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New Zealand to Weather The Storm?

NEW ZEALAND, 13th October, 2008: Rider Levett Bucknall's October 2008 Oceania Construction Cost Commentary released today highlights credit availability issues as the key concerns in New Zealand construction industries.

Prepared by Rider Levett Bucknall Research and Development, the bi-annual **Oceania Construction Cost Commentary (OCCC)** found that there are widespread concerns over the availability and cost of funding for major construction works.

Brian Dackers, Chairman of Rider Levett Bucknall, commented, "The global credit crunch and interest rates are continuing to affect the New Zealand construction market. Whilst levels of workload remain high, there are concerns about viability of new projects to replace those flowing through to completion over the coming months."

"The demise of secondary funders and knock-on impacts of the global credit squeeze continue to affect the construction market," he continued. "Reduced retail spending is curtailing retail projects, and in the commercial offices sector there is noticeably less confidence, all of which impinges upon project feasibilities."

Auckland

The report claimed that reduced consumer confidence and a flat residential market provide the backdrop to a subdued Auckland economy. Reduced retail spending is curtailing retail projects, and in the commercial offices sector there is noticeably less confidence, all of which impinges upon project feasibilities.

Mr Dackers continued, "Numbers of private sector projects are forecast to continue to fall away, however the central Government and infrastructure sectors will continue to provide some consistent work flow. "

"With contractors hungry for workload, the currently highly competitive market conditions are set to continue, despite significant contractors' prime cost increases particularly in the highly volatile steel market," he said.

Christchurch

The Rider Levett Bucknall report found that although major office, retail and industrial projects in the planning and construction phases are still sustaining the Christchurch market, the residential sector remains slow, with some under-utilised labour becoming available to the commercial sector.

Uncertainty continues in relation to second tier finance. The possibility of further interest rate cuts and the upcoming general election have together added to the volatile mix of optimism and pessimism. Contractors are very keen to tender in the current conditions and margins are more competitive now than in recent years due to major contractors attempting to secure forward workload.

Commodities prices, particularly fuel and general materials costs are however running against this tide. Key focal points in the coming months will be the outcome of the general election and movements of interest rates in a national economy currently operating at very low levels of growth.

Wellington

Hugh Mackenzie, Managing Director of Rider Levett Bucknall's Wellington office commented," In the private sector, new projects are being hampered by mezzanine funding problems, with a number of projects having been delayed. In contrast, demand in the public sector remains high for new high-quality office space."

“Some projects are also being delayed due to protracted consents and appeals processes,” he said. “In residential markets, falling selling prices are stifling new development and the retail market has stalled as the general economy slows.”

The report forecast that over the next 18 months, Wellington will see a large volume of construction working its way through to completion, with reasonable prospects for a number of significant projects in the pipeline via Government, Local Authority and private sector spending.

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For further comments, please contact:

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