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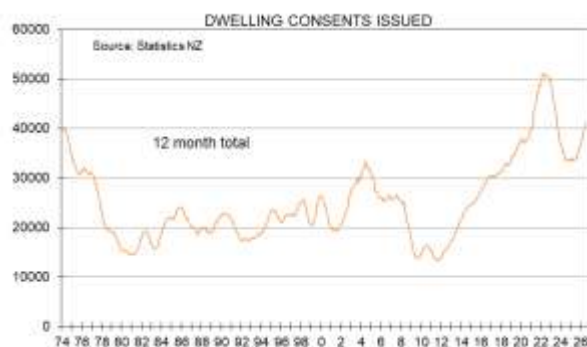
8 October 2026

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No house building boom

Prospects for the many thousands of businesses and people in New Zealand involved in the important residential construction sector continue to look positive though the pace of improvement has plateaued at best for now.

The number of consents issued for the construction of new dwellings has risen 21% over the past year to sit at 41,300 from 34,100 a year back which was roughly the lowest annual number since early-2019.

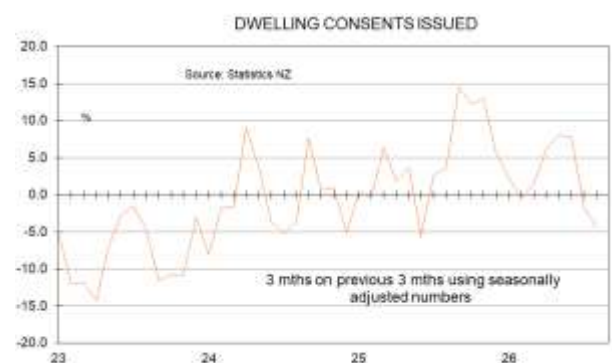


While there are many doubts about whether this 21% rise will in fact lead to more construction the data tell us that during the June quarter there was a firm lift in house building the translation of higher sales to higher consents and then higher construction is underway.

The following graph shows the strong historical relationship between changes in the rate of growth of dwelling sales and changes in consent issuance. Sales are the orange line, consents the blue line. Look to the far right.



Real estate sales have been falling since the start of this year and in the three months to August were down by 5% from a year earlier. It is not surprising then that consent numbers have also started to ease with a seasonally adjusted decline of 4% in the three months to August.



What is the outlook? Higher construction for sure. But there is no construction boom underway and there will not be one this cycle. Population growth is slow, investor interest in property has pulled back, there is little talk any longer of shortages as



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an overhang of townhouses exists in our two largest cities, and interest rates are rising.

Improving jobs growth through 2027 and 2028 will help underpin this area of household spending. But the job gains and rise in feelings of job security are unlikely to be strong enough to offset the other strong negatives – especially mortgage rates eventually surprising on the high side.

For those involved in house building there is good reason for anticipating and gathering resources for stronger activity. But don't think an upturn like the one from 2012 to 2022 is underway.

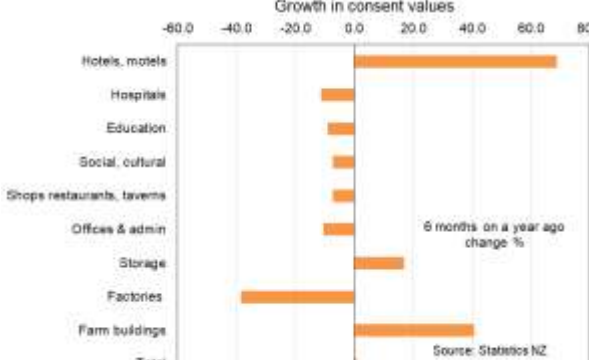
With regard to firms involved in the construction of buildings other than housing units there is also a minor positive outlook. This is an area where we tend to lack decent data but from the consents collection of numbers just noted above, we can see that the value of non-residential building consents was ahead 1% in the six months to August from a year earlier.

These numbers can be highly volatile and my usual thing of smoothing over a three-month period is not a good idea in this instance. Clearly once we allow for cost increases it would not be possible to say that the volume outlook for non-residential building is great.

However, if we focus just on the types of buildings constructed largely for private sector rather than public sector use, we see growth of 6% from a year ago for the past six months.

This growth is largely happening in the tourism, storage, and farming sectors.

Growth in consent values



Building Type	Growth in consent values (%)
Hotels, motels	75.0
Hospitals	10.0
Education	5.0
Social, cultural	5.0
Shops, restaurants, taverns	5.0
Offices & admin	5.0
Storage	15.0
Factories	-45.0
Farm buildings	45.0
Total	10.0

Source: Statistics NZ

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If I were a borrower, what would I do?

NZIER released their Quarterly Survey of Business Opinion this week (QSBO) and we economists mainly look at it for some insight into capacity pressures in the economy. Other indicators such as for changes in business confidence and willingness to invest and hire we get in more up to date form from the ANZ Business Outlook survey. There are also however some useful numbers on architect workflows, but you need to pay mega thousands to access that, so the information is not that widely useful in the end.

With regard to capacity pressures in the economy there is no strong indication yet that these are becoming any major sort of a problem.

The capacity utilisation rate edged up just a bit to 0.91 from 0.908 where the average since 1992 is exactly 0.908 and for the past ten years it has been 0.917. No issue there.

The net proportion of businesses planning to raise their selling prices has remained uncomfortably high at 47% from 54% in the June quarter where the long-term average is 21%.



This leaves the risk of above-desired inflation on the table but does not suggest for the moment that

the Reserve Bank is likely to accelerate its tightening plans or as yet lift its projected track for the official cash rate.

Taking these little bits of information into account and throwing in movements in the US bond markets this past week we are left with NZ bank wholesale fixed borrowing costs sitting not much changed from where they were a week ago.

The pressure however remains on banks to further lift their fixed mortgage rates with margins on that lending running well below average. But the lack of strength in the residential real estate market looks to be staying their hands for the moment.



If I were borrowing currently, I would still favour fixing three years to get beyond the messy period lying ahead and focus on other things. Most people are fixing two years which is probably okayish.

To see the interest rates currently charged by major lenders go to www.mortgages.co.nz

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