



Pacifecon
Building intelligence

New Zealand Building Sectors Pipeline & Starting projects

July - September 2016

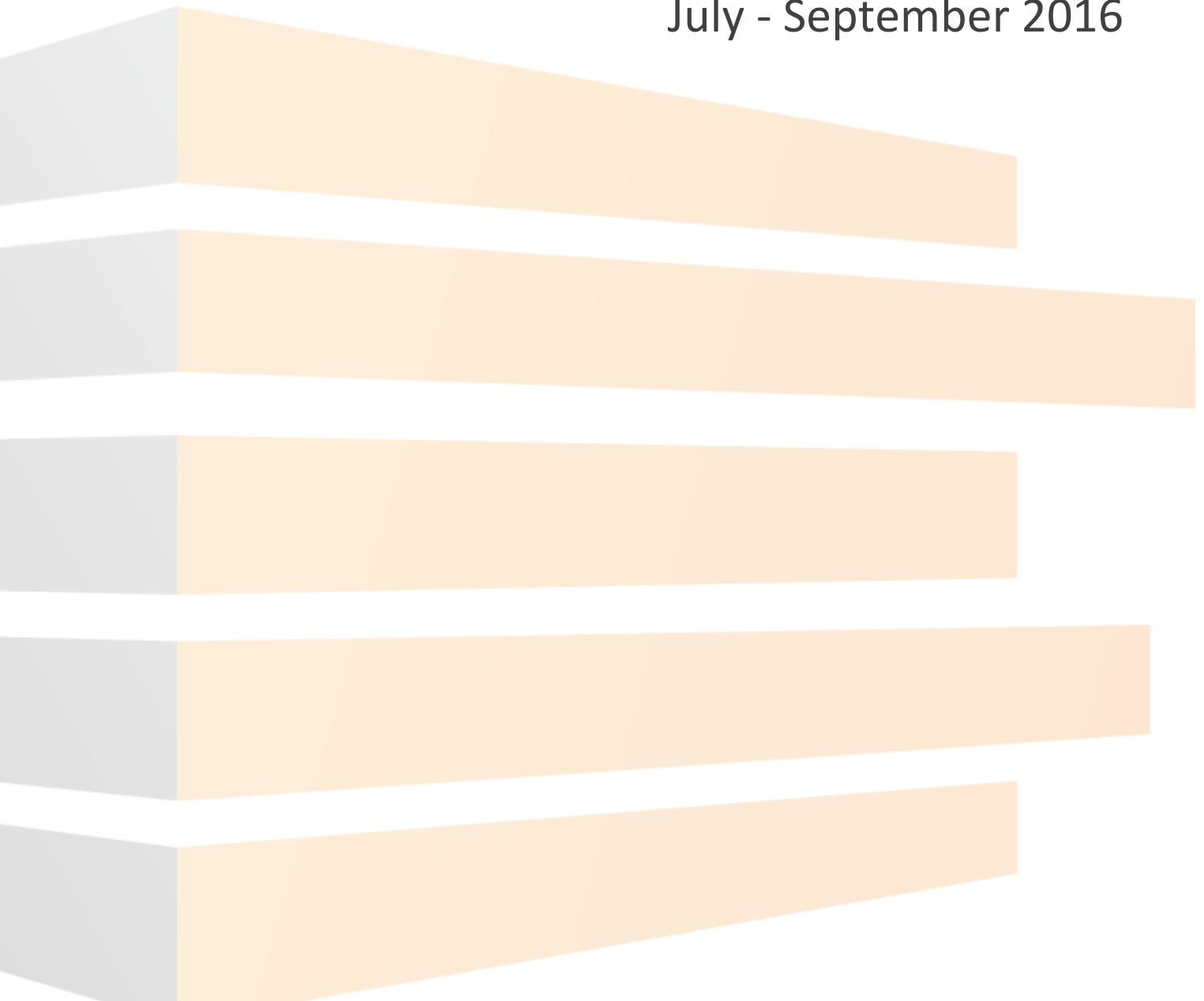


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» Introduction

This building sector report looks at:

- The pipeline (work at stages: Early Planning, In Planning & Tendering) &
- Work starting for the different types of New Zealand Buildings.

Graphed history for both pipeline & work starting for each type of building & gives a percentage comparison of the current quarter with the same quarter for the previous year for both the quarter & the year to date (YTD).

The summaries for each sector, where given, have been moved to the relevant sector for this edition.

This time we have graphed NEW building consents history from Statistics NZ to add to the picture.

Based on Pacifecon's extensive research we aim to inform as to the current state & recent history of each of the types of residential & non-residential building.

Any civil & non-building construction is excluded, as is any work Offshore.

Pacifecon uses the same definition of Residential Buildings & Non-residential Buildings as Statistics New Zealand.

Since 1982 Pacifecon has used a solely New Zealand team to liaise with key decision makers in the construction industry to compile thorough, timely & accurate information on building projects from the earliest planning stages.

Due to industry demand we started producing building & construction intelligence reports in 2012.

These include:

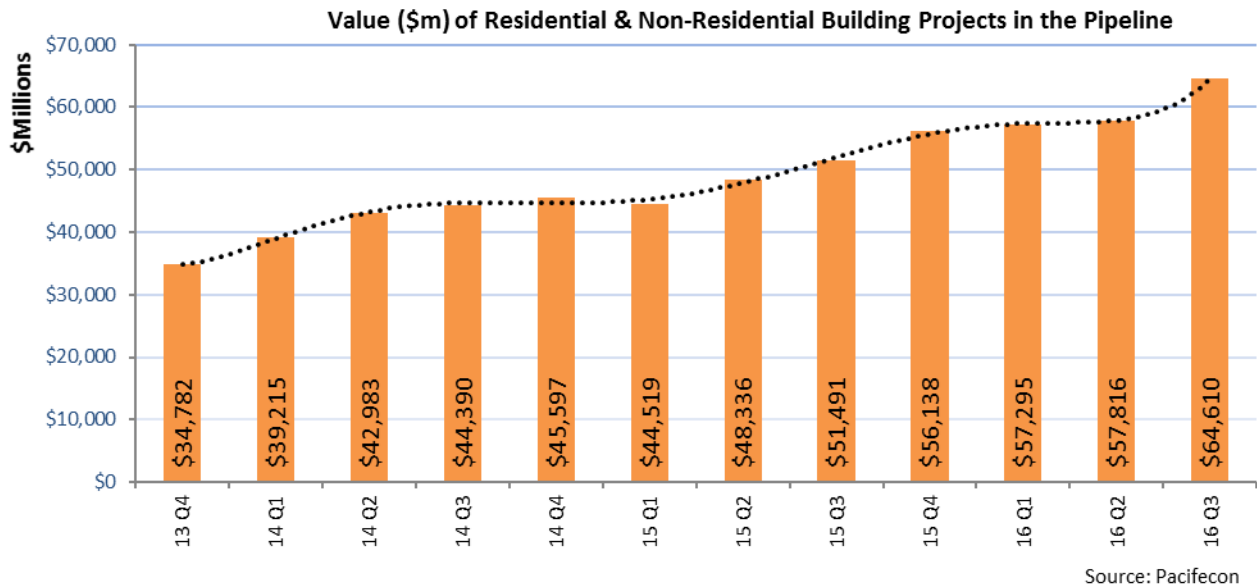
- **Market Watch** – a monthly report focussed on: new information, progression of existing projects, construction starting & cancellations. This data is presented by number of projects & value for both sectors (includes civil & non-building construction) & regions (includes Offshore work across the Pacific).
- **Market Watch - Auckland** – a monthly report focussed specifically on the busy Auckland market, this Market Watch style report also separates the RESIDENTIAL sector into single homes & multi-residential.
- **Top NZ Residential Builders** – a six monthly report based on all building companies involved in residential projects. Builders with the highest:
 - TOTAL VALUE of residential projects
 - TOTAL NUMBER of residential projects
 - AVERAGE \$ VALUE of residential projects
 - Residential Builders Directory.

Pacifecon has provided data to the **National Construction Pipeline** report since 2013. *The 2016 report was released in July.*

Please see **Notes regarding the data** for further information & definitions.

» Building in New Zealand

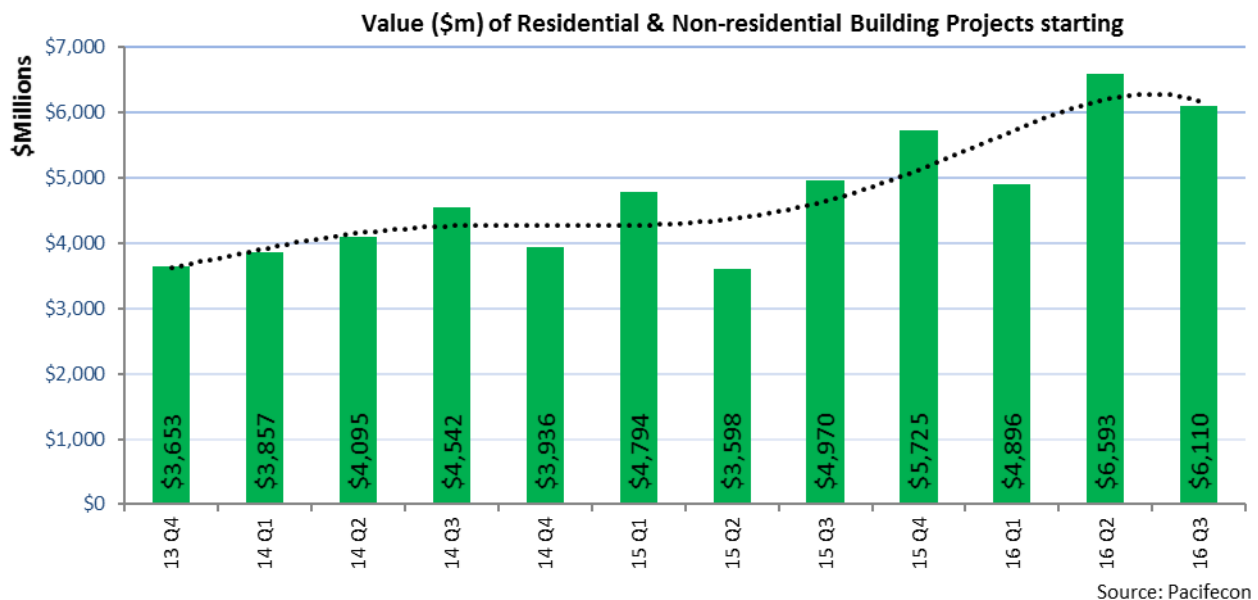
The pipeline of work increased by 12% from 2016 Q2 to Q3. More new work was reported to the pipeline in Q3 & less work started. The 2-year increases of 46% of YTD value into the pipeline & 44% of YTD value work starting are consistent with each other. With 1-year increase of YTD starting of 35% the industry can be seen to be ramping up, despite concerns, particularly by central government, banks & economists, about skill shortages.



2016 Q3 compared to 2015 Q3 +25%

2016 Q3 YTD compared to 2015 Q3 YTD +24%

2016 Q3 YTD compared to 2014 Q3 YTD +46%.



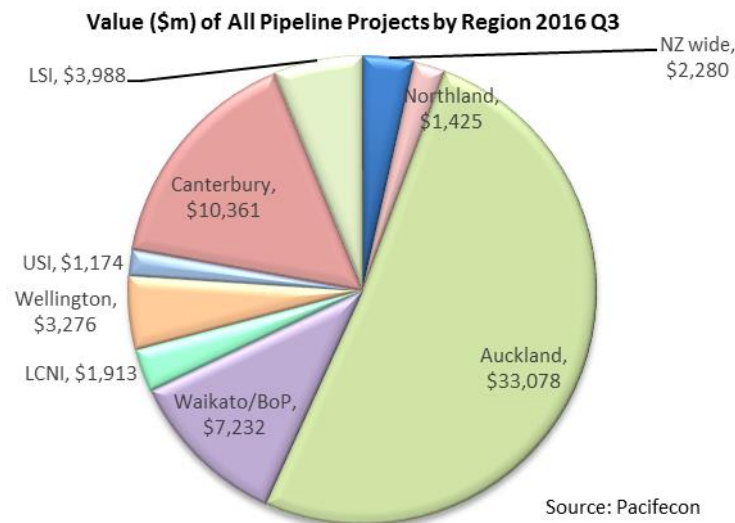
2016 Q3 compared to 2015 Q3 +23%

2016 Q3 YTD compared to 2015 Q3 YTD +35%

2016 Q3 YTD compared to 2014 Q3 YTD +44%.

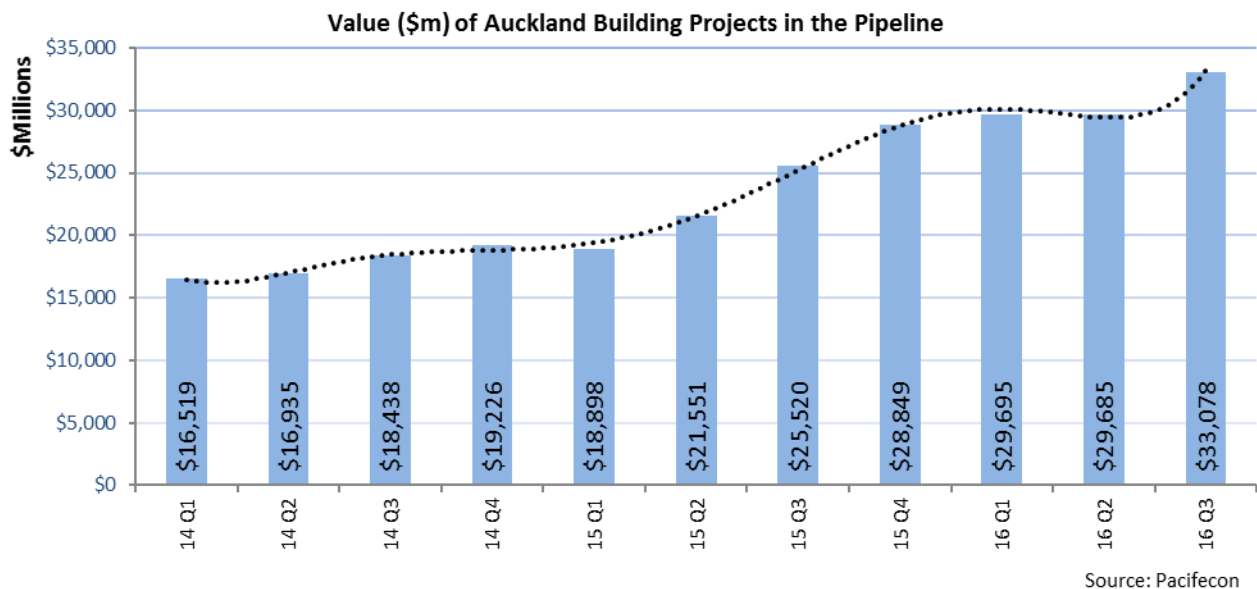
» The Regions

Pacifecon has reported \$65b of planned building work across the country. The chart below shows the regional breakdown at the end of September 16.



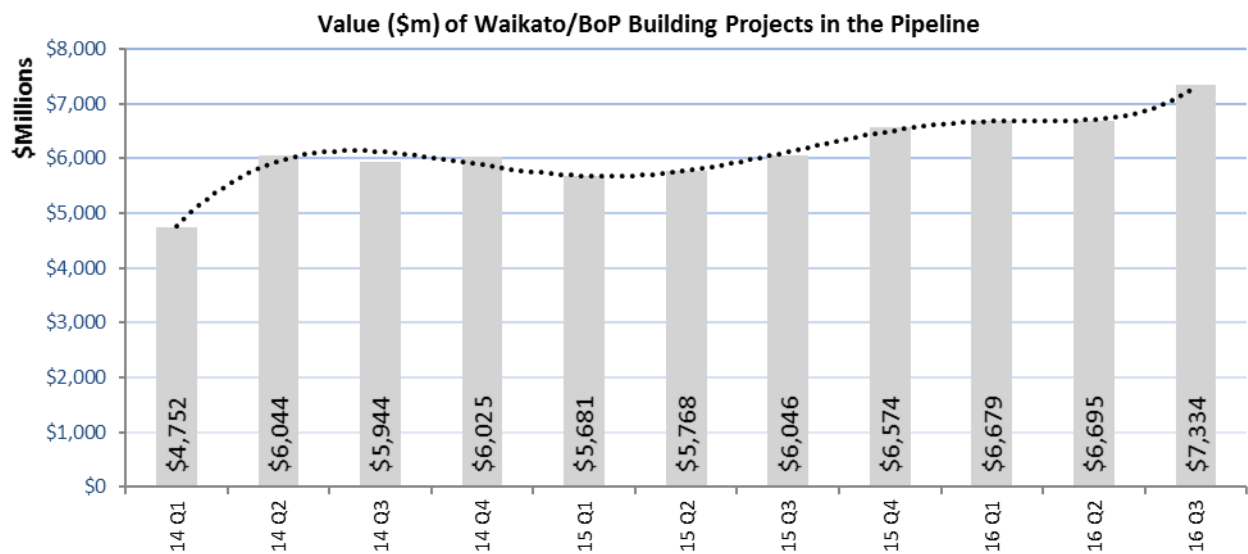
Auckland: Rising to 51% of all building work planned, Auckland is a building site. Talking with construction experts the prevalent view is 10+ years of work for the city. Once the City Rail Link started in June 16 commuters very quickly became disillusioned with the disruption caused. Unlike the Canterbury EQ rebuild where the work followed the traditional urban development growth pattern: residential building leading to non-residential building; in Auckland it's all going on simultaneously.

The Unitary Plan: more than 100 appeals against the Plan have retarded hopes that new supply will quickly ease a surging housing market in the short-term.



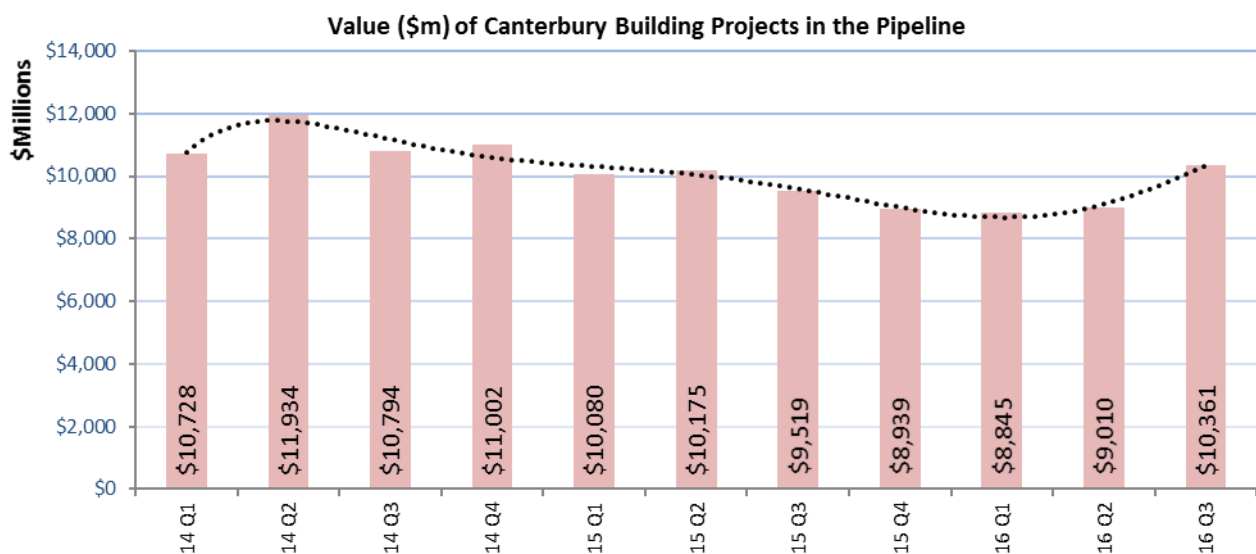
Waikato/Bay of Plenty: The Waikato/Bay of Plenty pipeline has grown consistently over the last 3 years (see the graph below). Fairly consistently the work split is Waikato - 55% & Bay of Plenty - 45%. Both areas are benefitting from Auckland growth – for both residential & non-residential work – the ‘Auckland ripple effect’. We have been asked whether the 2 regions will ever reach parity for construction work: this is unlikely.

- Waikato: is a larger region with a larger population, with the Hamilton freight & transport hub, nearer to Auckland & has various tourist attractions.
- The Bay of Plenty: has the Port of Tauranga & associated industry, a tourist destination & attractive as a retirement destination for several years. The Western Bay of Plenty expects the number of mature & older people to double to more than 73,000 by 2030 exceeding 30% of the population.



Source: Pacifecon

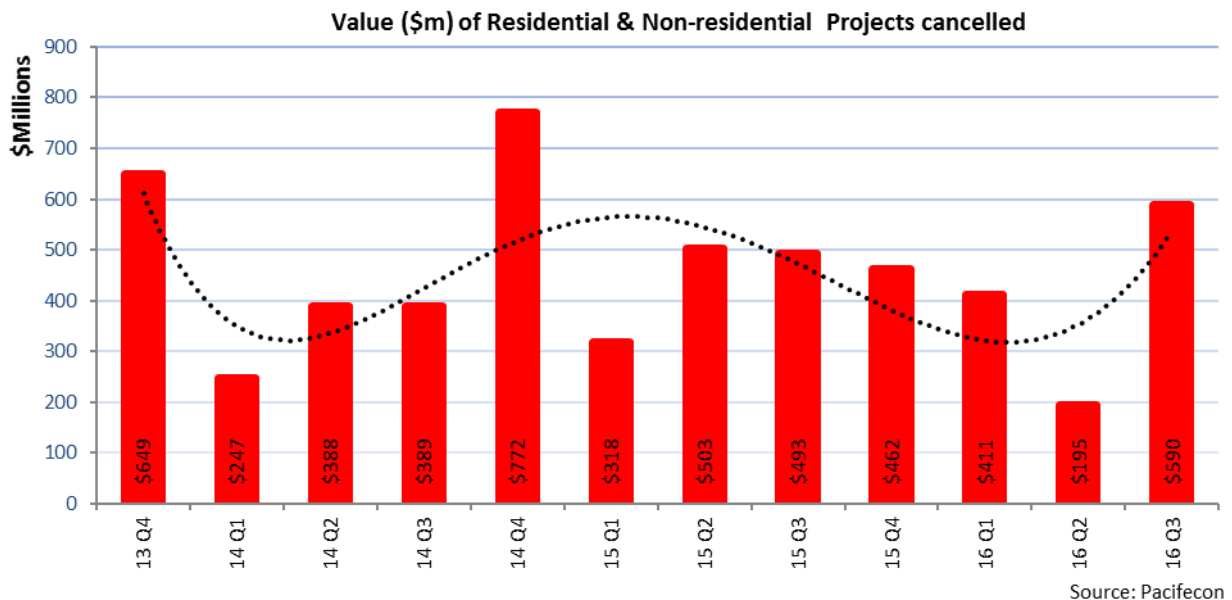
Canterbury: The governance & transition of projects from the Canterbury Earthquake Recovery Authority to new entities has not proved smooth & is a concern to both central & local governments. The peak for Residential building work put in place was 2014 Q4 & we anticipate a continuing reduction. Non-residential building has not reached its peak yet with a new high of \$530m for 2016 Q2, explaining the rise of work for 2016 Q2 & Q3 in the pipeline (see below).



Source: Pacifecon

» Cancellations

The graph below shows the \$value of cancellations for building work over the last 3 years. The \$590m for 2016 Q3 has evened out the trend line to horizontal. However, with the growth that has occurred in the pipeline; the proportion of cancellations to work starting continues to fall.



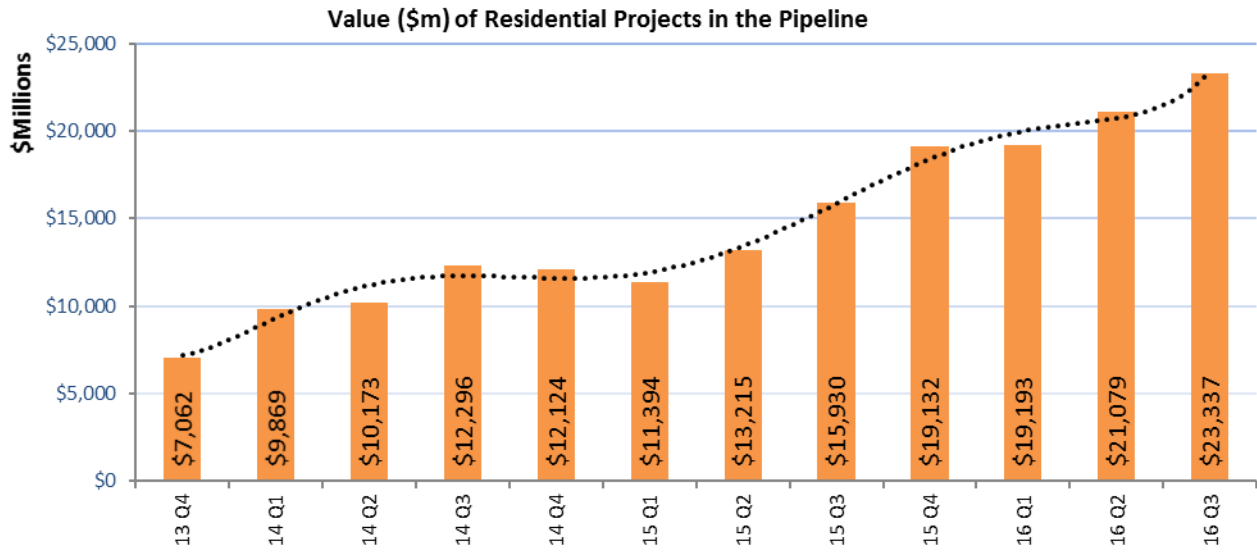
The increase at Q3 was caused by a rise in residential & multi-category (often commercial/residential) cancellations. Purely commercial cancellations continued to fall & industrial also remained low.

Cancellations such as the Flo Apartments which hit the news recently are considered to have been caused by construction not starting as planned due to rising costs or difficulty obtaining finance.

Developers either:

- raise the price to buyers who have already put a deposit down or offer to refund deposits to buyers & on sell the sections (these projects remain in the pipeline).
- cancel the project as it has become unprofitable (these would be shown in our cancellation figures).

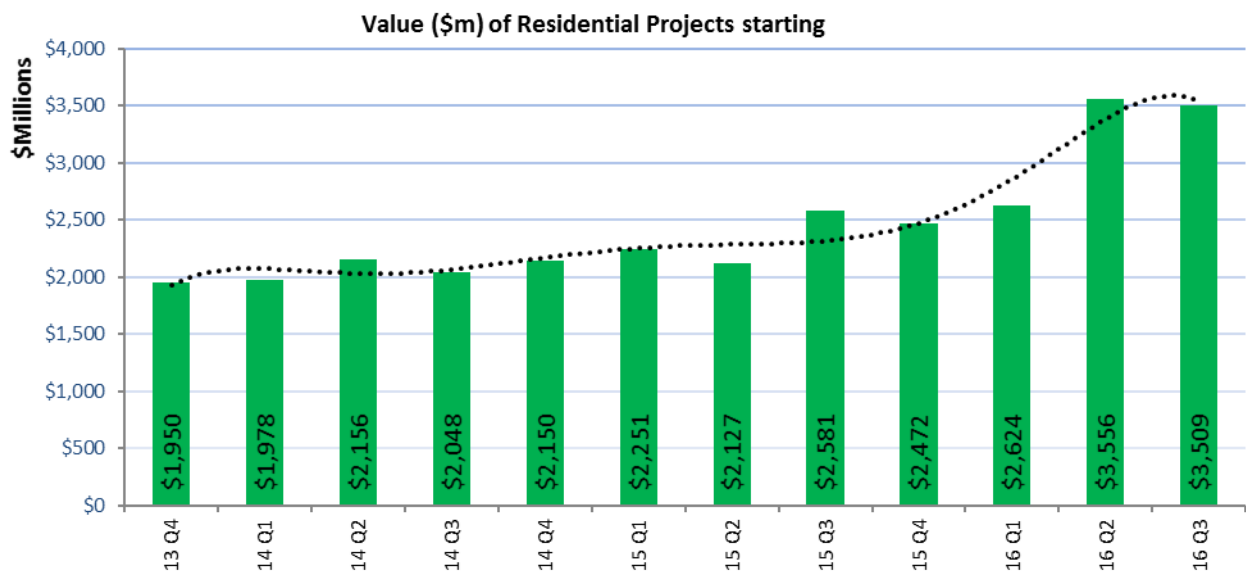
» New Zealand Residential Buildings



Source: Pacifecon

2016 Q3 compared to 2015 Q3 +46%

2016 Q3 YTD compared to 2015 Q3 YTD +57%



Source: Pacifecon

2016 Q3 compared to 2015 Q3 +36%

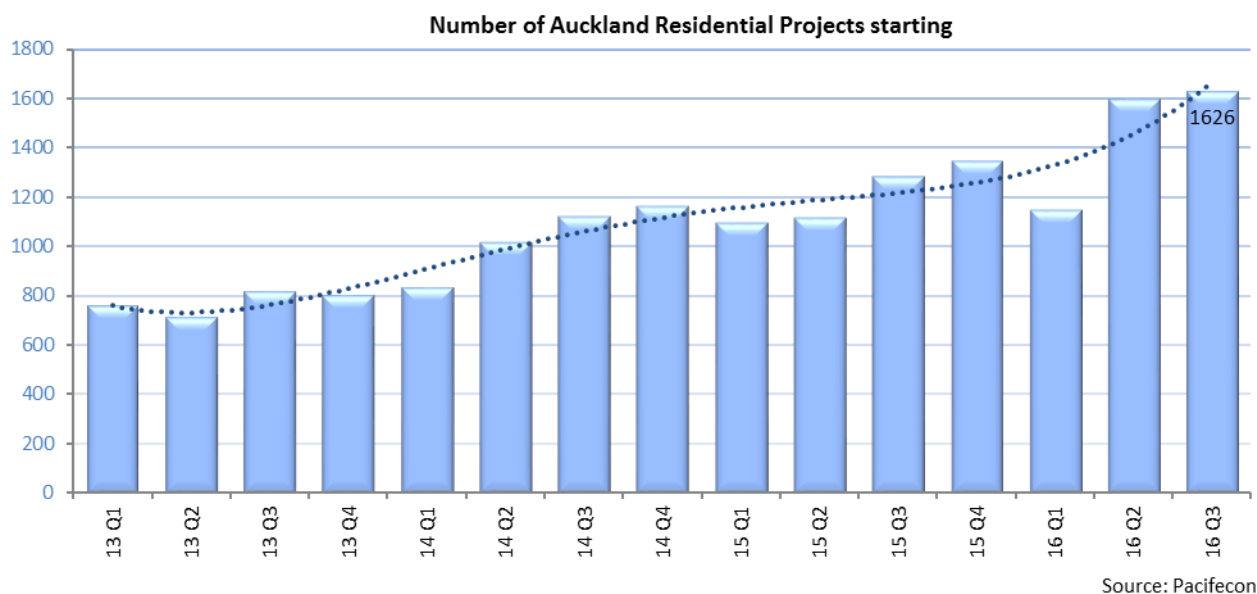
2016 Q3 YTD compared to 2015 Q3 YTD +33%

The pipeline of residential work planned started to grow in 2011 (see page 10 for new residential building consents):

- Canterbury: residential pipeline rising since the 2011 earthquake & peaking in the year to 2015 Q2.
- Auckland: also starting to increase in 2011, following recovery from the GFC.

Prior to 2015 Q3 residential work starting had stood at \$2b/quarter for several quarters.

At 2015 Q3 residential work starting ramped up to \$2.5b, this was maintained through 2015 Q3 – 2016 Q1. It has then risen again to \$3.5b for 2016 Q2 – Q3. With the numbers of residential dwelling units starting in Canterbury definitely reducing in the last year, it is Auckland where the growth has occurred: particularly in South & West Auckland. The graph below illustrates this.

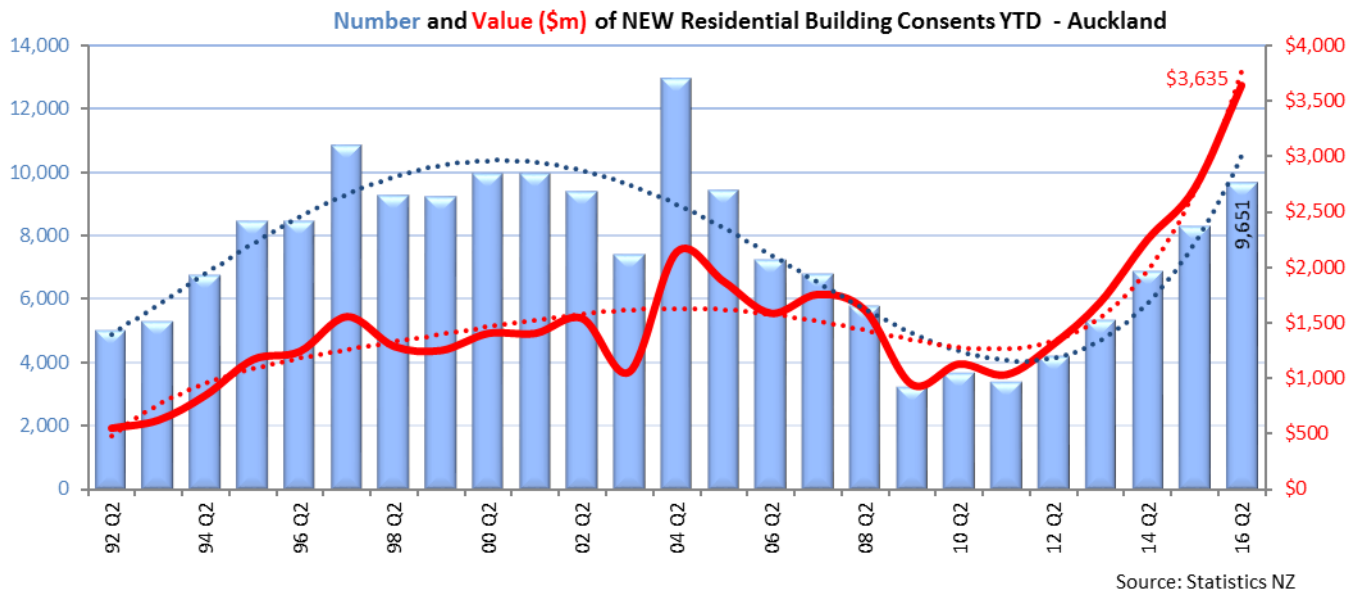


For forecasting purposes, the 2016 National Construction Pipeline capped the total number of forecast new residential consents in Auckland at 12,000 dwellings this year (calendar year 2016), growing to approximately 14,000 per year from 2017 to the end of the forecast period (2021 Q4). Reflecting the need for time to allow the industry to grow to meet the demand for housing.

Not having reached 10,000 new consents in the year to 2016 Q2 (see graph Page 10) shows this forecast capping of 12,000 was optimistic, the actuals show numbers of new consents have grown by 16% in the year to 2016 Q2 & considerably higher than that in the preceding 4 years (29% in the year to 2014 Q2 – the Canterbury EQ effect), whereas \$value of the same consents increased by 34% in the year to 2016 Q2.

Whilst they are different metrics, we can see from both the Pacifecon numbers, pages 8-9, & the Statistics NZ New Residential Building Consent Numbers & Values (page 10) the industry is definitely growing to meet the Auckland housing demand: indications are that residential construction starts within 3-6 months of consent issued. There has been much talk of ‘you can’t live in a consent’ from central government opposition & residential completions are slower than developers, Council & central government would like.

Auckland Council’s annual report admitted the construction boom means the council needs more people to process building & resource consents, plan for development & manage major infrastructure projects. Whilst they have taken on staff, they have also lost staff to other regions. It is also likely the consent & compliance process is becoming more complex.



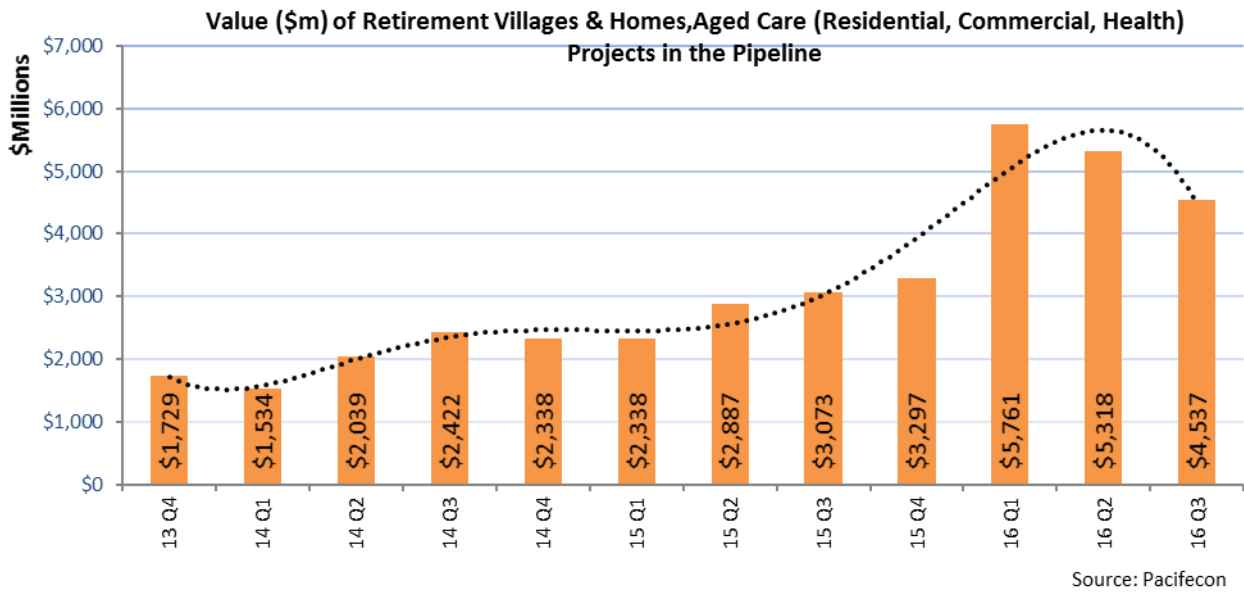
A recent 'Architecture Now' article, 'The city of privilege' by Mark Southcombe, makes interesting reading. He suggests several affordable housing delivery tactics that would make a difference in New Zealand, particularly Auckland:

- **Redevelop public land, retaining public land ownership** by local & central government, community land trusts, not-for-profit organisations & cooperatives. The retained land value enables an ongoing legacy of affordable housing provision.
- **Build at scale through major housing delivery agreements.** The Fletchers EQC repair contract in Christchurch & the Hobsonville Land Company development are examples where a single company has taken responsibility for design, building & project delivery on a major scale. This strategy has the political advantage of discharging risk & responsibility to a few large-scale businesses that, given enough of a monopoly, will deliver volume housing & some savings.
- **Diversified housing provision.** A parallel strategy to concentrating housing provision through a few large supply sources. We have a building industry made up of a great many small-to-medium-sized architects & builders that, together, are a huge collective resource – this could be harnessed.
- **Mandatory provision of affordable housing.** In other countries affordable housing provision is mandated as a necessary part of all housing & development approvals.
- **Maximising the potential of land to deliver high volume, high-quality affordable housing environments.** We need ambitious, well-designed, high-density, large-scale housing precincts close to transport infrastructure, as has already started to occur in New Lynn.
- **Direct housing provision.** Collaboration between Housing New Zealand, or Local Authorities, & individual cooperatives & building groups would be required to secure land-use agreements.

An example of the construction industry growing supply to meet demand. **Building at scale**, described above.

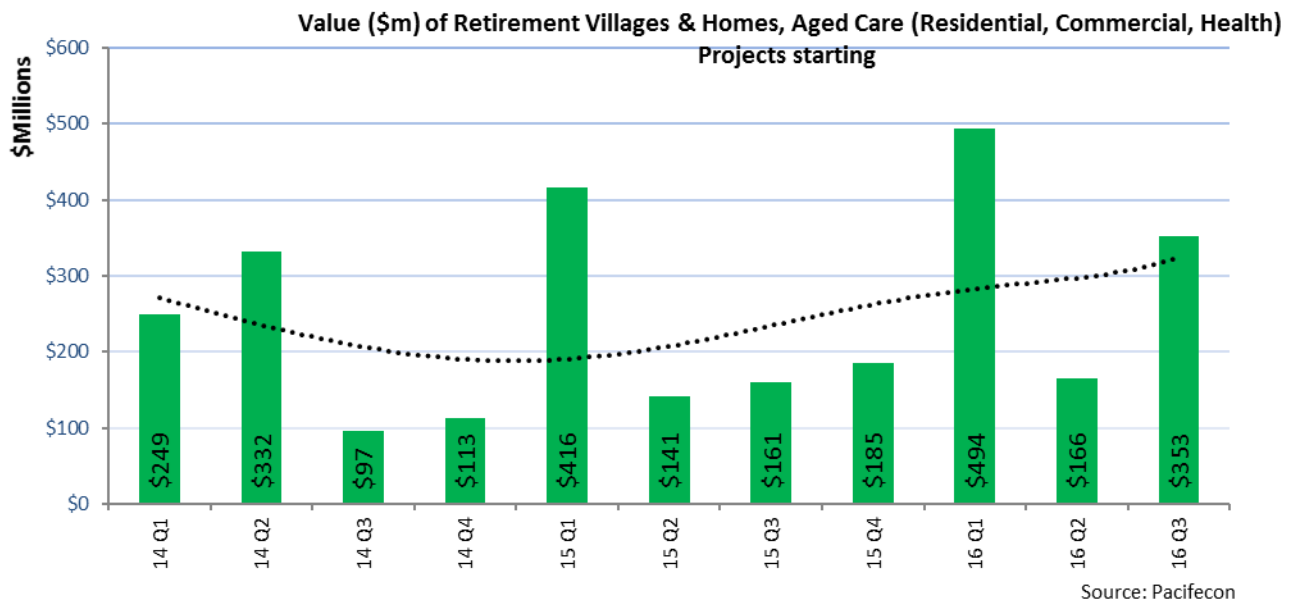
- Fletcher spent \$89m on land & work in progress in its 2016 year, acquiring "land inventory" to enable the company to bring to market 1,500 homes a year by the 2018 financial year, from 300 in the latest 12 months, Fletcher chief executive Mark Adamson said.
- Fletcher expects to invest a further \$160m in the 2017 year.
- Manufacturing efficiencies & external procurement are also to be improved.

» Retirement Villages & Rest homes, Aged Care



2016 Q3 compared to 2015 Q3 +48%

2016 Q3 YTD compared to 2015 Q3 YTD +78%



2016 Q3 compared to 2015 Q3 +119%

2016 Q3 YTD compared to 2015 Q3 YTD +44%

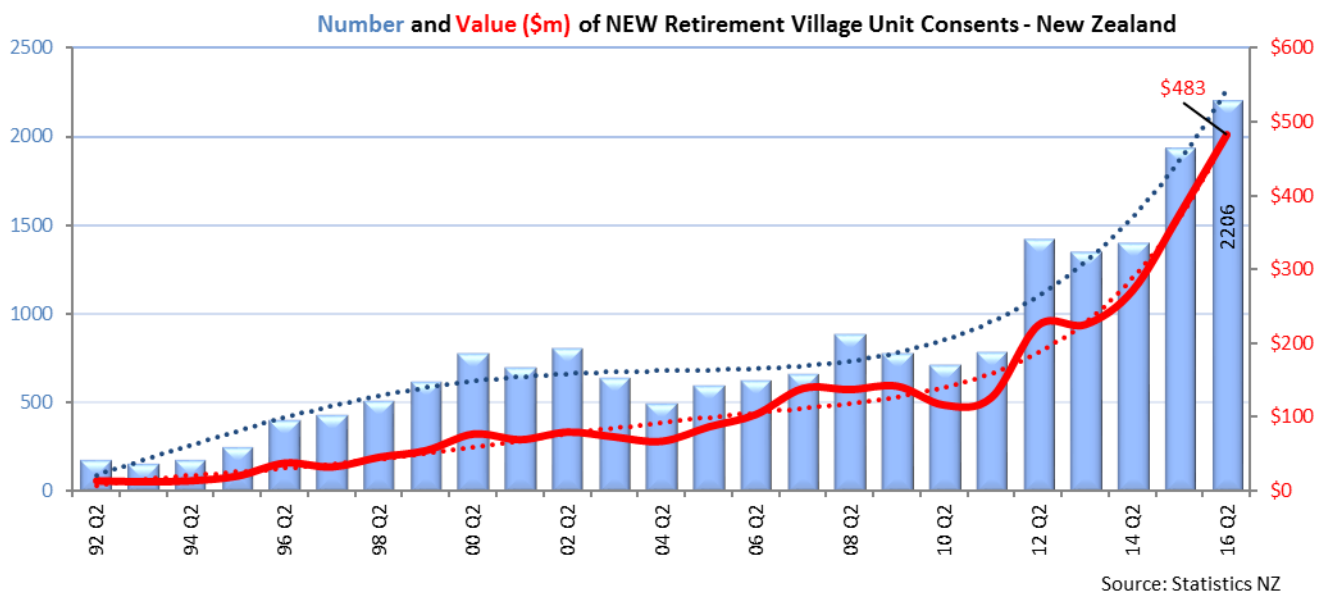
As we noted in the Q2 edition: work starting has also grown, but is quite unpredictable on a quarterly basis.

We also noted: A growth in retirement villages was the cause of a reclassification by Statistics NZ in 2012. They are now classified as partly residential & partly non-residential in building consent & fixed capital formation data. All retirement village units, from detached houses to apartments & rooms, are included in the retirement village units' category of 'residential building'. The common areas (dining, TV rooms, kitchens, gyms, pools, health centres, etc.) are captured in 'non-residential building'.

Looking at the Statistics NZ data shows for New Consents for Retirement village units (residential building) over 25 years. The reclassification can be seen in the graph below; we assume retirement dwellings were under-reported prior to 2012.

A significant increase of 38% occurred in the year to 2015 Q2; this was for both number & \$value.

In the year to 2016 Q2 the increase was 14% by number & 29% by \$value.



It is noted that there were over 600 new retirement village unit consents in each of quarters:

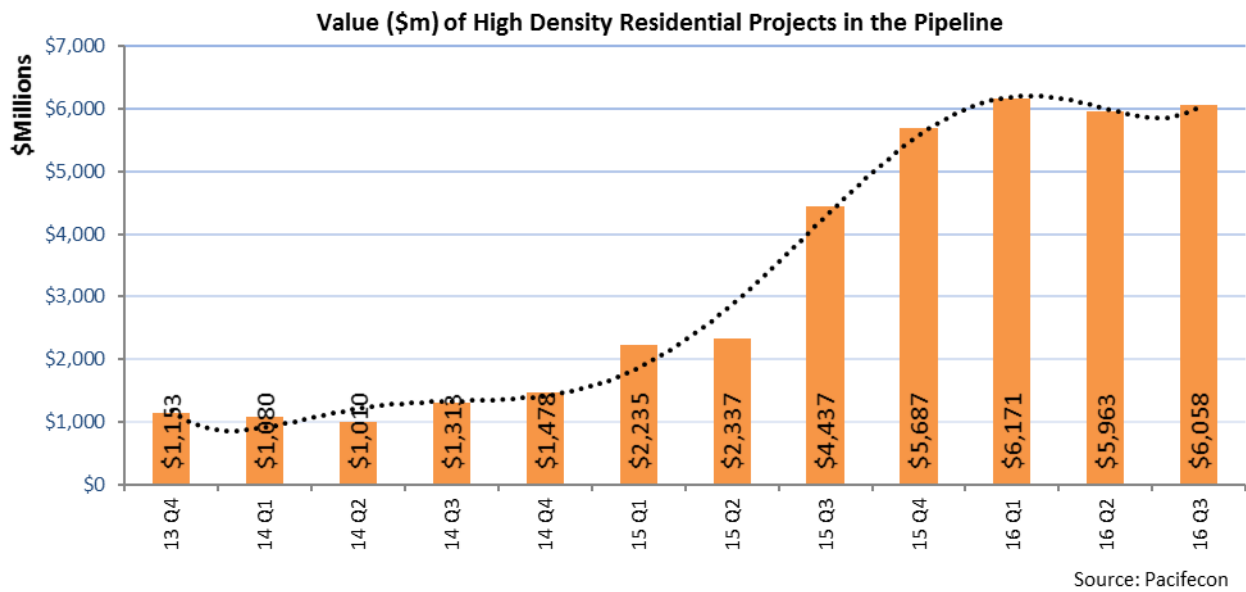
- 2014 Q3
- 2015 Q4
- 2016 Q2.

Official estimates indicate by 2051, there will be 1.18m people aged 65 & over in New Zealand, representing an increase of 165% since 1999. At that stage, older people are expected to make up 26% of the New Zealand population of 4.63m. Within the older population, it is the age group 85 & over that has the highest growth rate.

We can safely anticipate this sector will continue to grow.

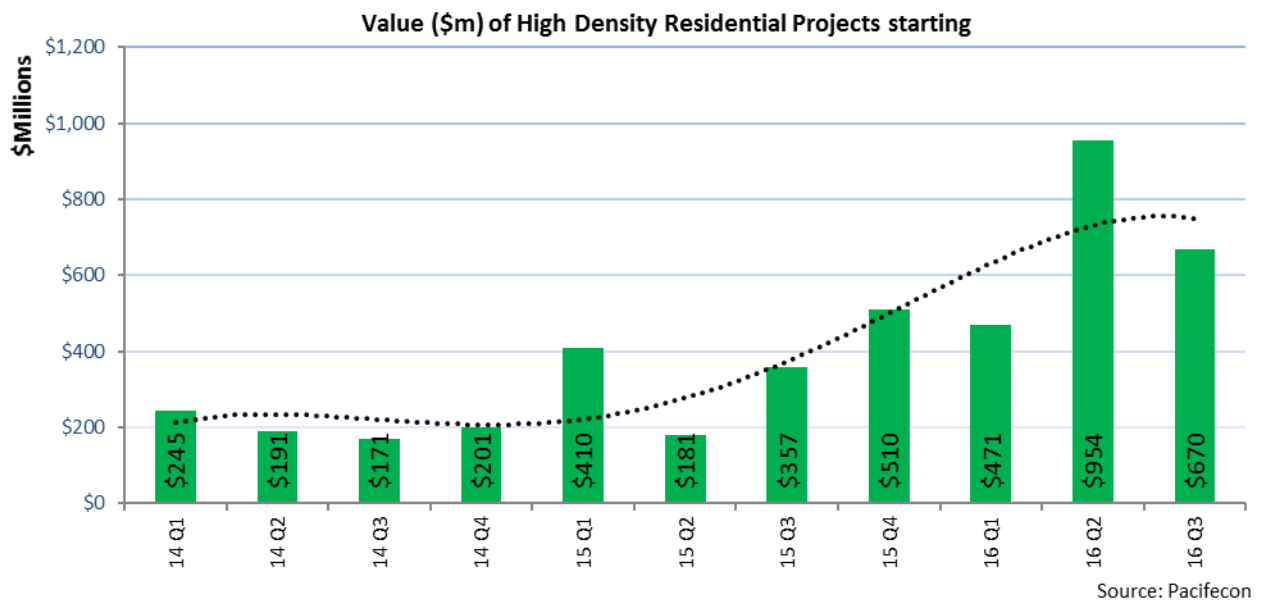
Not all developments have planning phases which proceed without hitch. The Ryman Healthcare retirement village proposed for 4.2 hectares at Ngataranga Bay, Auckland has met with fierce objections from residents. These are mainly environmental, aesthetic & logistical (more road congestion) concerns.

» High Density Residential Buildings



2016 Q3 compared to 2015 Q3 +37%

2016 Q3 YTD compared to 2015 Q4 YTD +128%

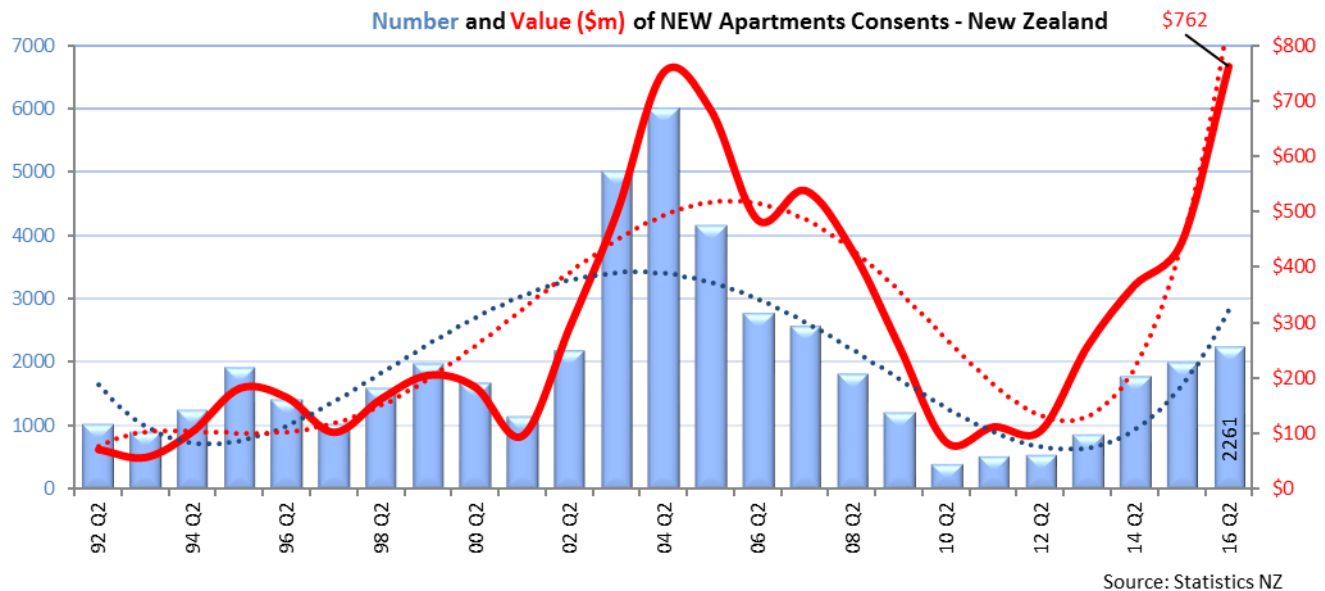


2016 Q3 compared to 2015 Q3 +88%

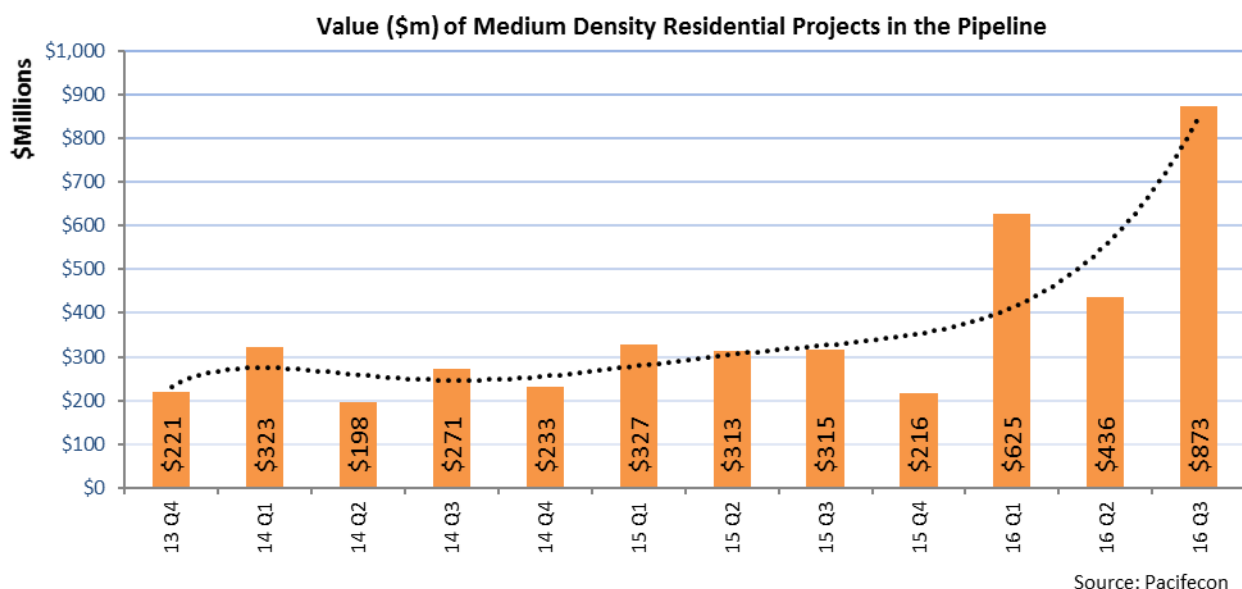
2016 Q3 YTD compared to 2015 Q3 YTD +127%

Looking at the Statistics NZ data for New Consents for apartments over 25 years. It can be seen to be a fairly volatile sector. Massive growth in the early noughties was followed by an equally rapid decline.

Increases in apartments since 2013 are almost entirely in Auckland, Wellington & Queenstown: the only NZ cities where land availability is restricted by geography.

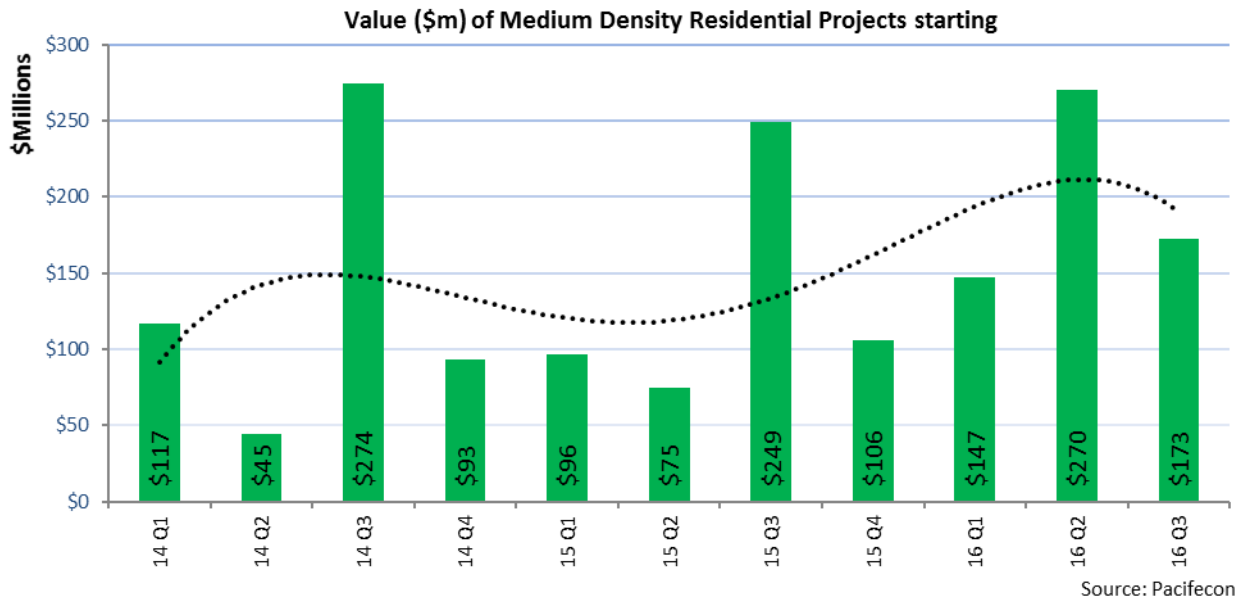


» Medium Density Residential Buildings



2016 Q3 compared to 2015 Q3 +177%

2016 Q3 YTD compared to 2015 Q3 YTD +81%



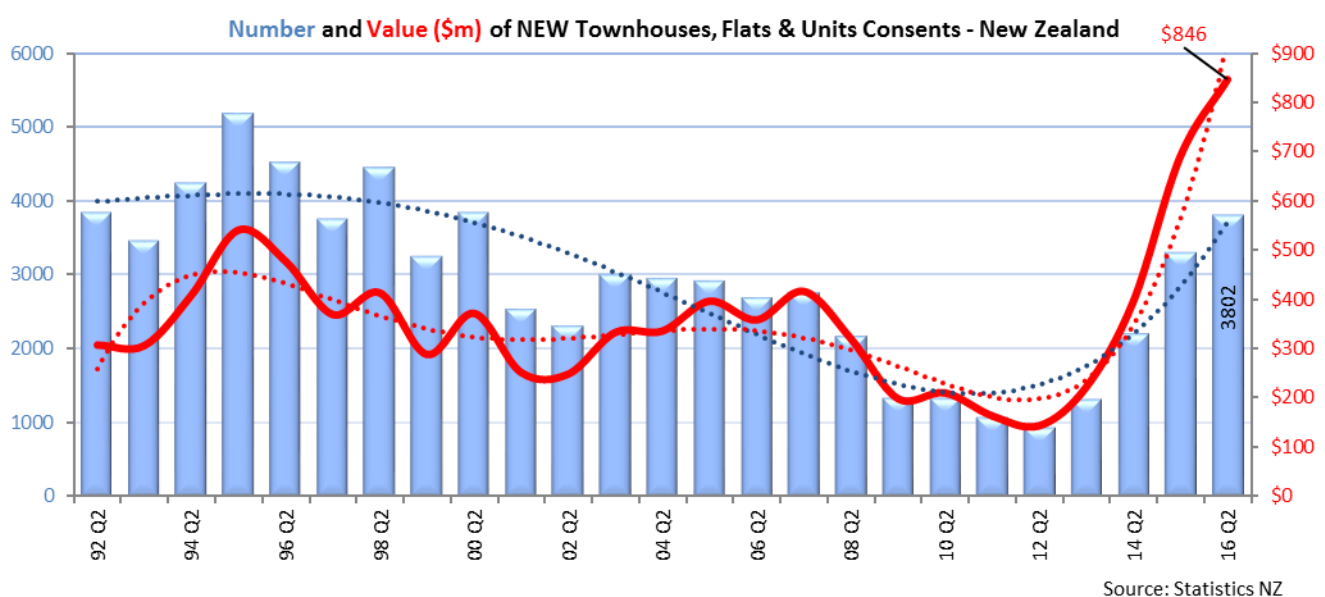
2016 Q3 compared to 2015 Q3 -31%

2016 Q3 YTD compared to 2015 Q3 YTD +35%

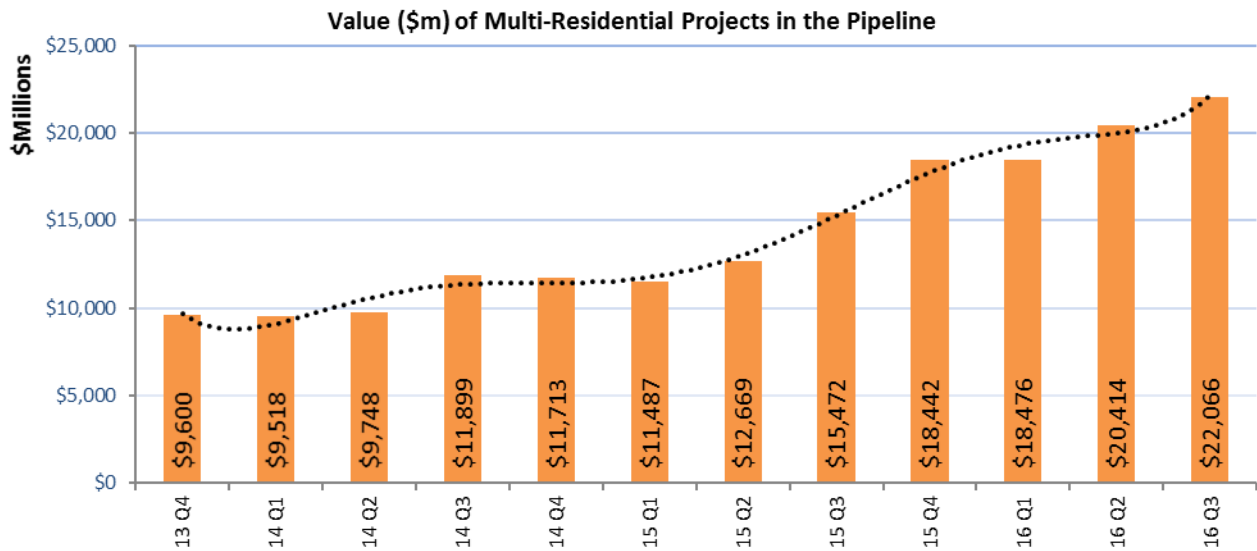
Looking at the Statistics NZ data for New Consents for Townhouses, flats & units (medium density residential buildings), over 25 years. A similar growth pattern to Apartments shows since 2012, massive increases in \$value.

The new build medium density market can be seen to be larger than the new high density market both by number & \$value.

This type of housing is more ubiquitous across the country & is generally more popular with families & seniors than high-rise living.



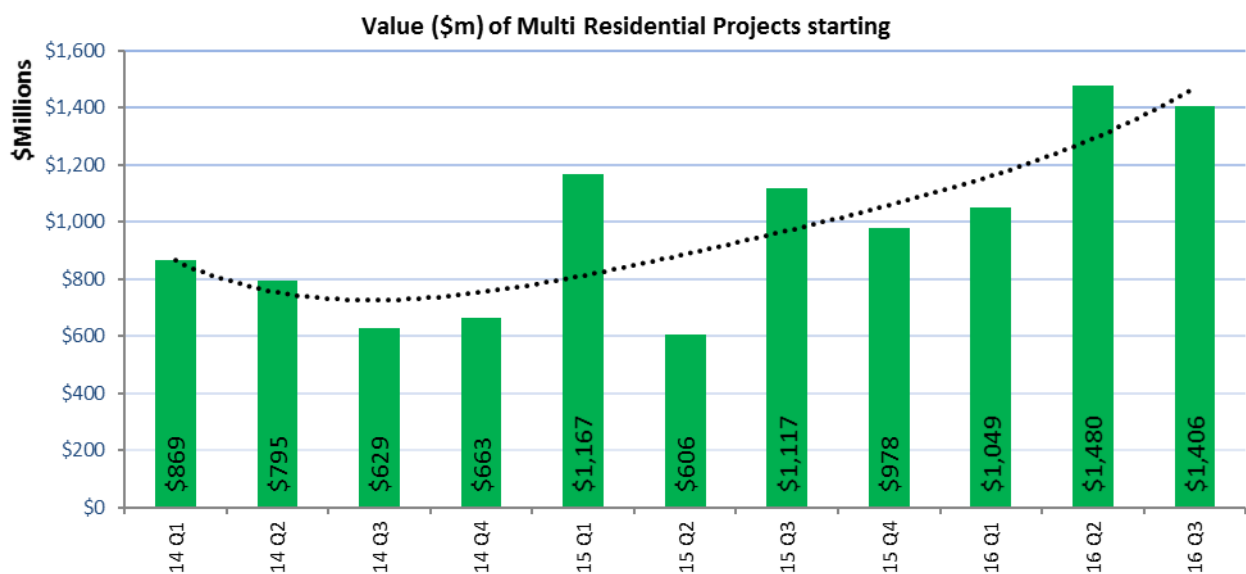
» Multi-residential



Source: Pacifecon

2016 Q3 compared to 2015 Q3 +43%

2016 Q3 YTD compared to 2015 Q3 YTD +55%



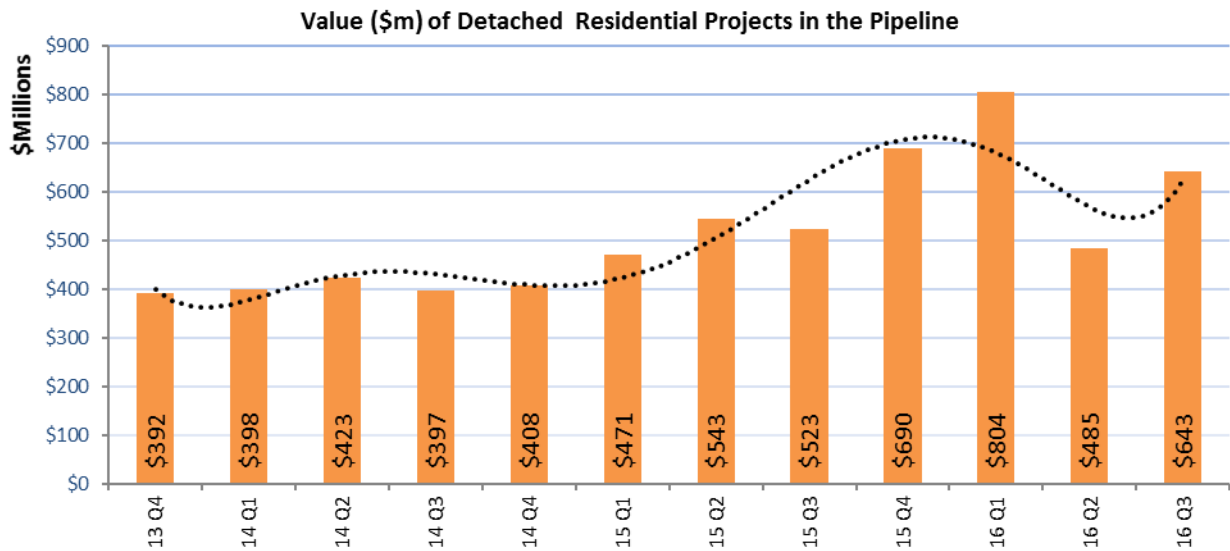
Source: Pacifecon

2016 Q3 compared to 2015 Q3 +26%

2016 Q3 YTD compared to 2015 Q3 YTD +38%

Both High Density & Medium Density residential work comes into the Multi-residential measure. This is definitely a rising trend.

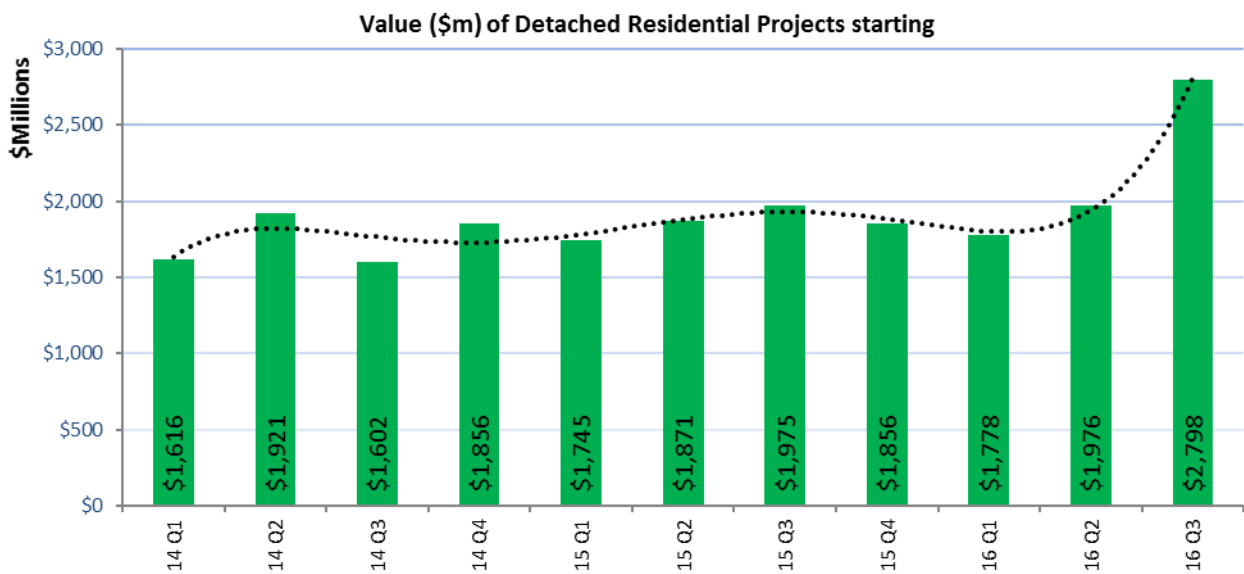
» Detached Residential Buildings



Source: Pacifecon

2016 Q3 compared to 2015 Q3 +23%

2016 Q3 YTD compared to 2015 Q3 YTD +35%

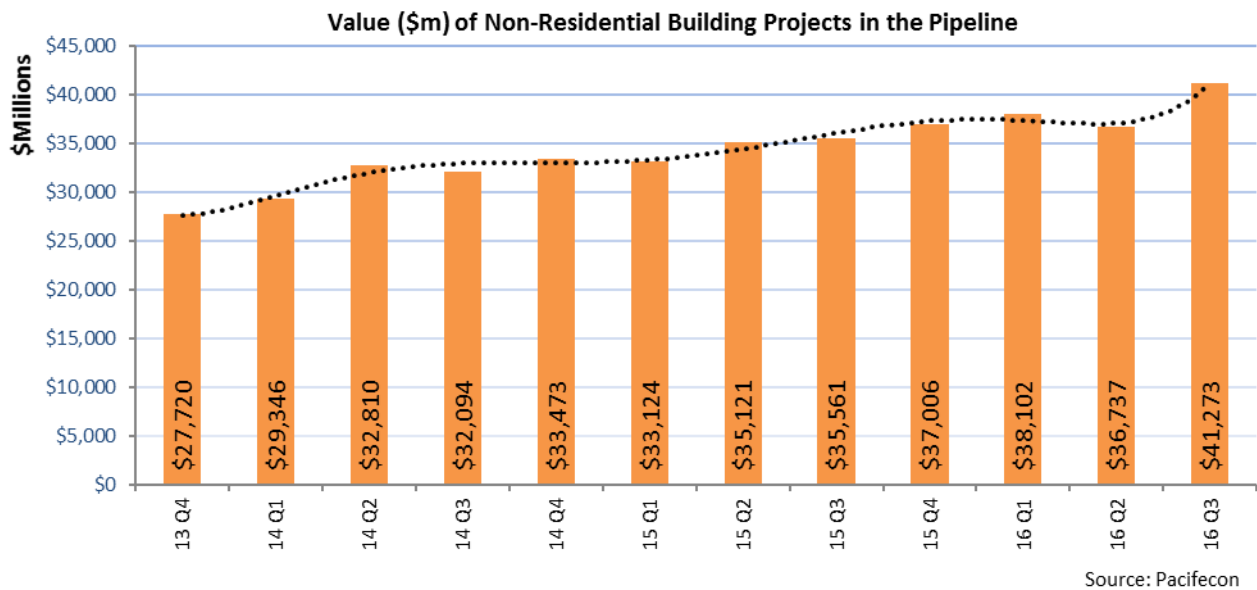


Source: Pacifecon

2016 Q3 compared to 2015 Q3 +42%

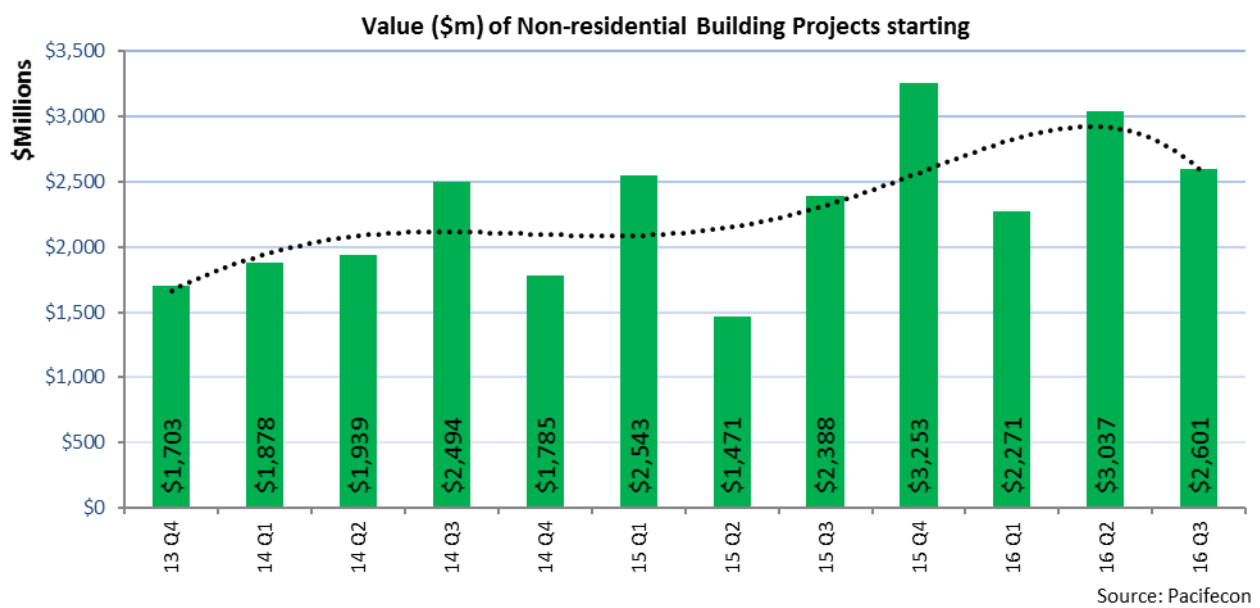
2016 Q3 YTD compared to 2015 Q3 YTD +13%

» New Zealand Non-Residential Buildings



2016 Q3 compared to 2011 Q3 and similarly for RB on p 5 Q3 +16%

2016 Q3 YTD compared to 2015 Q3 YTD +12%



2016 Q3 compared to 2015 Q3 +9%

2016 Q3 YTD compared to 2015 Q3 YTD +36%

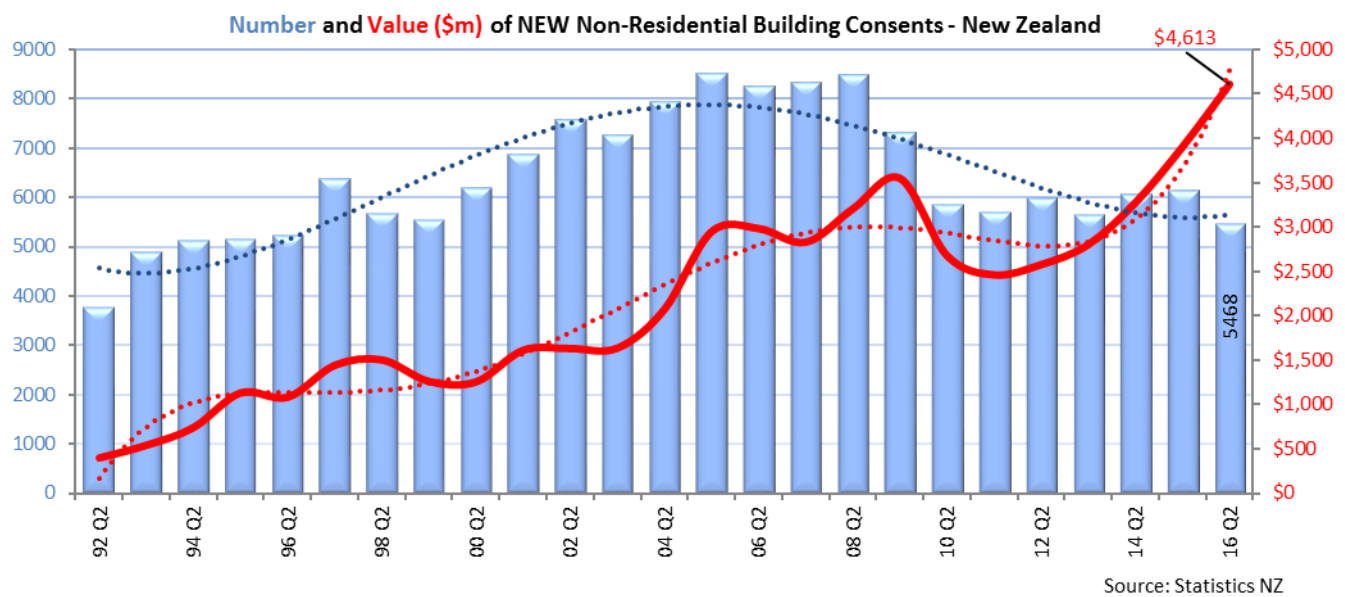
Looking at the Statistics NZ data for New Consents for Non-Residential Buildings over 25 years shows a substantial drop in both number & \$value in the year to 2010 Q2 (after effects of the GFC perhaps).

Numbers have held consistently around the 5,000-6,000 new consents per year for the last 7 years.

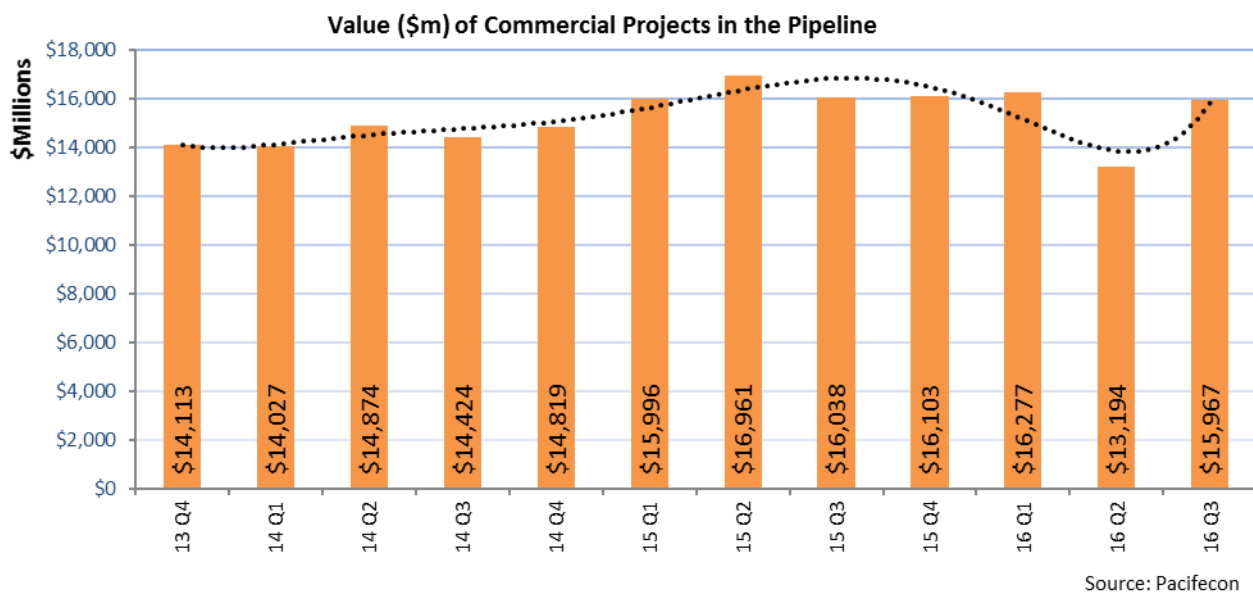
\$value has risen particularly since 2013:

- 19% rise in YTD 2015 Q2.
- 18% rise in YTD 2016 Q2.

We suspect these rises are due to building larger & more complex non-residential buildings with better fit-outs; rather than just being caused by building cost inflation.

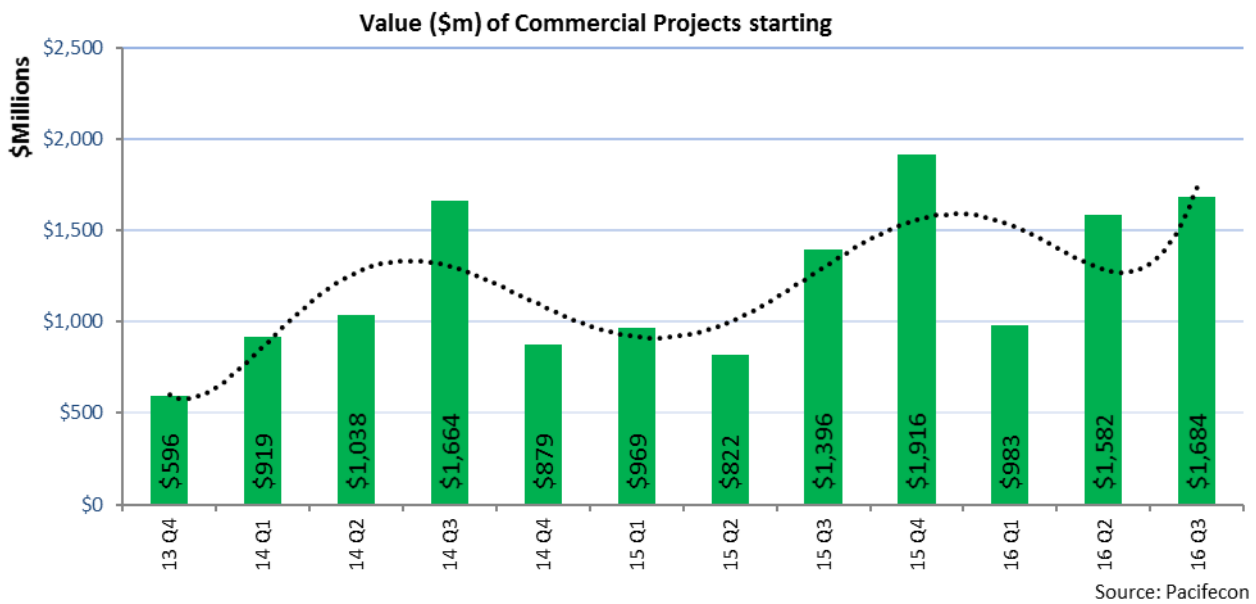


» Commercial Buildings



2016 Q3 compared to 2015 Q3 0%

2016 Q3 YTD compared to 2015 Q3 YTD -4%



2016 Q3 compared to 2015 Q3 +21%

2016 Q3 YTD compared to 2015 Q3 YTD +52%

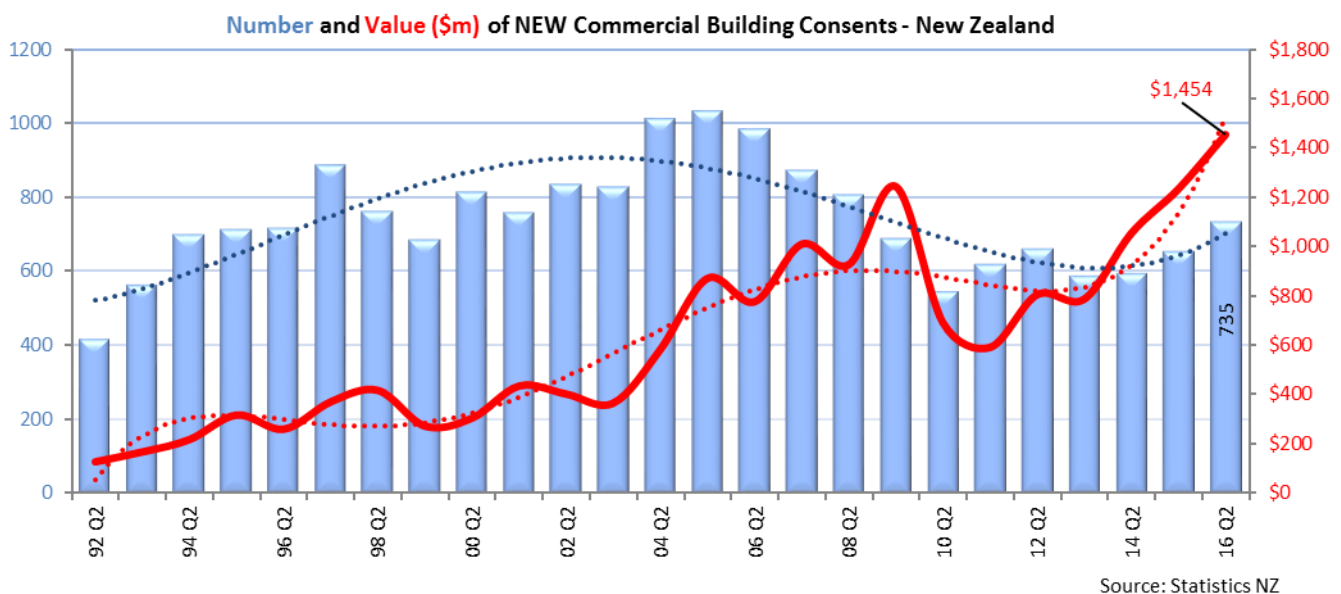
Looking at the Statistics NZ data for New Consents for Commercial Buildings over 25 years shows a similar trend to all Non-Residential Buildings.

Commercial Buildings typically represented 25-30% of the \$value of all Non-Residential Buildings in the years to 2013 Q2. However, since then the proportion has risen each year, to 54% in the year to 2016 Q2.

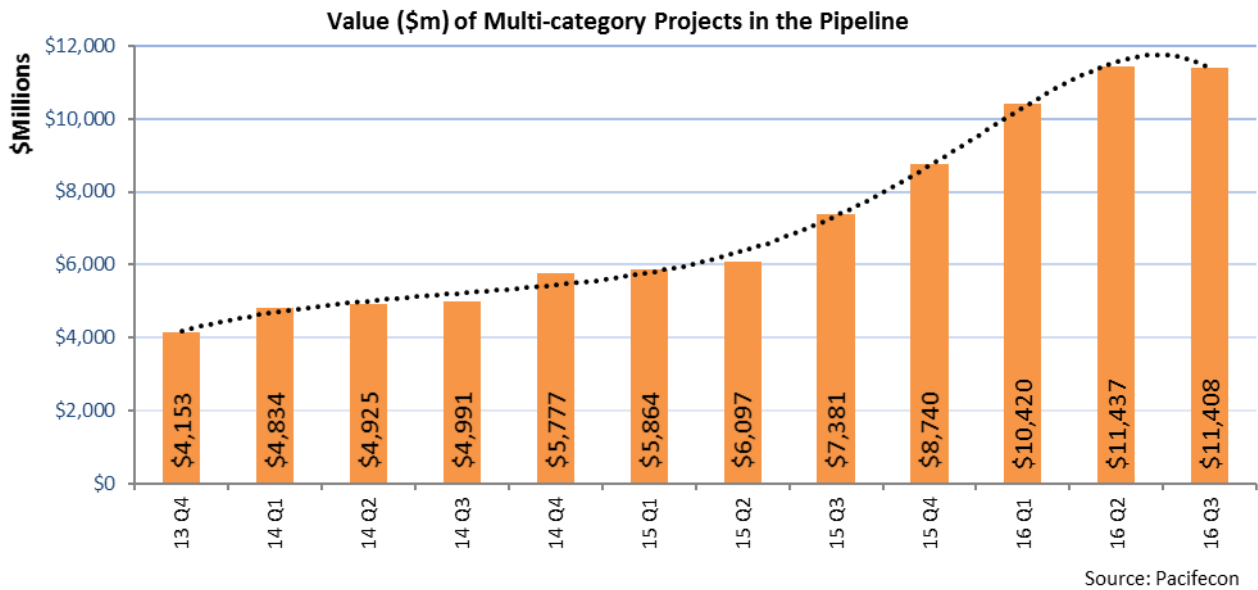
Numbers have held consistently around the 600-700 new consents per year for the last 8 years, only rising above 700 in the year to 2016 Q2.

\$value has risen particularly since 2013:

- 17% rise in YTD 2015 Q2.
- 18% rise in YTD 2016 Q2.

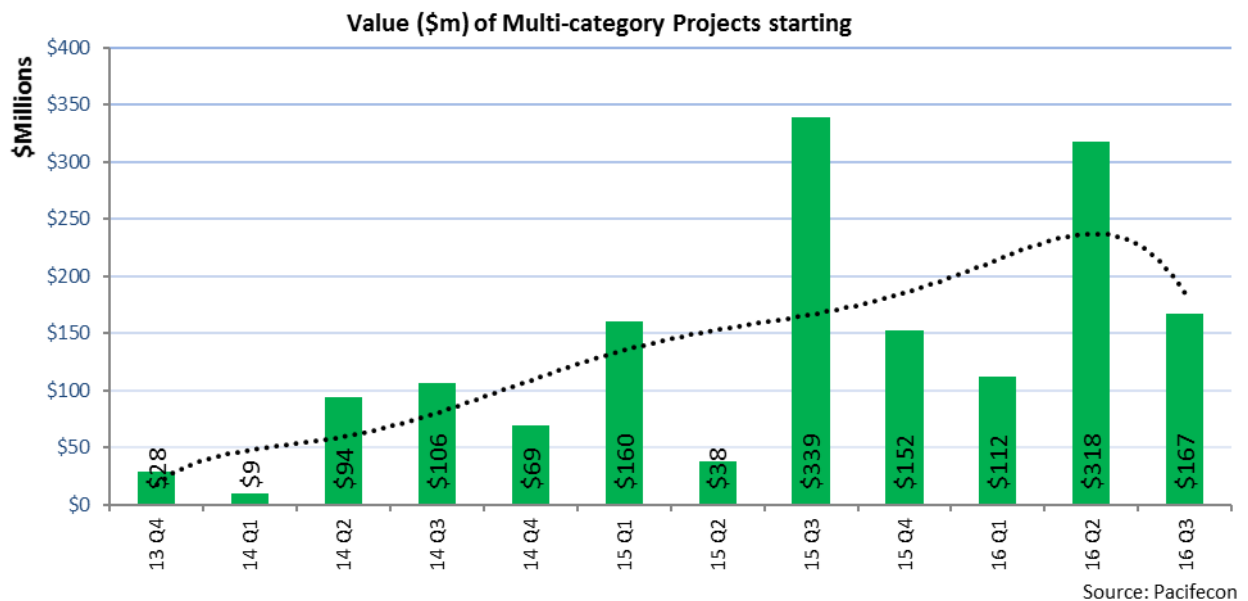


» Multi-category Buildings



2016 Q3 compared to 2015 Q3 +55%

2016 Q3 YTD compared to 2015 Q3 YTD +67%

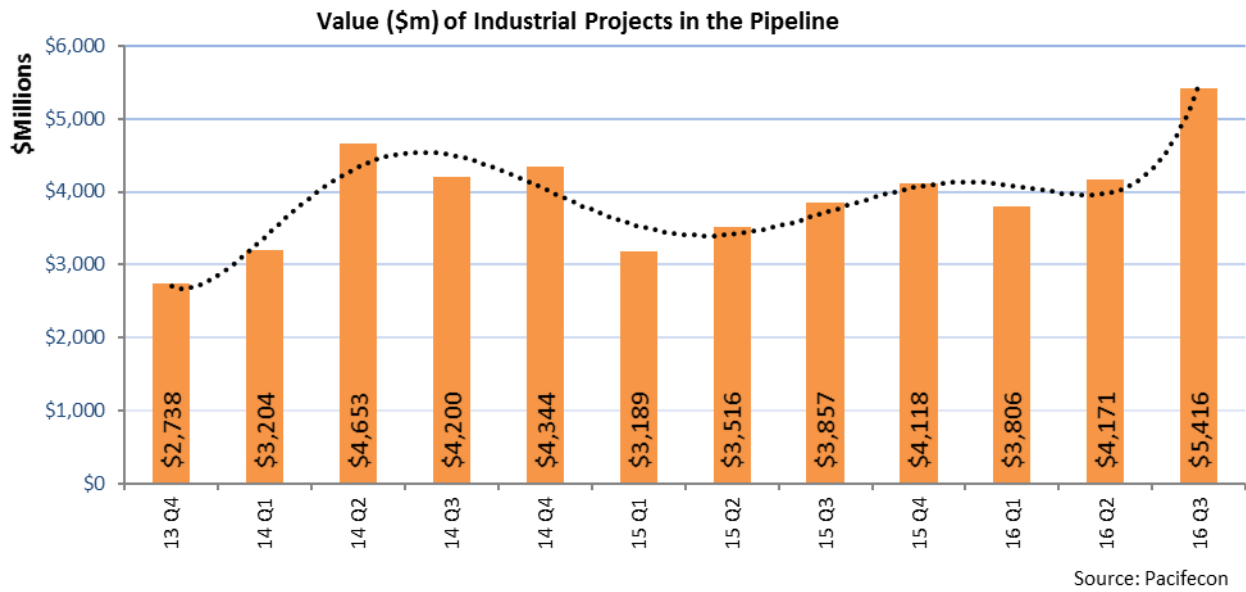


2016 Q3 compared to 2015 Q3 -51%

2016 Q3 YTD compared to 2015 Q3 YTD +24%

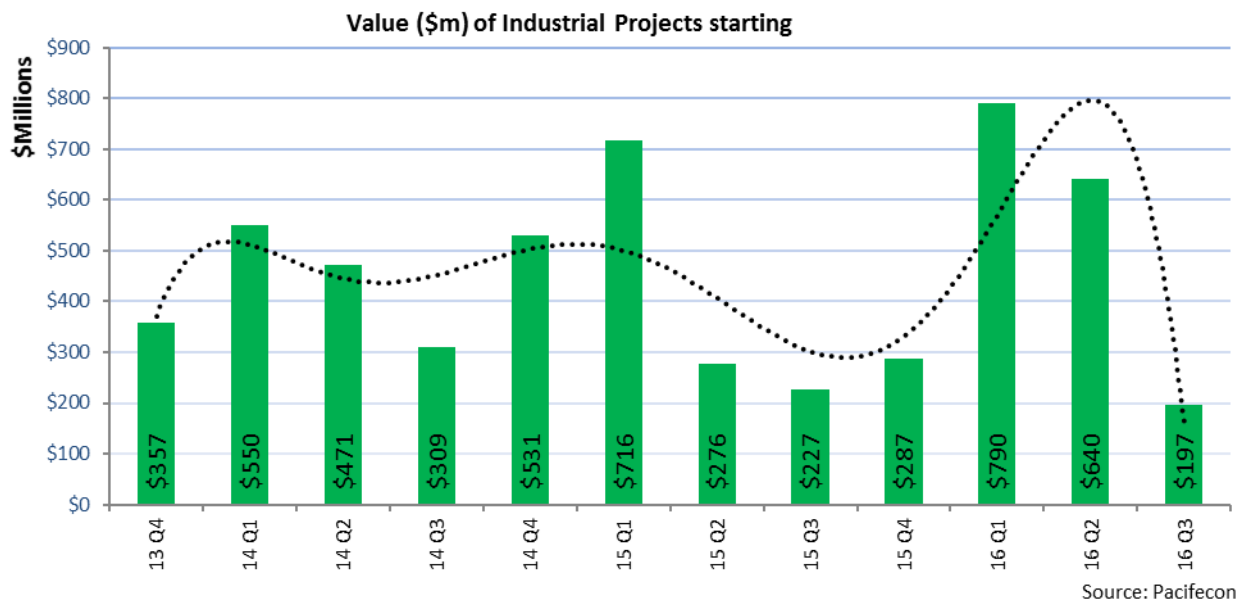
Multi-category buildings on the rise, tracking with Commercial/Residential as these projects often contain elements from both these sectors.

» Industrial Buildings



2016 Q3 compared to 2015 Q3 +40%

2016 Q3 YTD compared to 2015 Q3 YTD +17%



2016 Q3 compared to 2015 Q3 -13%

2016 Q3 YTD compared to 2015 Q3 YTD +9%

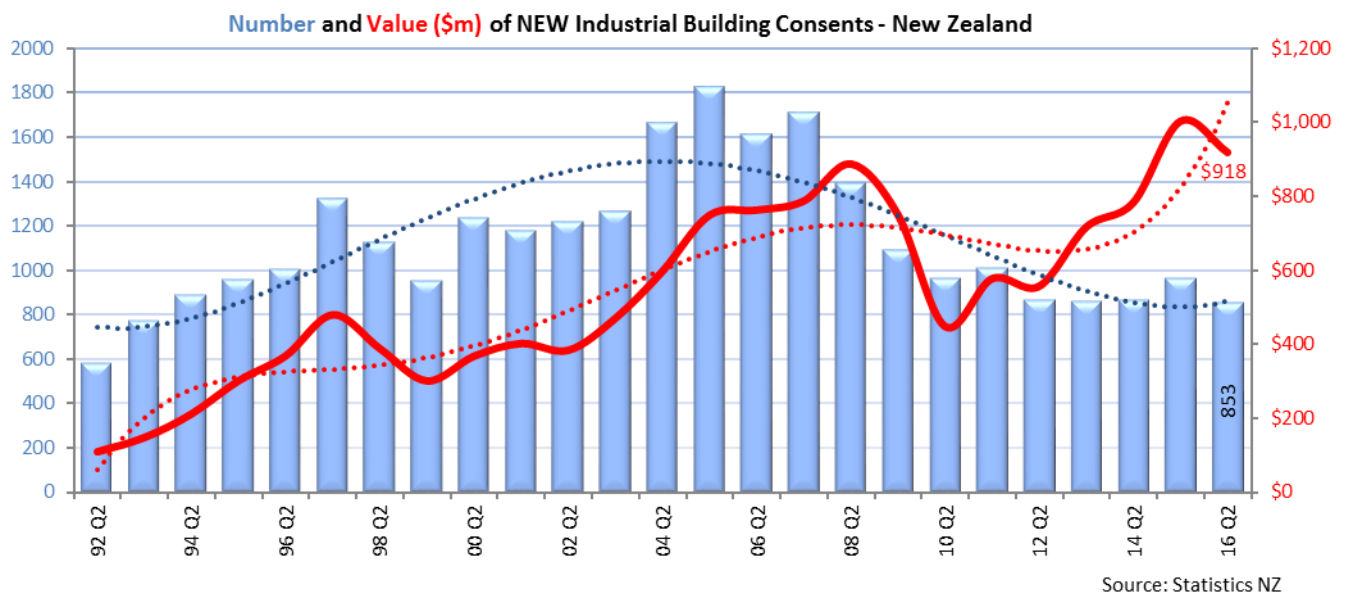
Looking at the Statistics NZ data for New Consents for Industrial Buildings over 25 years shows a similar trend to all Non-Residential Buildings.

Industrial Buildings typically represented up to 25% of the \$value of all Non-Residential Buildings in the years to 2012 Q2. However, since then the proportion has generally risen each year, to 34% in the year to 2016 Q2.

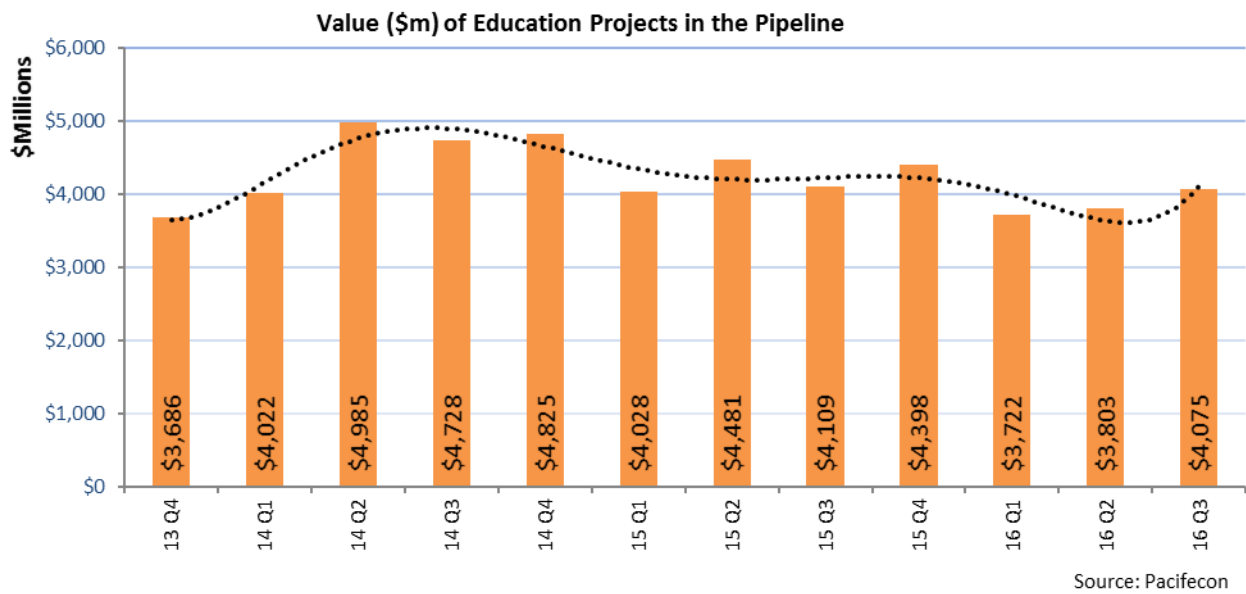
Numbers have held consistently around the 850-1,000 new consents per year for the last 8 years.

\$value has risen particularly since 2013, but has dipped in the YTD 2016 Q2.

- 28% rise in YTD 2015 Q2.
- -8% fall in YTD 2016 Q2.

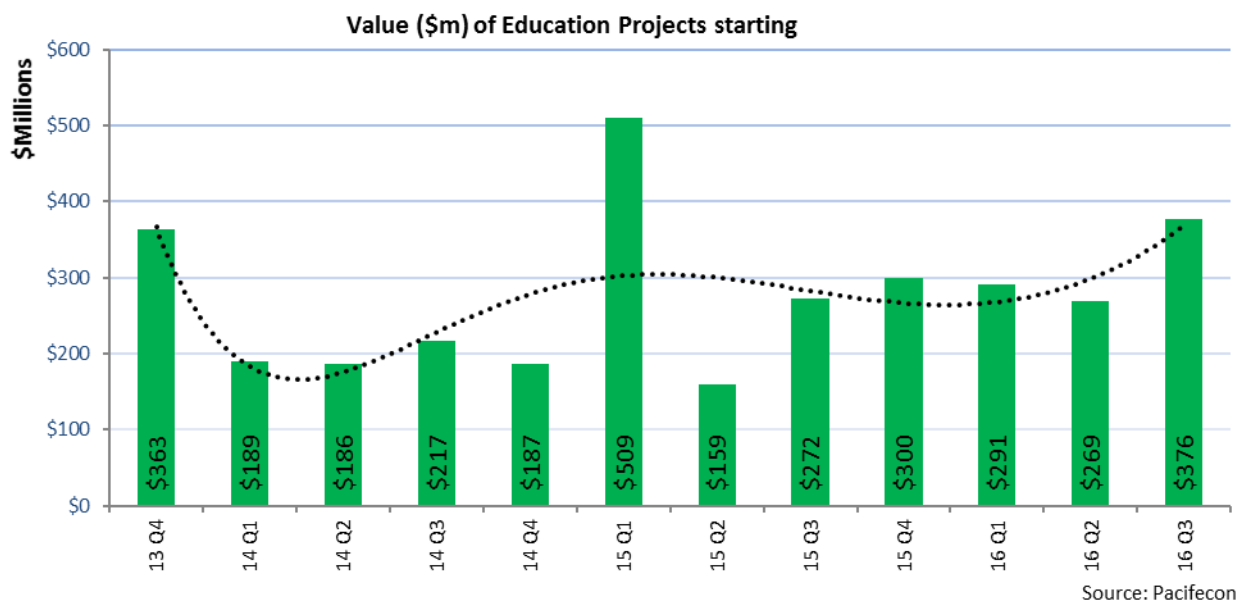


» Education



2016 Q3 compared to 2015 Q3 -1%

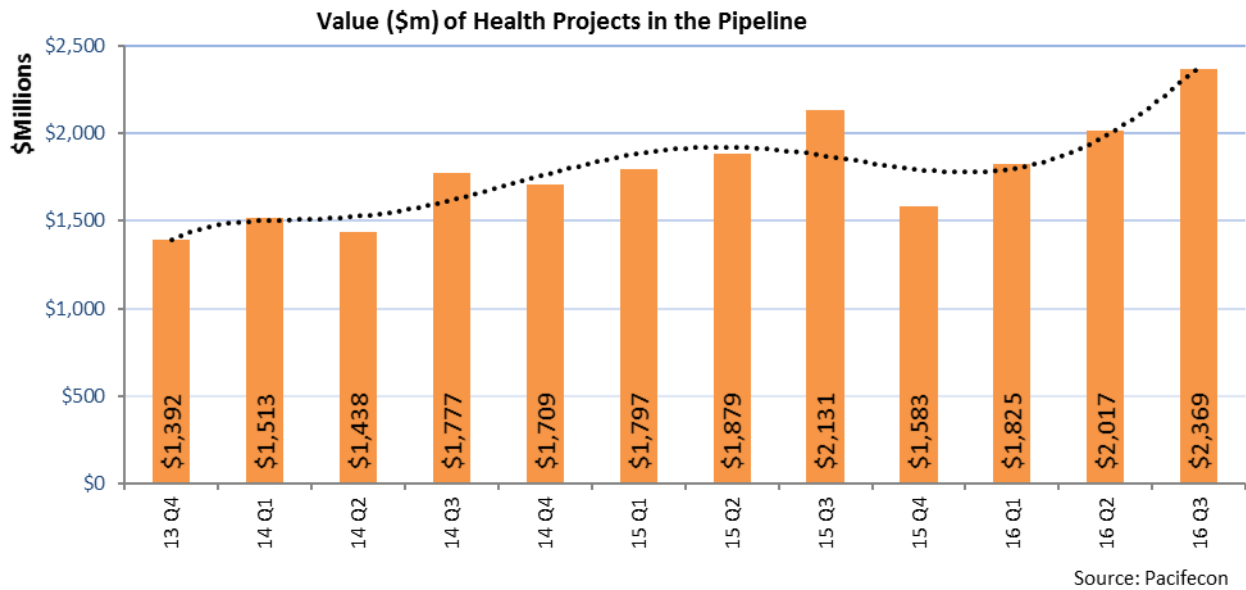
2016 Q3 YTD compared to 2015 Q3 YTD -8%



2016 Q3 compared to 2015 Q3 +38%

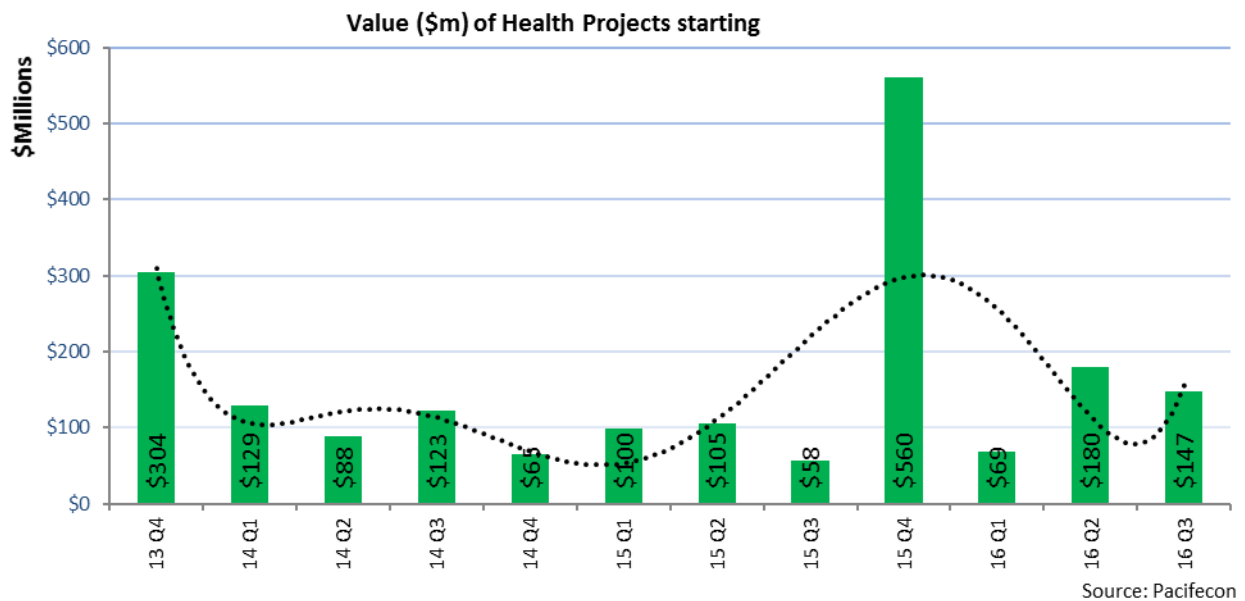
2016 Q3 YTD compared to 2015 Q3 YTD +10%

» Health



2016 Q3 compared to 2015 Q3 +11%

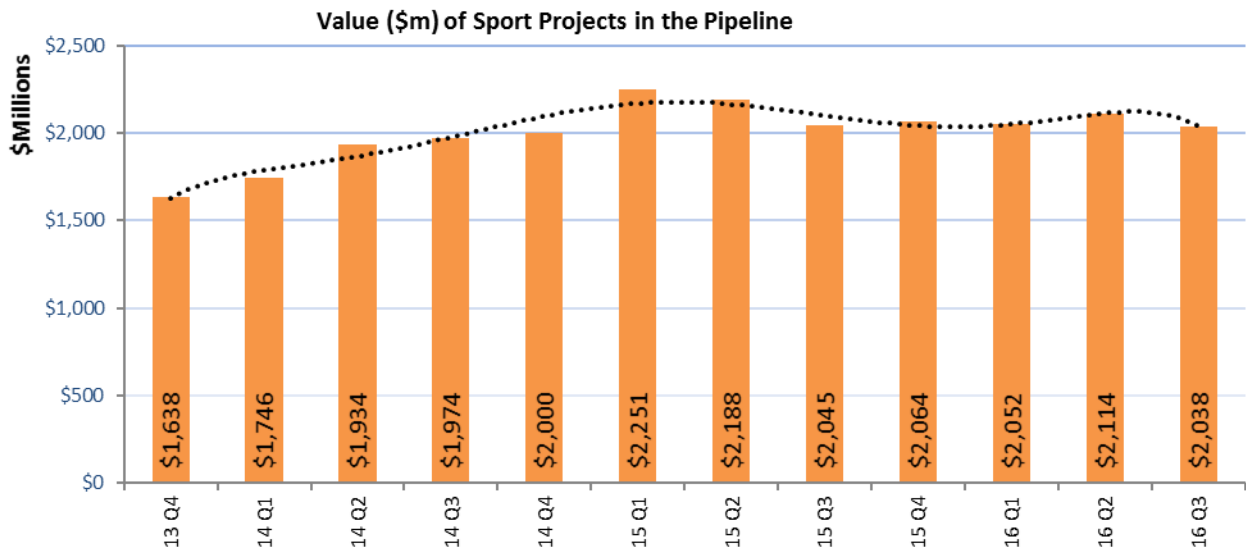
2016 Q3 YTD compared to 2015 Q3 YTD +4%



2016 Q3 compared to 2015 Q3 +156%

2016 Q3 YTD compared to 2015 Q3 YTD +192%

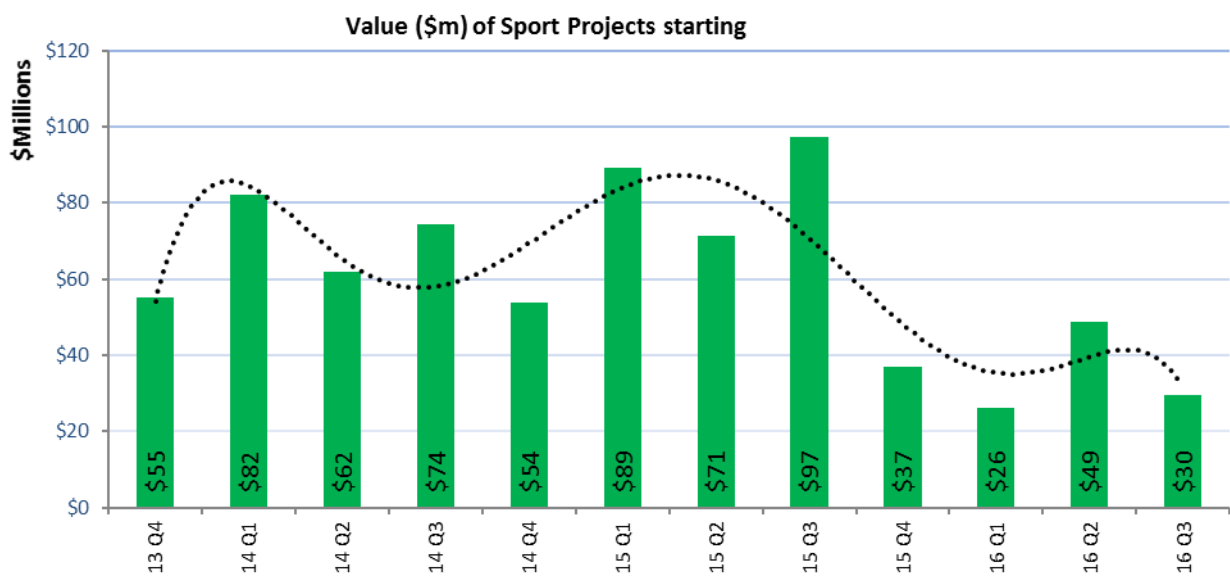
» Sport



Source: Pacifecon

2016 Q3 compared to 2015 Q3 0%

2016 Q3 YTD compared to 2015 Q3 YTD -3%



Source: Pacifecon

2016 Q3 compared to 2015 Q3 -70%

2016 Q3 YTD compared to 2015 Q3 YTD -55%

» Notes regarding the Data

This report is based on projects known to Pacifecon & other publicly available information. All projects are continually reviewed & updated, changes to \$value of projects within the pipeline are reflected in the figures.

Trend lines are shown as dotted lines; they are included to demonstrate the general direction the sector or region appears to be heading.

YTD Year to date.

Quarters: Q1 January – March, Q2 April – June, Q3 July – September, Q4 October – December.

Construction type examples:

- **Commercial:** Shopping centres & retail outlets, hotels, motels, conference centres, theatres, libraries, museums, offices, retirement villages, welfare homes, hostels, laboratories, telecommunications & electronics, churches, clubs, bars, taverns, restaurants, defence, law, security, police stations, prisons, holiday parks & camp grounds, camp sites.
- **Education:** Schools, childcare centres, universities.
- **Health:** Hospitals, hospices, rest homes, health centres, ambulance stations, Plunket rooms.
- **Industrial:** Light industrial, breweries, airports, harbours, ports & terminals, railways, materials handling, warehouses, fire stations, abattoirs, cold stores, fisheries, boatsheds, marine farms, fuel storage, tankage for service stations, wineries, milk factories, dairy farms, laboratories, plant & equipment (for wind farms, dairy farms, factories), cranes / pumps for wastewater
- **Multi-category:** Development falls into multiple categories, particularly Commercial/Residential.
- **Residential:** Houses, Low-rise Apartments, High-rise Apartments.
- **Retirement:** Retirement Villages & Homes, Aged Care facilities (includes: Residential, Commercial, Health, Multi-Category).
- **High Density Residential:** Apartments, high-rise living, any properties attached by floor/ceiling.
- **Medium Density Residential:** Town houses, terraces, multi-units, any properties attached by walls.
- **Multi-Residential:** any project which has 3+ properties. These are often mixed densities.
- **Detached:** Stand-alone house.
- **Sport:** Swimming Pools, Sports Centres, Sports pitches, Golf Courses.

For graphs including past \$\$, all \$\$ are in \$ of the day, no adjustments have been made for inflation.

Pacifecon's Residential Sector includes Multiple Dwellings: Apartments, Houses, Retirement Villages, Residential Accommodation, Housing Developments etc. In general, we do not report Building Consents with minor alterations or new dwellings less than \$200,000.

In the Pipeline: projects at any of the following stages: Early Planning, In Planning, Tendering.

Projects starting: projects that are under contract & likely to start within the next 3 months; projects at stage Commencing.

Projects cancelled: our policy of trying to identify projects at the earliest possible stage may mean plans do not always proceed as expected.

With the recent release of local government Ten-Year Plans, Pacifecon has introduced a new stage: 'Capital Intentions' to cover these more general statements of proposed forward capital expenditure. These \$amounts are not included in our pipeline of forward work - they are more strategic than specific construction work but they will be on our research radar & will be reported once projects are approved by councils.

NZ-wide consists of work which is National in nature, there may be work in all regions.

Lower Central North Island (LCNI) includes Gisborne/Hawkes Bay, Taranaki, Manawatu/Wanganui & Wairarapa.

Upper South Island (USI) includes Nelson/Marlborough & West Coast.

Lower South Island (LSI) includes Otago & Southland.

Pacifecon does cover Offshore projects & this includes work in the Pacific Islands (Fiji, Tonga, Samoa, Cook Islands) & Other (Papua New Guinea, Solomon Island, Timor & Micronesia). However, this is not included in this report

Australian project coverage: In 2012 Pacifecon expanded their coverage to include Australia through a Strategic Alliance with Cordell Information. Contact us now on projects@pacifecon.co.nz or call us on 09 445 0345 to discuss Australian project information.

All reasonable care has been taken in gathering, compiling & furnishing the information specified herein, but Pacifecon (NZ) Ltd. will not be responsible for errors, omissions, inaccuracies or lateness or liable for any claims, actions or suits arising directly or indirectly there from.

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Pacifecon Top Builders Report

Find out which builders have the highest **TOTAL VALUE** of residential projects on the go, and highest **TOTAL NUMBER** of residential projects overall, also the **AVERAGE \$ VALUE** of residential projects in their pipeline. That's 3 different ways to view Top 200 NZ residential builder information.

PLUS A RESIDENTIAL BUILDERS DIRECTORY

Whether its regional or nationwide information you need we have it covered.

