

Building Sector

NZ Consents — More Noise than Signal

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February was a softer month for residential consents, with volatile high density approvals weighing on the headline number. With detached dwellings remaining strong we view this softness as noise rather than a signal, particularly given continued anecdotes of elevated housing demand. As we begin to cycle lockdown impacted months, the noise is likely to get louder going forward. While the government's recent housing announcements included some supply side initiatives, the target was largely investor demand. In our view, while these changes are likely to cause house price growth to slow, they will likely shift investor demand from existing dwellings to new builds where interest tax deductions remain. As such, we expect residential demand to remain at healthy levels. Non-residential had a better month but remains at subdued levels particularly in the office, retail, and accommodation sub sectors.

Residential consents take a breather

Residential consents eased slightly in February and were 38.5k (seasonally adjusted and annualised) which was -18.2% mom and -4.5% yoy. This was largely due to volatile higher density apartment and townhouse consents which were -37.6% mom and -8.9% yoy. Detached dwellings were more stable, up +1.7% mom and -1.6% yoy, and 12-month rolling floor area consented (the best measure of future residential activity) was +3.5% yoy. Regionally, growth continues to be driven by Auckland (+15% yoy on a 12 month rolling basis), Regional North Island (+8%) and Canterbury (+5%), while Wellington (-11%), Waikato-Bay of Plenty (-1%) and Regional South Island (-16%) saw declines. High density dwellings remain at historically high levels, comprising 45% of total consents over the past 12 months and 63% in Auckland.

Strong month for non-residential

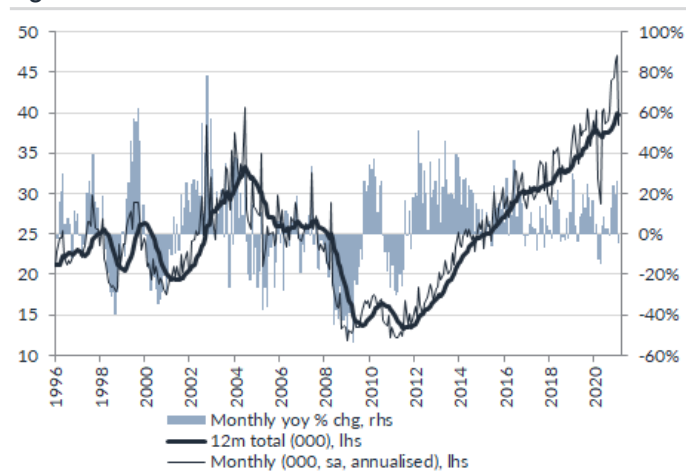
In contrast, non-residential consents had a strong month with value/sqm +24.4%/+3.0% yoy in February. Health, Industrial, and Education continued recent strength while retail and office remained weak. Non-residential consents are often variable due to the size and nature of projects. We have seen announcements of some projects that were paused due to the pandemic restarting, particularly in Industrial and Office, and industry participants have suggested that government led activity is lifting.

Figure 1. NZ building consents (February 2021)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (#)				
Detached houses ('000s)	23.6	23.6	23.3	22.1
Total ('000s)	38.5	44.0	43.4	39.7
yoy % chg				
Detached houses	-1.6%	1.9%	2.6%	-2.0%
Total	-4.5%	13.3%	12.5%	4.9%
Total floor area	-2.7%	8.4%	10.1%	3.5%
Non-residential				
Total (NZ\$m)	599	1,767	3,737	7,146
yoy % chg	24.4%	12.5%	8.1%	-2.7%

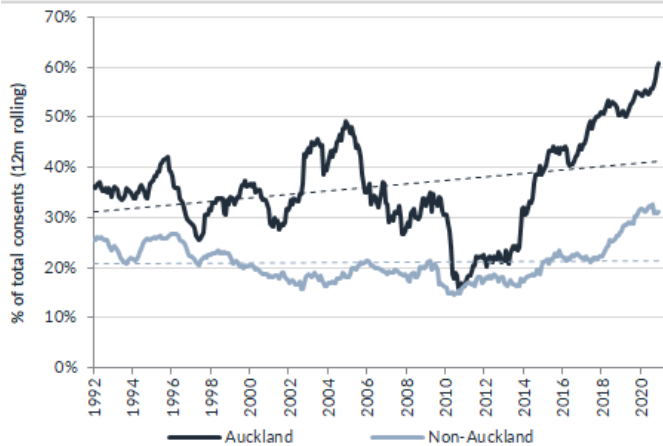
Source: Statistics NZ, Forsyth Barr analysis

Figure 2. NZ residential consents



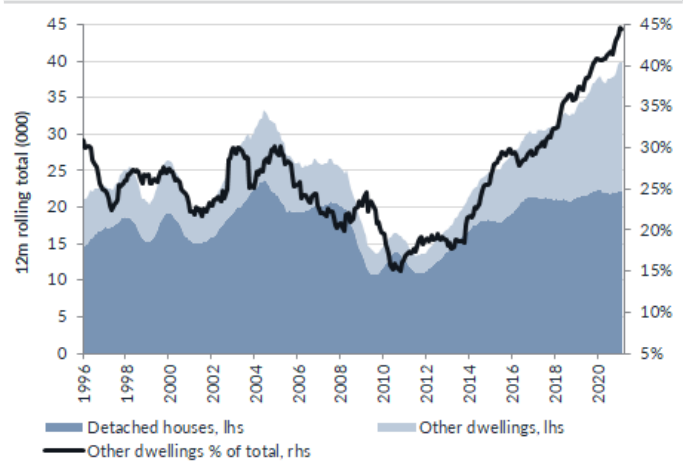
Source: Statistics NZ, Forsyth Barr analysis

Figure 3. % of residential consents multi-tenanted



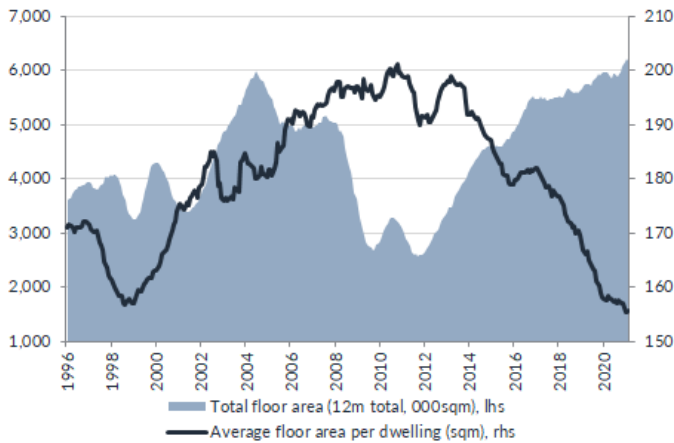
Source: Statistics NZ, Forsyth Barr analysis

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



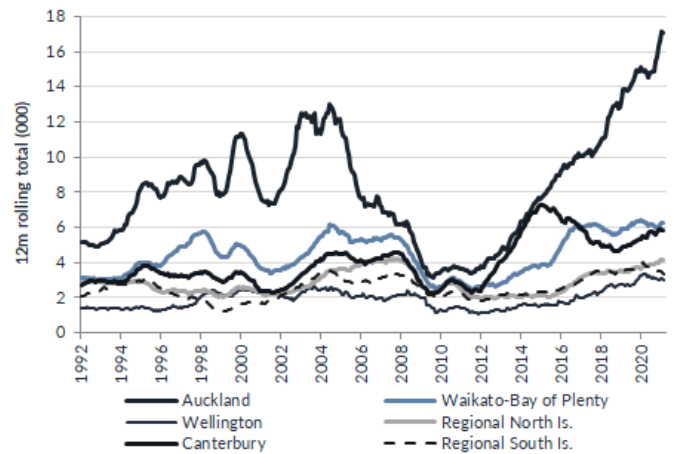
Source: Statistics NZ, Forsyth Barr analysis

Figure 5. NZ residential floor area consented



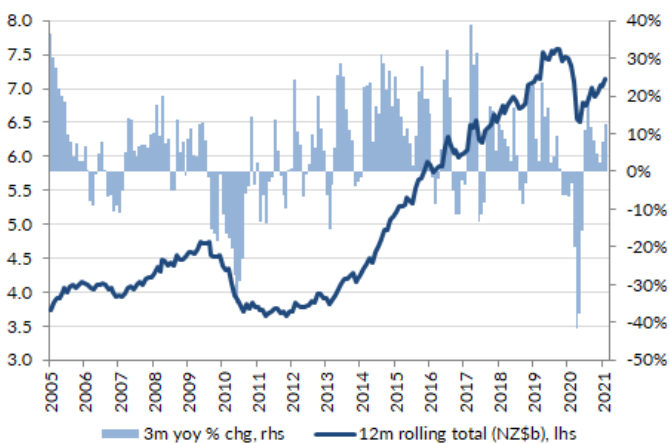
Source: Statistics NZ, Forsyth Barr analysis

Figure 6. NZ residential consents by region



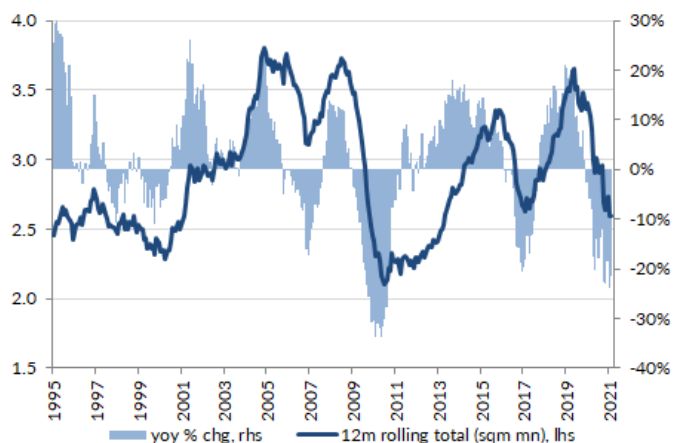
Source: Statistics NZ, Forsyth Barr analysis

Figure 7. NZ non-residential consents (value)

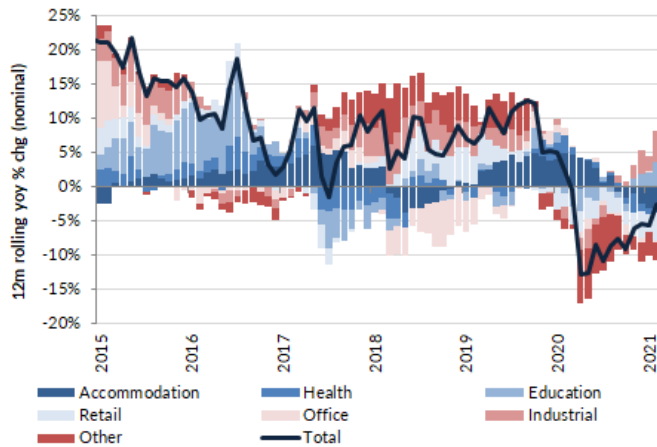


Source: Statistics NZ, Forsyth Barr analysis

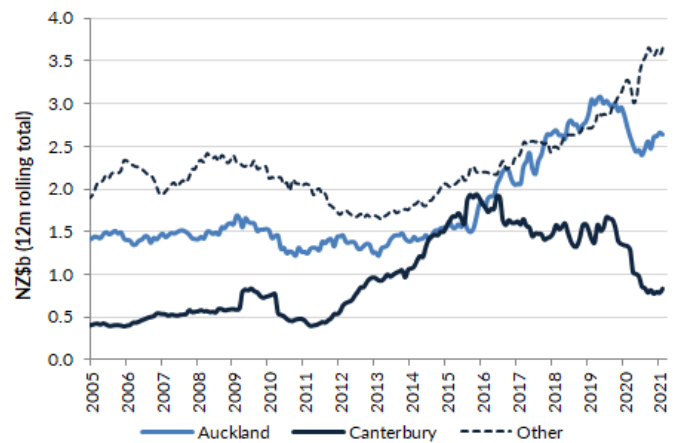
Figure 8. NZ non-residential consents (sqm)



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 (February 2021)

	1 month	3 months	6 months	Annual
Residential				
Consented dwellings (yoy % chg)				
Auckland	-4.5%	22.5%	31.0%	14.9%
Waikato-Bay of Plenty	5.9%	19.0%	5.5%	-1.2%
Wellington	-34.4%	-1.4%	-10.0%	-10.7%
Regional North Is	2.1%	15.9%	12.3%	8.0%
Canterbury	1.6%	5.0%	7.4%	4.9%
Regional South Is	-11.6%	-15.4%	-18.3%	-15.9%
Detached houses	-1.6%	1.9%	2.6%	-2.0%
Apartments	-37.6%	30.0%	18.3%	-11.7%
Retirement village units	-31.4%	-6.6%	-19.8%	-20.4%
Townhouses, flats, units	6.4%	36.5%	40.9%	37.7%
Non-residential				
Regional (value) yoy % chg				
Auckland	-12.8%	4.9%	12.7%	-3.5%
Canterbury	92.2%	30.3%	-1.4%	-37.2%
Other	35.1%	14.0%	7.2%	12.1%
Total	24.4%	12.5%	8.1%	-2.7%
m2 (000)	200	616	1,226	2,597
yoy % chg	3.0%	-5.8%	-21.9%	-21.6%
Key sectors (value) yoy % chg				
Accommodation	56.8%	-29.4%	-23.3%	-24.0%
Health	75.3%	202.4%	14.5%	-5.2%
Education	46.9%	66.7%	49.3%	26.2%
Retail	-49.9%	-37.8%	-31.3%	-29.8%
Office	-30.2%	-7.8%	-0.1%	-2.3%
Industrial	72.9%	36.0%	28.3%	20.6%

Source: Statistics NZ, Forsyth Barr analysis

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