OCT 2024

ISSUE #8

THE PULSE

UNDERSTANDING FUTURE DEMAND FOR RESIDENTIAL AND COMMERCIAL CONSTRUCTION

BRANZ

creditworks

FORSYTH BARR

EBOSS

INTRODUCTION

Welcome to **Issue #8 of The Pulse** - your quarterly degustation of local and global insights designed to help you understand the future demand for residential and commercial construction in New Zealand.

Alongside our partners **BRANZ**, **CreditWorks** and **Forsyth Barr**, EBOSS is proud to bring you these series of reports that combine insights and opinions from our expert contributors.

We'd also like recognise the **Ministry of Housing and Urban Development** for their continued input and contributions.

WHAT'S INSIDE?

In order to form a vision of the future, we take available data today and arrange it for analysis over 4 logical stages:

YESTERDAY

Work completed

TODAY

Work under construction

TOMORROW

Work consented, but not yet constructed

FUTURE

Neither consented or constructed yet

Front Cover Illustration Credit: Malcolm Walker

What you need to know in 60 seconds:

YESTERDAY

- Nationwide residential completions in the June quarter saw an estimated 41,000 dwellings built to June 2024 - down from the peak in March but up 5% from the same time last year
- Auckland still leads completions, with a reported 4,682 completed dwellings (CCC's) in the June quarter. (Total consent approvals for Auckland numbered 3,302 over the same quarter)
- Mortgage lending to investors in October raced ahead of lending to First Home Buyers
- There were 19,273 new mortgage commitments in Oct-2024, up 22% compared to Oct-2023
- Residential property sales volumes are flat YoY - buyers market remains with listings still high
- Construction cost inflation eases to 3%

TODAY

- Overall building consents continue to decline at a national level, although some areas, particularly Canterbury, are showing resilience
- Total building merchant sales were on par in Oct, with sales in Oct-23 (data not inflation adjusted)
- Concrete data sources suggest volume down 12% YoY, but there are signs of stabilisation with last two quarters broadly flat
- Days Sales Outstanding (DSO) data suggests builders' cashflow coming under increasing pressure

TOMORROW

- Residential consent approvals for the Q3 quarter are now on par with the same period last year as the industry stabilises. We're now at similar consenting levels to 2019.
- North Island consents (Q2) down 24.5% YoY (more residential consents in Otago than Wellington)
- Total Floor area consented is down 28% on previous year
- Heat is coming out of the residential rental market with prices and number of tenancies easing
- Commercial work consented (June quarter) valued $2.3B, led by office, retail and industrial projects
- 86% of annual commercial consent approvals for office and retail are for repurposing and upgrading existing buildings

FUTURE

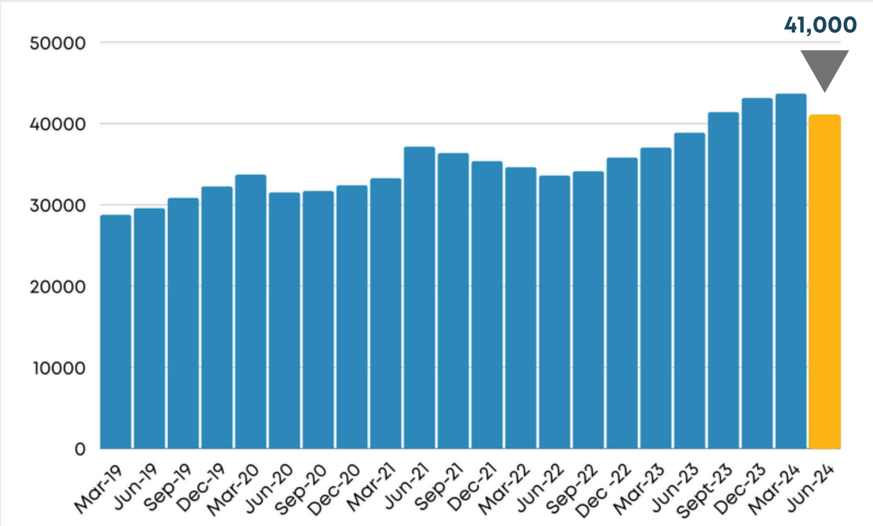
- Dwelling consent forecasts: Modelling suggests a trough of 30k annual consents for 2024, before recovering to 36k in 2028
- New Residential Development Underwrite (RDU) initiative looks to speed up 1,500 new dwellings
- Despite short term vulnerability, the forecasted value of commercial consents is set to stabilise
- OCR cut thrice since RBNZ pivot in July - now at 4.25%. Market predicting OCR at ~3% by early 2026
- Net migration has rolled over its peak and looks to return to pre-pandemic levels
- Unemployment increased to 4.8% in Sept 2024 quarter
- Wages across all sectors grew 3.8% YoY in Sept
- Inflation eased to 2.2% in Sept quarter, from 3.3% in June quarter - RBNZ target range: 1-3%

YESTERDAY

— Work completed

Based on the Statistics NZ experimental dataset updated in April 2024, the EBOSS/BRANZ CCC (Code Compliance Certificate) model has been updated, and now estimates a total of **41,000** nationwide residential completions to June 2024. That's up 5% from the previous year, year ending June 2023.

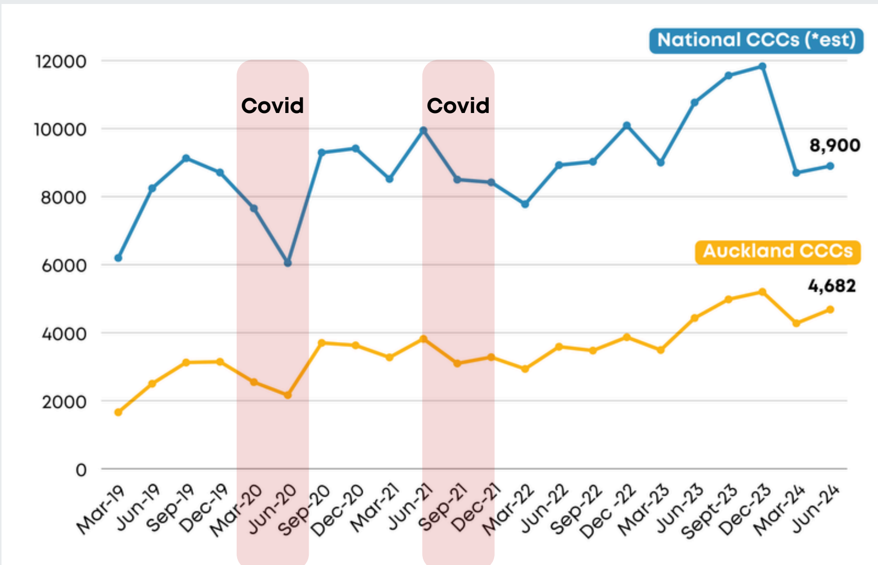
Estimated National CCCs - Quarterly 12-month Rolling
Period: Mar-19 to Jun-24



Source: Stats NZ | BRANZ

- We are past the peak in CCC issuance for this cycle, and now expect CCCs to fall off from the level of the past few quarters
- Looking ahead, the high backlog of dwellings from record consent approvals in 2021/22 and extended construction timeframes have driven strong CCC's which we expect to decline over the coming quarters
- We estimate that over the last 24 months, 8% of residential consents have been cancelled

National Estimated CCCs and Auckland Region Actual CCCs by Quarter Period: Mar-19 to June-24

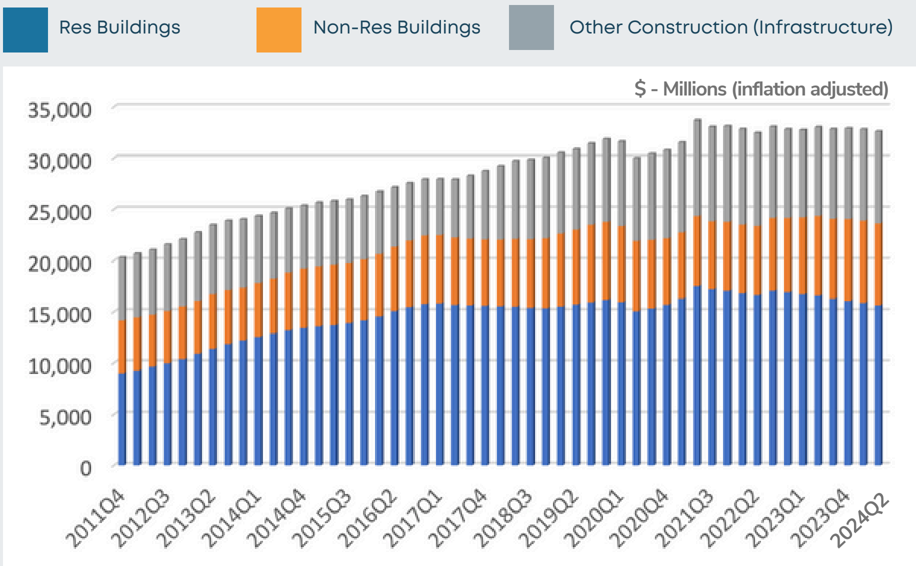


Source: Stats NZ & Auckland Council

- For the June quarter, Auckland Council reported an increase in completed dwellings (CCC's) compared to the same period in 2024
- Over 1,000 more dwellings were signed off by Auckland Council than in the first 3 months of 2024
- The 4,682 CCC's are a large increase on the 3,302 consent approvals over the same quarter. Consent approvals in Auckland were down 20% with a 50% decline in apartments and retirement dwellings

YESTERDAY

Gross Fixed Capital Formation Period: Dec-2011 to Jun-2024



Source: Stats NZ | BRANZ

- Measured by expenditure, NZ construction activity continues its downward trend over the past few quarters, although activity is still higher than pre-COVID levels
- Residential remains the dominant sub-sector, contributing 48% of total activity over the last 12 months
- Total activity was down by 1.3% from the previous year
- Residential has taken the biggest hit, down 6%, but this is largely mitigated by both the non-residential and other construction sectors growing by 3% and 4% respectively

Who's Borrowing What - FHB v Investor v Other Owner Period: to Oct-24

	Previous years:		Monthly:				
	Oct 2022	Oct 2023	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024
Total lending ($million)							
All borrower types	5,582	5,778	5,617	6,652	6,194	6,548	**7,534**
First home buyers	1,219	1,369	1,212	1,415	1,270	1,379	**1,563**
Other owner-occupiers	3,379	3,293	3,252	3,774	3,523	3,709	**4,152**
Investors	904	1,021	1,047	1,366	1,316	1,379	**1,709**
Business purposes	80	95	107	96	86	80	**110**

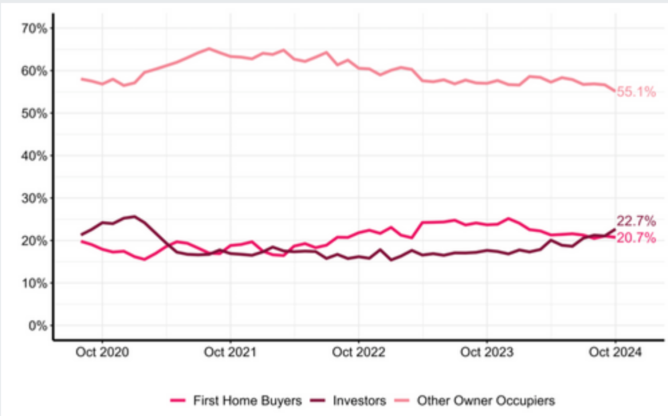
Source: RBNZ

- Overall mortgage lending so far in 2024 (Jan to Oct) at almost $60bn
- That's $10bn up on the same period last year
- Investors appear motivated by the re-introduction of interest deductibility
- In fact, lending to Investors springs ahead of lending to First Home Buyers for the first time since 2022

- There were 19,273 new mortgage commitments in Oct-2024, up 11% on Sept and up 22% compared to Oct-2023
- Following the Oct and Nov cuts to the OCR (now 4.25%) we would expect mortgage lending across all borrower types to continue to lift during the last quarter of 2024
- The share of new commitments to investors increased to 22.7%, up from 21.1% in Sept-24
- This is an annual increase in comparison to Oct-23, where the share to investors was 17.7%

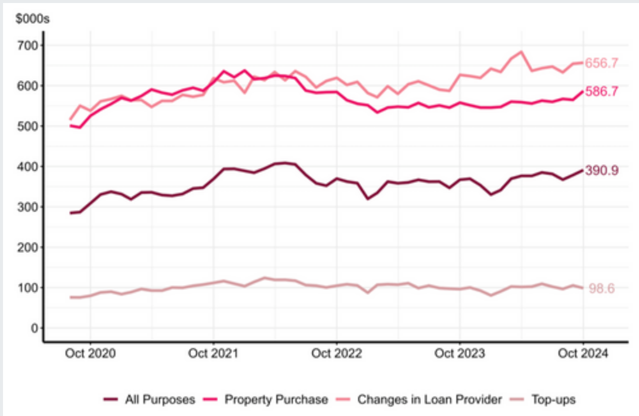
YESTERDAY

Share of Value of Total New Mortgage Commitments by Borrower Type
Period: Jan-20 to Oct-24



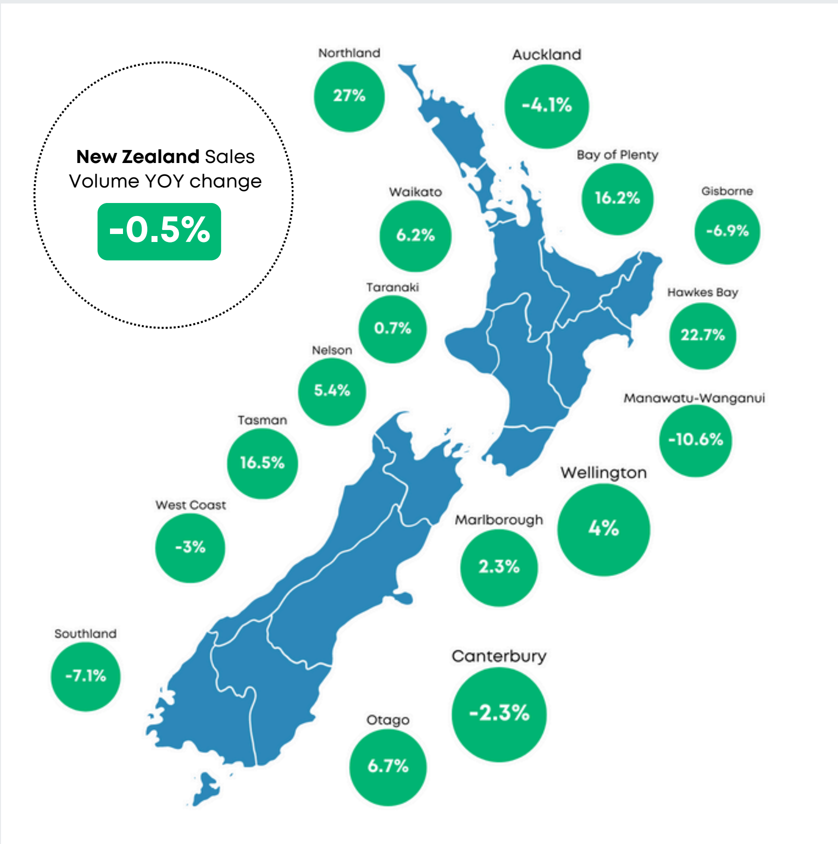
Source: RBNZ

Share of Value of Total New Mortgage Commitments by Loan Purpose
Period: Jan-20 to Oct-24



Source: RBNZ

Residential Property Sales Volume YOY Change by Region
Period: Aug-2023 | Aug-2024 (seasonally adjusted)

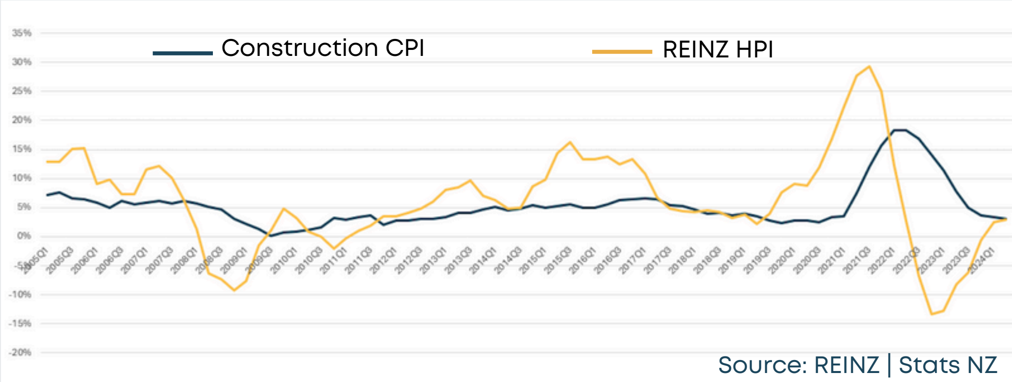


Source: REINZ

- Winter is always a quieter time for the real estate market, so its unsurprising to see little overall change in the year-on-year sales volumes (-0.5% compared to August 2023)
- However, regionally, there was quite a variance ranging from Northland having 27% more sales this year, to Manawatu/Whanganui having 10.6% fewer sales
- But with low sales volumes in many regions at this time of year, these numbers can bounce around a bit
- Although the first cuts to the OCR happened midway through August, this hasn't filtered through to sales activity yet - although agents have reported an increase in enquiries and open home attendances
- However, the number of listings remains at a high, so even with an increase in activity, it's likely that we'll see a "buyers' market" continue for a little while yet

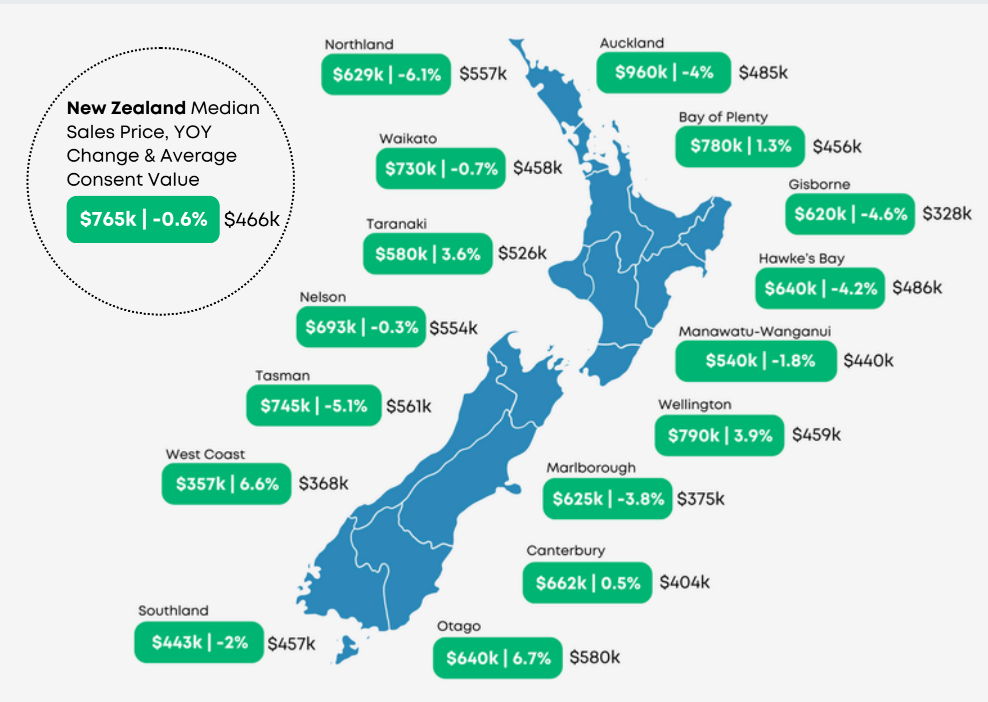
YESTERDAY

Construction Cost Inflation vs House Price Inflation Period: Q1 2000 to Q2 2024



- For the first time in a few years, house prices are rising at a similar rate to construction costs
- Construction costs are still rising, but now at a modest 3% in Q2 2024
- The rate of house price inflation has levelled off at a similar rate
- Considering we hit a peak of 18.3%, the return of cost inflation back to the lower term norm will provide more certainty for builders when pricing work and should reduce the need for higher contingencies
- It's possible that some builders might reduce their costs to compete for a smaller volume of new business in the short term
- Whilst house prices are 21% higher than pre-COVID, construction costs are 42% higher, so the gap between the cost of building new and buying existing stock will remain a challenge for a while to come
- However, the coming reductions to interest rates and exemption of new builds from Debt to Income (DTI) limits might help level the playing field

Cost of New Builds v Existing Period: Aug 2023 to Aug 2024



Source: REINZ | Stats NZ

- The median sales price across New Zealand has fallen in recent months as inventory remains high and buyers are largely still on the sidelines
- Whilst interest rates are starting to fall, deposit hurdles remain and investors are still deterred by relatively low yields, so we are unlikely to see a significant rebound in house prices
- The volume of consents is still well down on the peak, with consents for standalone homes stabilising whilst apartments and townhouses continue to decline, so average consent values have risen slightly because of this change in consent type

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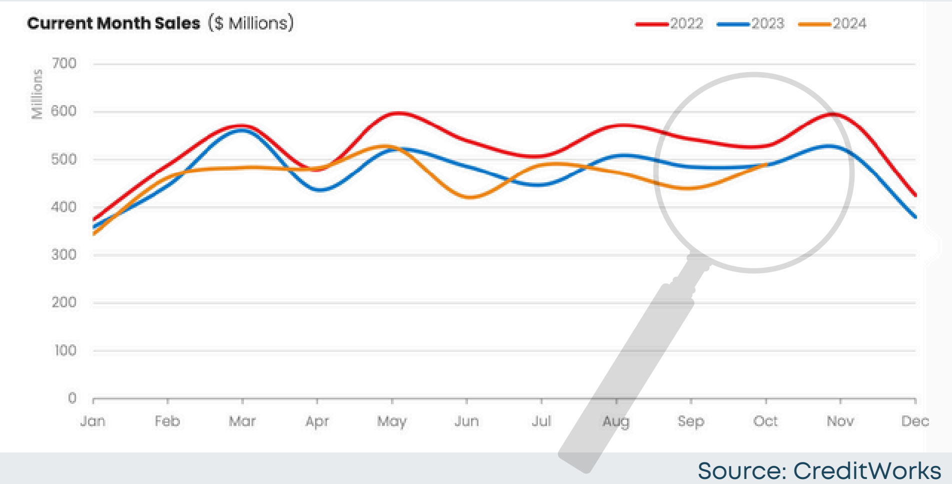
TODAY

Work currently under construction

Building Merchant Current Month Sales Period: Monthly to **Oct-24**



Month-on-Month

11.5%

Monthly sales increased by 11.5% from September 2024 to October 2024.

Year-on-Year

0.2%

Monthly sales for October 2024 were 0.2% higher than October 2023.

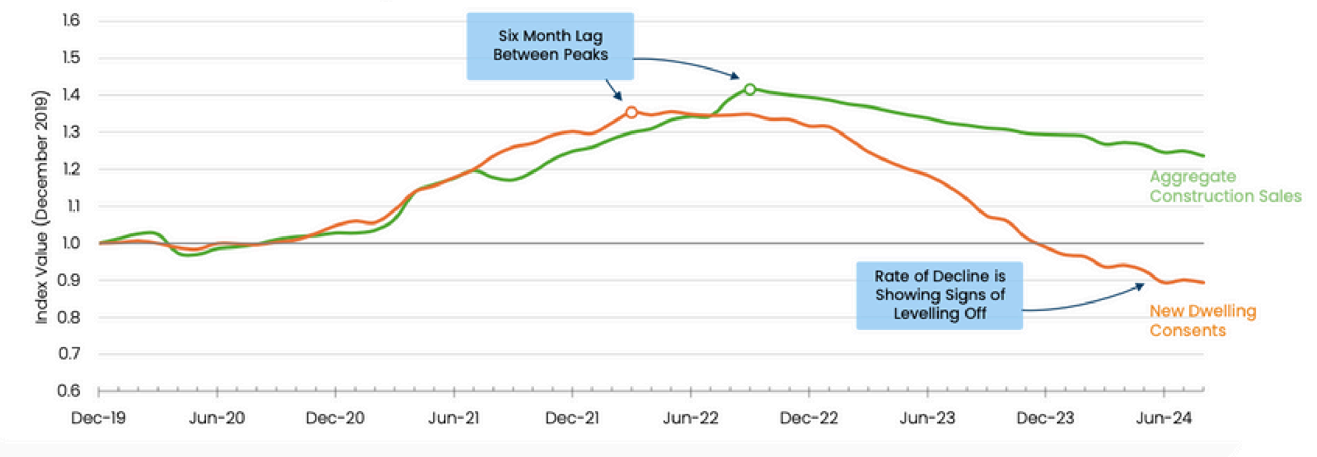
Source: CreditWorks

- Total sales for *Building Merchants* in Oct bounced back to match Oct-23 levels
- Evidence of the renovation market picking up, with the drop of new build work, is supported when looking at subcontractor spending
- Monthly sales for *Electrical Merchants* in October were actually higher than in both Oct-23 and Oct-22
- *Plumbing Merchants* sales in October also showed the same resilience matching the last couple of years
- NOTE: these Merchants Sales numbers however are not adjusted for inflation

Construction Rolling Annual Sales Value vs Rolling Annual Dwelling Consents

Indexed to December 2019, Inflation Adjusted (CPI Dec 2019 = 1000)

Source: CreditWorks | Stats NZ



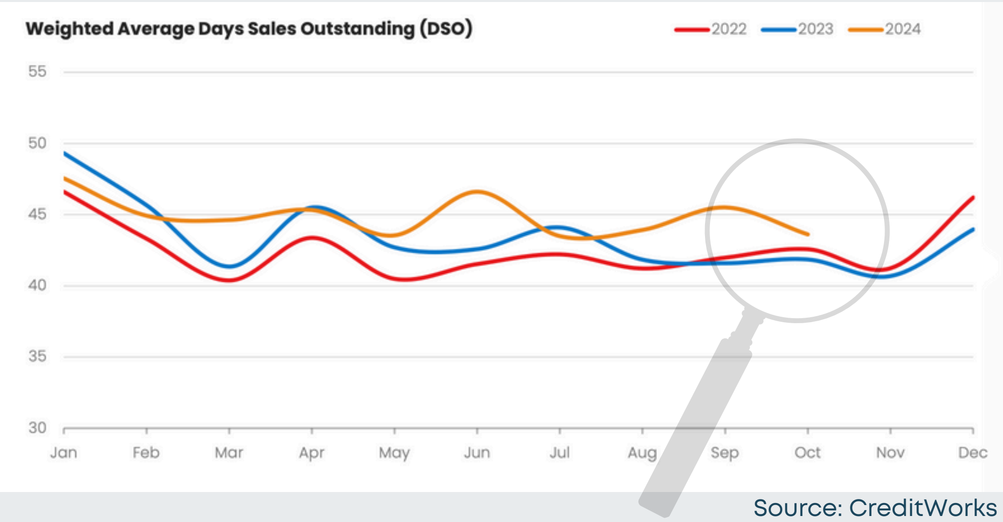
- In this report, we've extended the time-series for New Dwelling Consents vs. Construction Sales to capture the full post-pandemic cycle, as well as including a new long-term consents trend which shows that consents have returned to the long-term trend - reiterating that the recent slowdown was disproportionately impacted by the Post-COVID boom

TODAY

- August *Building Merchant* data **below** gives us a quick health check with the 'Days Sales Outstanding' suggesting that builders' cashflow is coming under increasing pressure, 4.2% up compared to 2023

Building Merchant Days Sales Outstanding Period: Monthly to **Oct-24**

How long it takes Building Merchants to collect their account receivables



Month-on-Month

4.2%

Weighted average DSO decreased by 4.2% from Sep-24 to Oct-24.

Year-on-Year

4.2%

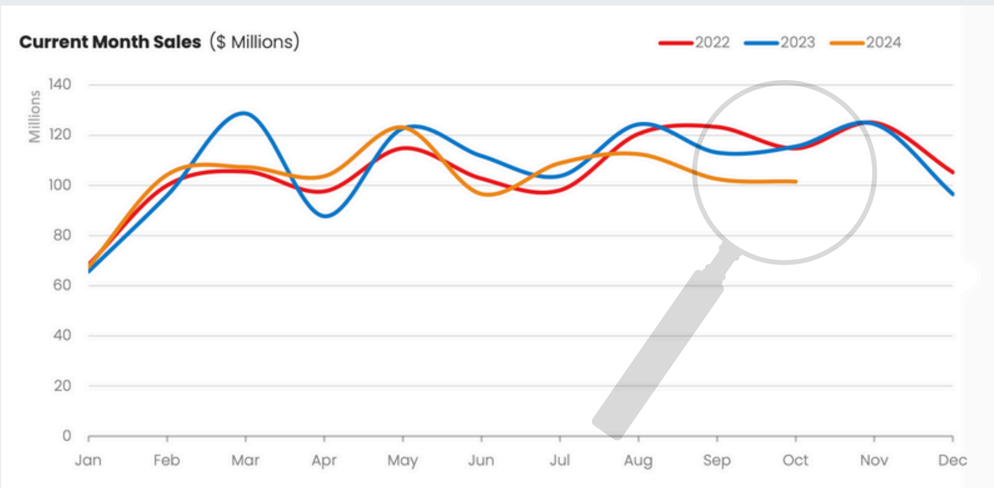
Weighted average DSO was 4.2% higher in Oct-24 vs Oct-23.

Source: CreditWorks

- The chart **below** plots Concrete Merchant Sales - seen as a good barometer of confirmed construction activity and whilst <u>not</u> adjusted for inflation, had been showing some resilience, but now off 12% Y0Y
- In comparison, Stats NZ's June 2024 quarter ready-mix concrete (RMC) volumes showed signs of stabilisation, being flat on the two prior quarters (seasonally adjusted). On a 12-mth rolling basis, RMC volumes are off -11%

Concrete Merchant Current Month Sales

Period: Monthly to **Oct-24**



Month-on-Month

1.0%

Monthly sales decreased by 1.0% from September 2024 to October 2024.

Year-on-Year

12.1%

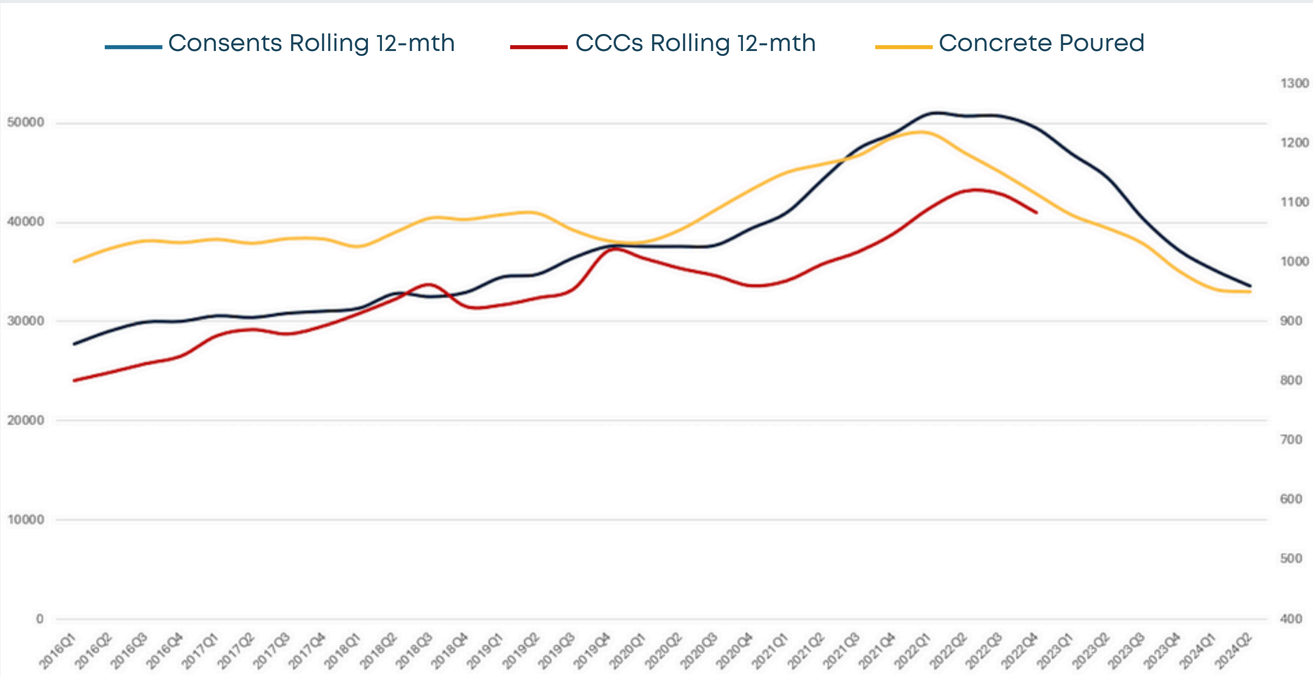
Monthly sales for October 2024 were 12.1% lower than October 2023.

Source: CreditWorks

TODAY

- Whilst building consents are a good indication of the intent to build, the volume of concrete poured can provide a measure of new construction activity with the issuance of Code Compliance Certificates (CCCs) showing the number of completed dwellings
- The chart below shows the rolling 12 months of dwelling consents, plotted against the date the consent was issued
- To help understand the relationships we have brought CCC data forward 18 months, based on 2022/23 median time to completion of 500 days

CCCs Issued (advanced 18 months) v Building Consent Approvals v Concrete Poured (RHS)
Period: Quarterly Mar-16 to Jun-24



Source: Stats NZ | BRANZ Estimates

- Stats NZ's series on the volume of ready-mix concrete produced includes commercial and infrastructure as well as residential, but historically it has tracked residential activity as well

What does this show us?

- Whilst completions hit an impressive 43,200 in 2023, we expected that might be around the peak, based on the leading indicators of consents issued and concrete poured, and we can now see the decline in BRANZ estimated completions series (see red line)
- Overall building consents continue to decline at a national level, although some areas, particularly Canterbury, are showing some resilience, but Auckland particularly continues to decline
- Apartments and multi-unit dwellings have been impacted the most with a lack of pre-sales and tough feasibility hurdles
- Whilst concrete poured has levelled out (pun intended) this may be due to large infrastructure or commercial projects which are also included in the concrete poured data

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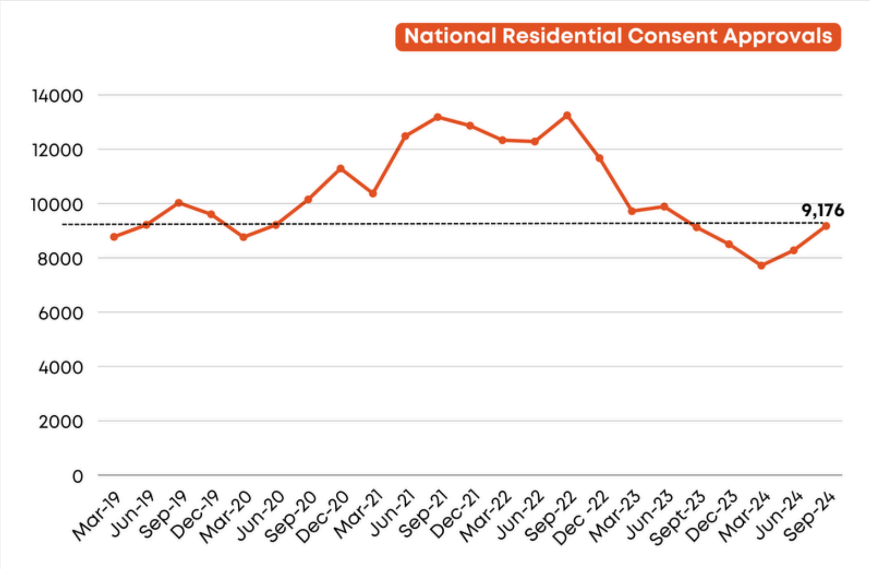
TOMORROW

Work consented, but not yet constructed

Quarterly Number of Current Residential Consent Approvals

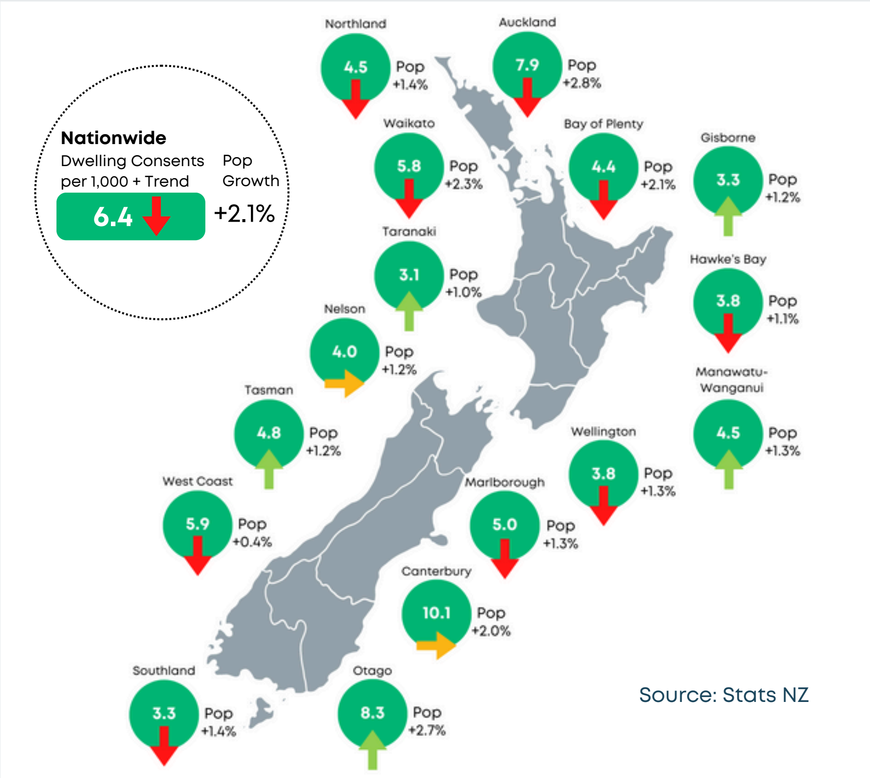
Period: March-19 to Sept-24



Source: Stats NZ

- Consent approvals are at **9,176** for the third quarter of 2024, on par now with the same period last year as we see some stabilisation
- For context, national approvals are now back to levels last seen in 2019
- The largest decline in consent approvals continues to be apartments and townhouses. However with total floor area consented down 28% YoY, consented standalone dwellings are now smaller in size

Dwelling Consents per 1,000 Population by Region with Trend Direction and Population Growth Period: Year to July-24



- Building consents per 1,000 residents continues to decline across most of the country with the national figure falling to **6.4 consents per 1,000**
- This is a significant fall compared to the year to April 2022, where consenting hit 9.9 per 1,000 nationwide
- Most regions have seen consenting fall per pop, although there are a few regions that buck the trend
- Most noticeably Queenstown where consents per 1,000 have risen from 7.6% to 8.3% with a single project having a large impact of late
- The Canterbury region continues to have the most resolute construction sector with a solid 10.1 consents per 1,000, unchanged from last quarter, the highest volume in the country

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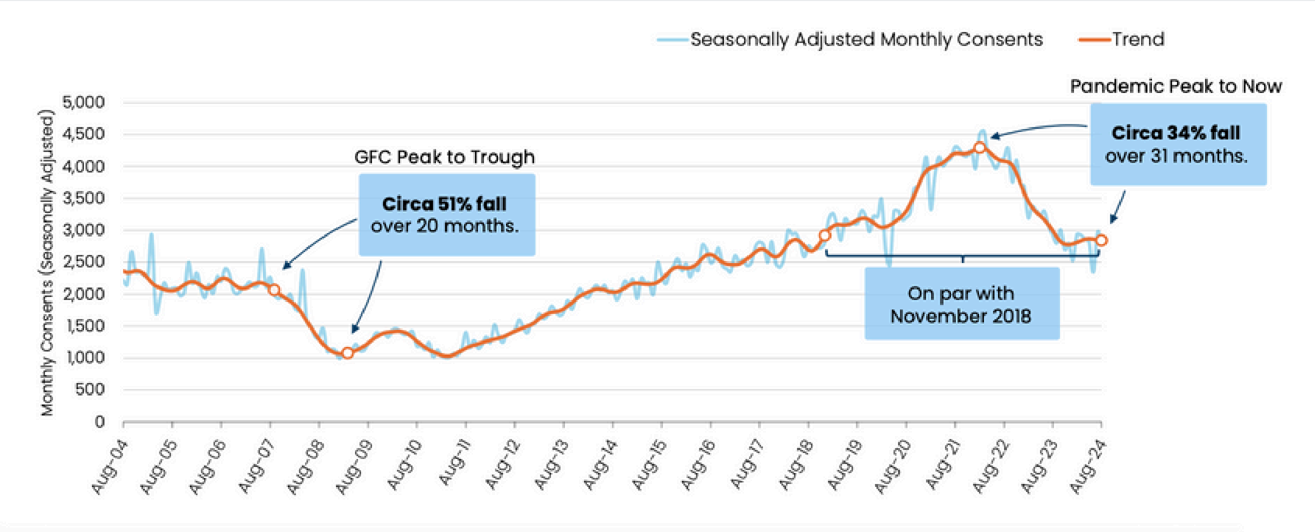
TOMORROW

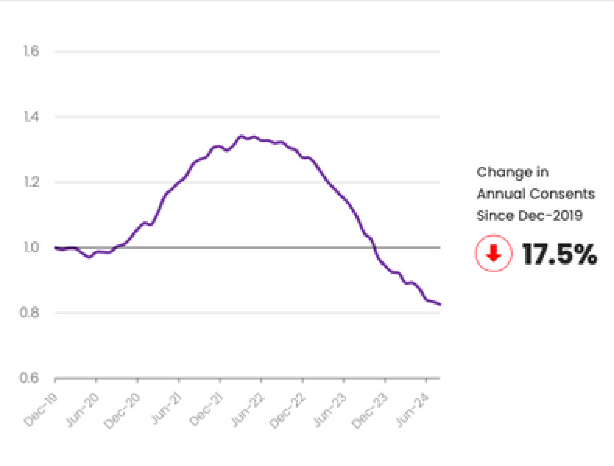
New Dwelling Consents - Monthly, Seasonally Adjusted Trend
Period: Aug-2004 to Aug-2024



Source: CreditWorks | Stats NZ

- The general consensus is that the current downturn is cyclical in nature and not a structural correction
- To help assess where we are currently in the cycle, CreditWorks has developed a summary of the recent building consent activity compared to the previous downturn during the GFC
- 31 months after consents peaked, evidence is mounting that we are reaching the trough, taking us to consent volumes similar to what we experienced in 2018

North Island - Rolling Annual Consents
Index: Dec 2019



Source: CreditWorks | Stats NZ

South Island - Rolling Annual Consents
Index: Dec 2019

Source: CreditWorks | Stats NZ

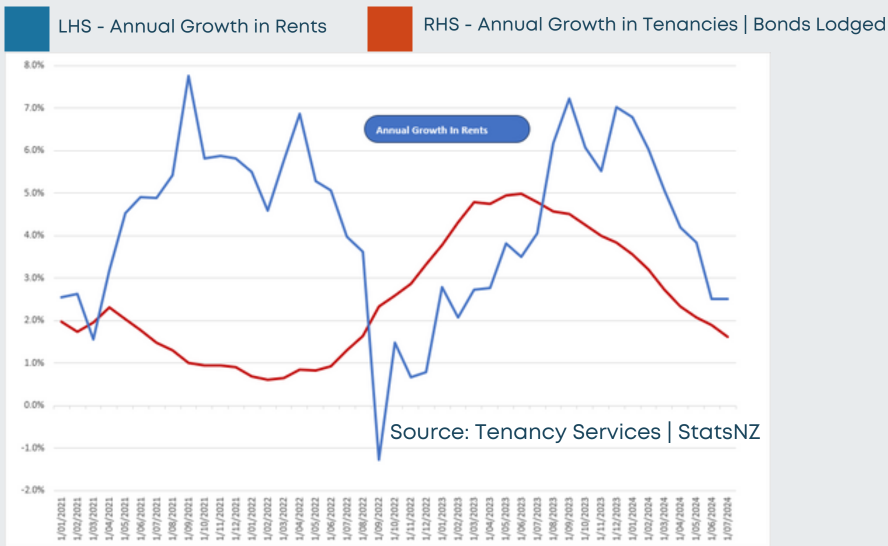
- 6,579 fewer dwellings were consented in the North Island over the previous year, led by a 32.5% drop in townhouses and apartments. Total North Island residential consents dropped 24.5% YoY.
- In total, South Island consents only decreased by 8.4% YoY, and currently represents 30% of national consent approvals and over 37% of consents for stand-alone houses.
- For the first time Otago has had more residential consents than Wellington over the last 12 months

TOMORROW

Rental Bonds Trends

Period: Jan-21 to Jul-24

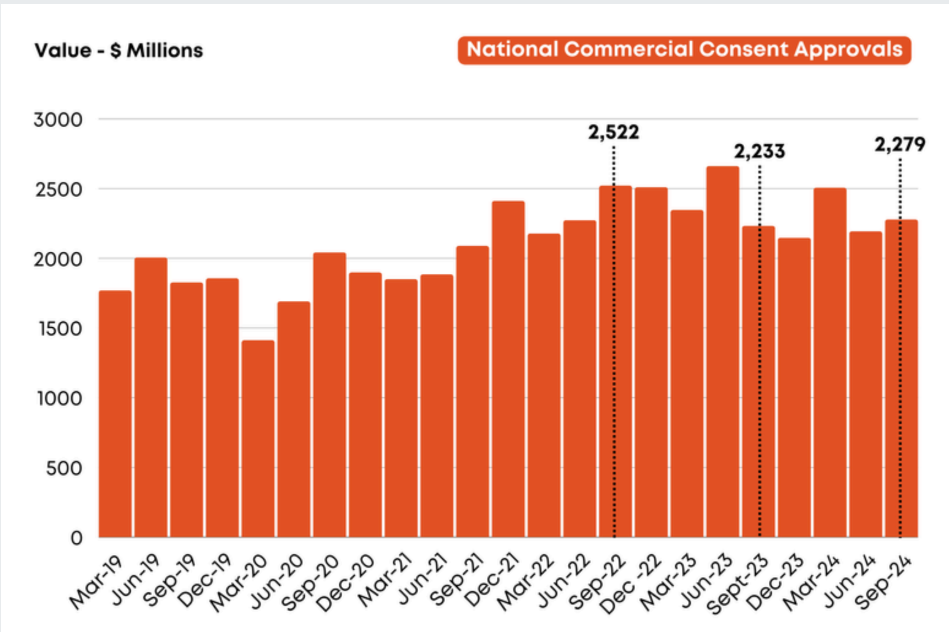
- The growth rate in the number of tenancies (as measured by bonds lodged) continues to ease, now down to 1.6% more than the same time last year
- At the same time rental price inflation has also eased significantly from 7% at the start of 2024 down to 2.5% in July
- Rent growth is a key driver of overall inflation (CPI), so this is good for overall inflation



- Rental price easing is likely a result of a combination of a reduction in the rate of net migration, a continued strong completion rate of new dwellings adding to the overall housing stock, plus a reduction in the rate of wage growth

Quarterly Value of Current Commercial Consent Approvals

Period: March-19 to Sept-24



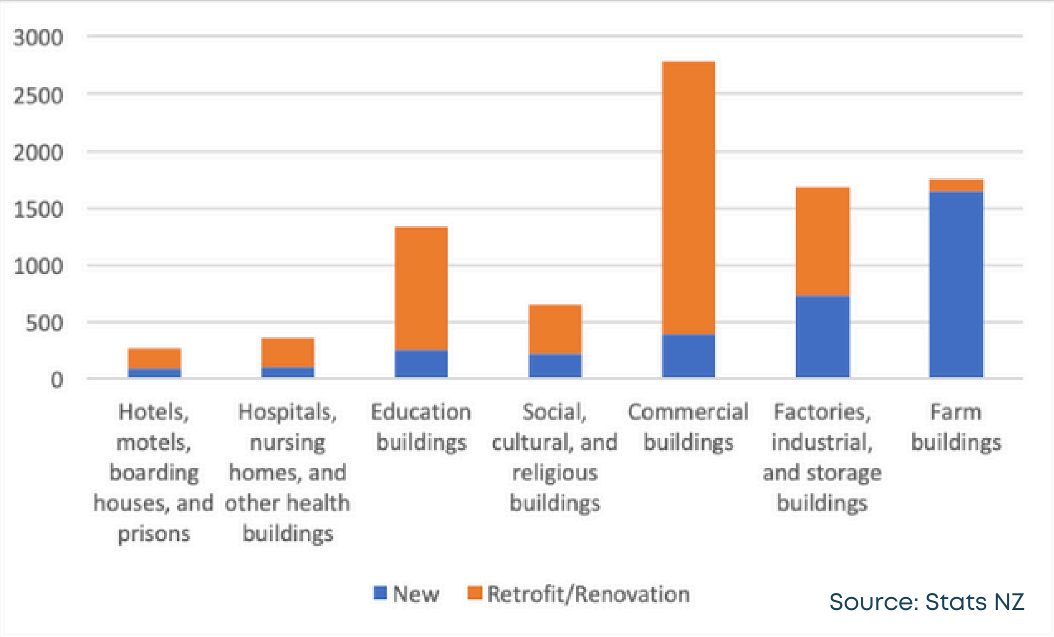
Source: Stats NZ

- After a series of weaker quarters, the Sept quarter lift was led by office, health and industrial projects
- And recent non-residential consents show strong activity in offices, administration and public transport buildings
- Annually commercial consents are stable at ~$9.1bn, although note that this series is influenced by price changes - construction CPI at 3% in the year ended June 2024

- A noticeable recent change is the decline in consent for new school buildings, and a number of school projects have been paused as the Ministry works through its restructuring programme under the new government

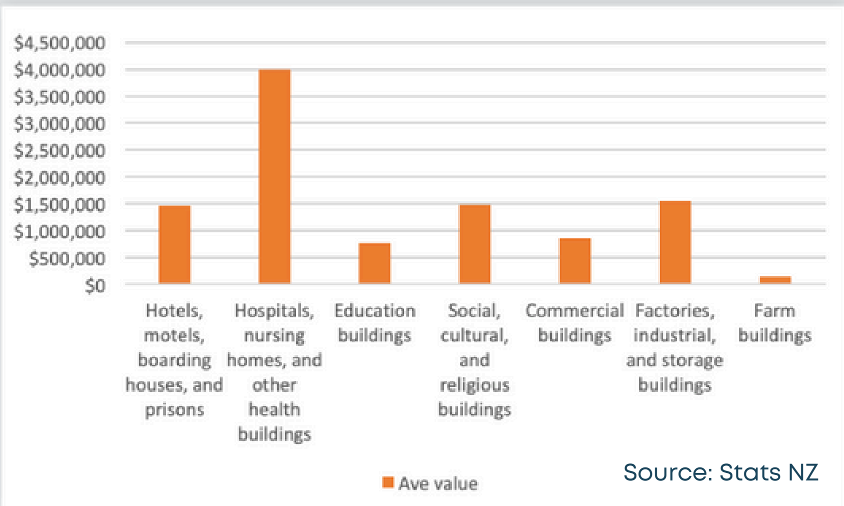
TOMORROW

Number of New Commercial Consent Approvals Year-ending Q2 | 2024
By Type and New vs Refit/Renovation



- Commercial buildings (office & retail) were the primary building type over the past 12 months with almost 2,800 total building consents
- The vast majority of these were alteration/addition consents (86%) and typically represent fit-outs
- Farm buildings were the next most consented building type, but have a significantly different profile, typically low-cost new builds
- Renovations to existing school buildings dominate education consents, which should continue with the government setting aside $1.48bn, including the upgrading of existing stock

Value of Commercial Approvals Year-ending Q2 | 2024
By Type and Average Value



- There were a relatively small number of health building consents, but they were of a high average value
- The average value of a health building consent over the last 12 months was almost $4m, down from $4.3m in the previous Pulse report
- Accommodation buildings, social/cultural/religions buildings, and factories/ industrial/storage buildings all had an average value of over $1m

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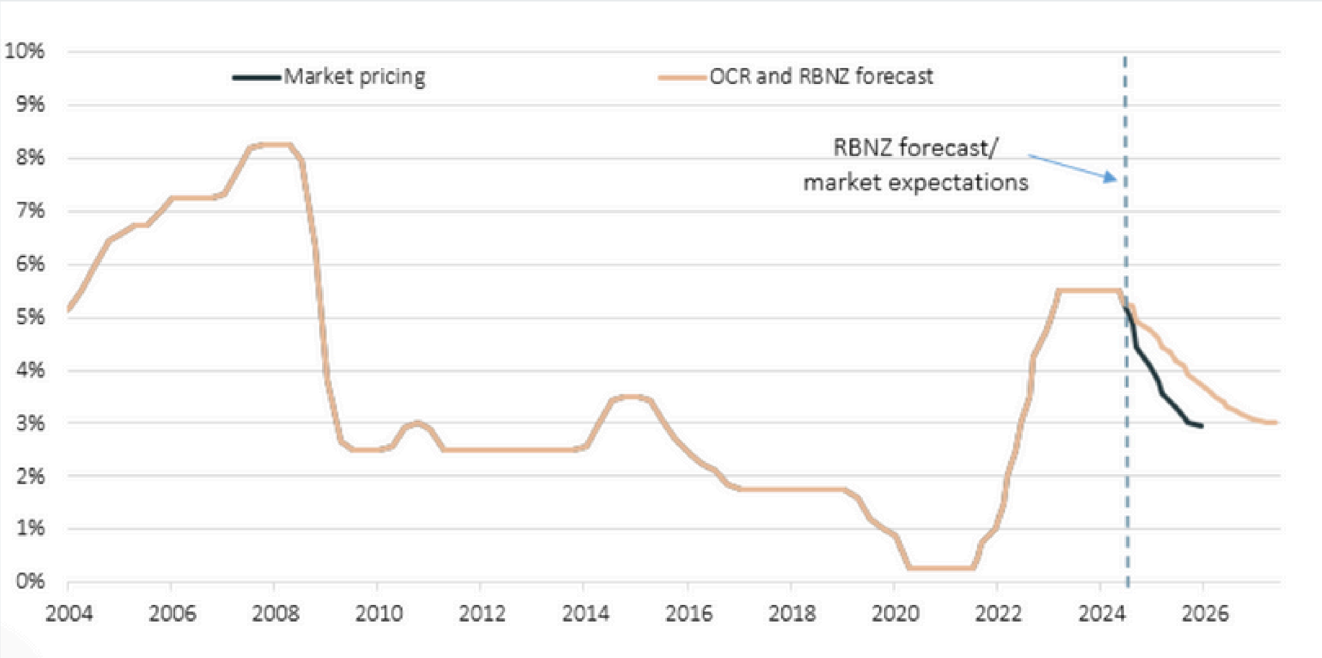
FUTURE

Neither consented or constructed yet

- The RBNZ pivoted in July with an acknowledgement that inflation pressures were falling and followed this up with a -25bps cut in the OCR to 5.25% in August, and a further **2 cuts to land at 4.25% in Nov**
- The RBNZ's updated projections show the OCR falling to ~ 3% by mid-2027
- Other central banks, such as the US Federal Reserve and the Bank of England, have also begun to lower cash rates
- The interest rate market has moved ahead of the RBNZ and is pricing in a faster decline in the OCR than the RBNZ is forecasting. **The market is pricing in a ~ 3% OCR by early 2026**
- **Inflation eased to 2.2%** for the Sept quarter, down from the prior quarter's 3.3% and in the RBNZ's target band of 1 to 3%
- The RBNZ's survey of inflation expectations predicts inflation to fall to ~ 2% in two-years

Reserve Bank of New Zealand - Offical Cash Rate Actual, RBNZ Forecast and Market Pricing
Period: 2013 to Sept 2027



Source: RBNZ | MPS = Monetary Policy Statement

- The **unemployment rate** rose from 4.6% in June to **4.8% in Sept**. This was in line with RBNZ's estimate.
- Underutilisation (a broader measure of spare capacity in New Zealand's labour market) was 11.8% in June, up from 11.2% in March
- Hours worked also declined, further pointing toward continued weakness in employment
- Lower jobs vacancy data and job ad levels also highlight a deterioration in hiring ahead
- Overall wages across all sectors increased 3.8% year-on-year in the Sept quarter as measured by the labour cost index. Public sector wage growth was 5.1% year-on-year in Sept while private sector wages grew at 3.2%

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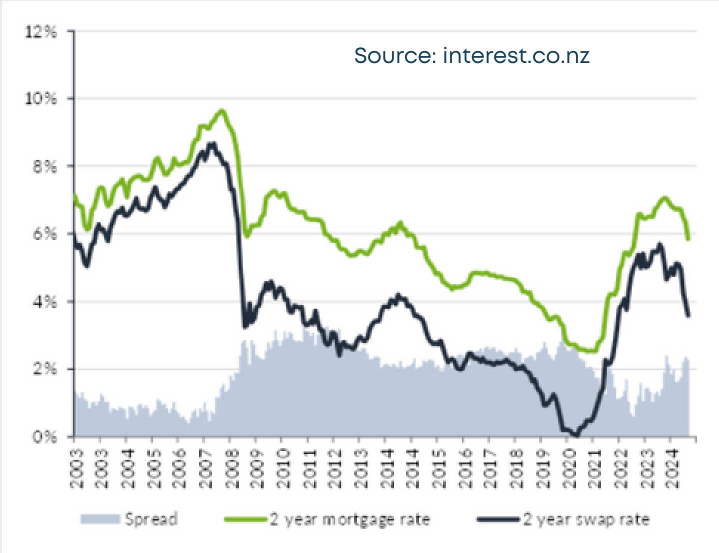
FUTURE

Interest rates

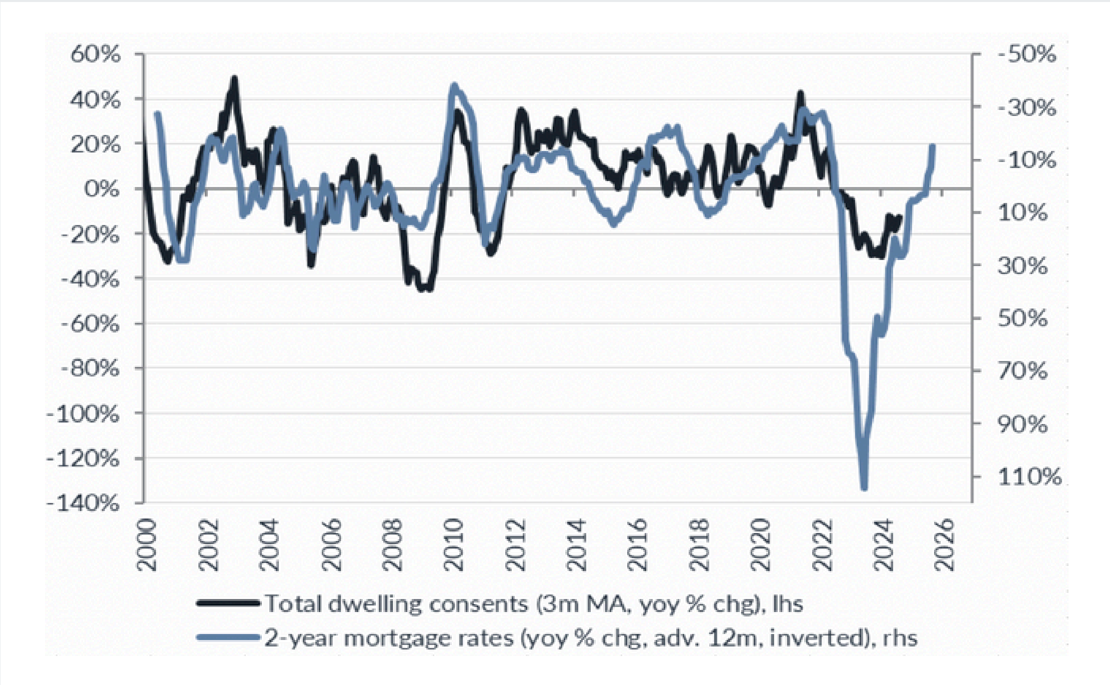
- Home loan rates have declined significantly over the last three months as bank funding costs (swap rates) reacted to lower inflation and the RBNZs OCR cuts
- These reductions so far have been most pronounced for mortgage terms of 2+yrs
- Interest rate markets are pricing the key 2-year swap rate to be ~ 3.1% in 1 year's time – suggesting two year mortgage rates could be around 5% by late 2025
- Shorter term mortgage rates will also decline as the OCR is reduced over the next 12-24 months

Mortgage Rates - 2003 to 2024: 2yr Swap & Fixed Rates

'Swap Rate' is the rate NZ banks borrow at to lend at a fixed rate to the public



Residential Building Consents vs Mortgage Rates - 2000 to 2024



- Interest rates are a key short term driver of housing demand, and historically the change in the level of building consents has had a solid (inverse) correlation to the change in mortgage rates
- We note that the volatility in interest rates this cycle has been high and building consents did not fall as far as expected during the recent spike, and the fall in mortgage rates of late suggest dwelling consents could start to rise by mid-2025
- Unemployment and migration are expected to slow, which may temper the pace of any pick-up

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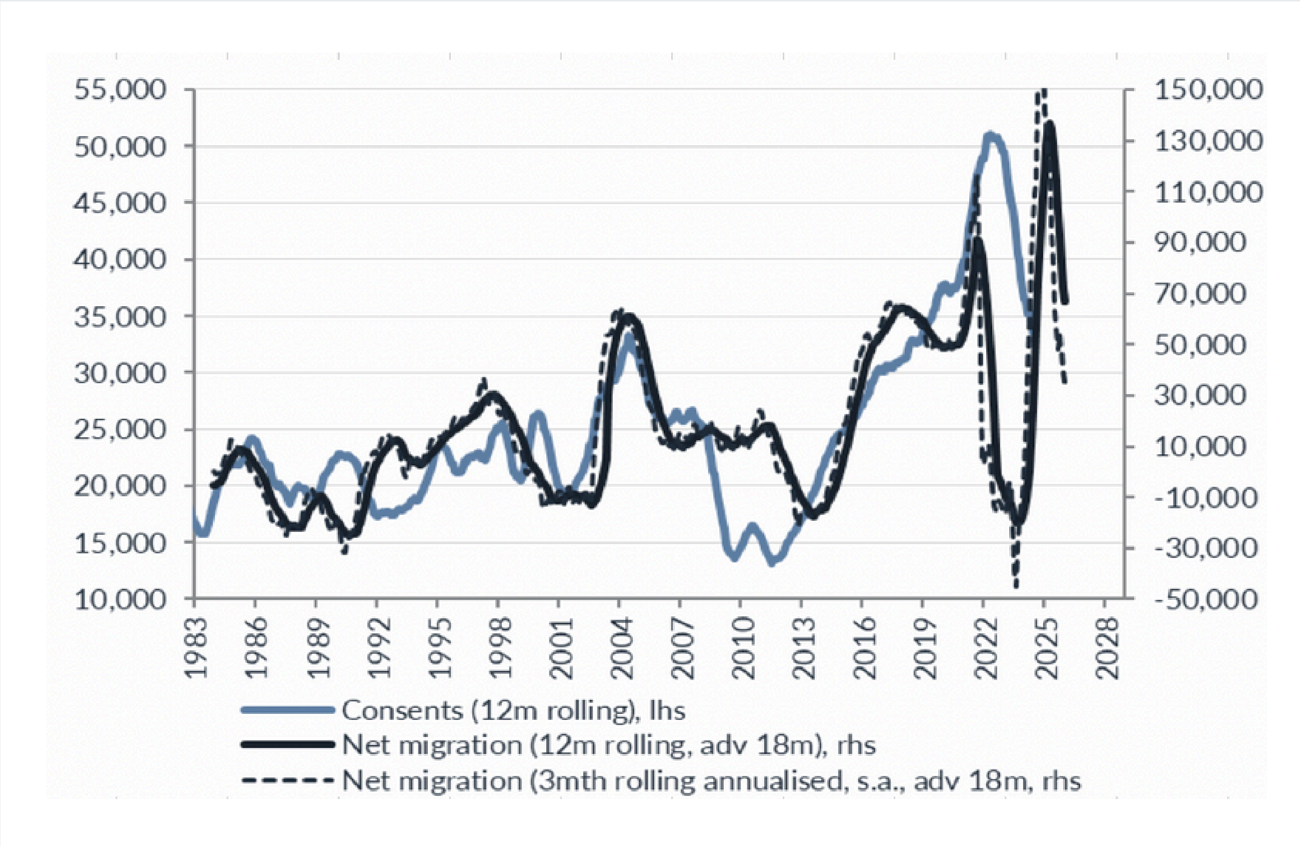
FUTURE

Migration

Residential Building Consents v Net Migration - 1983 to 2028



Source: Stats NZ

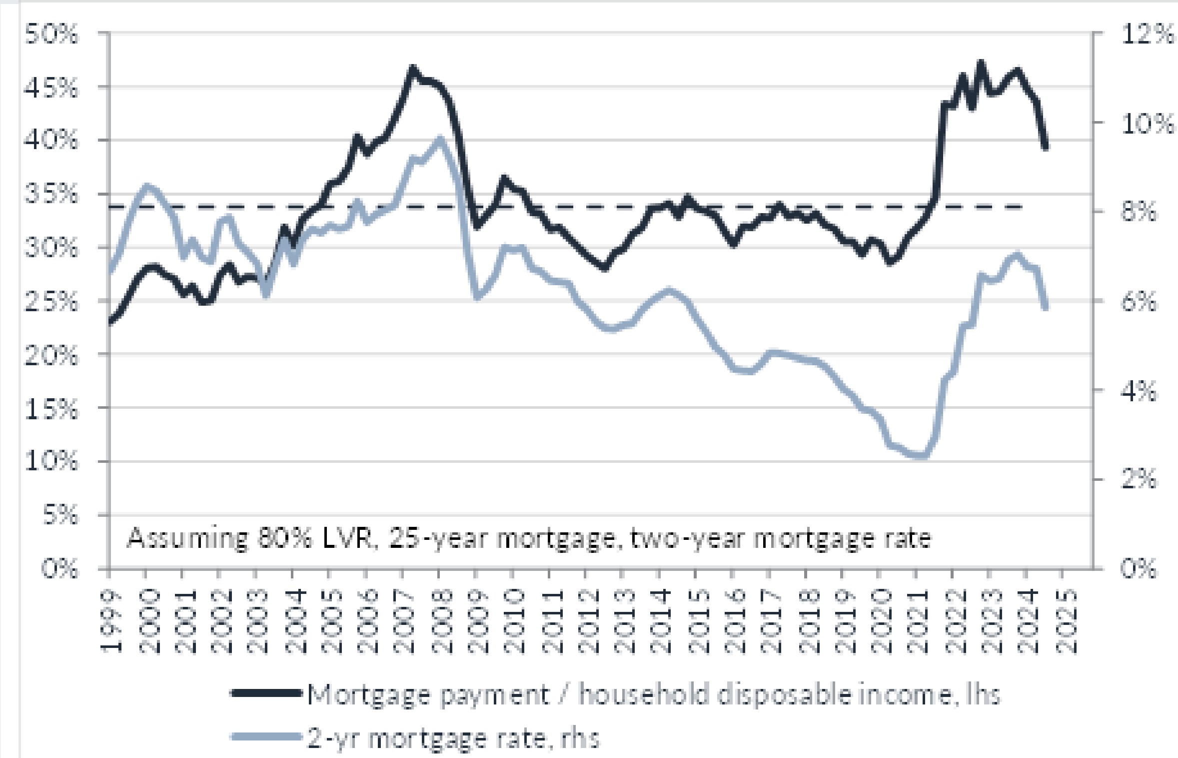
- Migration has clearly rolled over its peak with the three months to July annualising to +35,000 vs. the last 12-months total of +67,000 and the 2023 peak of ~ +130,000
- Migration is typically a medium-term driver of housing demand and the RBNZ estimates a 2-year lag between migration and housing construction
- This is broadly consistent with the 18-month lag between migration and residential consents shown in the chart
- Current migration levels and natural population growth suggests around 30,000 dwellings are required based on historical relationships which is broadly in line with current consenting levels
- Forecasting where migration will stabilise at is difficult, Westpac bank for example believe net migration could be zero in the 2025 calendar year with net outflows in the first half of the year

FUTURE

—— Affordability

- Affordability is a key constraint on better housing demand and the following chart highlights the share of income required by the average household to service a mortgage on the average house
- The long run average is for mortgage payments (principal and interest) on the average home to be around 33% of an average household's after-tax income

Mortgage Rates vs Mortgage Serviceability - 1999 to 2024 Source: Stats NZ



- Post the GFC, and prior to the pandemic, lower and lower mortgage rates offset higher and higher house prices meaning the share of income required to service a mortgage had been broadly stable
- With recent interest rate reductions affordability is improving but mortgage payments are still elevated vs. incomes. Our calculations suggest mortgage payments on an average home take up around 39% of income, down 4% from the June quarter
- Scenarios that could return affordability to the long run average include:

  a. **Mortgage rates would need to reduce** ~1.5% to the low 4's, which would be a similar level to where they were in late 2018
  b. **House prices would need to fall** a further 15%, which would be more than a 25% decline from their peak
  c. **Household incomes would need to lift** ~20%, which feels unlikely given to slowing economic backdrop

- In our view, it's likely to be a combination of all 3, with interest rates doing the most work

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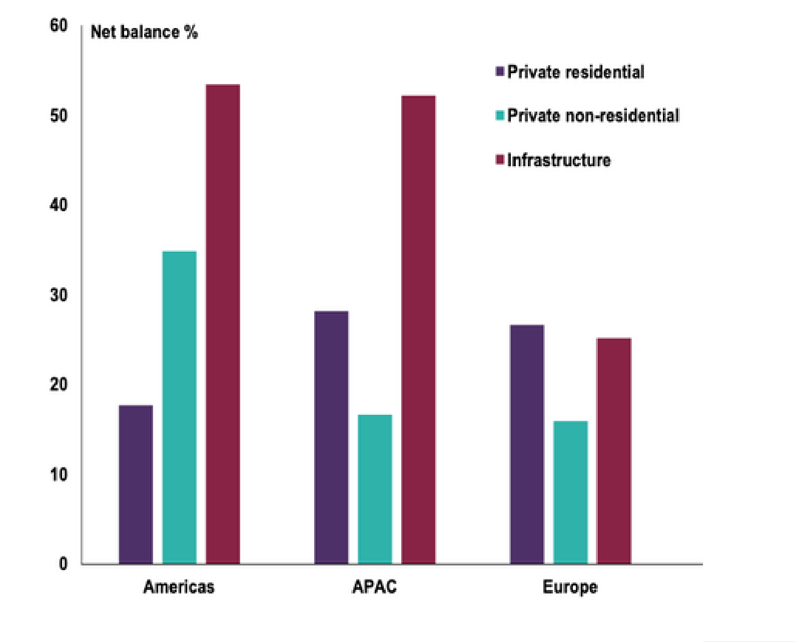
FUTURE

Royal Institute of Quantity Surveyors (RICS) Global Construction Monitor | Q2 2024

- Global construction workloads continue to rise modestly as 2024 unfolds
- Growth in infrastructure workloads continues to outperform all other sectors
- Material costs, financial constraints and skills shortages remain significant impediments in most localities

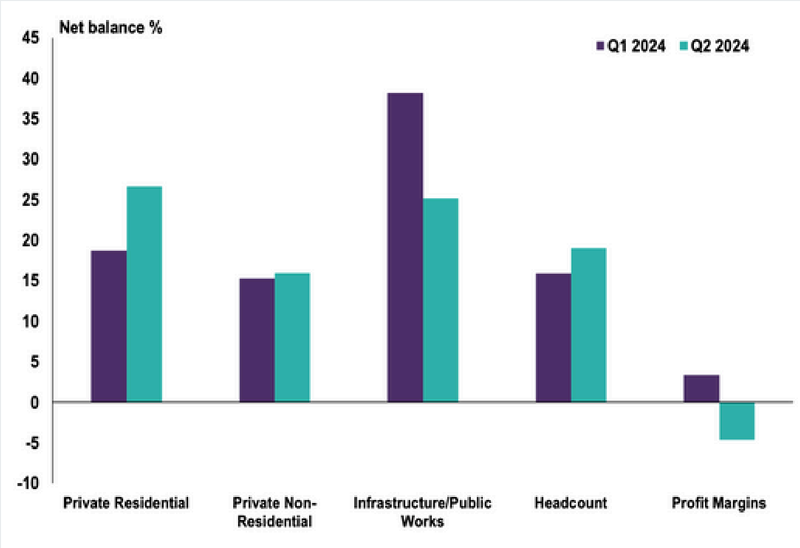
Global: 12-Month Workload Expectations by Region



Source: RICS - GCM Q2 | 2024

- **European Optimism**: Q2 2024 survey data reveals a positive outlook for European construction workload expectations, with the Private Residential sector upbeat
- **Infrastructure Growth**: across the Americas and APAC, the Infrastructure sector is projected to experience the most significant growth in the next 12 months
- **APAC Caution**: China, Hong Kong, New Zealand, and Singapore express a pessimistic view regarding the prospects for private non-residential projects in the coming year

Europe: 12-Month Expectations by Sector, Headcount & Profit



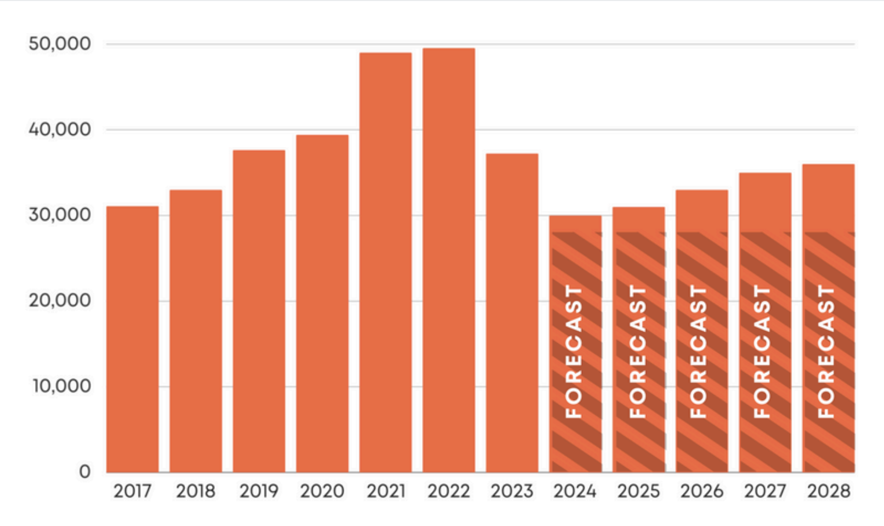
Source: RICS - GCM Q2 | 2024

- 12 months forward expectations for Europe sees the private housing category return its strongest reading since early 2022
- Germany and the Netherlands who have been particularly downbeat for several quarters, are now expecting a solid uplift in Private Residential for the year ahead
- Turning to profit margins - after posting positive expectation last quarter for the first time since 2021, profit margin returns to a negative impacted by continued material costs and financial constraints

FUTURE

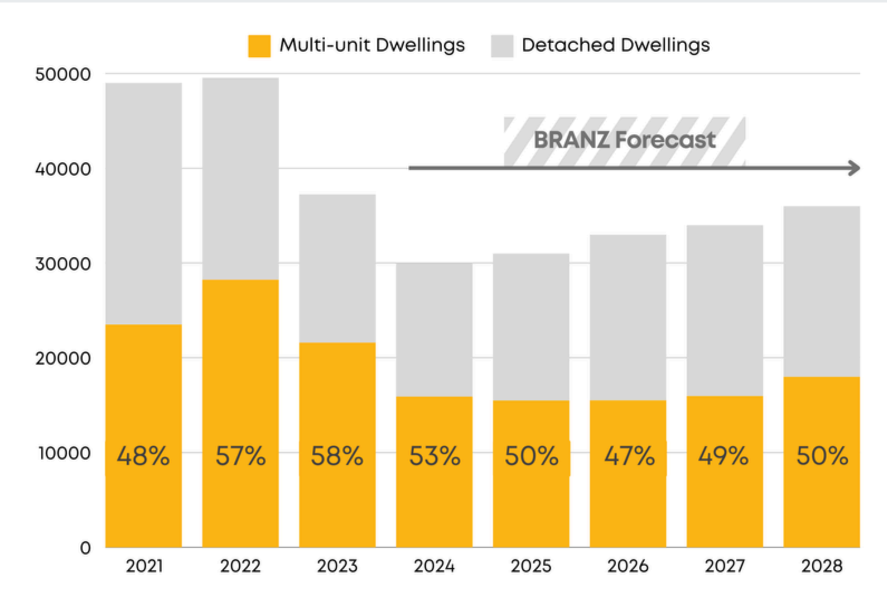
- BRANZ forecast new residential building consents to total 30,000 for the calendar year. This suggests a weak tail for the last quarter followed by a slow and steady recovery
- The October Residential Development Underwrite (RDU) announcement provides some upsides to the BRANZ forecast. Initial industry estimates suggest this will speed up 1,500 new dwellings (~ 50 projects) into the market in preparation for a growth in demand for new residential housing in late 2025

Residential Dwelling Consent Actuals and Forecasts
Period: 2017 to 2028



Source: BRANZ

Residential Dwelling Consent Actuals and Forecasts
Multi-unit Dwellings vs Standalone Houses Period: 2021 to 2028

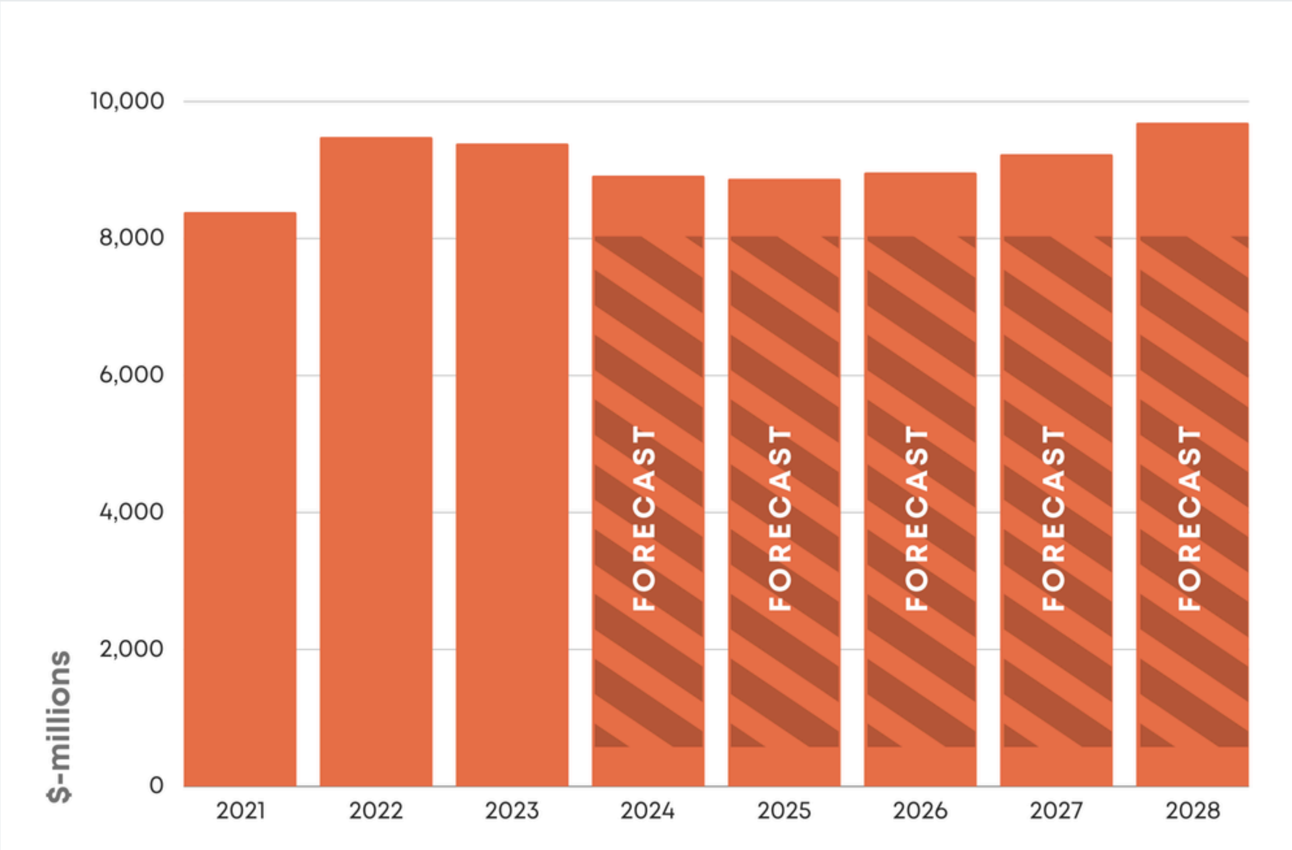


Source: BRANZ

- The timing and sentiment is encouraging and indicates that Government is backing house prices responding and demand increasing
- We expect the impact of the RDU to be felt predominantly in the multi-unit market
- We understand the intention of this time limited initiative is to retain some capacity that might otherwise be lost, and mitigate short-term skill loss to Australia impacting industry readiness next year
- Government has also announced 149 projects to be included in its Fast-Track Approvals Bill
- The bill aims to "cut through the red and green tape that has made it more and more difficult to build the projects New Zealand needs"
- The 44 listed housing developments will enable up to 55,000 new homes to be consented in major centres and across the regions
- The biggest overall beneficiaries are likely to be the building product suppliers, although the timing of each of the developments has not been provided

FUTURE

BRANZ Annual Commercial Consents Value - Actuals and Forecasts - *not adjusted for inflation*
Period: 2021 to 2028



Source: BRANZ

- We expect non-residential activity to remain relatively strong against the headwinds facing the residential sector
- Our forecast is for relatively modest falls in the value of consented non-residential work of about 0.5-1% per annum for the next couple of years
- There is a strong pipeline of privately initiated projects in the non-residential sector which will support activity
- Almost 50% of the projects that are anticipated to start this year are office and retail projects
- Government projects, in particular in health and education, have represented ~33% of total consent approvals until recently, so spending announcements from government will be watched carefully

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Feedback

We trust that this report has provided some valuable insights. We will develop this resource over time, and warmly accept any feedback on the usefulness of information and opportunities to include other key drivers impacting our industry.

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