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Builders in two minds about slowdown

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

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

NZ Certified Builders chief executive Malcolm Fleming said it was seeing a 20% slowdown in inquiries for new residential builds.

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

“[Builders] really do not want to live through the demand that has been on the industry over these last two to three 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 could make it a good time for people who wanted 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,” Mr Fleming said.

Jamee Colman has owned Namloc Building in Wellington for a decade and while things were hectic last year, he was worried about what would happen once current projects wrapped 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,” Mr Colman 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,” Mr Colman said.

CoreLogic’s Cordell Construction Cost Index shows the cost to build a standard home increased 10% in the last quarter, surpassing the previous record of 9.6% 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 expected a labour surplus this year once the backlog of work dried 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,” Mr Price said.

He said the industry had historically operated on a boom-or-bust model.

The industry looked to be slipping that way again and it was a sign reforms were needed, he said.

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.” — RNZ



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Opportunity knocks . . . Easing building demands could make it a good time for people who want to build or renovate. PHOTO: GETTY IMAGES