	50.1%	41.0%
<b>Non-residential</b>				
<b>Regional (value) yoy % chg</b>				
Auckland	59.4%	19.5%	12.8%	-10.4%
Canterbury	-42.1%	-23.5%	-36.2%	-43.9%
Other	-10.6%	1.4%	30.3%	15.2%
<b>Total</b>	9.3%	4.5%	12.0%	-6.0%
m2 (000)	242	610	1,367	2,635
yoy % chg	-19.9%	-33.4%	-16.4%	-23.1%
<b>Key sectors (value) yoy % chg</b>				
Accommodation	89.1%	-18.2%	-18.5%	-8.0%
Health	-74.1%	-51.2%	-22.5%	-33.7%
Education	72.7%	32.2%	40.0%	9.3%
Retail	-71.6%	-24.9%	-24.4%	-23.0%
Office	75.4%	6.4%	22.5%	-1.3%
Industrial	65.6%	22.5%	34.6%	8.4%

Source: Statistics NZ, Forsyth Barr analysis

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