



17 JAN, 2023

## Building sector braces for uncertain year

The Westport News, Westport

Page 1 of 2

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Some in the building industry are optimistic that sky-high demand is easing back to pre-Covid-19 levels.

But with economic uncertainty, there are also concerns demand could dry up altogether.

NZ Certified Builders chief executive Malcolm Fleming said they were seeing a 20 percent slowdown in enquiries for new residential builds.

There had also been a 20 percent scale-back in existing projects, such as renovations, which Fleming said was providing a reprieve for the industry.

"[Builders] really do not want to live through the demand that has been on the industry over these last 2-3 years because that has been very, very stressful - not only the workload itself, but of course we've had to deal with cost escalation and the building product supply has been difficult at times," he said.

The slowdown makes it a good time for people who want to build or renovate.

"This is a really good time for home owners who are thinking about undertaking a building project to do something they haven't been able to - and that's exercise due diligence in

choosing a builder," Fleming said.

Jamee Colman has owned Namloc Building in Wellington for a decade and while things were hectic last year, he is worried about what will happen once current projects wrap up.

"I find it more stressful in this scenario because when there's too much work I get to pick my work, whereas now it's stressful to think, 'oh what if that job doesn't come?' or 'what if that person, who would have said yes,

decides not?' which is what's happening now," he said.

But the competition might be good for business.

"I'm just going to have to start fighting, which is probably good for me and good for business.

"It's good for clients because the price is going to drop," Colman said.

CoreLogic's Cordell Construction Cost Index shows the cost to build a standard home increased 10 percent in the last quarter, surpassing the previous record of 9.6 percent in the third quarter of 2022.

Prices for materials were not necessarily expected to drop, but there would be a slowdown in the rate of increase.

Specialist Trade Contractors Federation president Grant Price is expecting a labour surplus this year once the backlog of work dries up.

"What [it] looks like going forward is that we're back in a cycle of 'boom' and then 'deflation', so people will go out of the industry.

"Right now, we're looking for labour, but I believe that there will be labour surplus," Price said.

He said the industry - which has historically operated on a 'boom or bust' model looked to be slipping that way again and it was a sign reforms were needed.

But he said those in the industry had to remain optimistic.

"What you're trying to do is trying to remain incredibly positive, and behind your back you've got your fingers crossed."

Specialist Trade Contractors Federation president Grant Price said the level and quality of inquiry for future work was dropping in all sectors



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Page 2 of 2

of the construction industry.

He told Morning Report he was involved in a small project at present and feedback from tradepeople and project managers indicated it was

much easier to hire tradespeople now compared with just three months ago.

Infrastructure and group housing projects would continue for another eight or nine months but demand further out from there was looking “very thin”.

He said businesses needed to be thinking how they would survive that.

“They also need to be thinking about what their headcount is going to be like towards the end of the year.”

Next month’s government monetary policy statement would provide firmer guidance on what might lie ahead for the sector.

“If it’s eased then there may be more confidence but if it stays where it is and we’re trying to get that cockroach of inflation under control then it’s going to be difficult at the end of the year.”

Inflation had played a huge part in the difficulties being experienced, Price said.

Selling prices were dropping while the overheads that had risen 20 to 30 percent over the last 18 months would not be dropping any time soon.

“So it’s going to be a very delicate balance towards the end of the year.”

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