Funded from the Building Research Levy

BRANZ

2024

BUILDER SENTIMENT

EBOSS

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BUILDER SENTIMENT REPORT

ABOUT EBOSS

Established in 2006, EBOSS connects building product suppliers with New Zealand's architectural, design and construction community through their significant online product library, electronic publications, and industry events. EBOSS keeps the industry informed through their regular research programme, which includes past reports into BIM use in NZ and the Building Industry Supply Chain, biennial Industry Sentiment Reports, and the EBOSS Pulse report which summarises demand indicators for residential and commercial construction.

www.eboss.co.nz

CONTACT: Matthew Duder
Managing Director, EBOSS
matthew@eboss.co.nz
+64 9 551 6902 +64 21 675 960

THE SURVEY

The data for this report was gathered in June–July 2024.

Note: The ratings in some of the stacked bar charts may not add to 100%. This is due to rounding.

SUMMARY

Builders have been significantly impacted by the current slowdown in the construction industry. Two-thirds of respondents report struggling with decreased demand, and only 12% have seen an increase in demand compared to last year.

Smaller construction firms are facing particularly tough conditions, with a low current workload and a much shorter project pipeline than their larger counterparts. New leads and enquiries are notably lower for these builders.

A combination of factors — rising interest rates, increased material costs, and broader economic conditions — has led to a decrease in construction demand, perpetuating a cycle that has already led to the closure of several builder businesses.

Looking ahead, this downturn is expected to persist over the next 12 months, as indicated by a net -48 in leads and enquiries, signifying a continued slowdown rather than stabilisation or growth.

WHO WE SURVEYED

Of the 659 builders who responded*

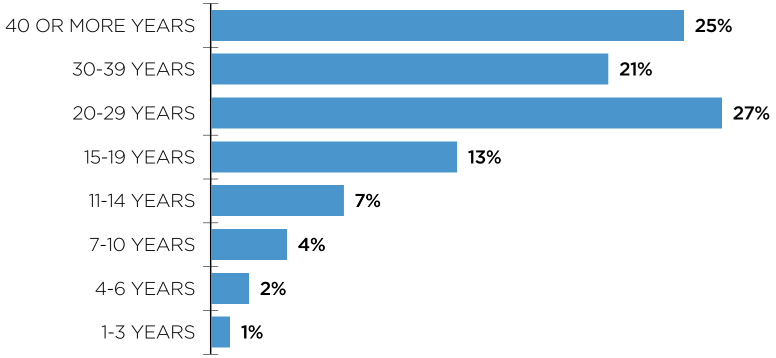
- 13% are LBP Site 1
- 8% are LBP Site 2 or 3
- 13% are Project Managers
- 31% are LBP Carpenters
- 34% are Other Builders

As in 2022, just over half of builders work in small businesses with five or fewer employees.

*The remaining include quantity surveyors and building control officers.

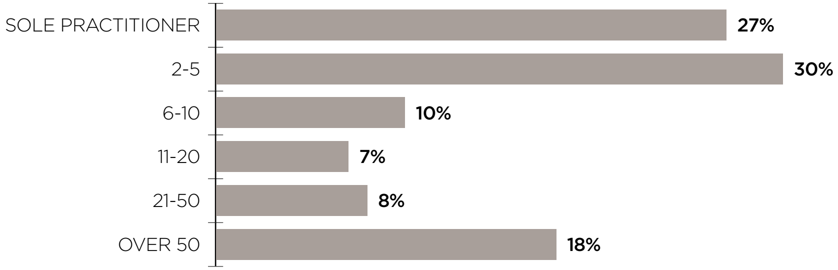
NUMBER OF YEARS IN BUSINESS

BASE: 659



NUMBER OF EMPLOYEES

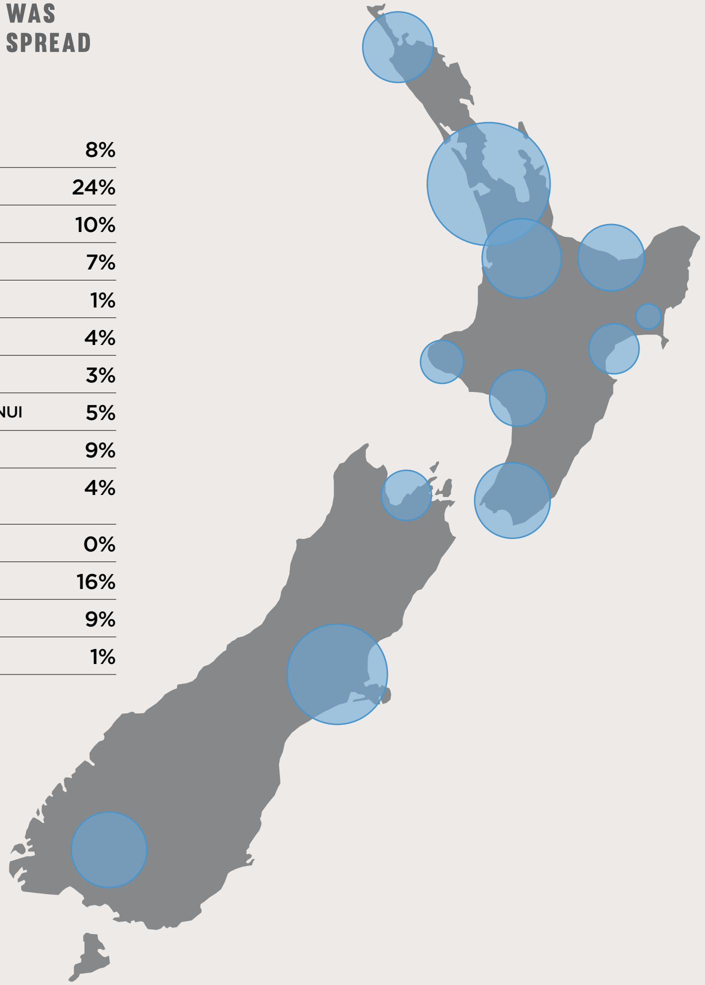
BASE: 659



HOW THE SAMPLE WAS GEOGRAPHICALLY SPREAD

BASE: 659

NORTHLAND	8%
AUCKLAND	24%
WAIKATO	10%
BAY OF PLENTY	7%
GISBORNE	1%
HAWKES BAY	4%
TARANAKI	3%
MANAWATU / WHANGANUI	5%
WELLINGTON	9%
TASMAN, NELSON & MARLBOROUGH	4%
WEST COAST	0%
CANTERBURY	16%
OTAGO / SOUTHLAND	9%
OTHER	1%



SHIFTS IN CONSTRUCTION DEMAND

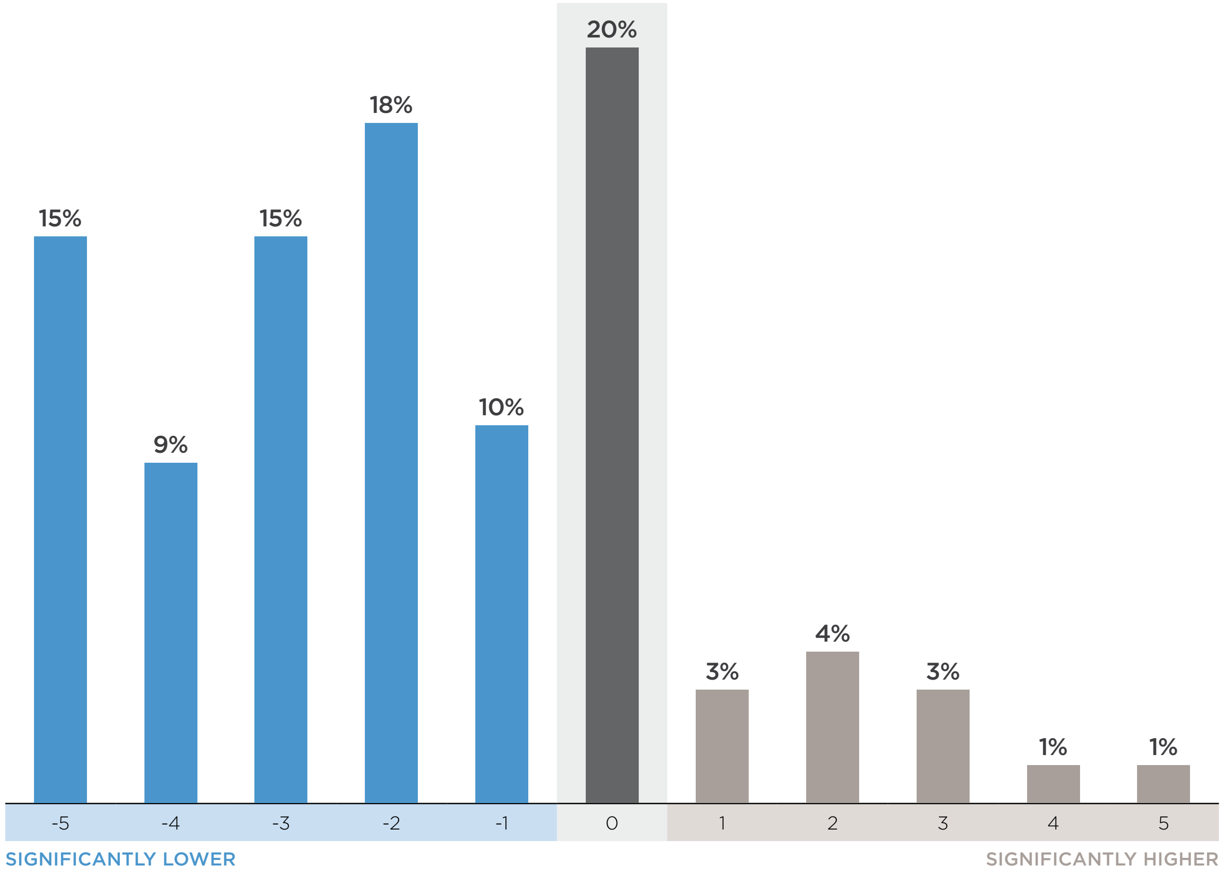
Demand has decreased compared to the same period last year, with a net demand rating of -55 (calculated as the difference between the proportion of positive and negative ratings on the scale). One quarter of builders report a significant decline in demand, while only 12% indicate an increase compared to twelve months ago.

DEMAND NOW VS 12 MONTHS AGO

BASE: 670

Net -55

(CALCULATED SCORE:
% Higher combined
– % Lower combined)

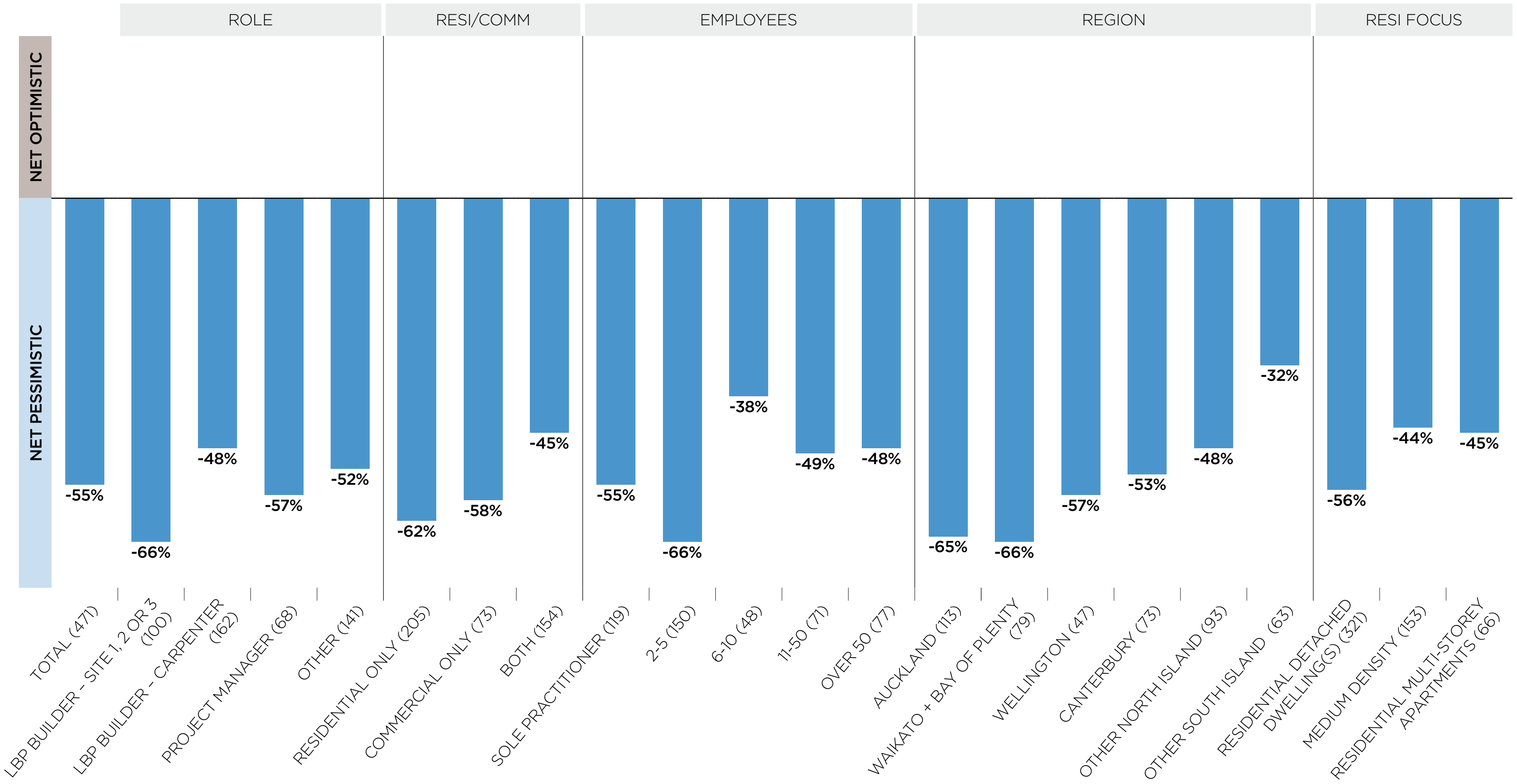


Q: "HOW HAS THE DEMAND FOR WORK AT YOUR BUSINESS CHANGED COMPARED TO THE SAME TIME LAST YEAR?"

NET SENTIMENT: CURRENT DEMAND VS PREVIOUS YEAR

Net Sentiment is a score based on the net proportion of respondents selecting positive sentiment minus those selecting negative sentiment. This metric allows us to track sentiment over time. This note applies to the following pages as well.

Businesses focused on residential work, those located in Auckland and Wellington, and smaller businesses are more likely to report a significant decrease in demand compared to twelve months ago.



Q: "HOW DO YOU ANTICIPATE THE OVERALL CONDITION OF NEW ZEALAND'S CONSTRUCTION INDUSTRY WILL CHANGE IN THE NEXT 12 MONTHS?"

CURRENT INDUSTRY SITUATION

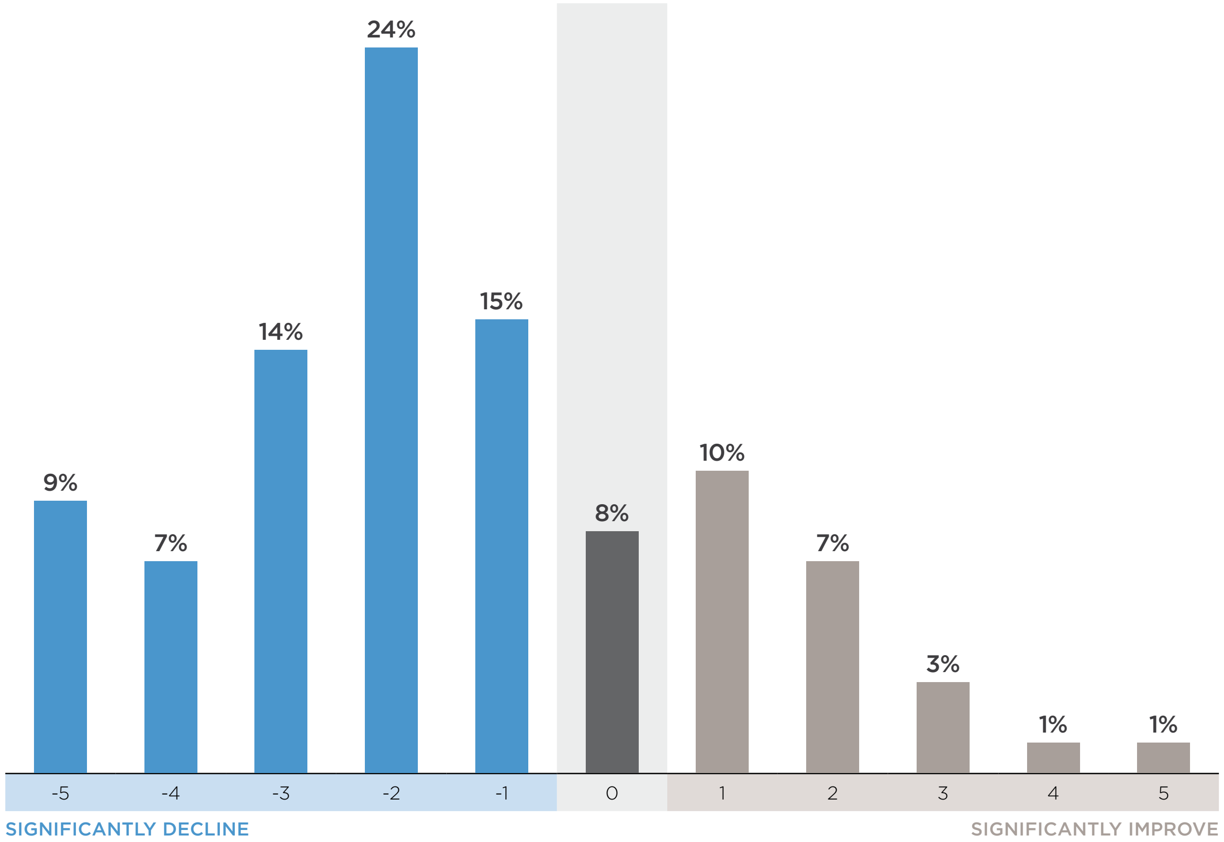
The industry is expected to face challenging conditions over the next 12 months, although not as severe as the past year, suggesting that we may have reached the bottom of the downturn. Notably, 22% of respondents expect industry conditions to improve. Still 70% forecast a tough market for the next twelve months.

INDUSTRY SITUATION

BASE: 470

Net -46

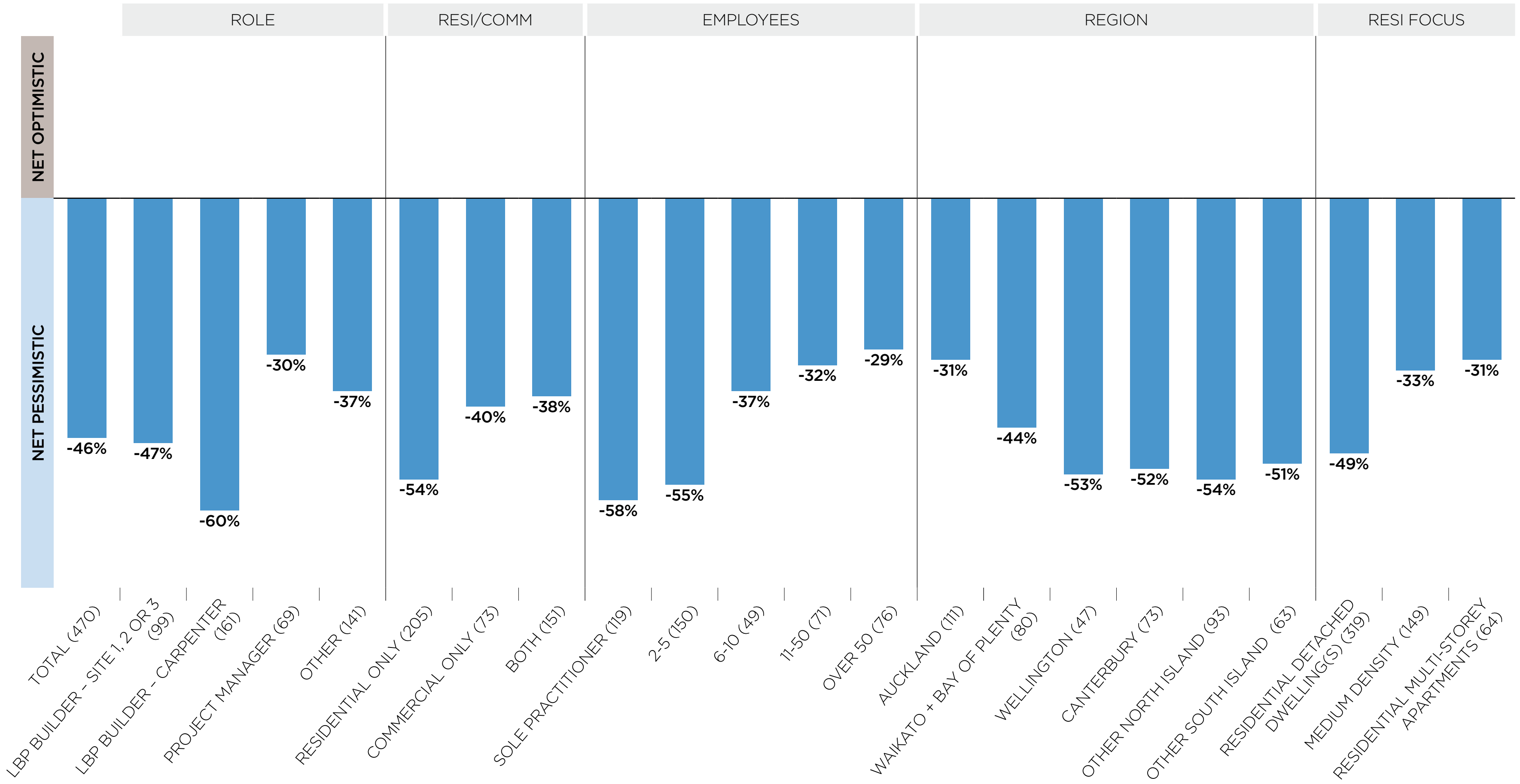
(CALCULATED SCORE:
% Higher combined
– % Lower combined)



Q: "HOW DO YOU ANTICIPATE THE OVERALL CONDITION OF NEW ZEALAND'S CONSTRUCTION INDUSTRY WILL CHANGE IN THE NEXT 12 MONTHS?"

NET SENTIMENT: INDUSTRY SITUATION

Once again, businesses focused on residential work are more likely to be more pessimistic about the next 12 months. In particular, those involved in detached housing projects are more pessimistic compared to those in medium-density or apartment projects.



Q: "HOW DO YOU ANTICIPATE THE OVERALL CONDITION OF NEW ZEALAND'S CONSTRUCTION INDUSTRY WILL CHANGE IN THE NEXT 12 MONTHS?"

CURRENT CAPACITY BUILDERS ARE WORKING AT

Over the past two surveys, we asked builders to assess their current level of capacity based on the resources available in their business at that time.

Workload has decreased from 83% capacity during the peak of the 2022 boom to 67% in 2024. Specifically, the proportion of builders operating at 100% capacity has more than halved since 2022, while the proportion working at 0-49% capacity has more than quadrupled.

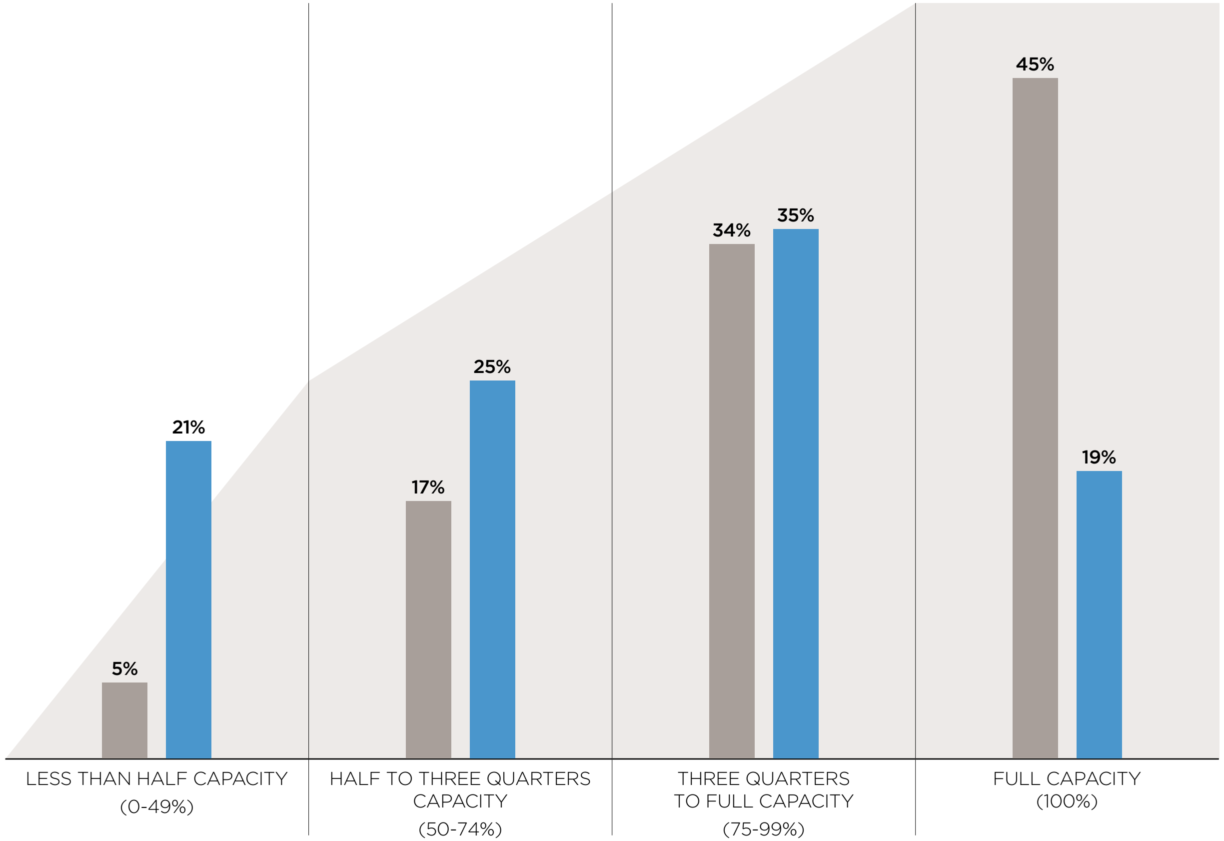
This places construction businesses in a challenging position concerning staff and pricing. Some are reducing prices to secure work, others are considering further staff reductions, while others are focusing on cost-saving measures and efforts to generate new business.

BASE: 540

CAPACITY ON AVERAGE

83%

67%

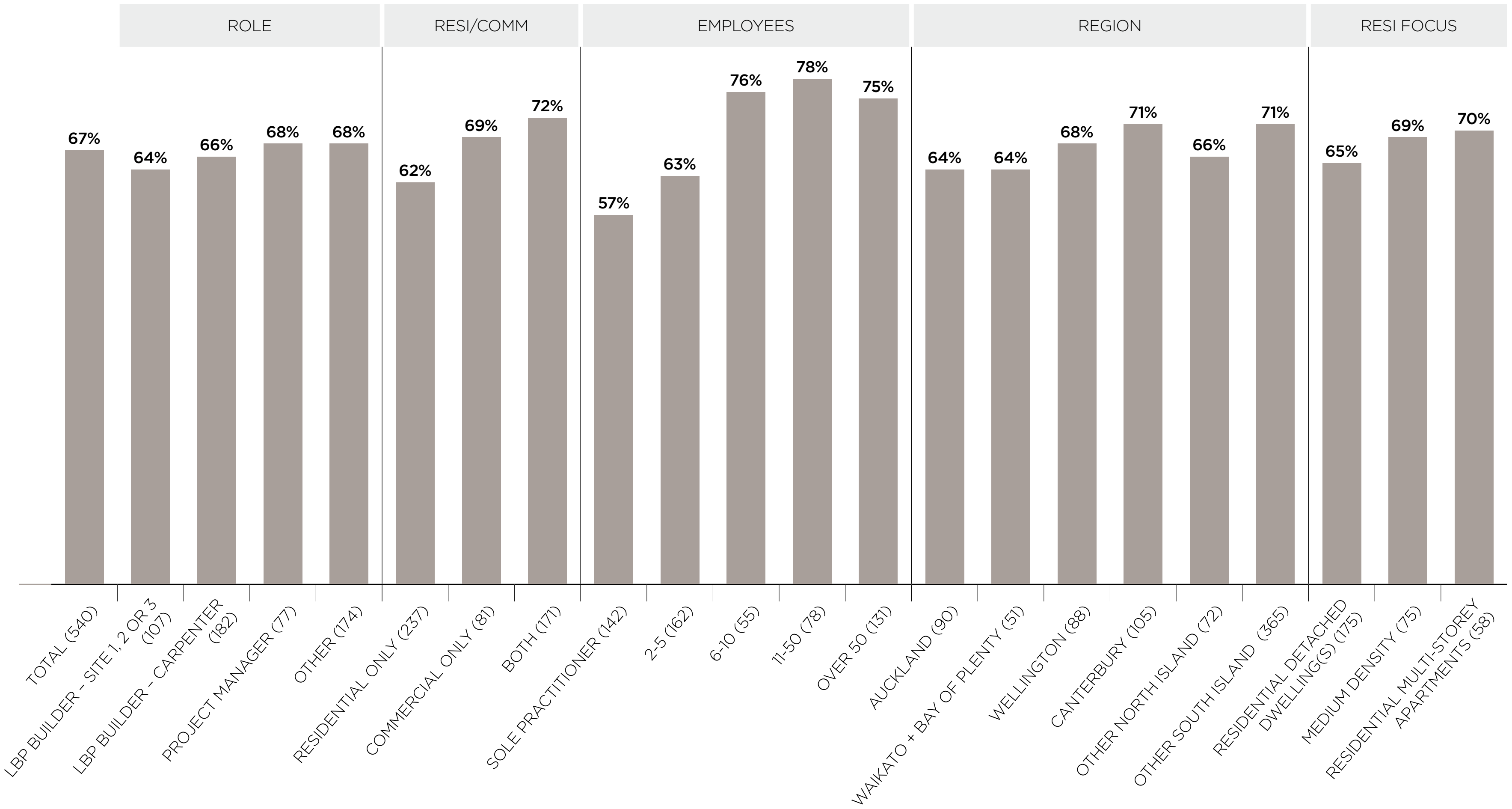


2022 2024

Q: "CONSIDERING THE RESOURCES AVAILABLE WITHIN YOUR BUSINESS RIGHT NOW, PLEASE ESTIMATE YOUR BUSINESS/PRACTICE WORKLOAD AT PRESENT."

AVERAGE CONSTRUCTION CAPACITY

Sole traders and smaller businesses are more likely to be operating at lower levels of workload, averaging between 50% to 67% capacity. Additionally, those focusing exclusively on residential projects tend to have lower workloads compared to those involved in commercial or a mix of projects.



Q: "CONSIDERING THE RESOURCES AVAILABLE WITHIN YOUR BUSINESS RIGHT NOW, PLEASE ESTIMATE YOUR BUSINESS/PRACTICE WORKLOAD AT PRESENT."

CONSTRUCTION PIPELINE

38% of builders have experienced an increase in the number of projects being put on hold, and 34% have seen an increase in cancellations. The net effect is slightly pessimistic, with the proportion of builders reporting increases in these factors just edging out those reporting decreases compared to a year ago. Builders in the commercial sector are more likely to be affected by holds and cancellations.

Additionally, the net position on new projects and leads is negative, reflecting a challenging market for the near future. 64% of builders report a decrease in project starts compared to twelve months ago, and 61% say the number of leads and enquiries is lower. This sentiment is consistently shared across different types of design professionals and areas of focus.

HIGHER RATING = TOUGHER CONDITIONS

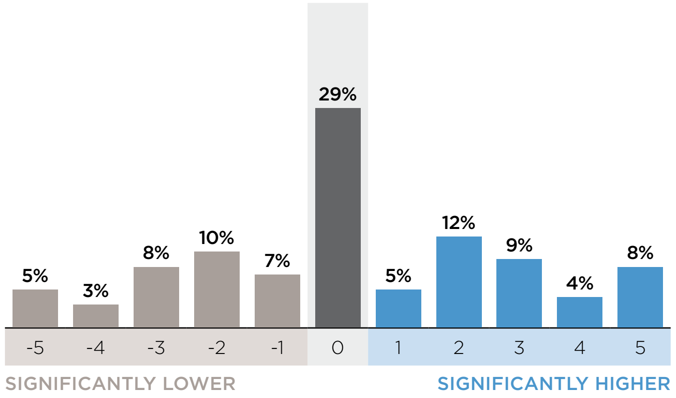
PROJECTS BEING PUT ON HOLD

THE NUMBER OF PROJECTS BEING PUT ON HOLD COMPARED TO 12 MONTHS AGO.

BASE: 459

Net +4

(CALCULATED SCORE)



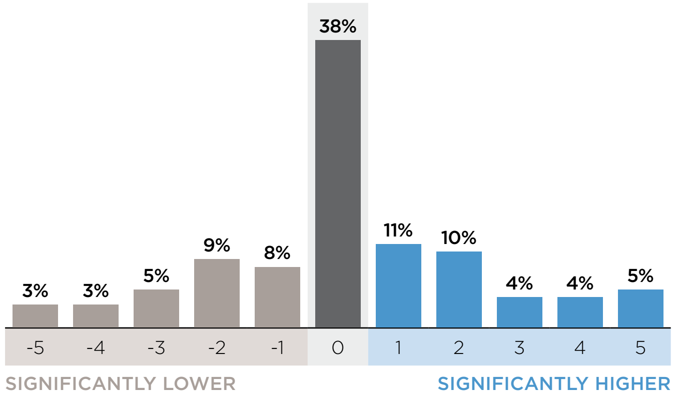
PROJECTS BEING CANCELLED

THE NUMBER OF PROJECTS BEING CANCELLED COMPARED TO 12 MONTHS AGO.

BASE: 459

Net +8

(CALCULATED SCORE)



HIGHER RATING = EASIER CONDITIONS

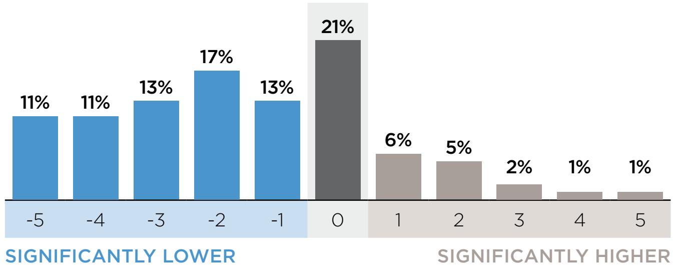
PROJECTS STARTING

THE NUMBER OF NEW PROJECTS STARTING COMPARED TO 12 MONTHS AGO.

BASE: 459

Net -49

(CALCULATED SCORE)



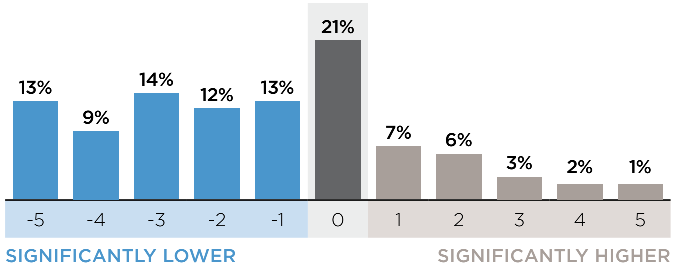
LEADS & ENQUIRIES

THE NUMBER OF NEW LEADS AND ENQUIRIES COMPARED TO 12 MONTHS AGO.

BASE: 459

Net -48

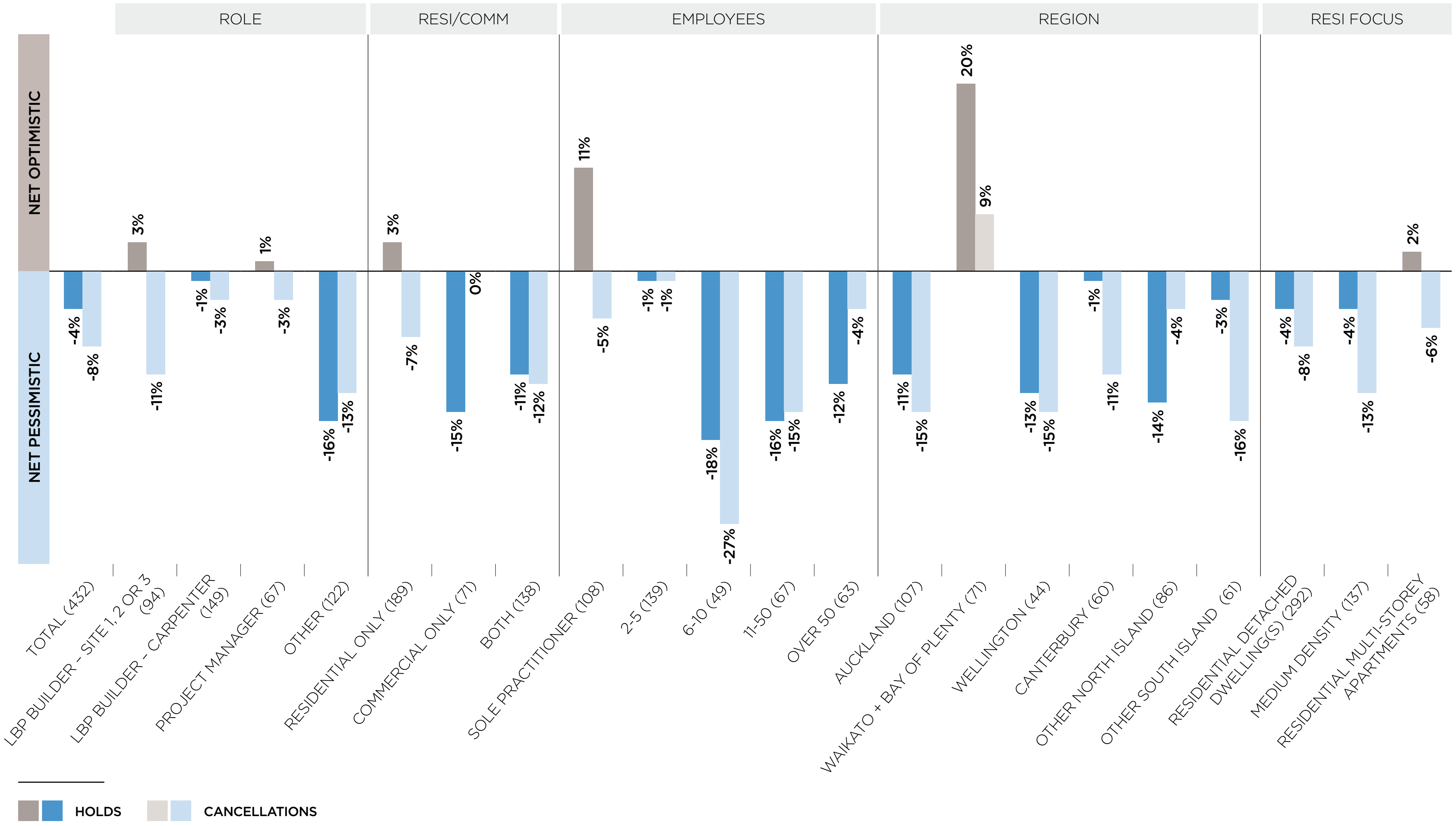
(CALCULATED SCORE)



CONSTRUCTION PIPELINE: HOLDS AND CANCELLATIONS

Builders in the Waikato and Bay of Plenty regions are the only ones experiencing an improvement in the levels of project holds and cancellations. In contrast, Auckland and Wellington builders are seeing an increase in projects put on hold or cancellations.

Residential activity is less impacted by holds and cancellations remaining relatively stable compared to the previous year. However, those focused solely on commercial projects are facing more challenges, with an increase in project holds compared to a year ago.

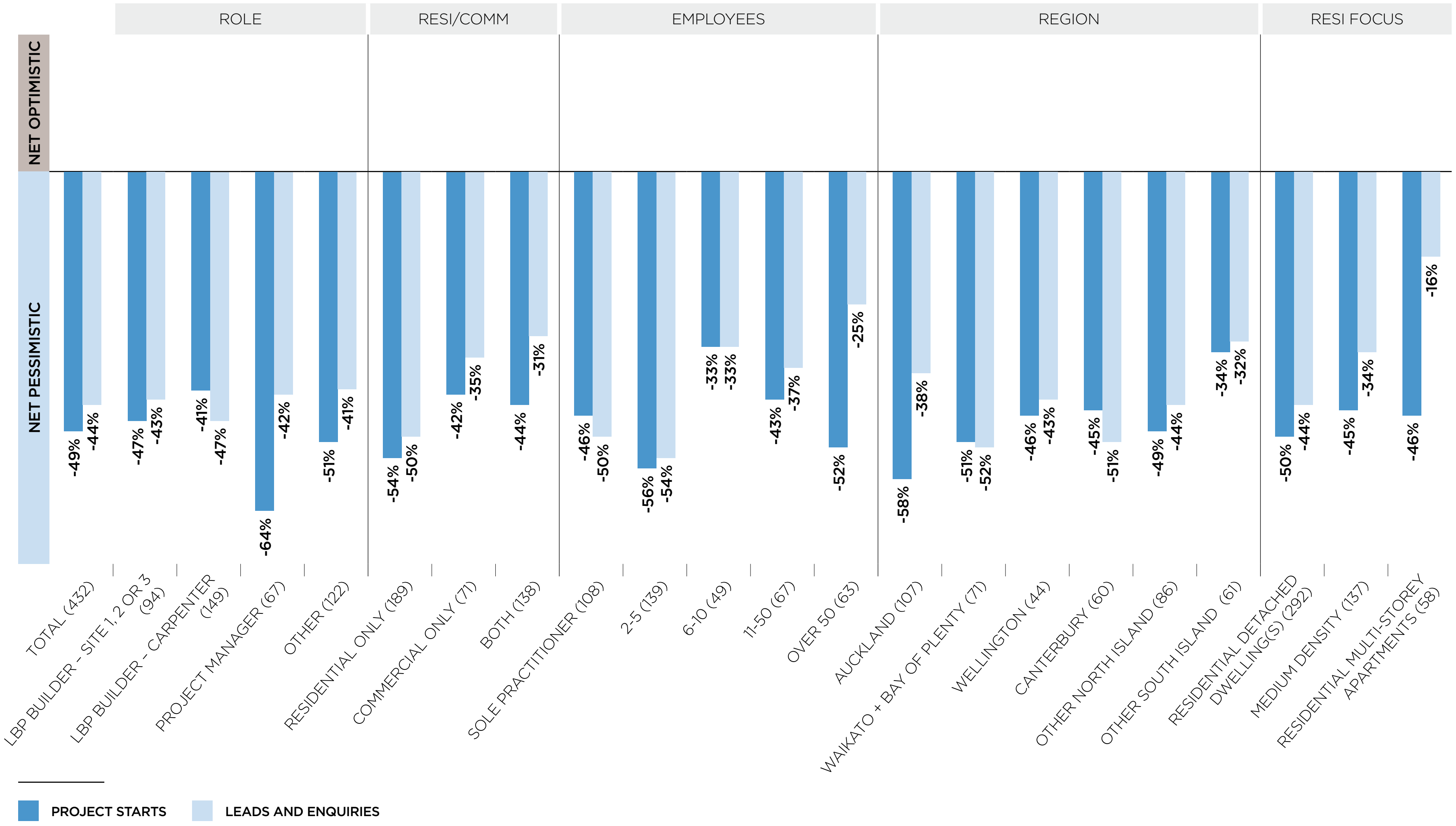


Q: "WE ARE KEEN TO UNDERSTAND CHANGES IN DEMAND, SPECIFICALLY IN TERMS OF PROJECTS BEING DELAYED OR CANCELLED VERSUS THE INFLUX OF NEW PROJECTS AND LEADS. PLEASE RATE THE CURRENT STATUS OF YOUR BUSINESS IN EACH OF THE FOLLOWING CATEGORIES."

CONSTRUCTION PIPELINE: PROJECT STARTS AND LEADS

Comparing project starts and cancellations to enquiries, the forward view looks tougher. Imminent projects starts are down 54% for residential builders and the prospect of the pipeline strengthening is poor with a 50% decrease in enquiries.

All regions and types of builders are experiencing a decrease in enquiries and new project starts compared to a year ago. This decline is particularly pronounced in Auckland and among businesses with 2-5 employees, where the impact on project starts has been more significant.



Q: "WE ARE KEEN TO UNDERSTAND CHANGES IN DEMAND, SPECIFICALLY IN TERMS OF PROJECTS BEING DELAYED OR CANCELLED VERSUS THE INFLUX OF NEW PROJECTS AND LEADS. PLEASE RATE THE CURRENT STATUS OF YOUR BUSINESS IN EACH OF THE FOLLOWING CATEGORIES."

CURRENT FORWARD WORK LEVELS

Another question we asked previously is the level of forward work by number of months.

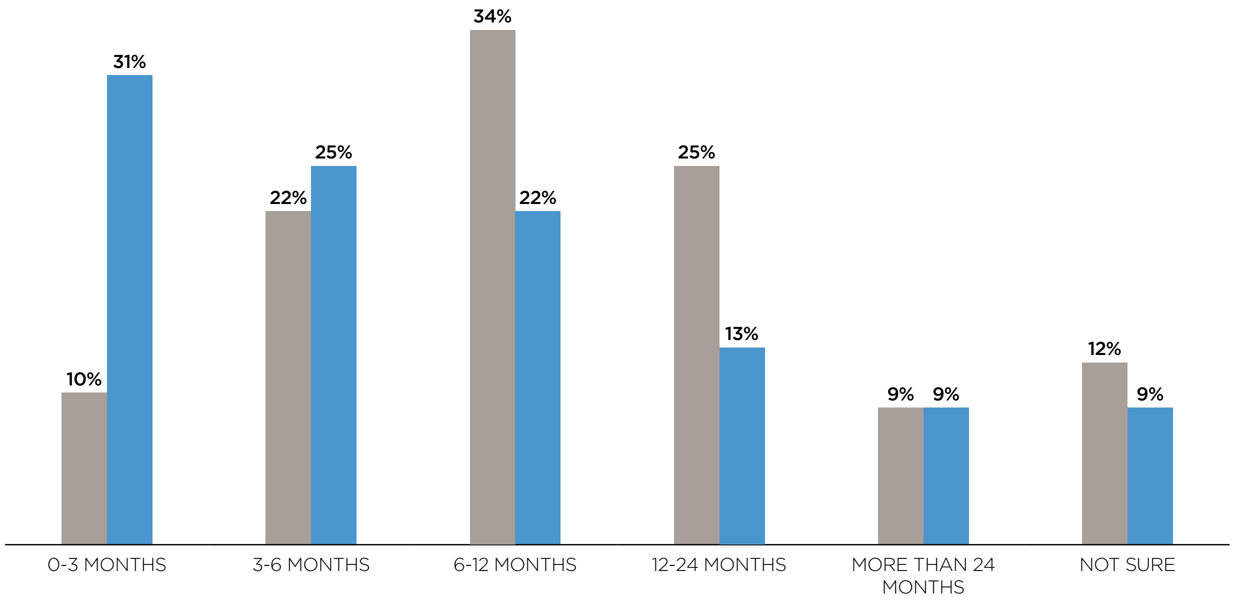
Similar to design professionals, the number of builders with less than 3 months of work has tripled compared to 2022. With one-third of construction firms having such a short runway of work, and considering the forward work for architects, this trend is likely to persist for some time.

This results in a three-month decline in the average level of workload ahead, now down to 8.6 months. The issue of forward work is more pronounced among those focused on residential projects, with an average of just 6.8 months ahead compared to 10.8 months for commercial projects.

BASE: 540

AVERAGE FORWARD WORKLOAD

11.2 MONTHS **8.6 MONTHS**



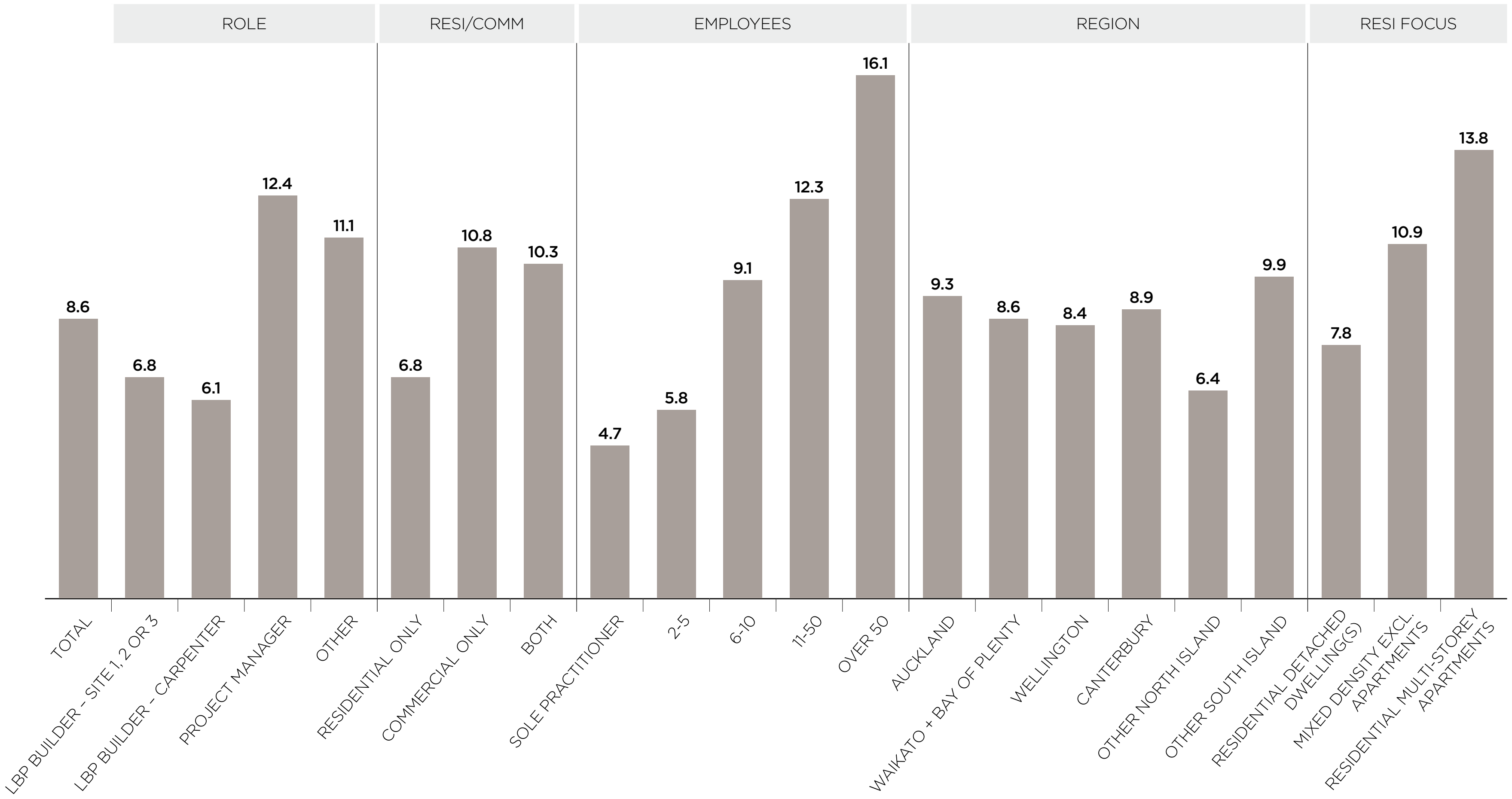
2022 2024

Q: "HOW MUCH FORWARD WORK DOES YOUR BUSINESS HAVE ON ITS BOOKS?"

AVERAGE FORWARD WORK IN MONTHS

Once again, those focused on commercial work and the larger practices have the largest forward workload. However, as previously noted, the challenging conditions are likely affecting the future pipeline more than the current workload, given the extended duration of larger projects.

Sole traders and smaller builders, as well as those focused on residential projects, tend to have shorter pipelines of upcoming work. Builders in the provincial North Island also face shorter pipelines, while those in Auckland and the South Island generally have longer pipelines of projects ahead.



Q: "THINKING ABOUT YOUR BUSINESS, HOW MUCH FORWARD WORK DOES YOUR BUSINESS/PRACTICE HAVE ON ITS BOOKS?"

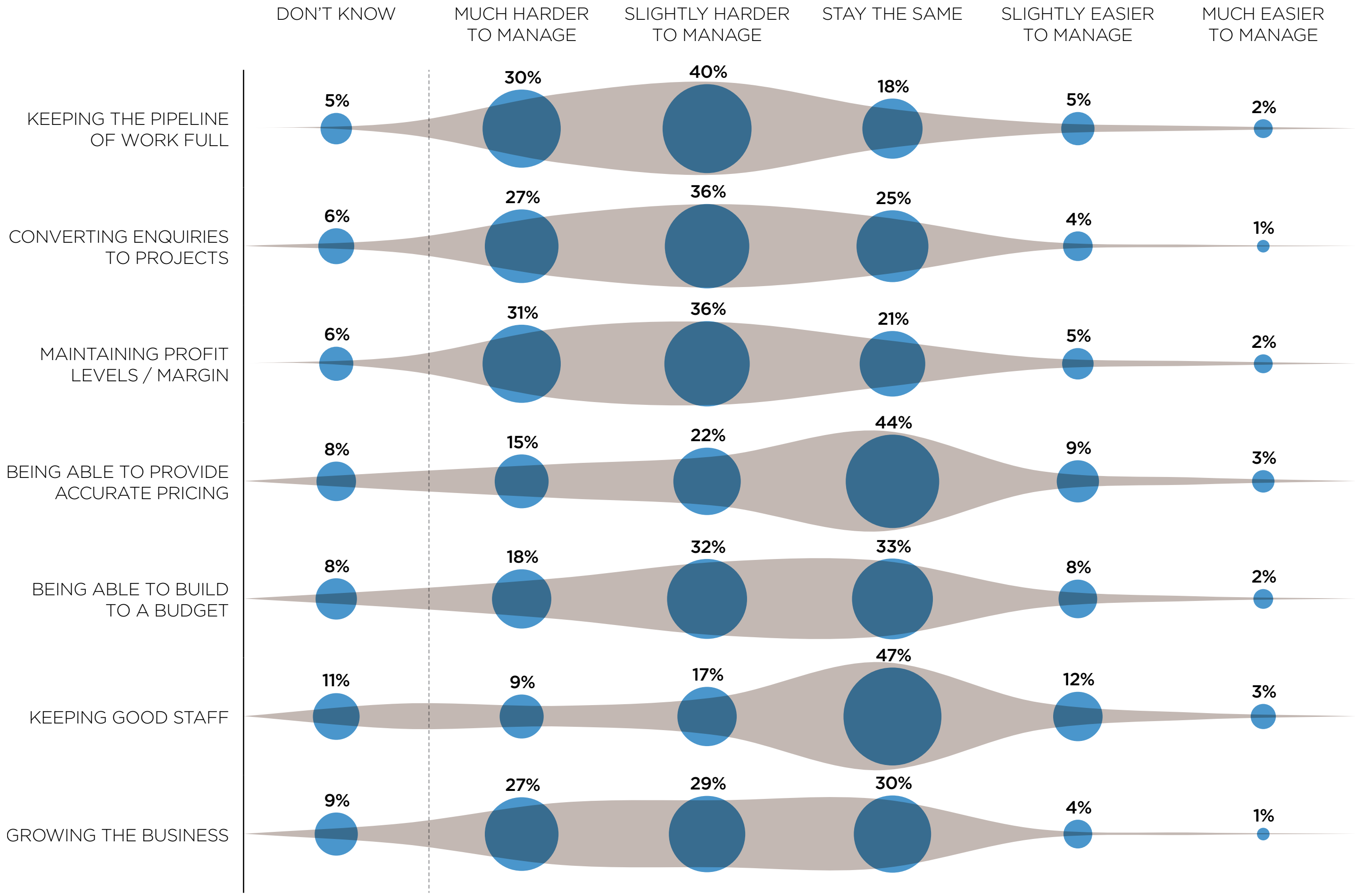
MANAGING THE BUSINESS

Builders are facing more challenges than architects in keeping their project pipelines full, converting enquiries, and maintaining profit levels.

While 13% of architects and designers report difficulties in converting enquiries, this figure rises to 27% among builders. Similarly, 18% of architects and designers find it challenging to maintain profit levels, compared to 31% of builders.

Overall, builders appear to be experiencing more pressure from reduced consents and enquiries compared to architects and designers.

BASE: 478



Q: "FOR EACH OF THE AREAS LISTED, PLEASE ASSESS WHETHER THEY ARE EASIER OR MORE DIFFICULT TO MANAGE NOW COMPARED TO 12 MONTHS AGO."

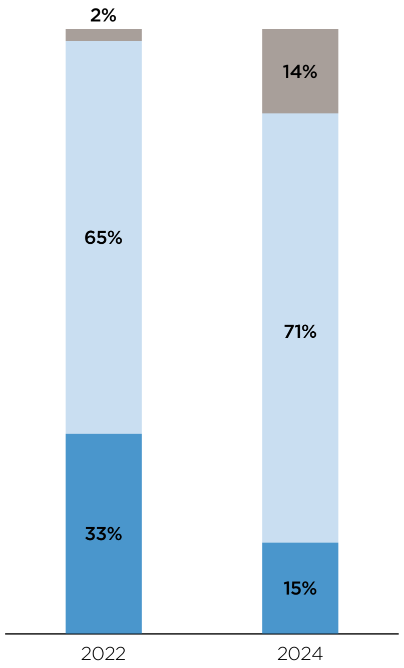
STAFFING LEVELS

One positive aspect of the current market conditions is the easing of staff issues. In 2022, at the peak of the post-Covid boom, one-third of builders reported a shortage of skilled staff to meet demand. This figure has decreased to just 15% in 2024.

Similarly, the availability of staff to meet future demand has also balanced out, with 14% of builders reporting they have too many skilled staff. For builders in a position to hire, the selection pool has significantly improved since 2022.

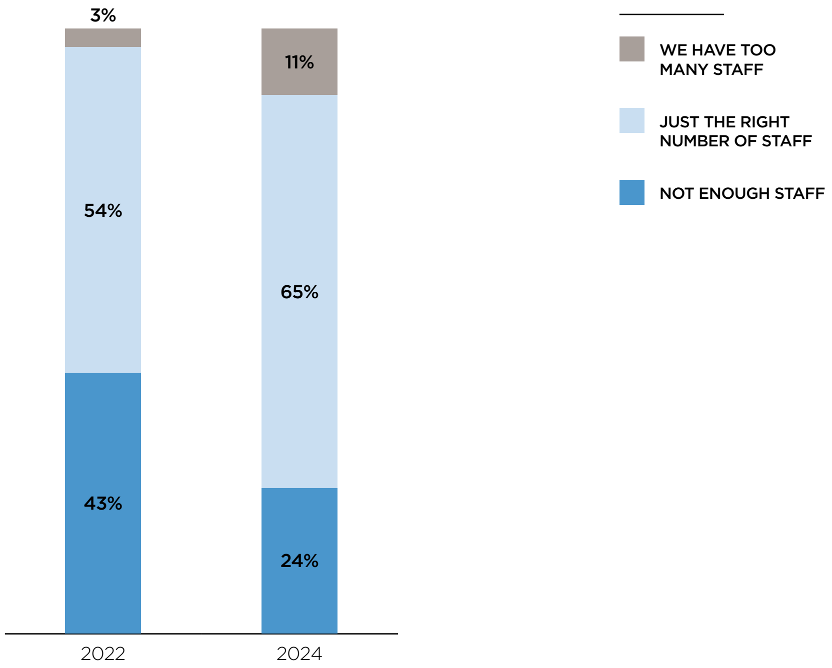
TO MEET CURRENT DEMAND

BASE: 427



TO MEET FUTURE DEMAND

BASE: 427



Q: "WHICH OF THE FOLLOWING BEST DESCRIBES YOUR STAFF SITUATION WITH REGARDS TO BOTH CURRENT AND FORWARD WORK DEMANDS?"

BUILDING EFFICIENCY: WHERE SHOULD WE FOCUS?

A new question was introduced in 2024 asking builders about the inefficiencies impacting the completion of residential projects. By far, the area identified as adding the most inefficiency and time is council compliance.

While builders and architects generally agree on what creates inefficiencies, builders are more likely than architects to identify design as a key contributing factor.

Those who provided supporting comments frequently highlighted the design element, for example: 'Design is the most important aspect of our work — it should be fit for purpose and involve more discussions with builders and on-site experiences.'

Builders are also critical of their own training capability and the level of skill available on site, suggesting that there are multiple factors holding the industry back.

BASE: 480

"We need early-stage involvement of as many parties as possible, and to work collaboratively with the project as the primary focus."

"The industry has created its own black hole by accepting too many products and design ideas and expecting that builders would be able to keep up. There are too many semi skilled or keen people leaving the country as the industry is not lucrative enough here to sustain them."

76%
COUNCIL COMPLIANCE
e.g. the time taken to get building consent, approval and costs associated

66%
DESIGN
e.g. improving design detailing and designers considering real-world challenges, designing for more efficient construction

44%
PRODUCT
products that enable more efficient construction

41%
ONSITE EXPERIENCE / TRAINING
the skill level of staff

40%
DOCUMENTATION
the level of documentation provided and required

Q: "IN 2023 THE AVERAGE STAND-ALONE HOUSE TOOK 569 DAYS TO BUILD (STATSNZ). AS AN INDUSTRY WE NEED TO RETHINK HOW WE APPROACH THE BUILD PROCESS TO DRIVE GREATER EFFICIENCY IN OUR BUILD PROGRAMME. WHICH AREAS WITHIN THE BUILD PROCESS OFFER THE MOST OPPORTUNITY TO INCREASE EFFICIENCY TO PRODUCE BETTER BUILD OUTCOMES AND MORE EFFICIENT CONSTRUCTION?"

BUILDING EFFICIENCY: GRANNY FLATS

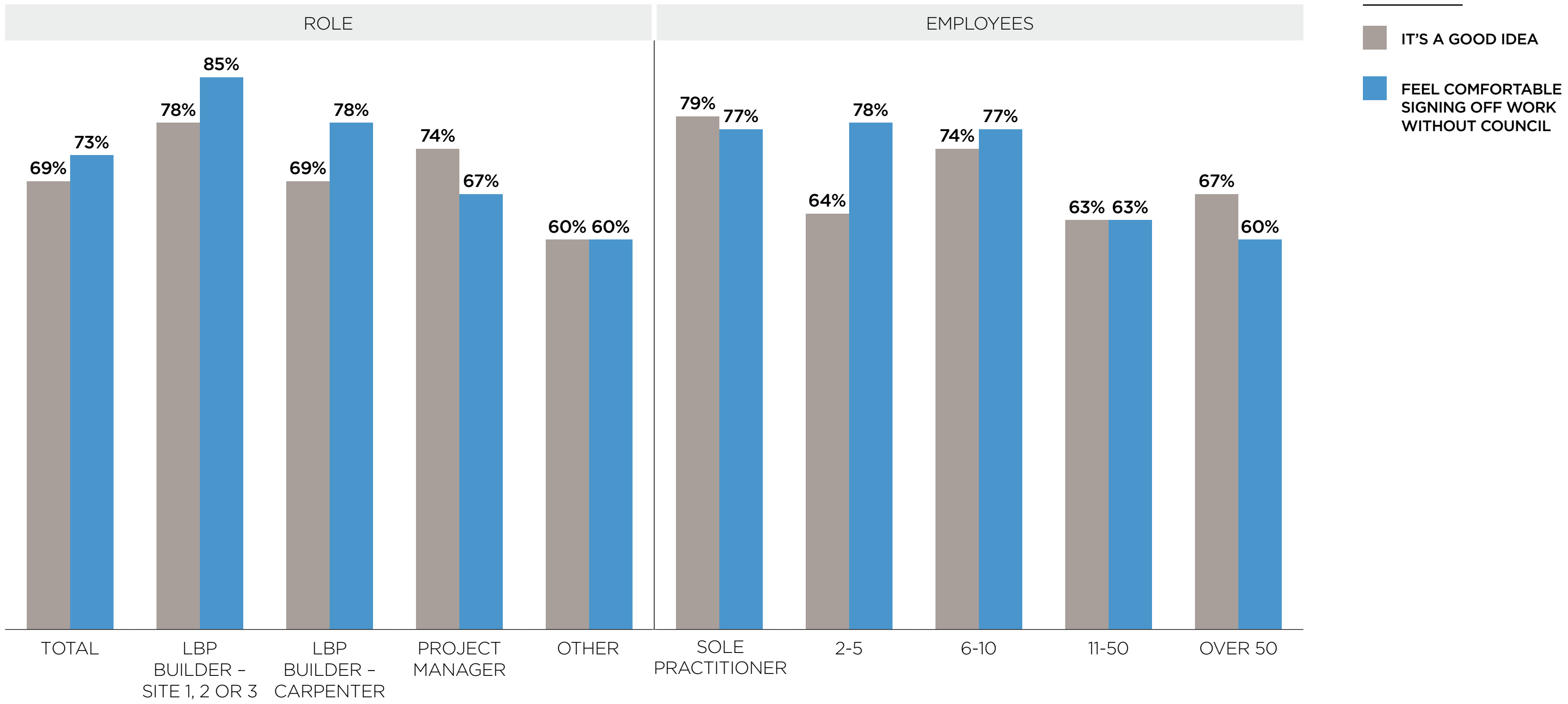
Two new questions were added partway through the survey in response to the recent government announcement of the proposed design rule changes to structures less than 60m^2 (Granny Flats).

The first question asked builders whether they think the new rules making it easier to build 'granny flats' are a good idea. Seven in ten agree that it is, although LBP Carpenters are less supportive compared to LBP Site 1-3 builders.

The second question focused on whether builders would be comfortable signing off work without council involvement. Many builders say they would feel confident signing off on this work themselves, with almost three-quarters expressing that they would be comfortable doing so.

This represents a high level of industry confidence to be able to safely and efficiently deliver this type of building.

BASE: 360



Q: "THE NZ GOVERNMENT IS LOOKING AT LAW CHANGES TO MAKE IT EASIER TO BUILD 'GRANNY FLAT' STRUCTURES OF UP TO 60 SQUARE METRES. IT PROPOSES THAT THOSE DWELLINGS CAN BE BUILT IN RURAL AND RESIDENTIAL ZONES WITHOUT A BUILDING OR RESOURCE CONSENT, SO LONG AS THEY MEET CERTAIN CRITERIA, AIMED AT REDUCING THE RISK OF STRUCTURAL FAILURE, FIRE AND ITS SPREAD, WEATHERTIGHTNESS FAILURE AND INSANITARY CONDITIONS. IT WOULD REQUIRE THE DWELLING TO BE BUILT BY "TRUSTED WORKERS", TO A "SIMPLE STRAIGHTFORWARD DESIGN", AND BE NOTIFIED TO COUNCILS. DO YOU THINK THIS IS A GOOD IDEA?"

Q: "WOULD YOU FEEL COMFORTABLE AS THE LBP TO SIGN OFF ON THE WORK WITHOUT COUNCIL'S INVOLVEMENT?"

BUILDING MATERIALS — INCREASING CHOICE

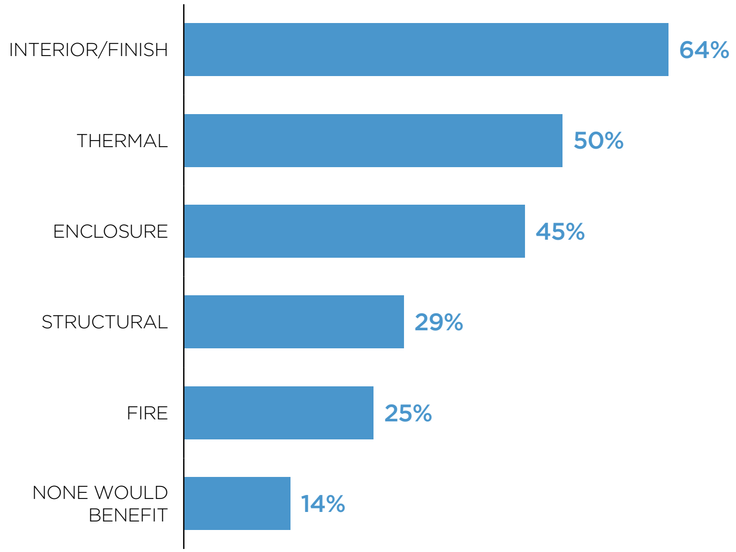
Another new question in 2024 addressed the proposed changes to the Building Act, specifically the proposal to widen compliance options to include certain overseas certification systems.

This change is seen as particularly beneficial for products in the interior and finish categories (e.g. tapware, timber flooring and bathroomware). However, products in the structural and fire categories may require additional consideration to fully realise the benefits of these changes.

Comments from builders raise concerns about the risks associated with products not suited to New Zealand's weather conditions. There are fears of potential issues such as leaky buildings, increased liability, and the possibility of substandard construction.

Compared to architects, builders seem slightly more hesitant when it comes to widening product choice and selection criteria.

BASE: 309



There is a significant risk of inferior or poor performing products to be imported, sold and used.

This is a scary proposal as we have already seen detrimental effects of this for instance the Chinese REO.

It is going to take time for confidence to be gained by BCA's that the products are suitable and used/detailed correctly for the use/environment.

Allowing older tried and tested products from Europe and Australia where they build well is a good move.

Q: "THE GOVERNMENT INTENDS TO MAKE CHANGES TO THE BUILDING ACT TO INCREASE CHOICE OF BUILDING PRODUCTS AVAILABLE IN NZ. THIS WOULD ALLOW BUILDERS AND DESIGNERS TO CHOOSE OVERSEAS PRODUCTS FROM "TRUSTED" JURISDICTIONS, NEEDING TO VERIFY BUILDING STANDARDS. WITH THIS CHANGE MANY OVERSEAS PRODUCTS WOULD NO LONGER REQUIRE LOCAL CERTIFICATION OR TESTING TO DETERMINE COMPLIANCE WITH OUR BUILDING CODE AND CLIMATE. WHAT (IF ANY) PRODUCT CATEGORIES DO YOU THINK WOULD BENEFIT FROM THIS CHANGE?"

BUILDING MATERIALS — CHANGES TO SUBSTITUTIONS

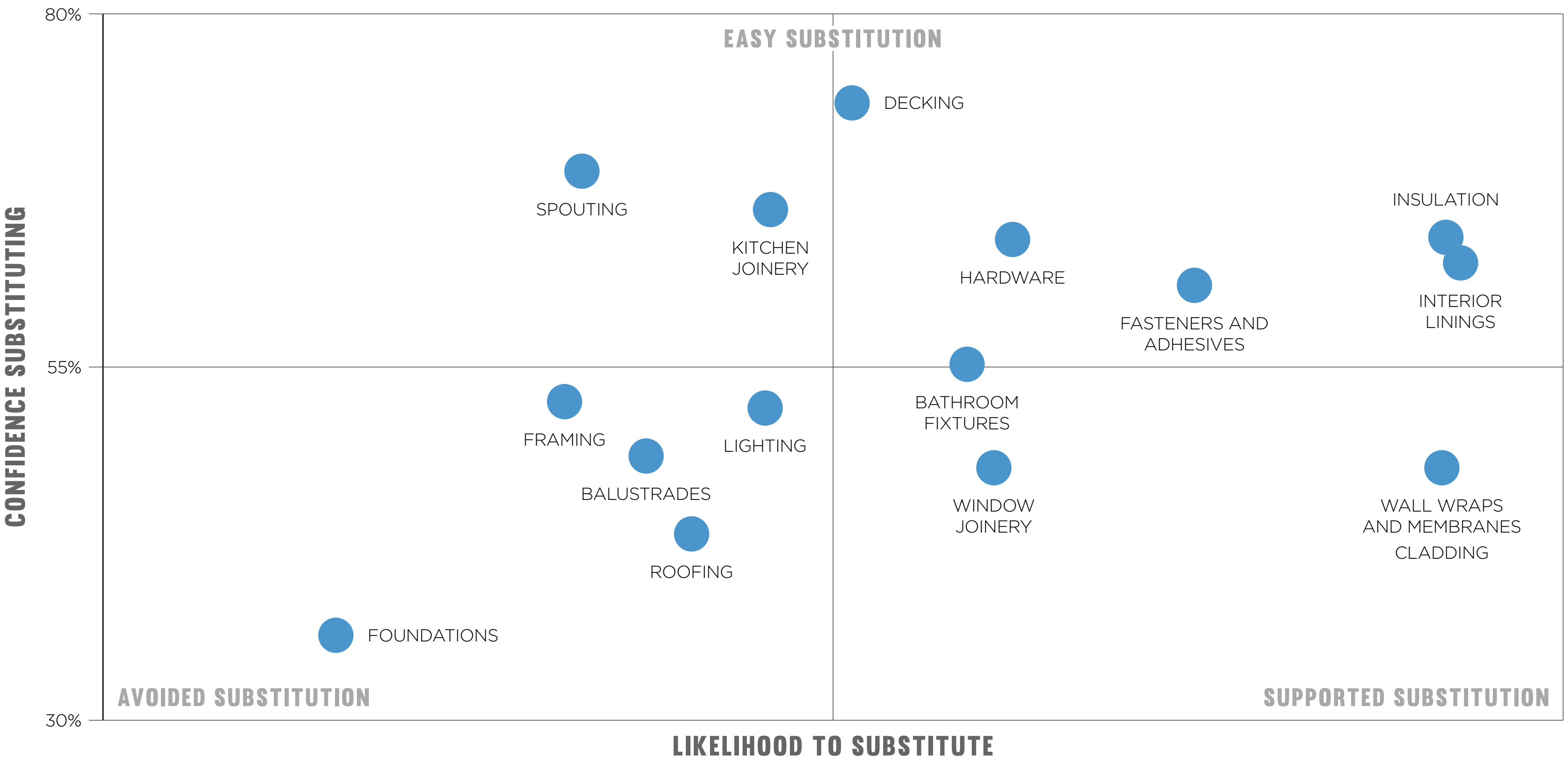
With the government proposing wider powers for builders to substitute on-site, we asked builders which categories they would be likely to substitute at least somewhat frequently, and how confident they would feel about making those substitutions.

A number of categories fall into the 'easy substitutions' category — likely to be substituted relatively often with minimal concern.

Window joinery, wall wraps, membranes, and cladding all fall into the 'supported substitution' category. While these substitutions might occur relatively often, builders need supplier or design support to feel confident making them.

Foundations, framing, and roofing fall into the 'avoided substitutions' category. These substitutions occur less frequently and require significantly more support to ensure builders feel confident making them.

BASE: 456



Q: "HOW CONFIDENT WOULD YOU FEEL MAKING PRODUCT SUBSTITUTION DECISIONS IN EACH OF THOSE CATEGORIES?"

Q: "WHEN THESE CHANGES COME INTO EFFECT, WHICH PRODUCT CATEGORIES DO YOU THINK YOU WOULD BE LIKELY TO SUBSTITUTE AT LEAST SOMEWHAT FREQUENTLY?"