

Contractors start to feel the pinch as projects decline

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Consultancy Rider Levett Bucknall says that more competition in the construction sector means contractors are offering keener prices.

Director Hugh Mackenzie says the firm's April 08 Oceania Construction Cost Commentary forecasts that Auckland's Tender Price Index will increase 2.5% in 2008, 4% in 2009 and 4% in 2010. The 2007 Tender Price Index

increased 4%. Construction costs in Auckland are 7% more than Christchurch and 3% lower than Wellington's.

Mr Mackenzie says while contractors were more eager to tender, they were also coping with raw material price increases and a tight labour market. The national construction workload is mainly being sustained by commercial, retail and government projects.

Several developments in Wel-

lington have been put on hold due to limited available finance as a result of the collapse of mezzanine financiers.

There are also fewer small to medium sized projects of less than \$10 million value.

The forecast is for relatively steady prices, wages and margins for the next six months, with possible price shocks in major materials such as steel.

Wellington experienced a 3%

increase in the Tender Price Index in 2007, with Rider Levett Bucknall forecasts of a 3% increase in 2008, 4% in 2009 and 4% in 2010. Construction costs in Wellington are currently 3% more than Auckland and 10% more than Christchurch.

Tendering activity in Christchurch is easing, although contractors remain busy with existing workloads. Construction costs in Christchurch are 8% lower

than Auckland and 11% lower than Wellington.

New Zealand Institute of Economic Research's March 2008 quarterly survey of business opinion recorded a decline in the number of firms planning to invest more in buildings in the short run but they are positive about medium and longer term opportunities such as upgrading Auckland International Airport and gearing up for the 2011 Rugby World Cup.