Building Sector
NZ Consents — Broken Record

NEW ZEALAND EQUITY RESEARCH
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New year, same strong residential demand. At the risk of sounding like a broken record, January 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. Consents were boosted by a large number of apartment approvals in a seasonally weak month; we would not be surprised if growth rates moderate next month. Importantly, strong consenting numbers is translating into growth in floor area which is up 17% on a 3-month rolling basis, despite the continued shift in mix towards smaller, high density dwellings. With the RBNZ remaining dovish and house prices continuing to reach new highs we expect robust ongoing residential demand. Volatile non-residential consents remain soft.

Residential consents over 47k and counting

Residential consents have started the year strongly and were 47.9k (seasonally adjusted and annualised) which was +2.1% mom and +26.9% yoy. Growth remains dominated by smaller, multi-tenanted dwellings as the market responds to affordability challenges, and January numbers were also boosted by a large 276 unit apartment development. Detached dwellings were less pronounced, up +1.0% 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 +16.8% yoy (vs. +14.1% yoy in October). High density dwellings continue to post new records, comprising 45% of total consents over the past 12 months and 70% in Auckland (68% over the last 3-months). Regionally, growth continues to be driven by Auckland (+48% yoy in January). On a 12m rolling basis consents have increased in Auckland (+14%), Regional North Island (+12%) and Canterbury (+6%) but declined in Wellington (-6%), Waikato-Bay of Plenty (-1%) and Regional South Island (-14%).

Non-residential remains soft

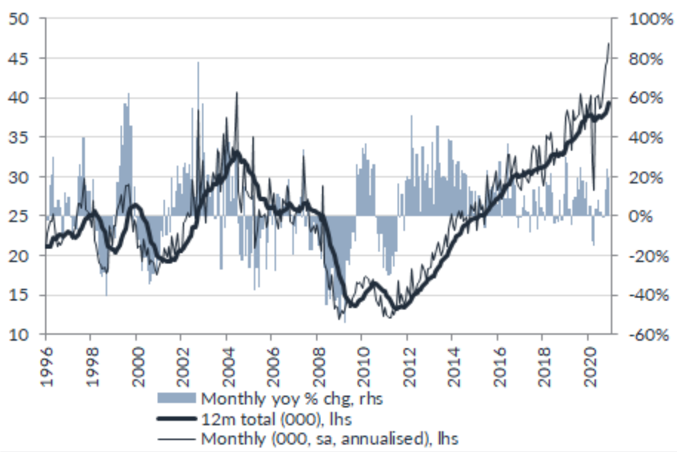
In contrast, non-residential consents remain weak with value/sqm -4%/-56% yoy in January. Health, Education and Office continued recent strength while accommodation and retail remained weak. Non-residential consents are often variable due to the size and nature of projects. We have seen announcements of some projects that were paused due to the pandemic restarting, particularly in Industrial and Office, and industry participants have suggested that government lead activity is lifting. 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 (January 2021)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (#)				
Detached houses ('000s)	23.2	23.5	23.0	22.1
Total ('000s)	47.9	46.5	43.8	39.9
yoy % chg				
Detached houses	1.0%	3.9%	2.4%	-1.0%
Total	26.9%	23.4%	14.1%	5.8%
Total floor area	8.6%	16.8%	9.3%	4.1%
Non-residential				
Total (NZ$m)	482	1,871	3,811	7,029
yoy % chg	-3.5%	8.0%	8.1%	-5.8%

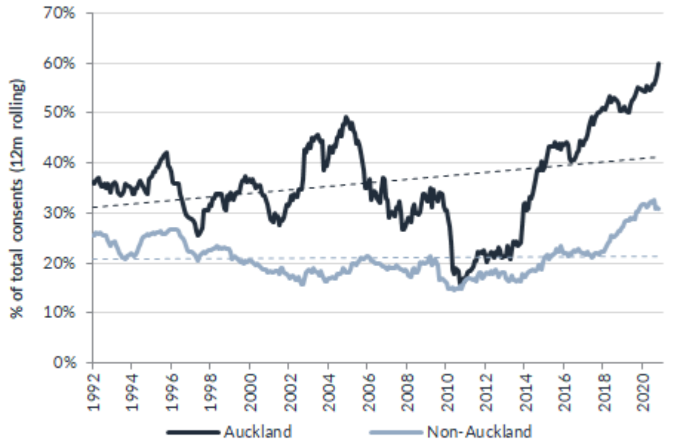
Source: Statistics NZ, Forsyth Barr analysis

Figure 2. NZ residential consents



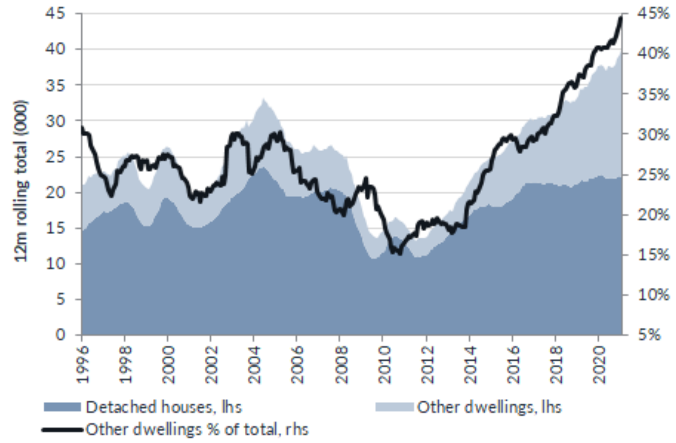
Source: Statistics NZ, Forsyth Barr analysis

Figure 3. % of residential consents multi-tenanted



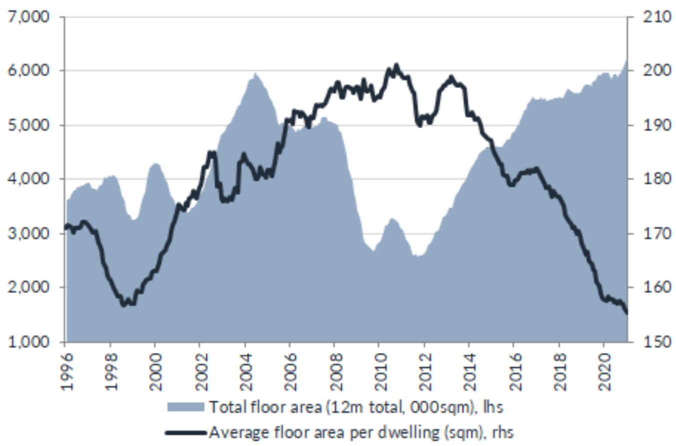
Source: Statistics NZ, Forsyth Barr analysis

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



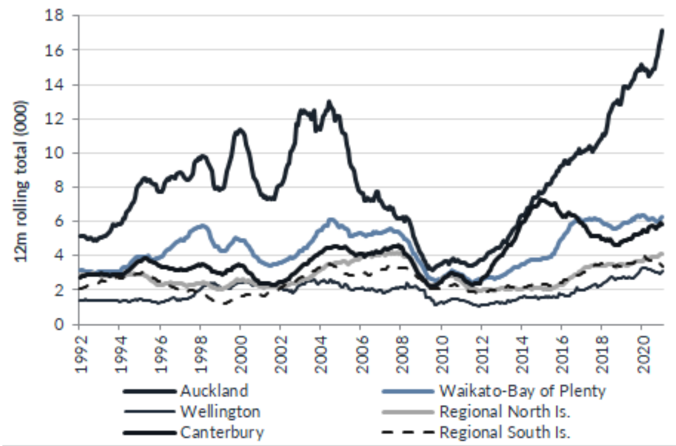
Source: Statistics NZ, Forsyth Barr analysis

Figure 5. NZ residential floor area consented



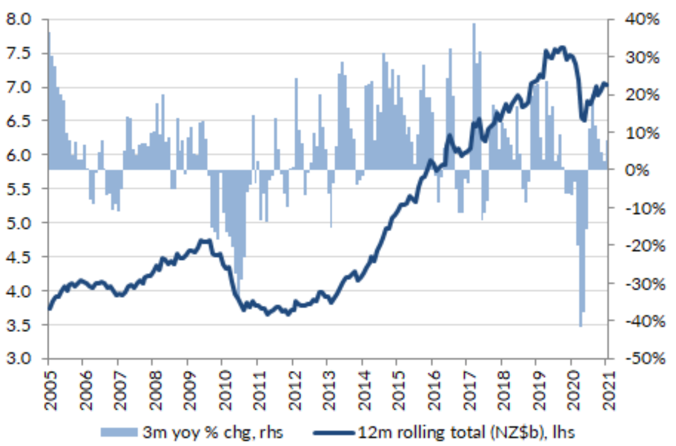
Source: Statistics NZ, Forsyth Barr analysis

Figure 6. NZ residential consents by region



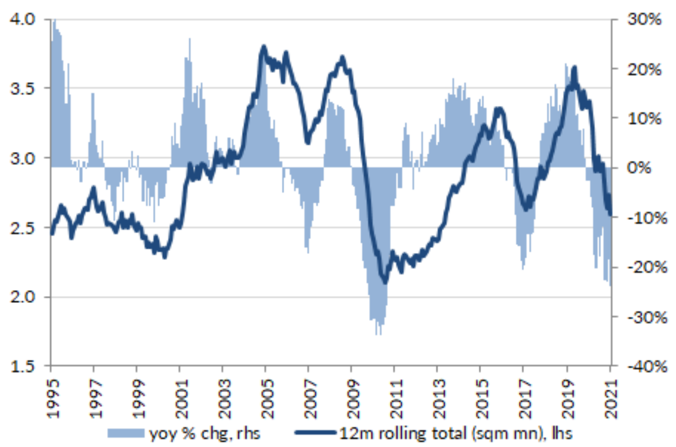
Source: Statistics NZ, Forsyth Barr analysis

Figure 7. NZ non-residential consents (value)



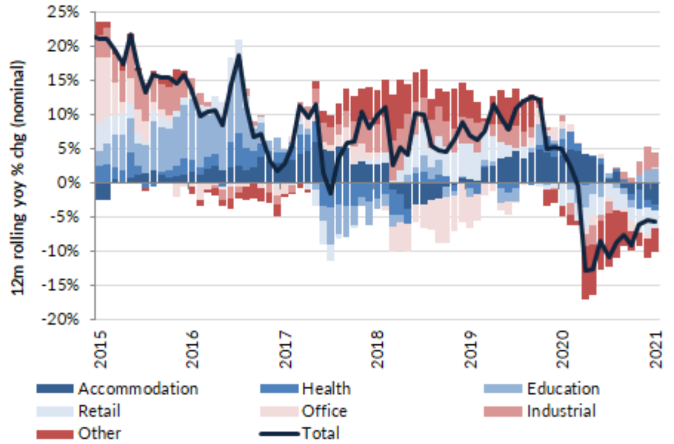
Source: Statistics NZ, Forsyth Barr analysis

Figure 8. NZ non-residential consents (sqm)



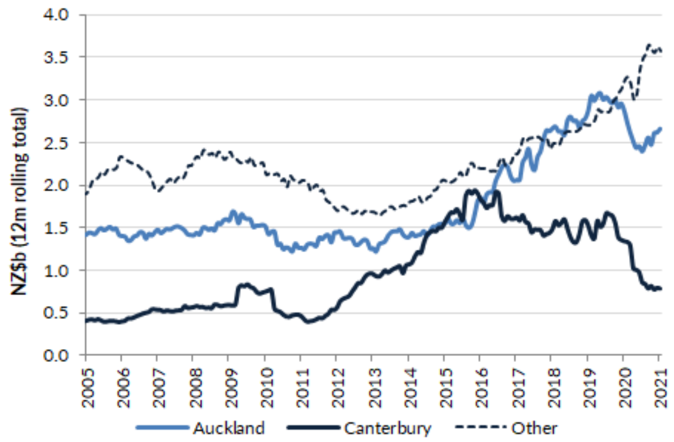
Source: Statistics NZ, Forsyth Barr analysis

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 (January 2021)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (yoy % chg)				
Auckland	48.4%	43.8%	30.8%	14.3%
Waikato-Bay of Plenty	16.8%	16.6%	3.5%	-0.9%
Wellington	16.5%	3.0%	-2.0%	-5.5%
Regional North Is	6.2%	22.1%	12.8%	11.5%
Canterbury	-9.4%	9.3%	4.3%	5.8%
Regional South Is	-24.8%	-14.3%	-18.3%	-13.6%
Detached houses	1.0%	3.9%	2.4%	-1.0%
Apartments	115.3%	50.6%	15.1%	-13.8%
Retirement village units	-0.8%	4.7%	-24.7%	-18.9%
Townhouses, flats, units	45.5%	59.4%	47.6%	41.4%
Non-residential				
Regional (value) yoy % chg				
Auckland	23.7%	28.1%	19.5%	-7.4%
Canterbury	-32.2%	-13.1%	-15.0%	-41.2%
Other	-17.3%	-2.1%	5.5%	10.4%
Total	-3.5%	8.0%	8.1%	-5.8%
m2 (000)	116	659	1,261	2,591
yoy % chg	-55.9%	-13.6%	-19.7%	-23.9%
Key sectors (value) yoy % chg				
Accommodation	-30.1%	-19.0%	-21.2%	-23.7%
Health	72.2%	28.4%	9.3%	-11.2%
Education	70.8%	73.8%	33.2%	13.4%
Retail	-24.1%	-47.9%	-30.4%	-20.7%
Office	61.3%	27.2%	7.4%	1.9%
Industrial	-29.0%	38.2%	33.1%	9.4%

Source: Statistics NZ, Forsyth Barr analysis

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