



**STRATEGIC RISK ANALYSIS LIMITED**  
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Presentation to

# **FTMA's National Conference**

## **Residential building prospects**

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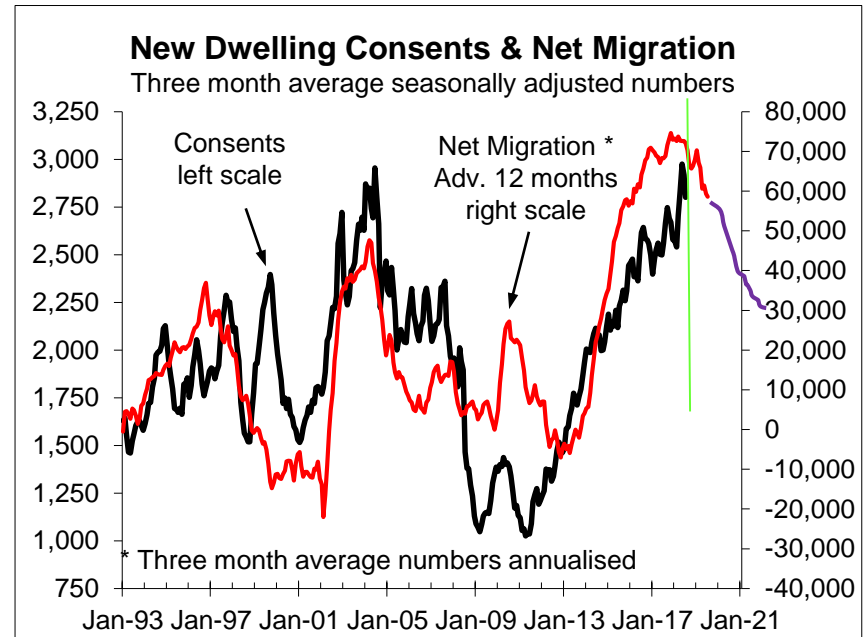
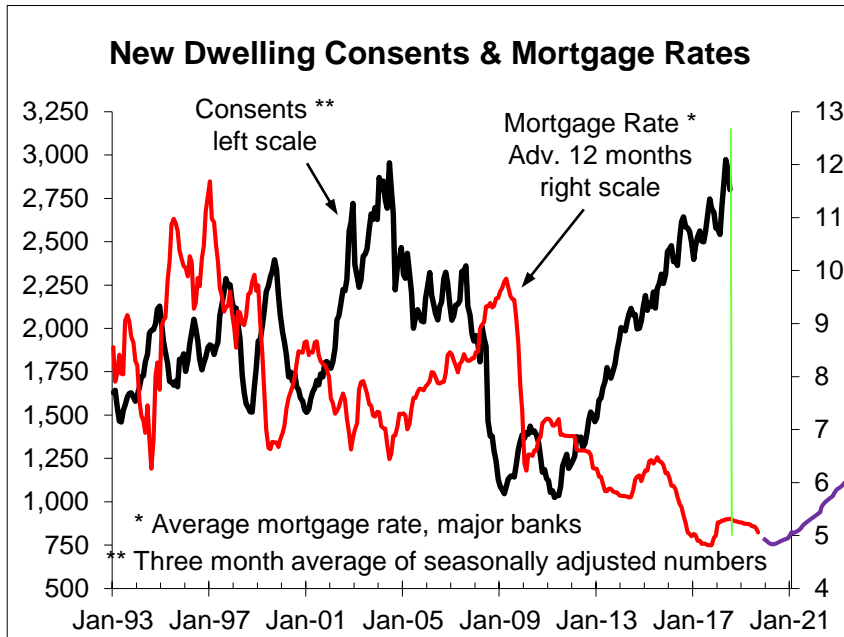
## Contents

- In the good old days only two drivers mattered
- Need understand more drivers now AND how they interact
- KiwiBuild, Housing NZ, affordability, interest rates, migration ...
- What is built, who builds it and who supplies the materials
- Brief super-regional prospects
- Some big-picture conclusions



## In the good old days things were simple

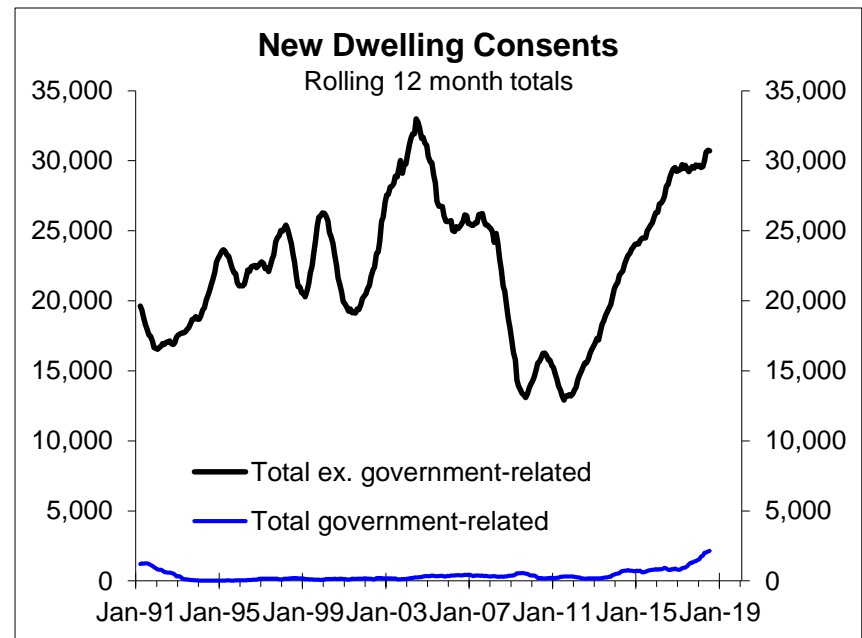
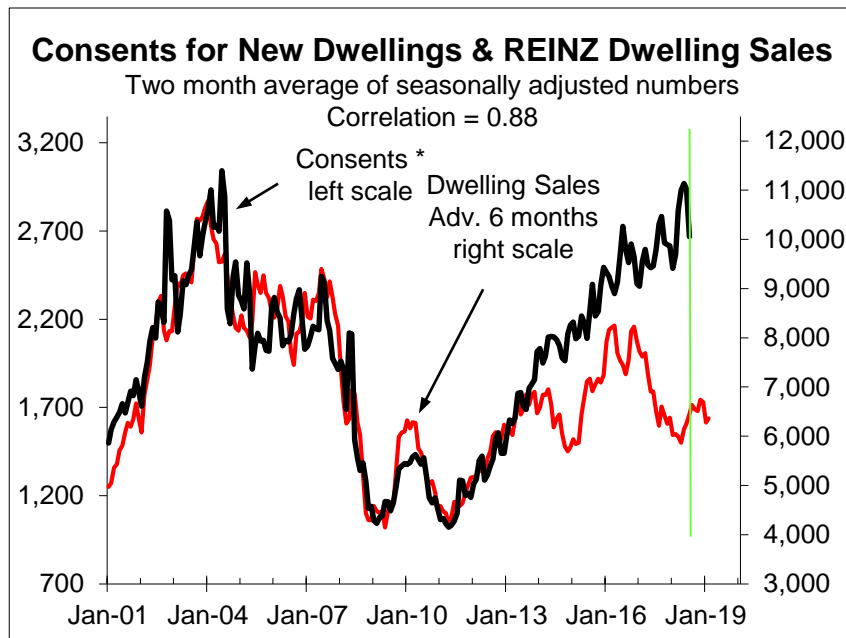
Interest rates and net migration were by far the most powerful drivers of cycles in residential building and they took around 12 months to impact on new dwelling consents





## In the good old days things were simple

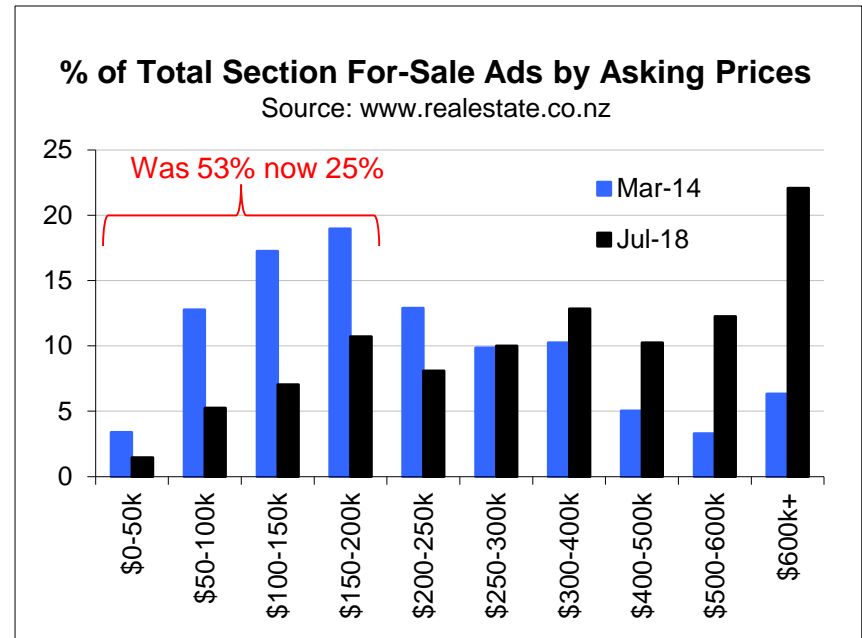
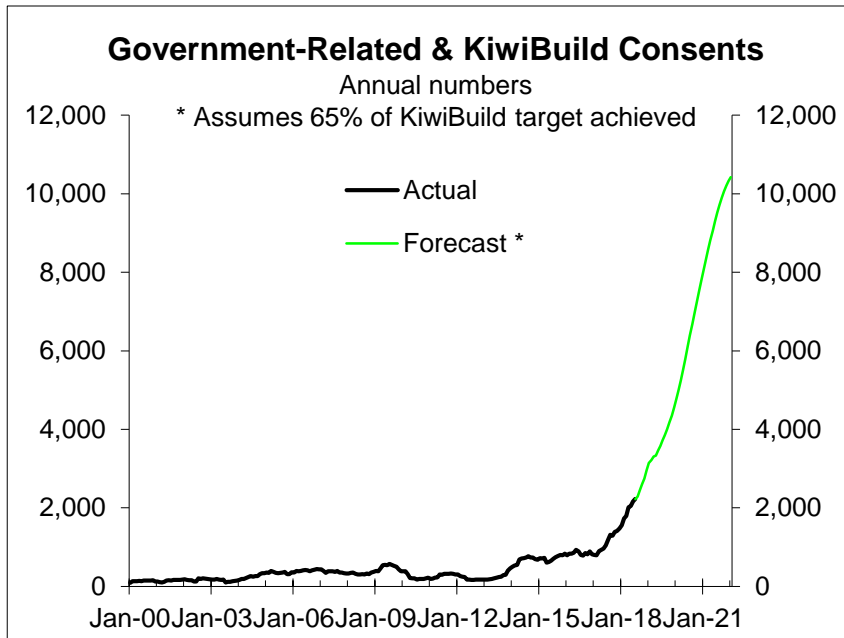
What happened to existing dwelling sales normally occurred to new dwelling consents around six months later and the government didn't interfere much in either market





## Reasonably significant progress should be made with KiwiBuild

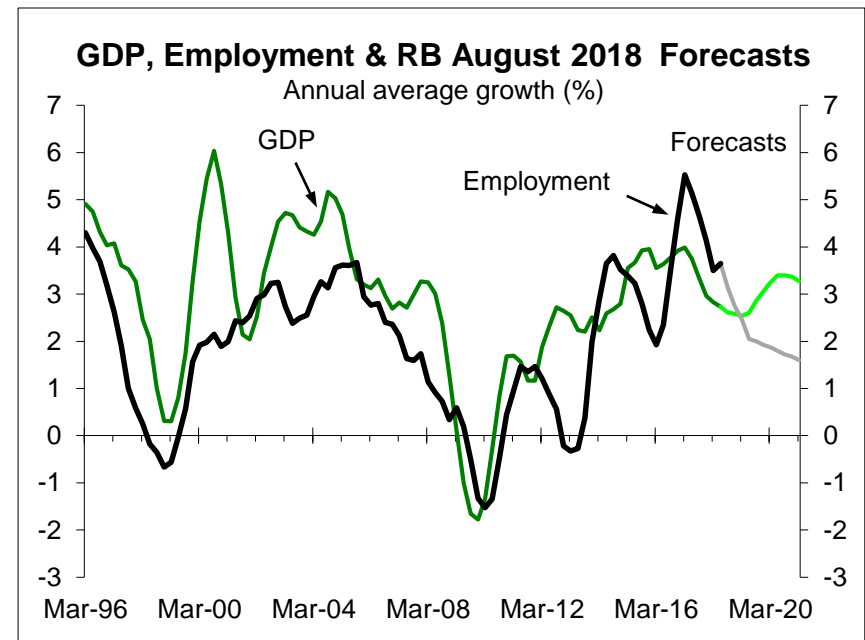
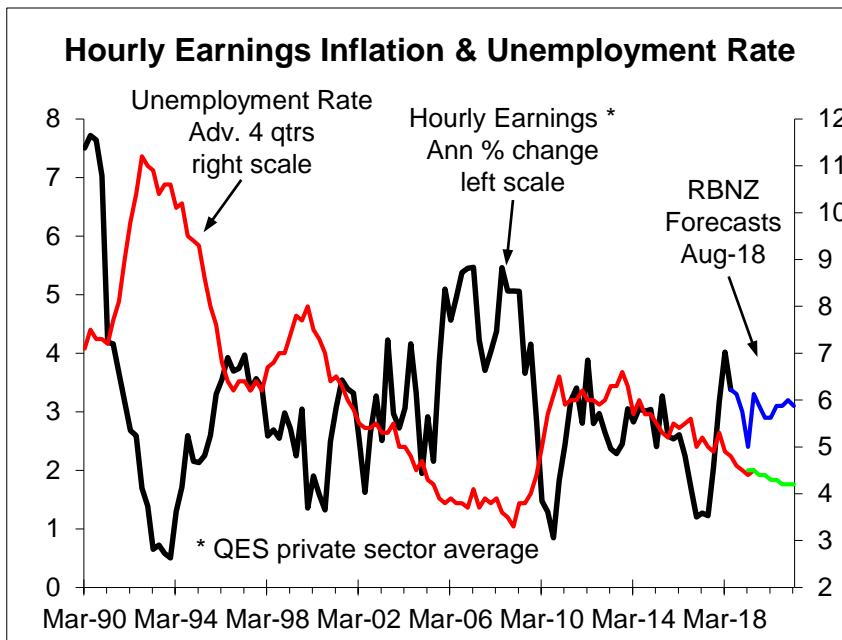
\$2.1b upfront, off the plan, government land, HNZ projects, prefabrication, small houses, tiny sections, leasehold sections, steamroll councils, steamroll NIMBYs, banks on board





## But as KiwiBuild winds up the traditional drivers are likely to turn bad

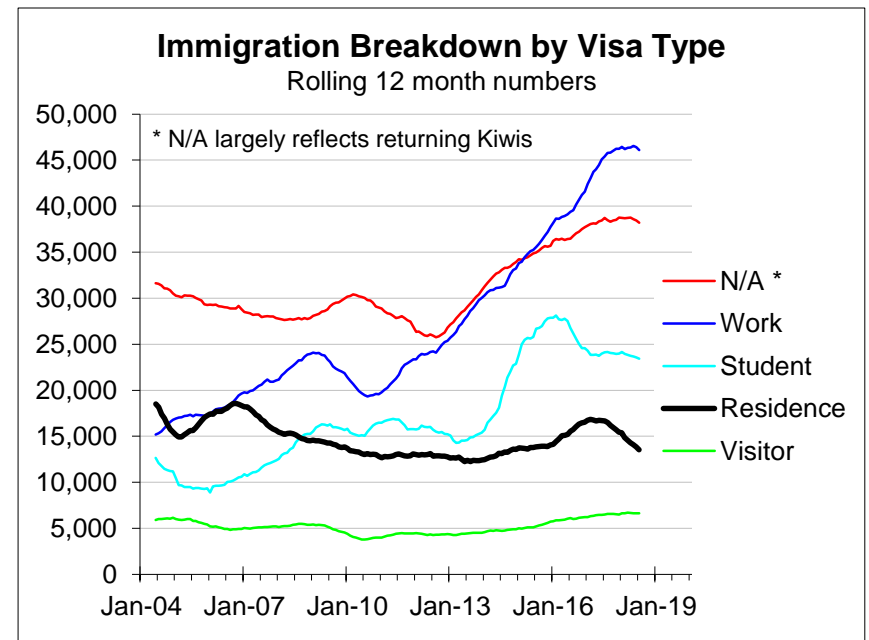
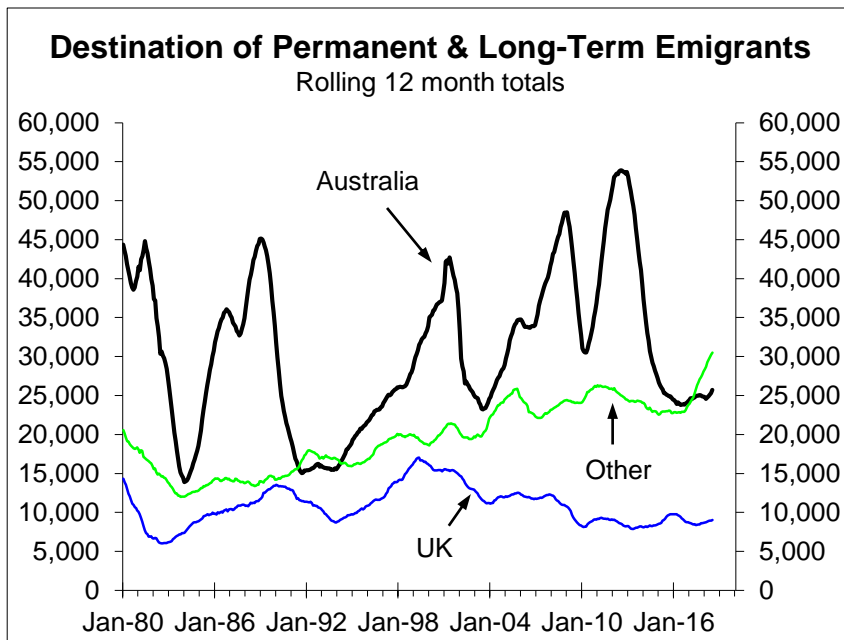
Interest rates probably haven't finished falling but Governor Orr is following in Governor Bollard's misguided footsteps that will in time result in much higher interest rates





## But as KiwiBuild winds up the traditional drivers are likely to turn bad

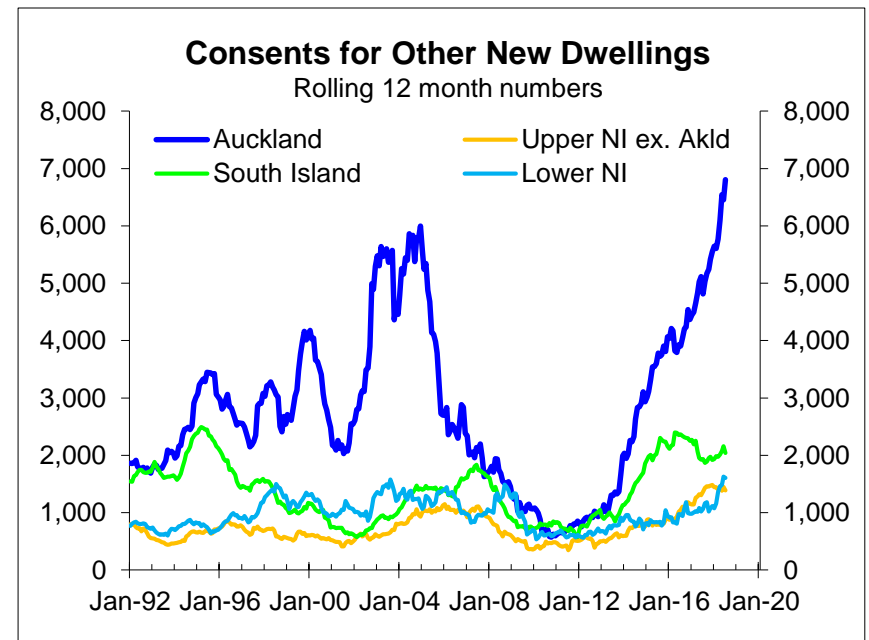
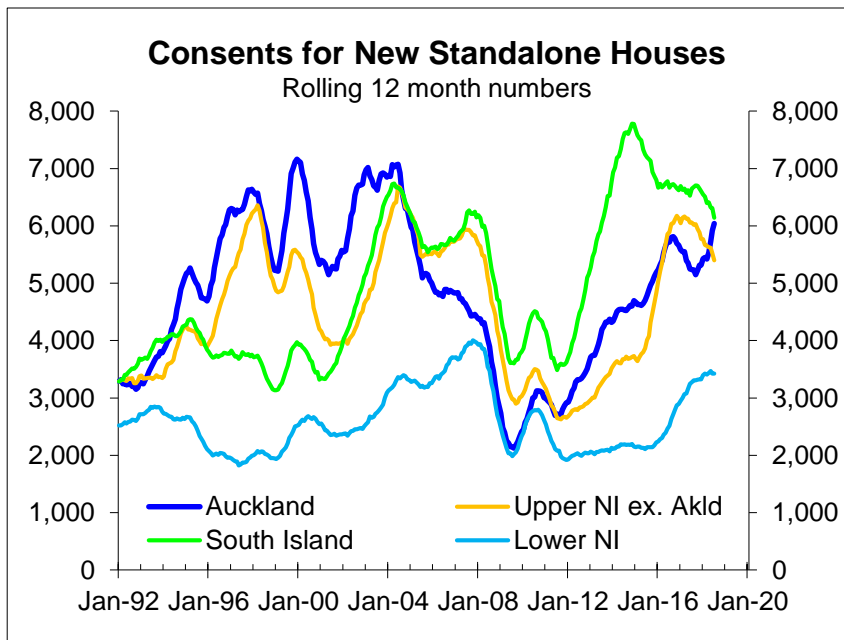
Dissatisfied immigrants and lower residency visas are so far the main negatives for net migration but the big risk is from an improving Australian labour market/mining sector





## Brief super-regional prospects

Upper North Island, Wellington and Queenstown Lakes are key targets for KiwiBuild but it will impact further afield; which offer the low fruit could be most important initially







## Conclusions

KiwiBuild should make reasonable progress despite not fixing section prices

If at first progress is slow more initiatives will be introduced to wind it up

For a period interest rates will remain helpful but they could turn quite nasty

The slowing in population growth via falling net migration will continue

A prolonged period of high building but don't add KiwiBuild on top of the current high level of building like BRANZ have done in the MBIE construction pipeline report

A number of regional themes including KiwiBuild impacting on building what/where

What is built, who builds it and who supplies the building materials