

# Building activity at a ten year high

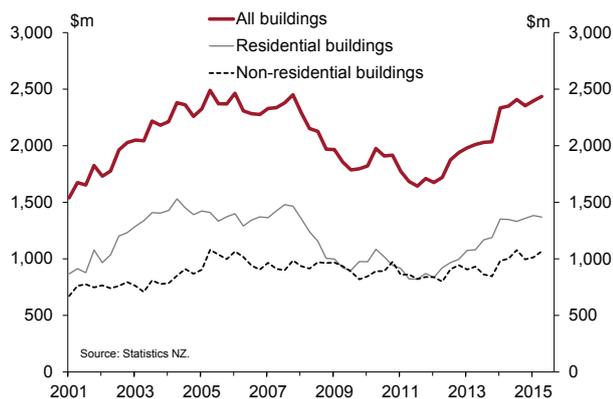
## June quarter 2015 building work put in place

- Total building work put in place rose 1.6% in the June quarter, taking the level of building activity to its highest level in ten years.
- June's increase in building activity was underpinned by a 5% increase in non-residential construction. This offset a 1% decline in residential construction.
- Over the coming year, we expect that level of construction will remain elevated, but that growth will ease off.
- Five years on from the first of the devastating earthquakes that struck the Canterbury region, we take a look at how the reconstruction process is evolving.

Over the June quarter there was a 1.6% increase in building activity. Combined with the solid gains in recent quarters, this has seen the level of building activity rise by 10.5% over the past year, taking it to its highest level since 2005. In addition to the significant amount of work completed in Canterbury over the past year, there has also been a large amount of work completed in Wellington (particularly in the non-residential space), as well as continued gains in Auckland.

Over the coming year we expect that the level of construction will remain strong, but that growth will ease off. Underlying this is a continuing shift in the nature and geographic centre of construction activity. In Canterbury, which has driven much of the recent strength in construction activity, the rebuilding of homes is now well advanced and residential consent issuance has levelled off. At the same time non-residential construction in Canterbury has been increasing, and demand conditions in the Auckland housing market have been strengthening.

Real building work put in place



### Non-residential construction

June's increase in building activity was underpinned by a 5% increase in non-residential construction work. Over the past year non-residential construction activity has increased by a solid 12%. Much of this gain has related to reconstruction and new investment in Canterbury, which is expected to continue increasing at a gradual pace over the coming months. There have also been increases in Wellington (likely related to earthquake strengthening) and in Auckland.

Non-residential investment spending is expected to remain elevated for some time. There is a strong pipeline of work including commercial projects in both Canterbury and Auckland, as well as infrastructure spending nationwide.

### Residential construction

There was a modest 1% pull back in residential construction over the June quarter. Contributing to this was a pullback in residential construction in Canterbury.

We do expect that growth in residential construction spending will ease back over the coming year. However, the level of activity is expected to remain robust with a solid demand outlook in Auckland.

## Canterbury reconstruction

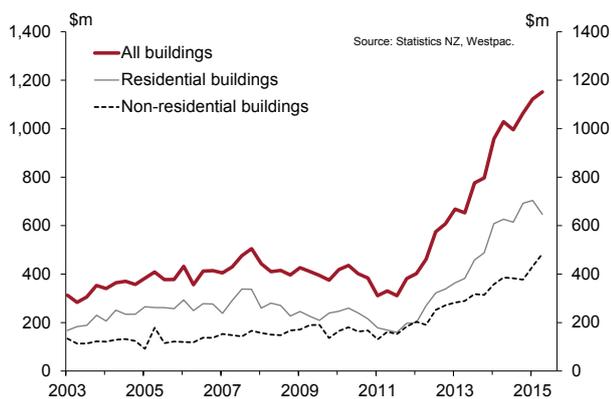
It's almost five years since the first of the devastating earthquakes that struck Canterbury. In addition to the enormous human impact of those events, reconstruction in Canterbury has had a significant impact on New Zealand's economic landscape in recent years. Reconstruction work has seen spending and employment growing strongly in Canterbury, boosting nationwide GDP.

While there remains a long way to go, reconstruction is now well advanced and we are entering into a new phase of the rebuild. Much of the construction work completed to date has related to the repair and replacement of damaged homes. But as we saw in today's figures (and in the consent figures released earlier in the week), work on home repairs has started to ease back. We expect that this will continue over the coming months.

At the same, we are seeing non-residential construction work in the region ramping up. This work was always going to proceed more slowly than residential reconstruction given the size and complexity of these projects. We anticipate that work on commercial and civil projects will continue for an extended period. However, given recent falls in business confidence, there is a risk that some projects are delayed.

Increasing commercial spending means that, despite the easing back in residential construction, overall building activity in Canterbury can be expected to remain strong for some time. However, we are unlikely to see the sorts of very large increases in construction spending and employment that we saw in recent years.

### Building work in Canterbury (nominal, seasonally adjusted)



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