Construction Industry Update

The New Zealand construction industry is currently experiencing a **cooling phase** after a post-COVID boom, driven primarily by wider economic challenges.

Here is a summary of the current state:

- **Market Slowdown:** The industry is feeling the impact of high inflation and high interest rates. This weak demand is starting to put **downward pressure on construction prices** and costs.
- **Residential Sector:** The outlook for the residential sector is particularly soft, with a "definite drying-up of forward work" reported by many businesses. The value of residential activity is forecast to decrease to a low in 2025.
- **Pipeline Focus:** Near-term construction activity indicators point to continued weakness in the pipeline. However, **Infrastructure projects** (transport, social, and water) are expected to dominate the pipeline, with activity forecast to remain steady through 2027.
- **Labour:** While labour shortages persist, the pressure has eased somewhat compared to 2023, possibly due to high net migration. Despite the slowdown, construction remains the **third largest employer** in New Zealand.
- **Future Outlook:** Analysts expect a recovery in construction demand to be supported by lower interest rates and migration-led population growth from **2025 onward**, with strong growth forecast from 2026 to 2029.

Future Outlook

The New Zealand construction industry faces significant headwinds, primarily in the residential sector, as evidenced by official data from Stats NZ.

Here are key statistics and trends regarding the future outlook, based on recent releases:

Residential Building Consents (Indicator of Future Work)

The total number of new dwellings consented has fallen sharply from its post-pandemic peak, indicating a contraction in the residential construction pipeline:

- **Annual Decline (Year Ended July 2025):** The actual number of new dwellings consented in the year ended July 2025 was **33,879**, a slight decrease (0.1%) from the previous year's total.

- **Decline from Peak:** This annual total is down significantly from the peak of over **51,000** consents issued in mid-2022.
- **Lowest Levels for Multi-Units:** Consents for certain dwelling types have reached multi-year lows:
  - The number of apartments and retirement village units consented in the year ended June 2024 was the lowest in the past **nine years**.
- **Regional Declines:** The sharpest annual declines in residential consents have been seen in major centres (data from Year Ended June 2024):
  - **Wellington** was down **36%**.
  - **Auckland** was down **27%**.
  - **Canterbury** was down **16%**.

Workforce Impact

The market slowdown has begun to impact employment within the sector:

- **Job Contraction:** In September 2025, the number of filled jobs in the construction industry was down **4.5%** compared with September 2024 (a loss of 8,982 jobs).

Commercial and Non-Residential

Activity outside of residential building is also showing signs of weakness:

- **Consented Value:** The annual value of non-residential building work consented in the year ended July 2025 was **$9.0 billion**, showing a modest increase of 0.8% from the previous year, but generally remaining subdued.
- **Slowing Projects:** Commercial building work is slowing down due to developers being cautious about major capital expenditure, with notable falls in consents for health facilities and offices.

In summary, the residential pipeline has severely contracted from its record highs, leading to job losses and a general weakening in the overall construction sector's activity.

We look forward to it picking up.

Author Daniel Boyd
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