

Q4 2019: New Zealand Construction and Infrastructure Survey

Skills, labour shortages remain acute at larger firms

- Public sector driving workloads in the South Island amid soft private sector
- North Island respondents reporting difficulting in coping with excess demand
- Shortages constraining large firms, cost of materials weighing on small firms

Respondents to the RICS/PCNZ Q4 New Zealand Construction and Infrastructure Survey indicate that market conditions were relatively upbeat to end 2019. However, similar to previous quarters there was some dispersion in sector activity, both by geography and by firm size.

Public spending supporting South Island

Although survey participants in the South Island reported an increase in overall workloads in Q4, after seeing a decline in Q3. However, the increase appears to be driven by the public rather than private projects. Work on public residential projects, likely driven by KiwiBuild, and infrastructure projects such as roads and utilities were all said to have increased. Meanwhile, work on private commercial, industrial and residential projects was said to have declined, as contributors noted low volumes of activity.

North Island respondents noted a markedly different situation, citing robust increases in private commercial, residential as well as public residential and infrastructure projects. However, there does appear to be some evidence that government activity may be crowding out the private sector as contributors commented that they are running against capacity constraints amid a surplus of demand.

Shortages weighing on medium, large firms

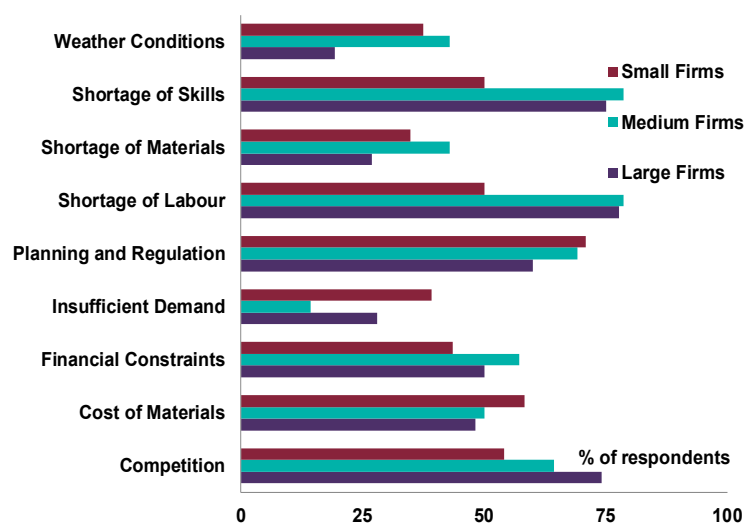
Respondents at firms of all sizes* generally reported similar increases in overall workloads (in net balance terms) during the fourth quarter. However, as shown by the chart, participants at firms of different sizes are running against different constraints.

Shortages of both skills and labour remain the key constraint for medium and large sized firms.

Respondents in New Zealand more generally are reporting some of the most acute skill and labour shortages globally. Quantity surveyors, project managers and skilled tradespeople appear to be the most in-demand professions, though a majority of respondents also noted a shortage of BIM and construction managers.

Smaller firms are reporting different constraints, as regulations and material costs are generally seen as the key drags (though a majority of respondents at larger firms also highlighted regulations as a constraint). Although respondents at small firms are forecasting a similar rise in material costs over the next year to larger firms, tenders are expected to see less of an increase.

Factors Holding Back Activity



*Large Firms = more than 250 employees, Medium = 50 to 249 employees, Small = 10 to 49 employees, Micro = less than 10 employees

Comments from Survey Participants in New Zealand



"International competition trying to operate in local market is creating price and supply chaos."

- Auckland



"Unrealistic commercial terms with unbalanced risk allocation, competition taking unnecessary risk."

- Auckland



"Lack of overall local labour and material resources to satisfy growing development demand"

- Auckland



"Large commercial projects coming to an end over the next 18 months will result in dip in market."

- Auckland



"Market is constrained while the government announced a large infrastructure spend, something will have to give."

- Auckland



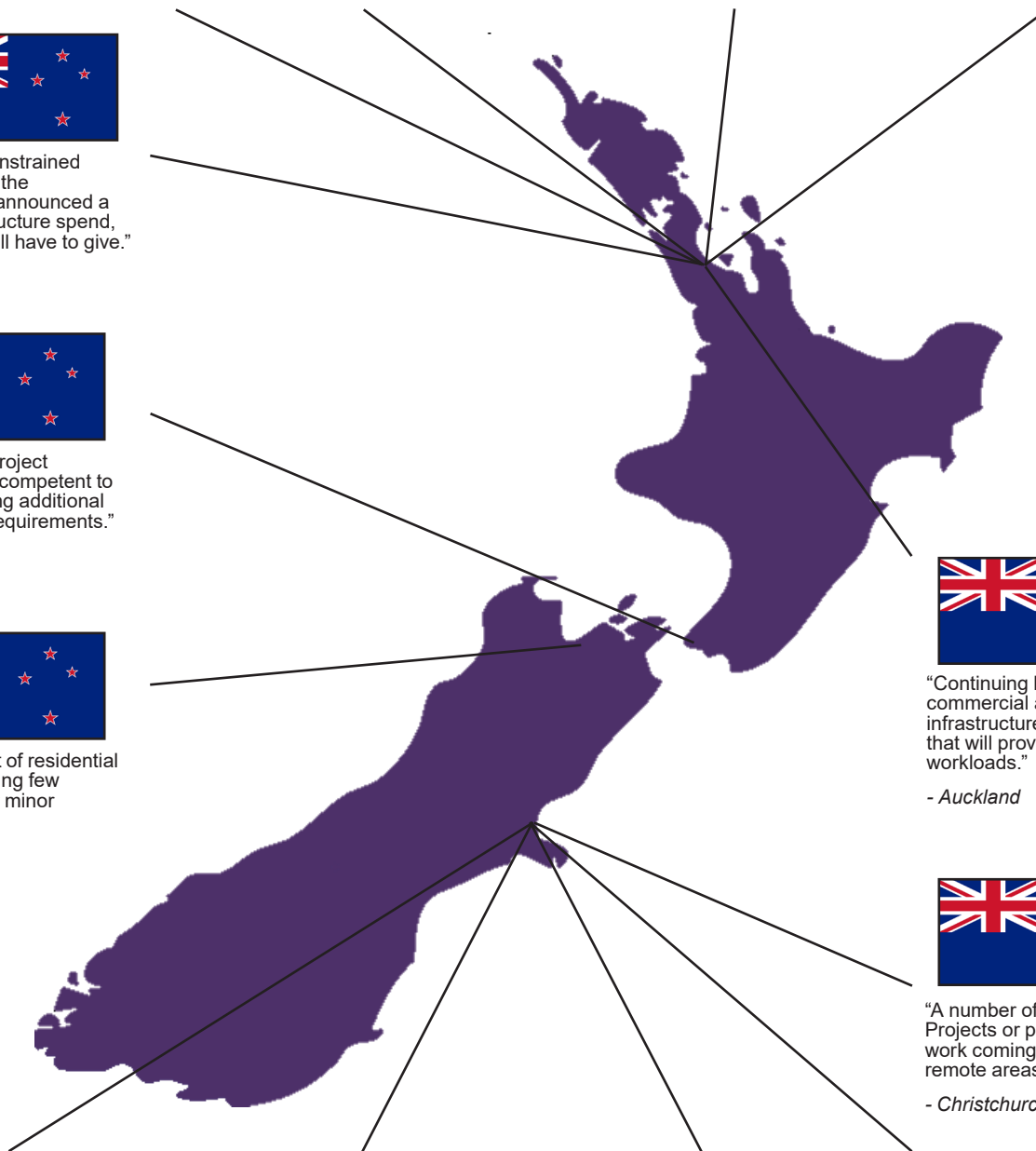
Independent project managers not competent to manage, adding additional cost and PM requirements."

- Wellington



"Large amount of residential new build leaving few contractors for minor works."

- Nelson



"Continuing large commercial and infrastructure projects that will provide long term workloads."

- Auckland



"A number of significant Projects or programmes of work coming to market in remote areas."

- Christchurch



"There is a large workforce with low volumes of work coming online also international competition."

- Christchurch



"Notable decline in the residential and commercial build over past 6 months, but infrastructure is up."

- Christchurch



"Supply in centres is ok; might be a different result in the more rural districts."

- Christchurch



"Absence of any partnering type arrangements preventing R&D in sector. Further liquidations likely."

- Christchurch

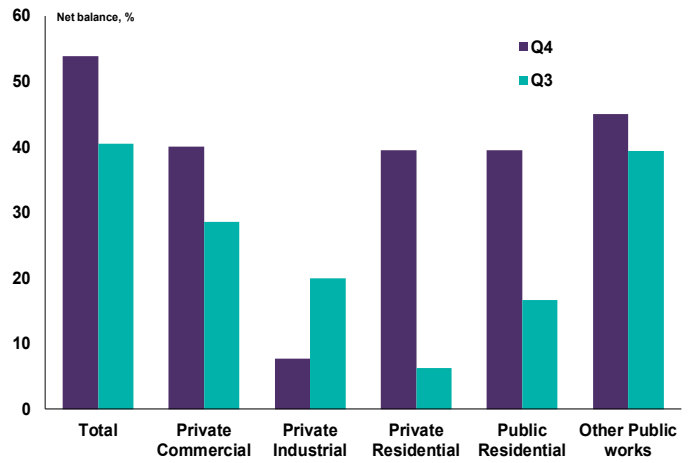
Regional Charts - North Island

Respondents in the North Island continued to report upbeat conditions, as they have for the last several quarters. Overall workloads were said to have increased at a quicker pace in Q4 than what was seen in Q3 (in net balance terms), driven by an upswing in private commercial and residential work. Interestingly, the increase in infrastructure workloads slowed from Q3.

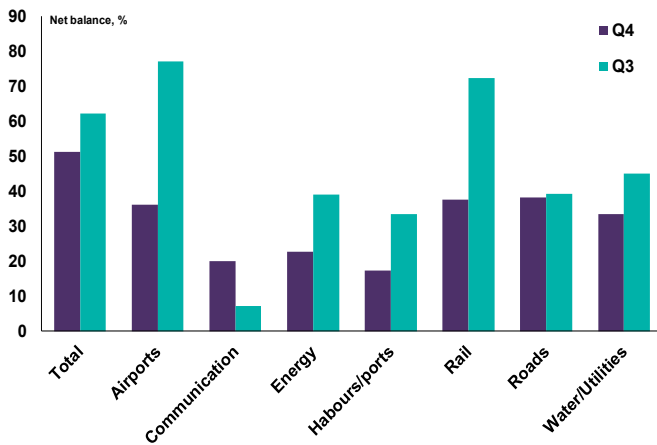
Perhaps unsurprisingly, respondents noted a robust pipeline of new workloads and repair and maintenance workloads. This will likely sustain demand in the short-term. More interestingly, a sharp increase in payment delays were reported.

Shortages of skills and labour were once again the two main constraints on activity. A majority of contributors, 64%, now also see competition as a drag on activity.

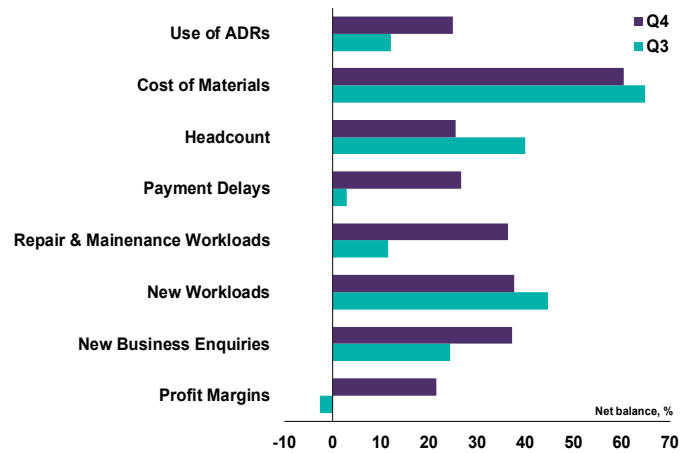
Workloads



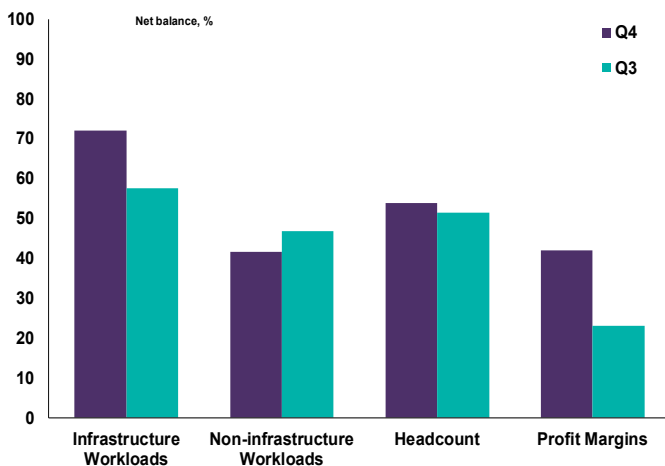
Infrastructure Workloads



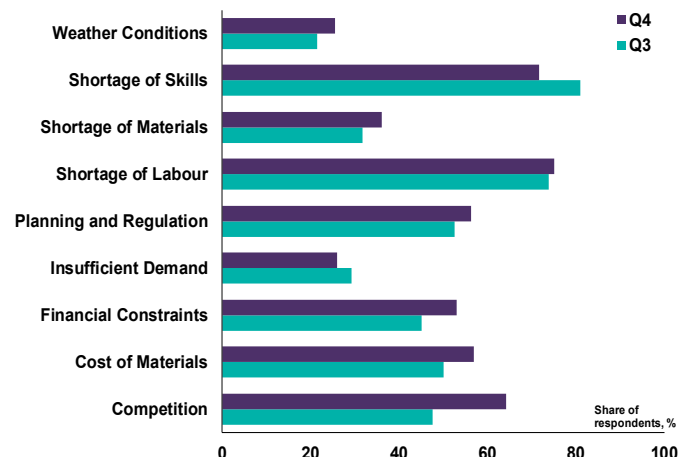
Current Conditions



12-month Expectations



Factors Holding Back Activity



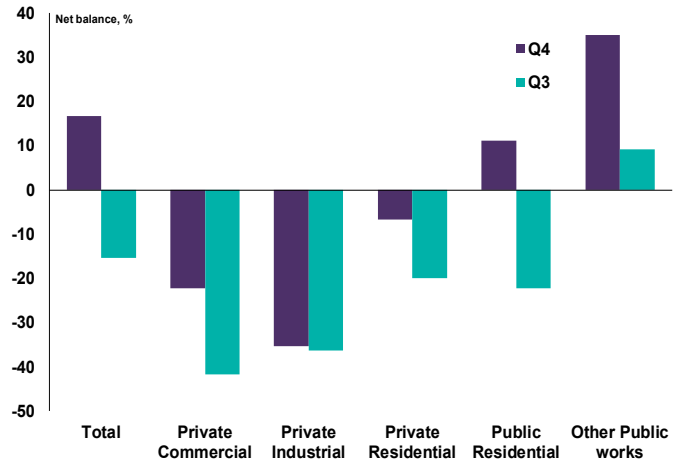
Regional Charts - South Island

Conditions in the South Island remained somewhat downbeat in Q4. Although aggregate workloads were said to have increased, this appeared to be supported by public sector spends such as KiwiBuild and road/utility infrastructure projects.

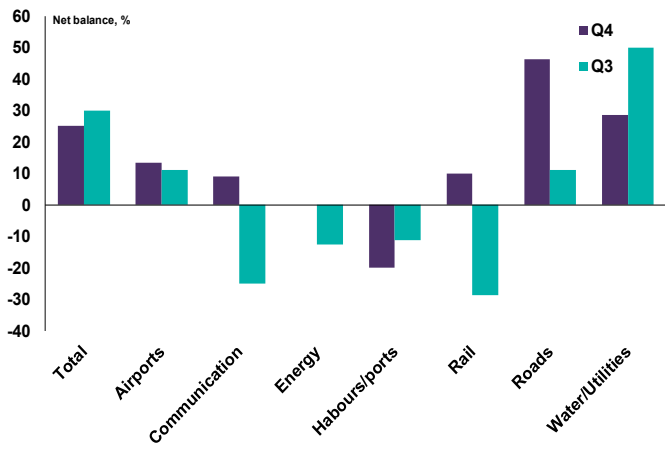
Similar to Q3, contributors reported a decline in private workloads. However, the decline in private commercial and residential work noted in Q4 was at a slower pace (in net balance terms) than what was reported in Q3. This may perhaps have supported the optimistic outlook for an increase in both infrastructure and non-infrastructure workloads over the next twelve months.

Regulation was the main factor cited as a drag on activity, noted by 71% of respondents. Half of respondents also cited financial constraints, down slightly amid a more optimistic outlook for margins.

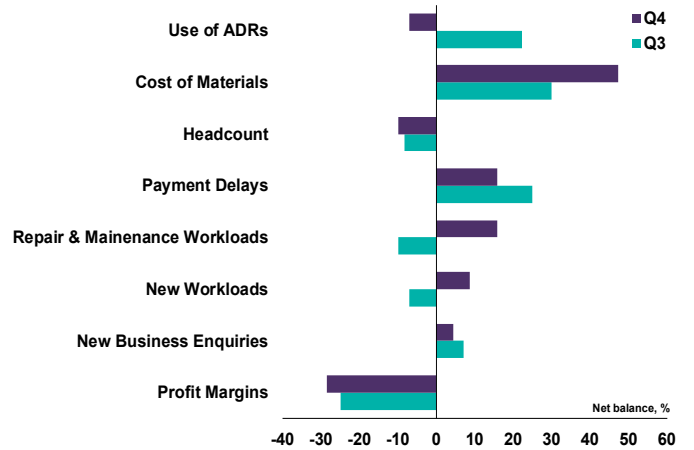
Workloads



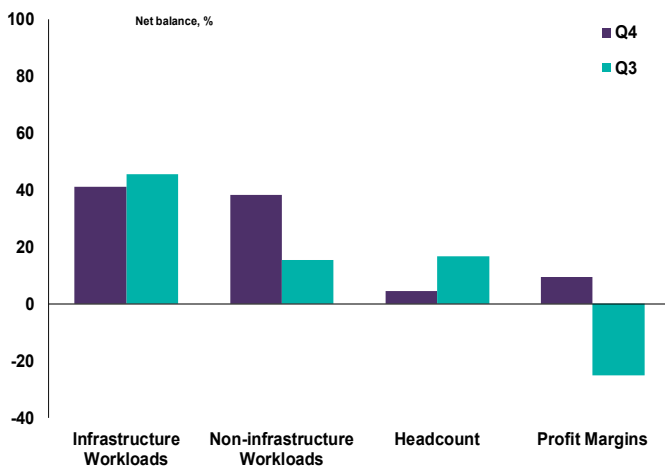
Infrastructure Workloads



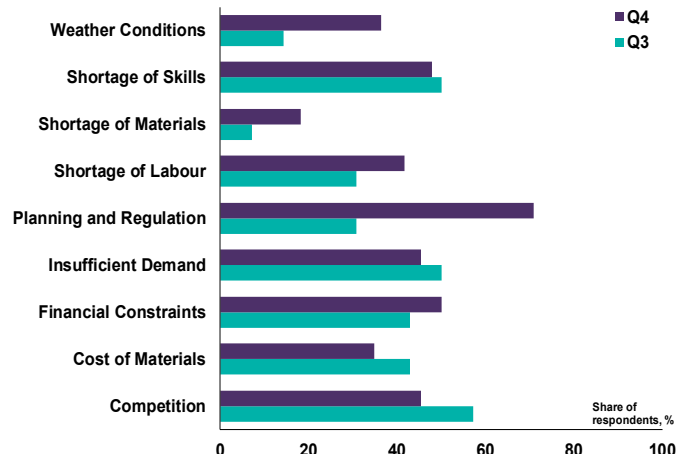
Current Conditions



12-month Expectations



Factors Holding Back Activity



RICS Consensus Tender Prices & Construction Costs (Next 12 months)

	Tender Prices		Construction Costs		
	Building	Civil Engineering	Commercial	Residential	Total
Northern America	+4.3%	+4.1%	+4.4%	+3.9%	+4.6%
Canada	+4.3%	+4.3%	+4.2%	+3.8%	+4.6%
British Columbia	+4.1%	+4.9%	+4.7%	+3.6%	+4.6%
Ontario	+6.0%	+5.5%	+5.0%	+5.1%	+5.7%
Praries & Territories	+0.7%	+1.0%	+1.8%	+1.5%	+1.8%
Quebec	+8.3%	+6.8%	+7.6%	+5.7%	+7.5%
USA	+4.1%	+3.5%	+4.8%	+4.2%	+4.6%
Northeast	+3.2%	+3.1%	+3.2%	+2.3%	+3.7%
South	+4.6%	+3.6%	+5.3%	+5.3%	+4.9%
West	+4.6%	+4.0%	+5.6%	+5.7%	+5.3%
Asia Pacific	+2.4%	+2.8%	+2.8%	+2.4%	+3.0%
Australasia	+3.6%	+4.6%	+3.9%	+3.3%	+4.0%
Australia	+3.3%	+4.9%	+3.6%	+2.8%	+3.9%
New South Wales	+2.8%	+4.4%	+3.7%	+2.2%	+3.8%
Queensland	+2.9%	+3.9%	+2.9%	+2.2%	+3.7%
Victoria	+5.0%	+7.1%	+5.3%	+4.6%	+4.9%
Western Australia	+2.9%	+5.0%	+2.8%	+2.8%	+3.4%
New Zealand	+3.9%	+4.4%	+4.2%	+3.7%	+4.0%
North Island	+4.5%	+5.4%	+4.5%	+4.1%	+4.3%
South Island	+2.3%	+2.5%	+3.4%	+2.8%	+3.4%
East Asia	+0.4%	+0.2%	+1.1%	+1.2%	+1.6%
China	+3.3%	+4.2%	+3.2%	+2.8%	+3.6%
Eastern Region	+2.9%	+3.5%	+2.1%	+2.0%	+3.0%
South Central Region	+3.8%	+4.5%	+3.0%	+3.0%	+3.5%
Hong Kong	-0.8%	-1.3%	+0.2%	+0.6%	+0.7%
South Asia	+4.7%	+4.9%	+4.9%	+3.7%	+4.6%
India	+4.6%	+4.6%	+5.8%	+4.5%	+5.3%
Northern Region	+4.6%	+4.2%	+5.1%	+4.3%	+4.9%
Southern Region	+4.1%	+3.9%	+5.6%	+5.3%	+5.0%
Western Region	+4.5%	+4.7%	+5.4%	+3.7%	+5.1%
Sri Lanka	+4.7%	+5.1%	+4.1%	+2.6%	+4.0%
Western Province	+4.3%	+4.5%	+3.2%	+1.4%	+2.6%
Southeast Asia	+1.7%	+2.5%	+2.0%	+2.1%	+2.6%
Malaysia	+0.4%	+0.3%	+0.4%	+1.0%	+1.2%
Selangor & Kuala Lumpur	+0.3%	+0.4%	+1.0%	+1.5%	+1.3%
Singapore	+1.5%	+3.3%	+3.2%	+2.5%	+3.5%

RICS Consensus Tender Prices & Construction Costs (Next 12 months)

	Tender Prices		Construction Costs		
	Building	Civil Engineering	Commercial	Residential	Total
Middle East & Africa	+2.4%	+2.6%	+3.0%	+2.6%	+3.2%
Middle East & North Africa	+1.1%	+1.2%	+1.8%	+1.3%	+1.9%
Middle East	+0.9%	+1.1%	+1.7%	+1.2%	+1.8%
Bahrain	+1.0%	+0.6%	+2.4%	+1.9%	+1.8%
Kuwait	+2.5%	+3.5%	+4.1%	+4.7%	+3.8%
Oman	+0.2%	+0.5%	+1.4%	+0.6%	+2.0%
Qatar	+0.6%	+0.7%	+1.2%	+0.9%	+1.7%
Saudi Arabia	+4.9%	+5.1%	+5.1%	+4.3%	+4.9%
Makkah	+4.0%	+5.9%	+5.7%	+4.8%	+6.2%
Riyadh	+5.5%	+5.2%	+5.1%	+4.3%	+4.7%
UAE	-0.6%	-0.5%	+0.4%	-0.5%	+0.1%
Abu Dhabi	-0.6%	-0.5%	+0.6%	-0.2%	+0.2%
Dubai	-0.7%	-0.4%	+0.2%	-0.7%	-0.1%
North Africa	+4.0%	+3.1%	+3.4%	+1.8%	+3.7%
Egypt	+3.0%	+3.2%	+2.8%	+1.1%	+2.0%
Sub-Saharan Africa	+5.0%	+5.3%	+5.4%	+5.2%	+5.7%
East Africa	+5.9%	+5.8%	+6.5%	+6.3%	+6.6%
Mauritius	+8.0%	+6.7%	+7.9%	+8.5%	+7.5%
Uganda	+6.1%	+6.0%	+7.8%	+6.4%	+8.0%
Southern Africa	+3.1%	+3.5%	+4.0%	+4.5%	+4.6%
South Africa	+3.3%	+3.6%	+4.4%	+4.8%	+4.8%
Gauteng	+3.3%	+3.5%	+3.5%	+3.8%	+4.3%
West Africa	+6.4%	+6.9%	+6.2%	+5.1%	+6.1%
Ghana	+7.2%	+7.7%	+6.3%	+3.9%	+5.2%
Nigeria	+6.0%	+6.5%	+6.0%	+5.3%	+6.3%
Northern States	+5.0%	+6.8%	+4.5%	+4.3%	+5.2%
Southern States	+6.5%	+6.3%	+6.7%	+5.8%	+6.9%

RICS Consensus Labour & Material Costs (Next 12 months)

	Labour Costs		Material Costs					
	Skilled	Unskilled	Bricks	Concrete	Copper	Glass	Steel	Total
Asia Pacific	+3.7%	+2.6%	+2.6%	+3.2%	+3.5%	+2.9%	+3.3%	+3.4%
Australasia	+4.3%	+2.8%	+2.5%	+3.5%	+4.1%	+3.2%	+4.2%	+3.7%
Australia	+4.2%	+3.1%	+2.0%	+3.0%	+3.6%	+2.5%	+3.2%	+3.2%
New South Wales	+4.7%	+2.9%	+2.1%	+3.2%	+3.7%	+2.4%	+3.4%	+3.6%
Queensland	+3.9%	+4.2%	+2.2%	+2.7%	+4.7%	+3.4%	+3.4%	+3.1%
Victoria	+2.9%	+2.6%	+1.8%	+3.7%	+3.3%	+1.3%	+2.4%	+3.7%
Western Australia	+4.4%	+2.6%	+1.6%	+2.5%	+2.3%	+2.3%	+3.1%	+2.2%
New Zealand	+4.4%	+2.5%	+3.0%	+3.9%	+4.4%	+3.8%	+5.0%	+4.1%
North Island	+4.7%	+2.8%	+3.5%	+4.1%	+4.8%	+4.3%	+5.3%	+4.1%
South Island	+3.5%	+1.9%	+1.9%	+3.5%	+3.4%	+2.7%	+4.3%	+4.0%
East Asia	+2.0%	+0.7%	+1.7%	+2.3%	+2.4%	+2.1%	+2.2%	+2.5%
China	+3.9%	+2.7%	+2.8%	+4.5%	+3.5%	+2.1%	+3.5%	+3.6%
Eastern Region	+4.1%	+2.6%	+2.6%	+4.9%	+4.1%	+1.8%	+3.9%	+3.0%
South Central Region	+3.8%	+2.9%	+3.4%	+4.7%	+3.6%	+2.8%	+4.4%	+4.7%
Hong Kong	+1.1%	-0.1%	+1.3%	+1.6%	+2.1%	+2.1%	+1.9%	+2.2%
South Asia	+5.6%	+4.9%	+3.9%	+4.3%	+5.2%	+3.7%	+4.2%	+4.7%
India	+5.7%	+5.0%	+4.3%	+5.3%	+5.3%	+3.9%	+5.4%	+5.3%
Northern Region	+5.9%	+4.7%	+4.0%	+5.8%	+4.6%	+2.5%	+5.5%	+5.5%
Southern Region	+5.4%	+5.2%	+3.8%	+3.9%	+4.4%	+4.1%	+4.7%	+4.8%
Western Region	+5.1%	+4.9%	+4.1%	+4.8%	+6.0%	+4.3%	+5.3%	+4.8%
Sri Lanka	+5.4%	+4.7%	+3.2%	+2.4%	+4.6%	+3.3%	+2.1%	+3.8%
Western Province	+4.9%	+4.0%	+2.9%	+2.2%	+4.3%	+3.2%	+1.7%	+3.1%
Southeast Asia	+3.9%	+3.1%	+2.8%	+3.2%	+3.1%	+3.1%	+3.3%	+3.4%
Malaysia	+2.5%	+2.4%	+2.4%	+3.1%	+3.3%	+2.8%	+3.4%	+3.3%
Selangor & Kuala Lumpur	+2.5%	+2.0%	+2.6%	+3.4%	+3.6%	+3.1%	+3.7%	+3.7%
Singapore	+4.4%	+3.2%	+2.4%	+3.1%	+2.6%	+3.2%	+2.4%	+2.9%
Middle East & Africa	+3.0%	+2.2%	+2.7%	+3.1%	+3.7%	+3.5%	+3.9%	+3.5%
Middle East & North Africa	+1.7%	+0.9%	+1.8%	+2.1%	+2.9%	+2.4%	+2.8%	+2.5%
Middle East	+1.6%	+0.8%	+1.7%	+2.0%	+2.8%	+2.4%	+2.7%	+2.5%
Bahrain	+2.1%	+1.6%	+1.6%	+1.3%	+2.7%	+2.4%	+1.7%	+1.2%
Kuwait	+2.6%	+0.7%	+3.6%	+3.2%	+3.1%	+2.9%	+3.5%	+3.9%
Oman	+2.6%	+2.4%	+1.8%	+2.0%	+2.8%	+2.8%	+2.9%	+2.6%
Qatar	+1.0%	+0.3%	+1.4%	+2.2%	+2.8%	+2.4%	+3.0%	+2.6%
Saudi Arabia	+4.2%	+2.5%	+3.9%	+4.4%	+5.3%	+4.2%	+5.2%	+5.0%
Makkah	+3.8%	+3.3%	+4.7%	+5.9%	+6.5%	+5.3%	+6.8%	+6.6%

RICS Consensus Labour & Material Costs (Next 12 months)

	Labour Costs		Material Costs					
	Skilled	Unskilled	Bricks	Concrete	Copper	Glass	Steel	Total
Riyadh	+4.4%	+2.1%	+3.7%	+4.1%	+5.1%	+3.9%	+4.7%	+4.7%
UAE	+0.5%	-0.0%	+0.6%	+0.7%	+1.7%	+1.3%	+1.3%	+1.1%
Abu Dhabi	+1.3%	+0.3%	+1.4%	+1.6%	+1.9%	+1.4%	+1.8%	+1.6%
Dubai	+0.5%	-0.3%	+0.5%	+0.4%	+1.6%	+1.4%	+1.2%	+1.1%
North Africa	+3.4%	+2.4%	+3.8%	+2.8%	+4.3%	+2.8%	+2.8%	+2.6%
Egypt	+2.6%	+1.8%	+3.4%	+2.9%	+4.8%	+2.9%	+2.0%	+1.5%
Sub-Saharan Africa	+5.6%	+4.5%	+4.3%	+5.1%	+5.3%	+5.4%	+6.1%	+5.3%
East Africa	+5.6%	+4.9%	+5.1%	+5.7%	+5.6%	+6.0%	+6.0%	+5.9%
Mauritius	+7.0%	+6.4%	+6.3%	+6.7%	+4.7%	+5.8%	+6.4%	+6.5%
Uganda	+5.3%	+3.6%	+5.1%	+4.9%	+5.6%	+6.5%	+5.0%	+5.7%
Southern Africa	+5.0%	+4.7%	+4.3%	+5.1%	+6.2%	+5.6%	+6.7%	+5.5%
South Africa	+5.1%	+4.7%	+4.4%	+5.3%	+6.4%	+5.9%	+6.9%	+5.7%
Gauteng	+5.0%	+3.9%	+4.2%	+4.7%	+5.8%	+5.3%	+6.7%	+5.3%
West Africa	+6.2%	+4.1%	+3.7%	+4.6%	+3.9%	+4.7%	+5.6%	+4.7%
Ghana	+7.8%	+6.1%	+4.1%	+5.8%	+5.2%	+5.6%	+6.2%	+6.3%
Nigeria	+5.6%	+3.5%	+3.4%	+4.2%	+3.5%	+4.4%	+5.3%	+4.0%
Northern States	+4.1%	+2.7%	+1.4%	+2.4%	+1.6%	+2.3%	+2.5%	+1.1%
Southern States	+6.4%	+3.8%	+4.4%	+5.0%	+4.4%	+5.3%	+6.6%	+5.6%

Information

Construction and Infrastructure Survey

RICS' Asia-Pacific and Middle East Construction and Infrastructure Survey is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 9 December 2019 with responses received until 16 December 2020. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1336 company responses were received globally. Responses in New Zealand were collected in conjunction with the Property Council of New Zealand. Responses in Canada were collected in conjunction with the Canadian Institute of Quantity Surveyors. Responses in the United States were collected in conjunction with the Association for the Advancement of Cost Engineering.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

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Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

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