

# Business boom

It's happening now and into the future. A report into New Zealand's construction industry confirms that business is booming. The findings will help companies with their plans for staffing and new equipment.

**THE SECOND** *National Construction Pipeline* report, released in October, points to unprecedented growth in construction activity in New Zealand and a peak in 2016. It confirms the earlier report's forecast of a building boom over the next 4 years.

'The *National Construction Pipeline* report gives the industry a heads up on the future workload to help planning and investment,' says Chris Kane, Manager of the Building and Construction Productivity Partnership, which commissioned the report.

## Helps raise awareness

'Having a clear view of projects in the pipeline across New Zealand provides greater certainty so both clients and the supply side of the construction industry can be prepared. It's also important to highlight when and where major projects could be competing for resources.'

The pipeline includes residential and non-residential projects planned by government, local government and the private sector.

The report predicts a minimum 10% increase in construction activity every year to 2017 and points to the longest, sustained period of growth in construction activity over the last 40 years.

The forecast peak in activity in 2016 is 28% higher than the previous peak in 2007. The key findings highlight the accuracy of the first *National Construction Pipeline* report released in November 2013.

The second *National Construction Pipeline* report draws on updated data from Statistics NZ and Pacifecon NZ.

## BRANZ forecasts used

BRANZ had a key role in preparing both reports - developing national and Canterbury forecasts of construction activity for residential and non-residential building and construction.

The BRANZ forecasts were combined with projections of non-residential construction based on Pacifecon's database of known

projects. Analysis of this collective data presents a big picture of construction demand through to 2019.

## Two hot spots

Construction activity is forecast to grow across New Zealand, but Auckland and Canterbury continue to be the hot spots.

'The second *National Construction Pipeline* report tells a tale of two cities, with Auckland and Christchurch dominating construction demand,' says Chris.

'While rapid growth in Auckland is driven by increasing housing demand, the continued building boom in Christchurch is underpinned by a raft of government-funded projects relating to the post-earthquake rebuild.'

The peak in Canterbury is forecast to be later and lower than previously expected, with construction activity due to reach its highest level in 2015.

## Key findings

- The first *National Construction Pipeline* report forecasts were accurate.
- An unprecedented level of building and construction demand continues to be forecast for New Zealand.
- The projected peak in construction activity in 2016 is 28% higher than the previous peak in 2007.
- The value of construction work undertaken in June 2014 was just below the previous peak in 2007.
- Growth in building and construction demand continues to be driven by Auckland residential housing demand.
- Canterbury construction activity is lower than previously forecast. ◀

### Major projects listed

A list of construction projects, each valued at more than \$100 million and expected to start between April 2014 and April 2015, are in addition to the report. These are identified by region.

Interestingly, central government projects don't feature largely in the list, except in Canterbury, where public works worth nearly \$1 billion are driving construction growth.

### Report backs earlier findings

'You could describe this second report as a reality check,' says Chris. 'It indicates that the forecasts made in our first report were pretty much spot on.'

'While a number of factors like the availability of land and the timely delivery of infrastructure impact on whether planned construction projects happen or not, it's good to know there is freely available information you can rely on to guide decision making.'

'The market needs confidence to invest in new plant and equipment, staff training and innovative construction techniques - the *National Construction Pipeline* report helps provide that.'

**For more** To read these reports and the related fifth *Auckland Pipeline Report*, visit [www.buildingvalue.co.nz/publications](http://www.buildingvalue.co.nz/publications).

## What is the *National Construction Pipeline* report?

The *National Construction Pipeline* report is produced by the Building and Construction Productivity Partnership which is part of the Ministry of Business, Innovation and Employment.

It is based on a compilation of construction projects planned by government, local government and the private sector and economic forecasts of building and construction in New Zealand through to 2019. The forecasts show the nature and timing of future work by type and by region.

The visibility of New Zealand's forward construction pipeline is intended to improve:

- planning by the construction industry
- scheduling of investment in skills and in plant and equipment
- coordination of the timing of projects between construction clients, particularly local and central government.

These improvements could help moderate the industry's boom and bust cycle and increase productivity and building quality.

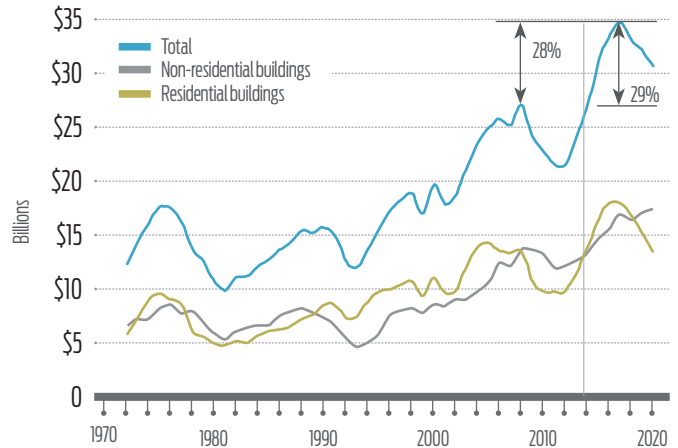


Figure 1: Value of all construction, historical and forecast.

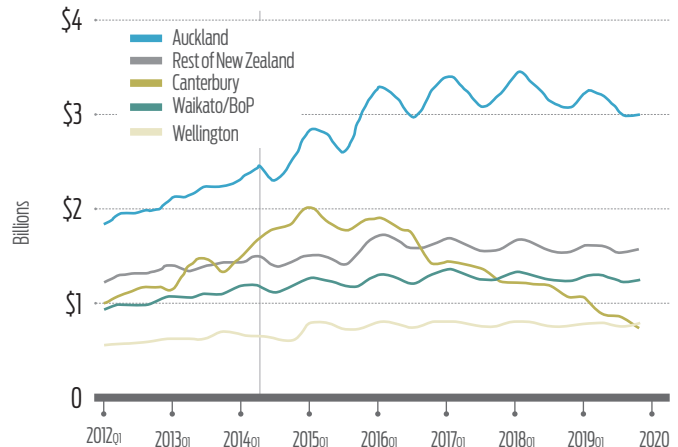


Figure 2: Value of all building and construction by region.

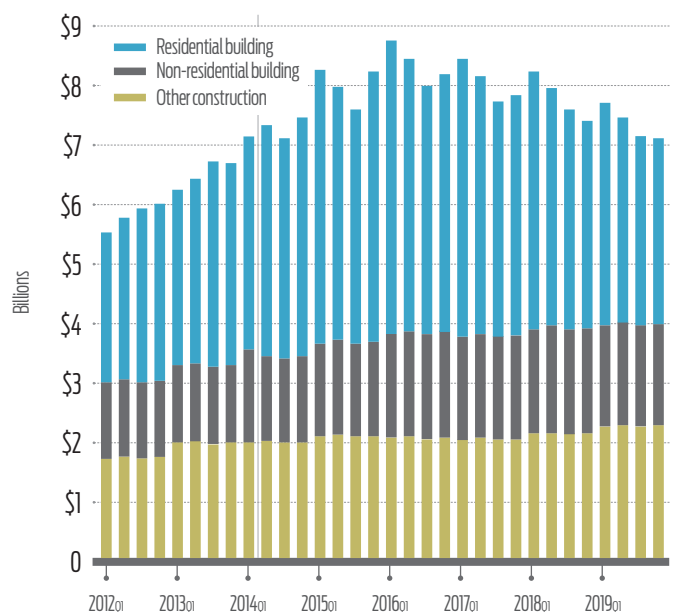


Figure 3: Value of all building and construction by type of work.