

12 JUL, 2024

Modest decrease in cost of building houses welcomed

Otago Daily Times, Dunedin

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TIM SCOTT

DESPITE the cost to build a new house in New Zealand dropping for the first time in more than a decade, “it doesn’t feel like it’s going to make a massive difference,” a Dunedin builder says.

The latest Cordell Construction Cost Index figures revealed a 1.1% decrease, in the three months to June, in the cost to build a standard single-storey, three-bedroom, two-bathroom, brick and tile dwelling — the first recorded drop in the report’s 12-year history.

It recorded falls across several materials including structural steel and kitchen joinery.

Costs for tapware and electrical light fixtures also fell.

New Zealand Certified Builders Otago president Sacha Gray said the figure was “a sign of the times”.

“It’s a very small percentage, so given the rise that we’ve had over the last few years it doesn’t feel like it’s going to make a massive difference.

“But we’ll take anything we can get . . . So, any easing at all, I would say, is a good thing.”

Mr Gray said the industry was still a little bit hamstrung by the limited number of suppliers and products they were allowed to use in the country.

If the government eased some regulations, it could make “quite a big difference” — perhaps having a bigger bearing than the easing of the market, he said.

The phones had been a bit quieter over the past three months but he had heard people say they were starting to ring a little bit more, and hoped that by the end of the year things would have picked up.

CoreLogic chief property economist Kelvin Davidson said the decline followed the completion of a “surge” of building consents and the resolution of supply chain disruptions caused by the Covid-19 pandemic, and the subsequent quieter periods had reduced construction cost growth below long-term averages.

“The downturn in workloads in the construction sector has eased the pressure on capacity and that’s flowed through to reduced building costs,” Mr Davidson said.

“Coupled with a slowdown in

the growth of average hourly wage rates, the flattening of building materials costs has also caused a reversal in trends from the rapid growth in construction costs in the past few years.”

Construction costs had spiked in 2022 due to lingering Covid-affected supply chain issues and construction activity had also boomed as dwelling

consents peaked around the same period, he said.

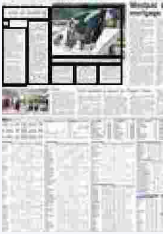
“Those factors have all now been resolved with material supply back to normal, dwelling consents falling and the pipeline of jobs coming to completion.

“This has alleviated significant pressure on the industry, freeing up capacity and reducing costs.”

Mr Davidson said the increased availability of established properties on the market was likely reducing the demand for new builds, giving home buyers a wider selection and more options.

Flat or further falls to overall construction costs in the next few quarters could be likely, he said.

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On the job . . . Dunedin builder Sacha Gray drills a hole on a building site. The cost to build a new house in New Zealand has dropped for the first time in more than a decade.

PHOTO: PETER MCINTOSH