FORSYTH BARR

NEW ZEALAND EQUITY RESEARCH
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Building Sector
NZ Consents — The Show Goes On

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December's consent data confirmed what we already knew; the demand for residential property remains robust. December was the second strongest month for residential consents on record (not quite topping October '73) with developers looking to capitalise on elevated demand fuelled by low interest rates, tight supply, and strong interest from first home buyers. While concerns over building capacity are relevant with 39,420 dwellings consented in 2020, the labour market is responding, with employment data revealing that 21,000 new jobs were added to the construction industry during the December quarter. Later this month we will see results from Fletcher Building (17 February) and Steel & Tube (26 February) which we anticipate will provide a clearer picture on the year ahead. Commentary surrounding non-residential projects will of interest, with the project pipeline seemingly thinning.

The pandemic fuelled housing rally continues

Record low interest rates and tight supply of existing homes has powered demand for new houses in all key regions of the country. December consents, +5% mom/+19% yoy to 46.6k (seasonally adjusted and annualised), was the second strongest month on record. Paired with strong months in October and November (both within the top 5 on record), the December quarter was the largest ever quarter for residential consents. For the calendar year consents were up +5%. Housing unaffordability does continue to drive a shift to higher-density dwellings (largely townhouses and units), which were up +12% over the year, to comprise a record 44% of total residential consents (including 61% of Auckland). Stand-alone house consents were flat yoy, and total floor area consented (the best indicator of future construction activity) was +4%.

Non-residential was the runner-up in 2020

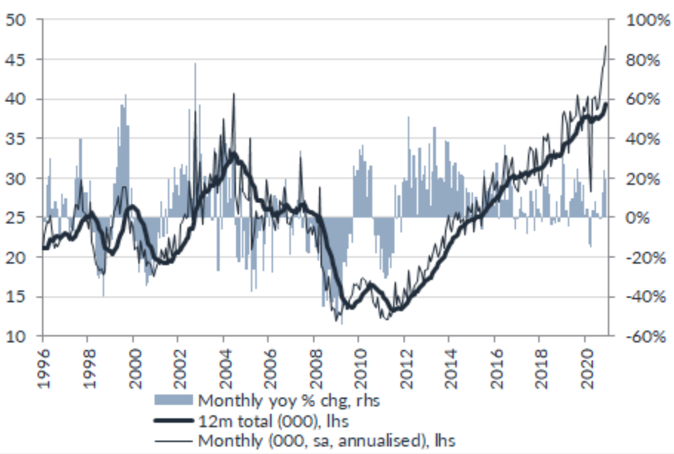
Non-residential consents improved in December with value/sqm +16%/+52% yoy, but this did little to offset the negative trend seen throughout the majority of 2020. Last year's bifurcation between residential and non-residential consents was stark, with many projects in planning stages paused or cancelled, while "shovel ready" stimulus likely favoured already consented projects. As shown in Figure 11, non-residential consents were anchored by industrial and education projects in 2020. Although healthcare saw a strong print in December, non-residential consents are often variable due to the size and nature of projects.

Figure 1. NZ building consents (December 2020)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (#)				
Detached houses ('000s)	24.2	23.2	22.8	22.2
Total ('000s)	46.6	45.0	42.1	39.4
yoy % chg				
Detached houses	6.2%	2.3%	1.0%	-0.3%
Total	19.4%	18.6%	10.0%	4.8%
Total floor area	20.7%	14.1%	7.8%	3.6%
Non-residential				
Total (NZ$m)	686	1,899	3,942	7,047
yoy % chg	16.3%	2.2%	7.0%	-5.5%

Source: Statistics NZ, Forsyth Barr analysis

Figure 2. NZ residential consents



Source: Statistics NZ, Forsyth Barr analysis

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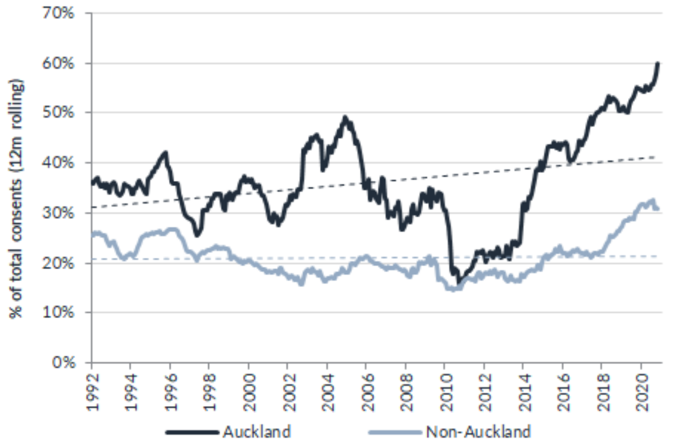
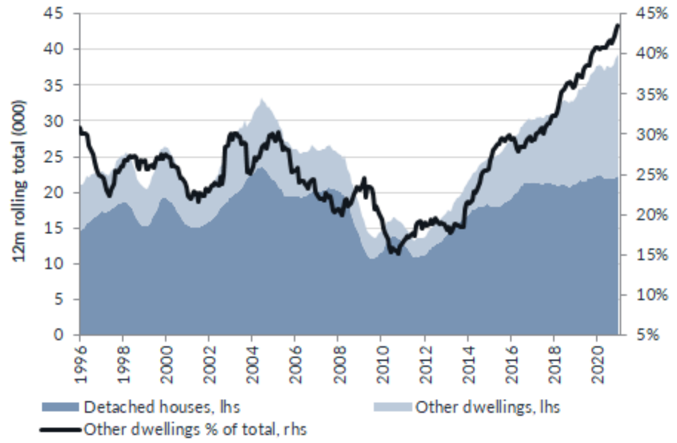
Figure 3. % of residential consents multi-tenanted



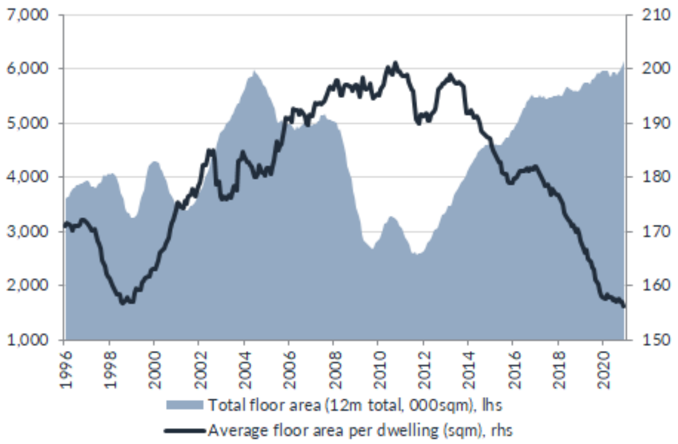
Source: Statistics NZ, Forsyth Barr analysis

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



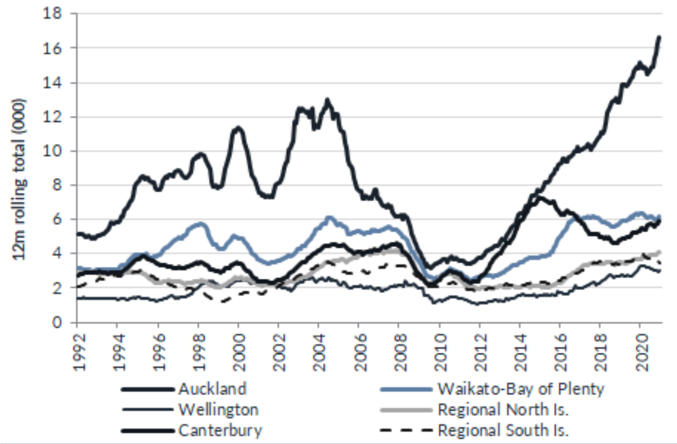
Source: Statistics NZ, Forsyth Barr analysis

Figure 5. NZ residential floor area consented



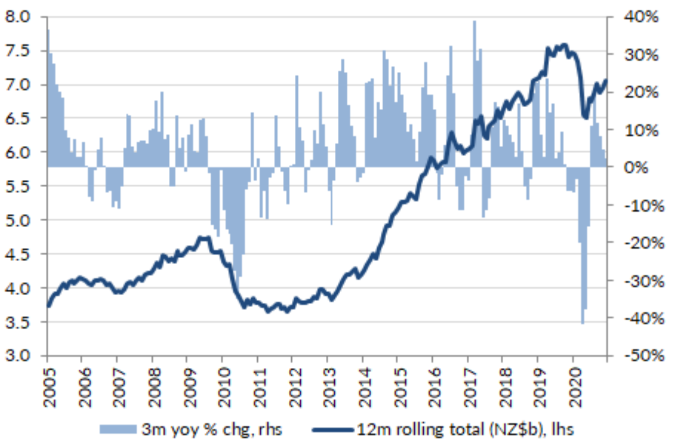
Source: Statistics NZ, Forsyth Barr analysis

Figure 6. NZ residential consents by region



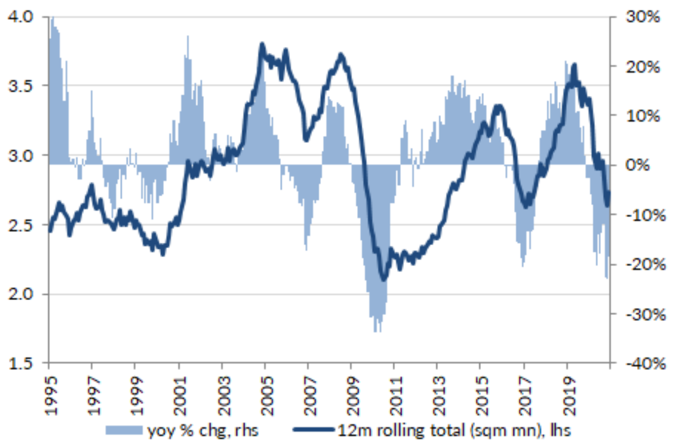
Source: Statistics NZ, Forsyth Barr analysis

Figure 7. NZ non-residential consents (value)



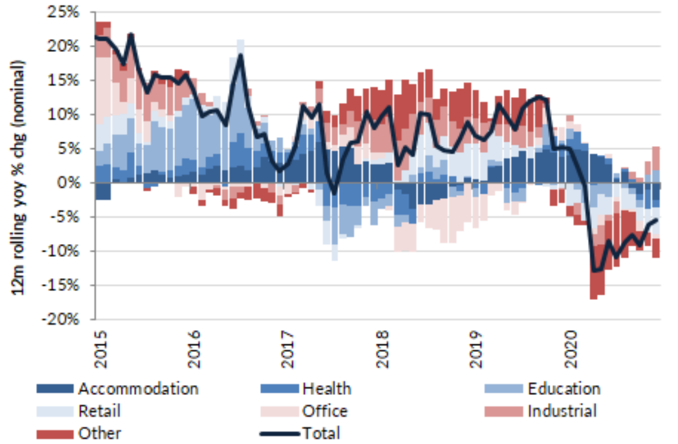
Source: Statistics NZ, Forsyth Barr analysis

Figure 8. NZ non-residential consents (sqm)



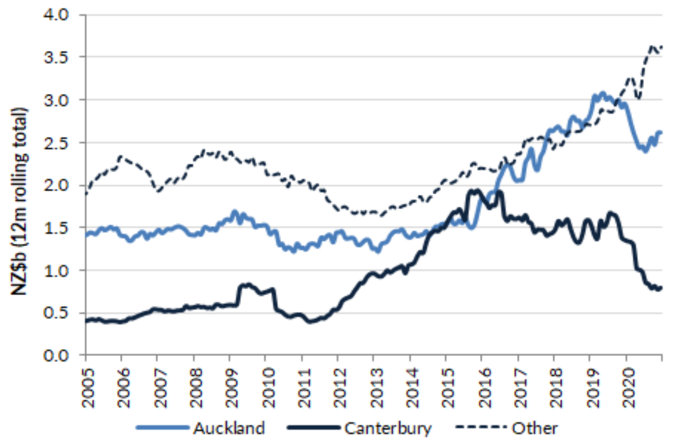
Source: Statistics NZ, Forsyth Barr analysis

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 (December 2020)

	1 month	3 months	6 months	Annual
<u>**Residential**</u>				
Consented dwellings (yoy % chg)				
Auckland	29.6%	32.0%	24.3%	9.9%
Waikato-Bay of Plenty	36.0%	10.7%	-0.4%	-3.1%
Wellington	20.9%	0.4%	-6.5%	-5.1%
Regional North Is	52.8%	15.8%	11.2%	12.2%
Canterbury	25.9%	19.9%	4.5%	4.8%
Regional South Is	-10.6%	-10.8%	-13.8%	-10.1%
Detached houses	6.2%	2.3%	1.0%	-0.3%
Apartments	17.2%	44.0%	-8.5%	-21.5%
Retirement village units	38.9%	-15.4%	-25.6%	-21.9%
Townhouses, flats, units	61.8%	57.2%	49.4%	41.4%
<u>**Non-residential**</u>				
Regional (value) yoy % chg				
Auckland	3.5%	8.2%	11.2%	-11.5%
Canterbury	18.5%	2.2%	-28.0%	-41.2%
Other	29.8%	-3.0%	17.3%	15.6%
Total	16.3%	2.2%	7.0%	-5.5%
m2 (000)	300	705	1,357	2,738
yoy % chg	52.4%	-23.6%	-16.6%	-18.6%
Key sectors (value) yoy % chg				
Accommodation	-77.1%	-16.5%	-27.6%	-19.3%
Health	753.3%	-5.4%	2.7%	-12.9%
Education	78.5%	51.2%	52.5%	12.3%
Retail	-33.8%	-43.6%	-29.3%	-27.7%
Office	-8.8%	0.9%	-5.6%	-4.2%
Industrial	104.1%	34.3%	34.9%	16.5%

Source: Statistics NZ, Forsyth Barr analysis

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