BRANZ

ACUMEN

Industry Insights

2024

Contents

Introduction

BRANZ has been carrying out an Industry Insights survey for more than 20 years.

The survey is conducted every two years and is a pulse check of the building and construction sector to identify the building system's needs and help determine BRANZ's research investment priorities.

The New Zealand building system is diverse and complex, with a wide range of participants. On our behalf, Acumen was commissioned to conduct this survey to gain an independent and holistic view across the system.

The process involved an online survey conducted with over 500 survey respondents to capture perceptions of various issues, supported with 24 detailed interviews with sector participants ranging from designers, engineers, builders, tradespeople, government, and research professionals.

This report provides analysis of the survey responses and in-depth interviews to form insights on the state of the current building system. Where relevant, comparisons are made to the findings from the previous Industry Insights survey.

This report supports BRANZ's environmental scanning and system awareness work and subsequent research prioritisation, focus and investment.

Methodology

1 REVIEW

To inform this report, a review of the key themes and longitudinal data from the previous BRANZ Industry Insight report was undertaken to provide a year-on year comparison. To supplement this, analysis of existing research by other sector groups and associations was conducted to identify common themes and issues and explore new emerging areas.

2 SURVEY

An online survey was undertaken by a representative segment of the sector (532 participants). To ensure we reached the right people, we promoted the survey through our own channels and worked with industry associations to reach their members.

These groups cover the wider sector including designers, engineers, builders, tradespeople and consenting authorities. The survey questions sought to understand the key priorities, issues, and opportunities across a range of topics including build performance, workforce, information and resources, the Building Code, and key innovations and opportunities such as standardisation, prefabrication and technological advances.

3 IN-DEPTH INTERVIEWS

To support the findings of the online survey 24 in-depth interviews from across the wider industry, including leaders from the design, engineering, building, subtrades, government and research sectors were undertaken.

The sample sizes for this year's survey and interviews were larger than previous years and included a range of stakeholders from across the sector.

- Commercial
- Commercial Development
- Residential
- Residential Development
- Architecture
- Engineering
- Building subtrades
- Other (including BCAS)

System insights

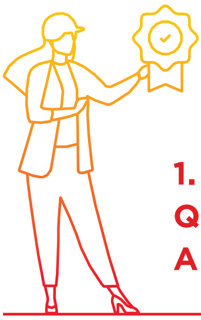
This report provides an overview of the issues and opportunities facing the sector.

The survey and interviews found that by and large, industry is unified in its prioritisation of the issues. This provides a strong mandate to make the changes needed and an opportunity for the sector to collaborate on the solutions.

We have summarised the insights gathered in this years survey and interviews into four key themes:

1. **Quality and Affordability**
2. **System Complexity**
3. **Innovation and Risk**
4. **Information Coordination**

The key themes from this year's survey are consistent with what we have found in previous surveys. The recurring nature of many of the system challenges demonstrates the need for long-term, multi-faceted solutions. Unfortunately, we are unlikely to find simple or fast solutions to such complex issues. However, the sector is agreed on the priority areas, and is looking for sector leaders to work collaboratively to move the sector forward.



1. QUALITY AND AFFORDABILITY

Quality and affordability in building practices were seen by some as inextricably linked. Quality has been raised as an issue within the sector in previous reports and has been in the top three issues for the past two years. The last survey interviews raised that compliance was seen as a relatively low standard, which doesn't encourage the sector to strive for excellence. As a result, this year we delved into this area in more detail, to find that there is more nuance to this issue.

There is a view that the homes being built in New Zealand are sound but are not necessarily best practice in all areas. Affordability was consistently raised as a barrier through the survey which means many are building to comply with the minimum legal requirement, as set by the Building Code, but not exceeding it if there are budget constraints or no other impetus to do so. Building elements geared towards sustainability are deprioritised as it is often seen as a luxury rather than a necessity.

Many who are building in the lower price bracket are faced with a commercial reality, where they need to build to code as efficiently as possible to meet their customers budget constraints. This is exacerbated by the fact that the sector is dominated by smaller businesses who don't have the ability to operate at scale to achieve efficiencies. Balancing quality and affordability will continue to be in contention in the New Zealand market unless building costs are reduced or more cost-efficient processes can be found. Survey interview participants think there needs to be greater sector and public discussion about how we can address this issue.

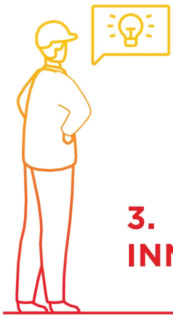
2. SYSTEM COMPLEXITY

The complexity of the building system remains an ongoing challenge shared across the sector. The regulatory environment is fragmented and includes a number of different regulations and pieces of legislation across numerous government ministries and governing bodies. This makes it difficult to evolve and keep up with the changing market developments and requirements.

As in previous years, respondents raised concerns about inconsistent interpretation and application of the Building Code, including regional and individual variations. Specific concerns were raised around consenting, where the variations between consenting authorities was seen as having a major impact on the efficiency of the sector.

To add to this, achieving agreement on change is seen as being difficult. The sector is made up of multiple sub-sectors represented by associations focused on their own specific issues. These can easily become siloed and make it difficult to achieve sector-wide consensus. Most businesses in the sector are relatively small (95% have fewer than 5 employees and 98% have fewer than 20 employees, and in 2021, 75.8% generated a turnover of less than $500,000). At this scale, most businesses are more focused on their day-to-day commercial realities, rather than contributing to system change.

While there has been a concerted effort to address the highly complex nature of the system over recent years, it can be difficult to find a unified sector voice, and even when there is consensus, it is hard for anyone to take the lead on a course of action. The sector would benefit from a consistent and trusted voice to guide it through the constantly evolving market forces, regulatory changes, and best practice.

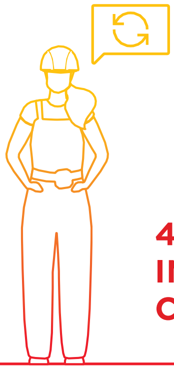


3. INNOVATION AND RISK

The New Zealand building system is slow to innovate – this has also been a consistent theme for many years. In 2023, we looked deeper into why this is and found the barriers are a combination of challenges associated with bringing in new products and the inability to efficiently implement new systems or approaches, such as utilising technology or offsite construction methods.

The highly risk adverse nature of the regulatory system was identified as an inhibitor of innovation. In many of the survey interviews it was noted that this is a consequence of the historical weathertightness and seismic issues which have previously affected the sector. While our system has been developed to minimise risk, particularly for local government, some survey interview participants thought that as the market evolves it may be time to seek a better balance between risk mitigation and flexibility.

The pathway for accreditation of new products is seen as slow and expensive. The other barriers to innovation include New Zealand's relatively small size, and the make-up of our market, with a majority of small and medium-sized businesses who do not have the same ability to invest and trial new approaches or products. While the use of technology, standardisation and offsite construction have been identified in the survey as areas that could play a role in improving efficiency and productivity, they require investment and scale. The cyclical nature of the sector is also playing a role, hollowing out the sector and limiting its resources to allow for innovation during period of economic downturn. During the upturn, the sector is focused on rebuilding to get it back to where it was, but there is no ability to push beyond this to innovate.



4. INFORMATION COORDINATION

The information needs of the sector are not straightforward, with the need to balance practical information on products or safety with more in-depth thought leadership information to progress the sector as a whole. For example, a builder running a small business is more likely to be seeking information to support the here and now, such as new regulations or changes to the Building Code. Conversely, a sector leader of an industry association is more likely to be interested in information on new approaches and materials – including in areas like sustainability and healthy homes.

There is also a view that while much of the information required does exist, it can be difficult to locate and access. The sector is time poor, and often only seeking out what they need, when they need it. Accessibility of the information is also an opportunity. The sector felt that while there is information available that would help them to embrace new products and approaches, it is not always easily accessible and therefore not utilised. There were calls for information and research to be repackaged to make it easier for different audience groups to find, digest and implement the information they need. This includes research summaries that provide practical tips on what to do differently, rather than full reports on issues.

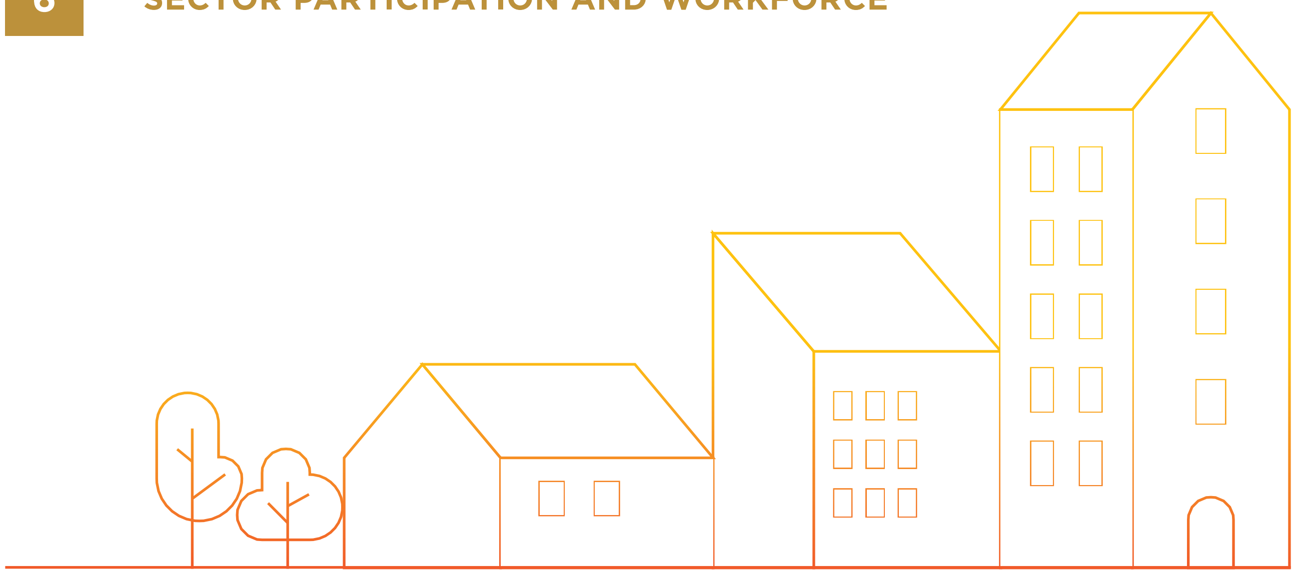
There is an opportunity for greater coordination to ensure resources are focused on the right areas, avoiding both crossover and gaps. Having a single portal of trusted information would help the sector to understand what is available.

Key findings

The survey findings provide a moment-in-time indication of industry needs and pain points.

The 2023 survey built on previous studies to understand the areas of greatest concern for the sector and track how these issues are changing over time. The survey sought views on the following areas:

1. BUILD PERFORMANCE AND QUALITY
2. THE BUILDING CODE
3. STANDARDISATION
4. TECHNOLOGY
5. SECTOR INFORMATION AND RESOURCES
6. SECTOR PARTICIPATION AND WORKFORCE



Build performance and quality

There are key changes that the sector believes would help their business succeed the most over the next five years.

Better access to materials at a reasonable cost was the number one priority for the second survey in a row. Respondents also see a need for more consistent interpretation of the Building Code and regulations to improve quality. Increasing levels of building performance to prevent issues in the long term (such as weathertightness) continues to be a consistent issue raised in this survey.

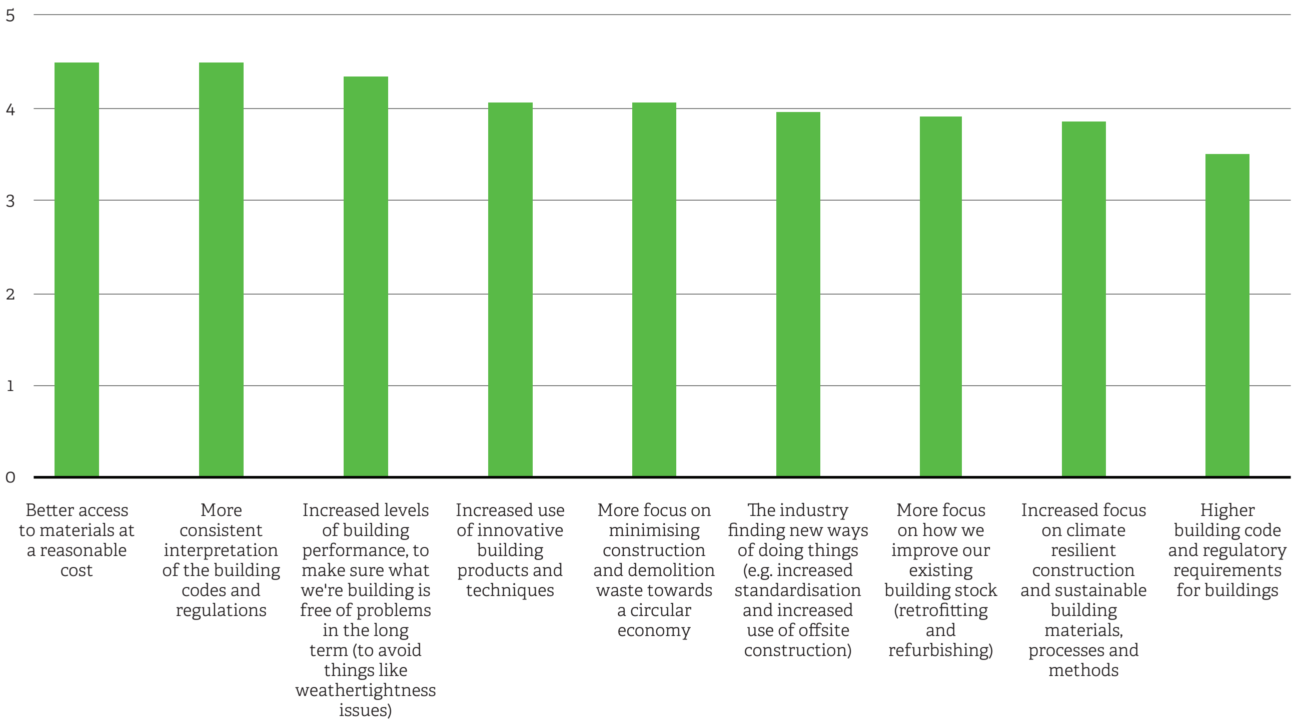
While these are similar issues as found in previous Industry Insights surveys, it was notable that having a greater focus on building for climate change has dropped in importance in the survey this year (moving from third most important issue last survey, to eighth place this year). In the survey interviews it was noted that while it was still important, this year there were more pressing issues, such as affordability, that were superseding it. This has meant that sustainability is often being sacrificed.

Many survey interview participants had experience in the product assurance services and testing process and felt the system was inefficient, slow, and expensive. There was a view that while it is important that checks are in place, there were opportunities to focus these based on the level of risk posed. When it came to accreditation of products from comparable jurisdictions, some were of the view that the process could be streamlined to only review local market-specific risks to avoid duplication.

However, there were others who thought this was only possible for certain performance evaluations and were cautious of overly simplifying the accreditation process. Improving the accreditation process is a key priority across all areas of the sector – designers, builders and suppliers.

WHAT CHANGES TO THE CONSTRUCTION SECTOR WOULD CONTRIBUTE THE MOST TOWARDS YOUR BUSINESS OR ORGANISATION SUCCEEDING OVER THE NEXT FIVE YEARS?

(Weighted average when ranked from 1 "not important at all" to 5 "extremely important")



Product accreditation is too slow and too hard... I don't believe that it should all just be a free-for-all, as we've been down that road before and that was a disaster. So, there's got to be a gatekeeper. But we have been waiting months for accreditation ... It's becoming an industry roadblock.
- Building sector leader

I don't think there's a good enough case for helping people to see why they shouldn't just build for the short term rather than the medium to long term. People are happy doing what they are doing, and don't want to know how to do it better. There is no demand from builders to push the boundaries.
- Researcher

There are huge issues with consistency. So we deal with four councils and we can put the same house plan into each of those councils and have four different lots of information coming back to us. Why can't we just have one?
- Researcher

Councils hold the liability and therefore are going to behave in a conservative, risk-averse way. They're acting logically within the system. So, we now have the perverse outcome where some players in the industry, particularly some of the smaller ones, with less resources, rely on the Council to be their unpaid quality assurance. That's the wrong outcome.
- Building sector leader

The Building Code

Most of the sector is currently building to meet the minimum legal requirements set out in the Building Code.

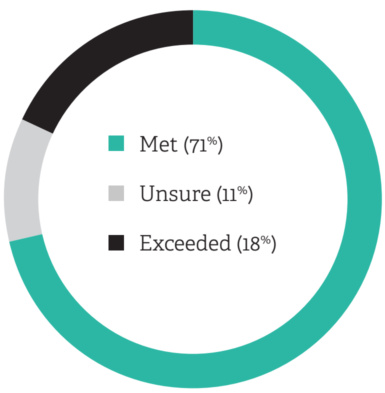
Exceeding the code is based on a commercial reality. Projects in higher price brackets or at a large scale, may exceed the Building Code in one or more aspects, while those in the lower price brackets are looking to meet the code and client expectations as efficiently as possible.

Respondents raised their concerns about the quality of the existing building stock not being covered within the Building Code; this is seen by survey interview participants as being a much bigger issue for the country to solve.

Participants were divided on whether more regulation is required to deliver sustainable and healthy homes. This is an area where we saw a difference between design and builder participants, with 54% of designers stating that more regulation is required, while only 34% of builders felt this was needed.

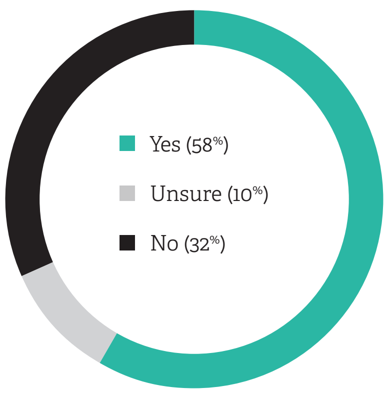
HOW DO YOU BELIEVE THE SECTOR CURRENTLY VIEWS THE BUILDING CODE?

Is the New Zealand building and construction sector building to meet or to exceed key aspects of the Building Code?

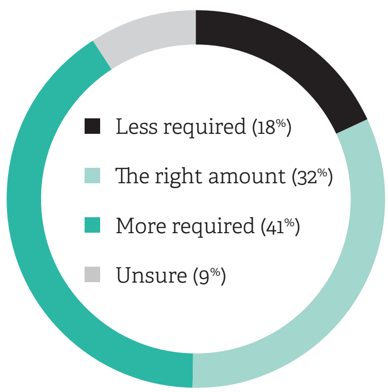


OUR BUILDING CODE HAS BEEN ESTABLISHED AS A MINIMUM SET OF BUILDING STANDARDS

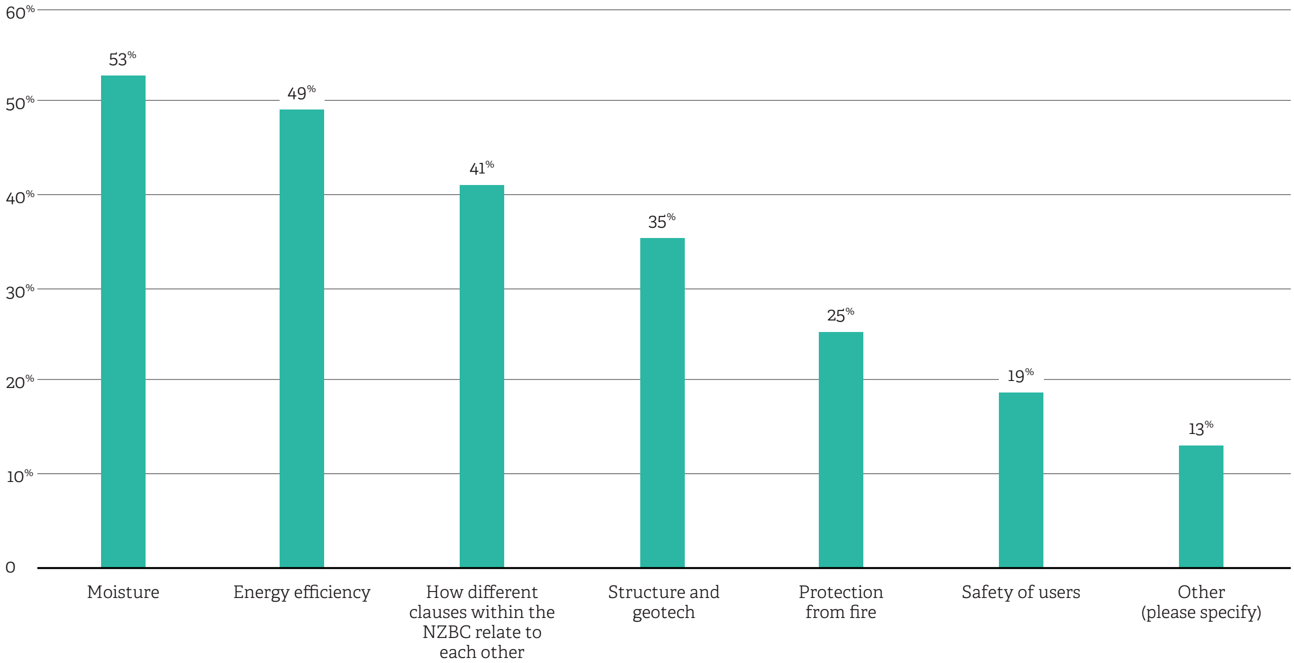
Do you think we need to lift some standards to improve the as-built performance of our buildings?



HOW DO YOU VIEW THE CURRENT LEVEL OF REGULATION WITH REGARDS TO SUSTAINABILITY AND HEALTHY HOMES?



WHEN LOOKING AHEAD, WHAT ASPECT(S) OF THE CURRENT BUILDING CODE DO YOU THINK NEED TO BE UPDATED TO BETTER REFLECT THE REQUIREMENTS OF OUR FUTURE BUILDINGS?

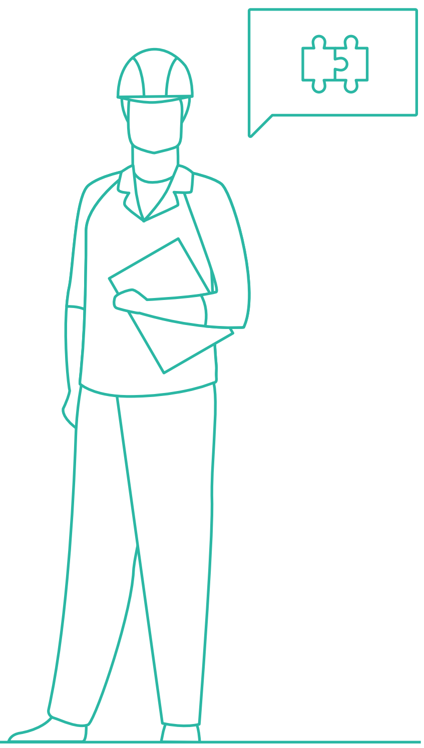


As a regulator, we are regulated more than any other environment. As a result, we have a really good system in place.
-Building Consent Authority

There is a lot of focus on building healthy homes… but the challenge that we have is the 400,000 old homes in New Zealand that are incredibly poor – and don't meet any standard. These need a retrofit solution – and we don't have any support for that.
- Researcher

It often comes down to the customer and what they want to pay for.
- Building sector leader

We have an overly complex regulatory and operating environment… it's at a point where we can't keep putting our fingers in the dike.
-Building sector leader



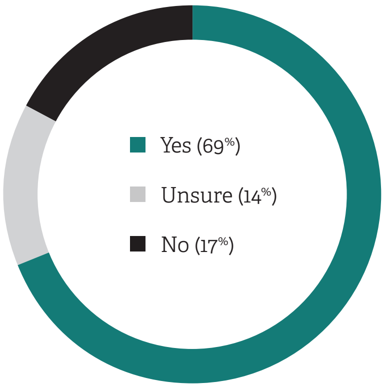
Standardisation

Standardisation is seen as being key to improving affordability and productivity for the sector.

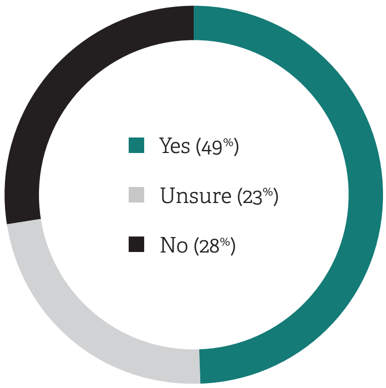
The greatest barrier is thought to be New Zealanders' preference for custom-made and bespoke homes. This covers both residential and commercial construction. Our focus on bespoke is seen as a key point of difference between the New Zealand building system and more efficient jurisdictions elsewhere.

Respondents raised that some standardisation is already happening, particularly by the volume builders, where they are standardising some areas of the process to create efficiencies. In the commercial sector this was also identified as a significant issue for efficiency and productivity and an area where Government can drive greater change.

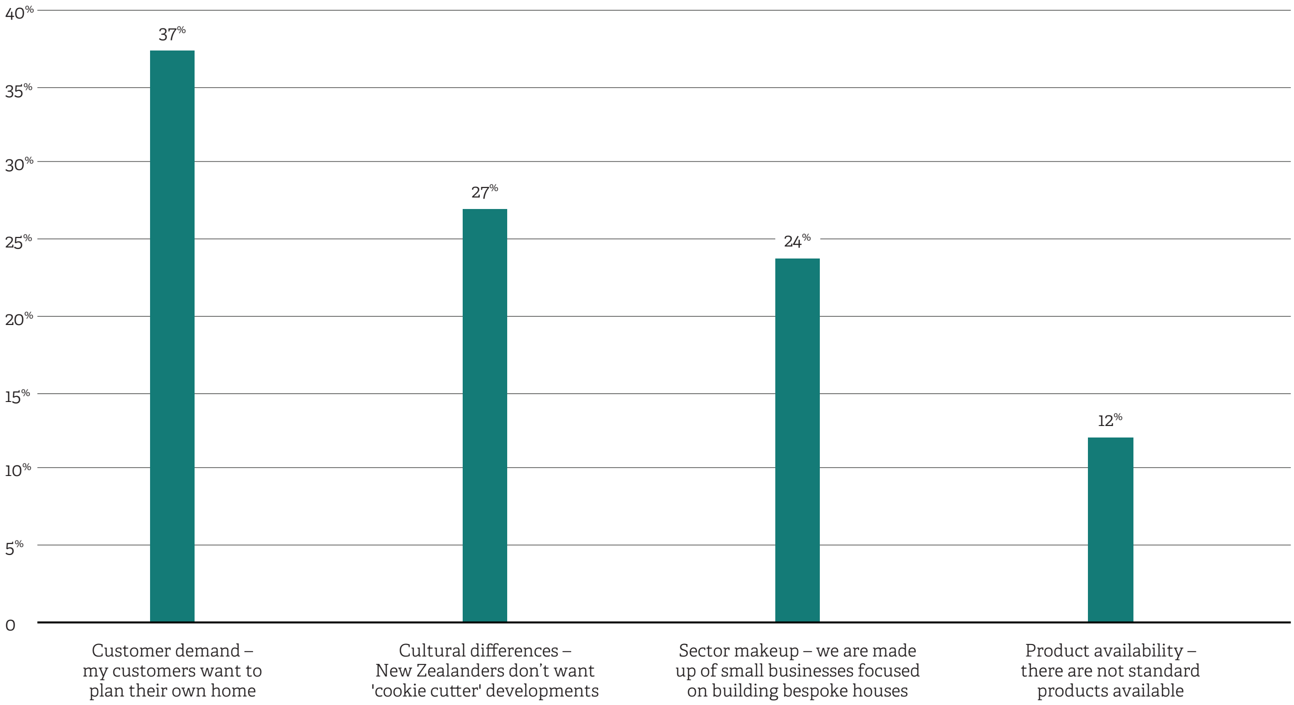
WOULD MORE DESIGN STANDARDISATION OF HOMES HELP TO IMPROVE AFFORDABILITY AND PRODUCTIVITY ACROSS THE SECTOR?



DO YOU THINK OFFSITE CONSTRUCTION PROVIDES AN OPPORTUNITY TO INCREASE SECTOR-WIDE PRODUCTIVITY AND AFFORDABILITY?



WHAT DO YOU VIEW AS THE BIGGEST BARRIER TO INCREASED STANDARDISATION OF BUILDING DESIGN?



It's not a particularly efficient system. And the outcome is our homes are expensive compared to many places in the world, if you think about a multiplier of income.
- Building sector leader

We can get builders to build anything. But there has to be a desire to want to live in standardised homes.
- Building sector leader

I don't think offsite construction is the answer for New Zealand. We are not big enough to support an operation that is required to be sustainable – we would need at least 2-3% of the market.
- Building sector leader

Technology

Technology is seen as a way to achieve improvements and efficiencies in the building and construction sector, however uptake is slow and inconsistent.

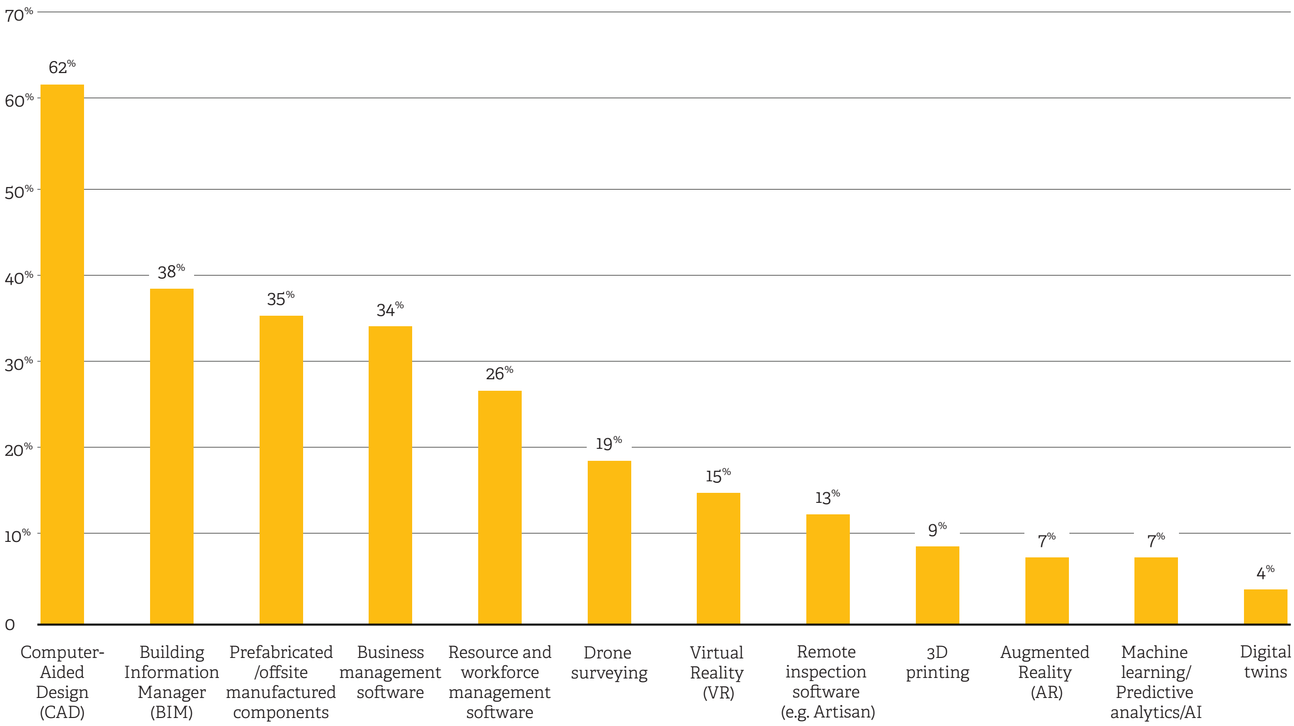
The design side of the sector is leading with technologies such as Computer Aided Design (CAD) and Building Information Manager (BIM). Survey interview respondents also called for more Building Consenting Authorities to move towards the utilisation of technology to drive efficiencies in consenting.

The uptake of technology solutions is largely dependent on the size of the operation. For instance, small and medium-sized businesses are less likely to have the capability and capacity to try new technologies.

They require a guaranteed return on investment before they will invest. Commercial constructors are often seen as leaders in using technology to drive efficiency, as there are greater potential financial gains as an incentive.

It is noted that there is also a fairly low uptake across the sector of affordable business and workforce management solutions to streamline basic operational activities. This technology is used successfully across other sectors and is an opportunity.

WHAT TECHNOLOGY IS BEING USED ON THE BUILDING AND CONSTRUCTION PROJECTS YOU ARE WORKING ON?



> *The challenge is making the numbers work... There's always a cost, and there has to be someone willing to pay that cost. Even if you're using something quite common now like BIM, it's a cost. You've got to demonstrate to your client, that it's worth paying this extra money because it gets things done faster without mistakes.*
> ***- Building sector leader***

> *We don't have Artisan in our region. But what I hear from other regions that have used it, is that it goes really well, and is really helpful.*
> ***- Building sector leader***

> *Uptake of technology is not great.*
> *It has room to be a lot better in my view.*
> ***- Building sector leader***

Sector information and resources

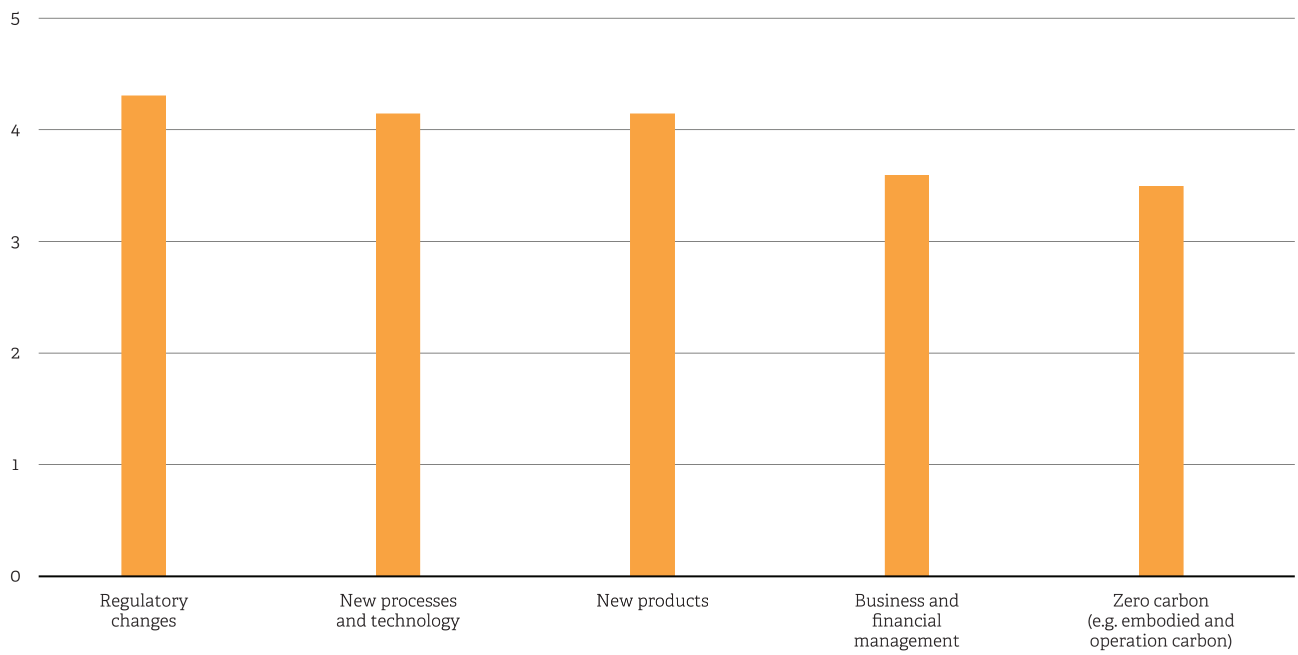
This year the Industry Insights survey included questions about the usefulness of information provided across different areas of running a building business.

Respondents are particularly interested in information regarding regulatory change, new processes and technology, and new products. There was slightly less interest in business and financial management and sustainability.

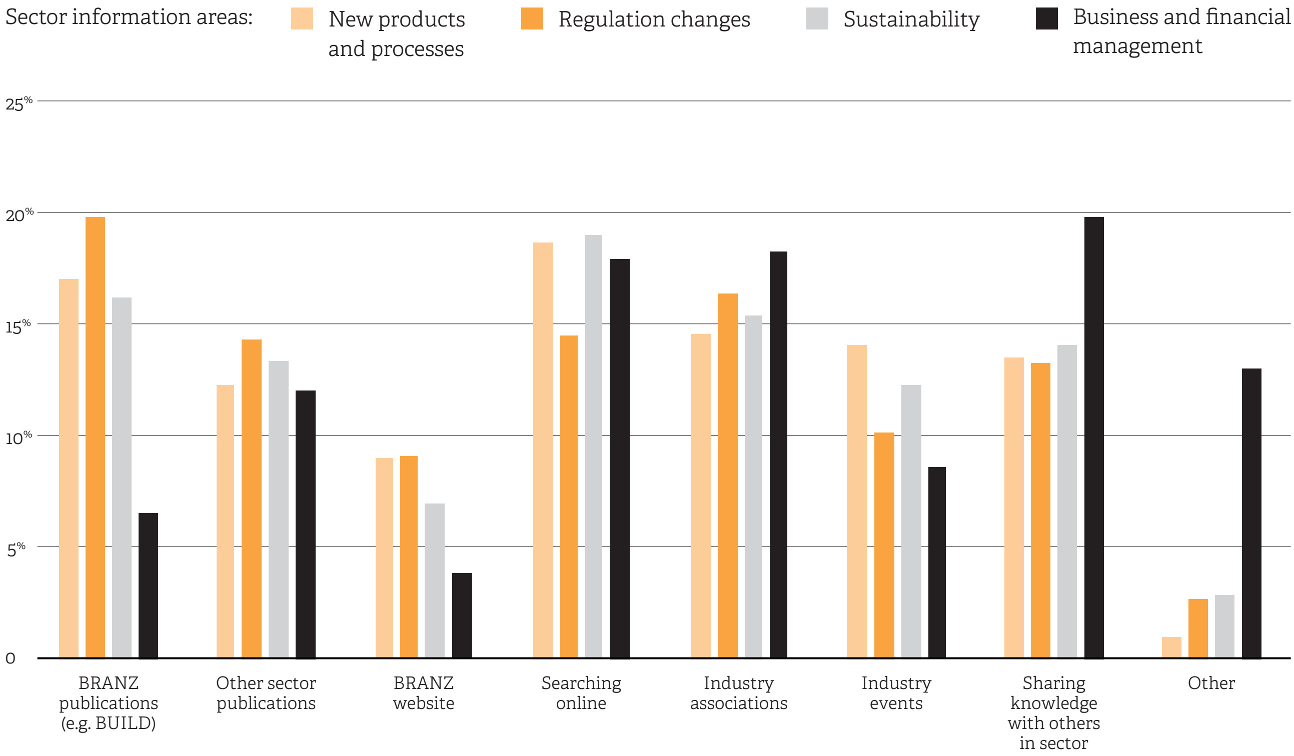
Most participants indicate that they receive their information from searching online, through knowledge sharing with others in the sector, or through their industry associations. This is relatively consistent across all topics.

WHAT INFORMATION REGARDING THE SECTOR DO YOU CURRENTLY USE OR WOULD LIKE TO USE IF IT WERE AVAILABLE?

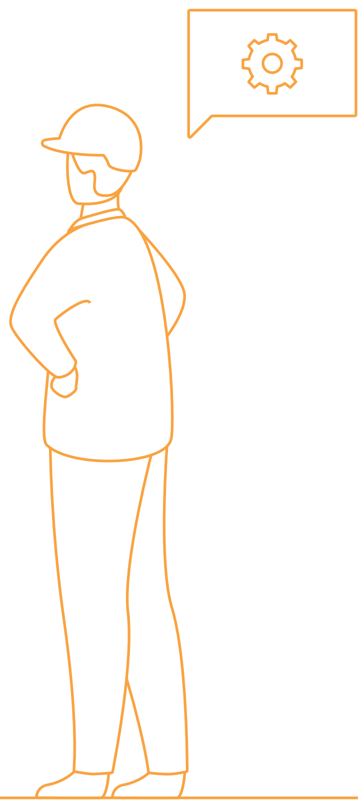
(Weighted average when ranked from 1 "not important at all" to 5 "extremely important")



WHERE DO YOU GET YOUR SECTOR INFORMATION FROM?



None of it [the research] is focused on helping that single builder who has done the same stuff for 40 years to do something different.
- Building sector leader



It's the so what? question. What does this research mean for architects and builders? For example, what should builders and architects be considering given this research and its preliminary findings and final outcomes? What other questions and issues need to be understood?
- Building sector leader

I think there is enough information – it's knowing where it is and having the time to go through it... I leave that to someone else; I just don't have time...
- Building sector leader

Sector participation and workforce

There are continued calls for more emphasis on training and education.

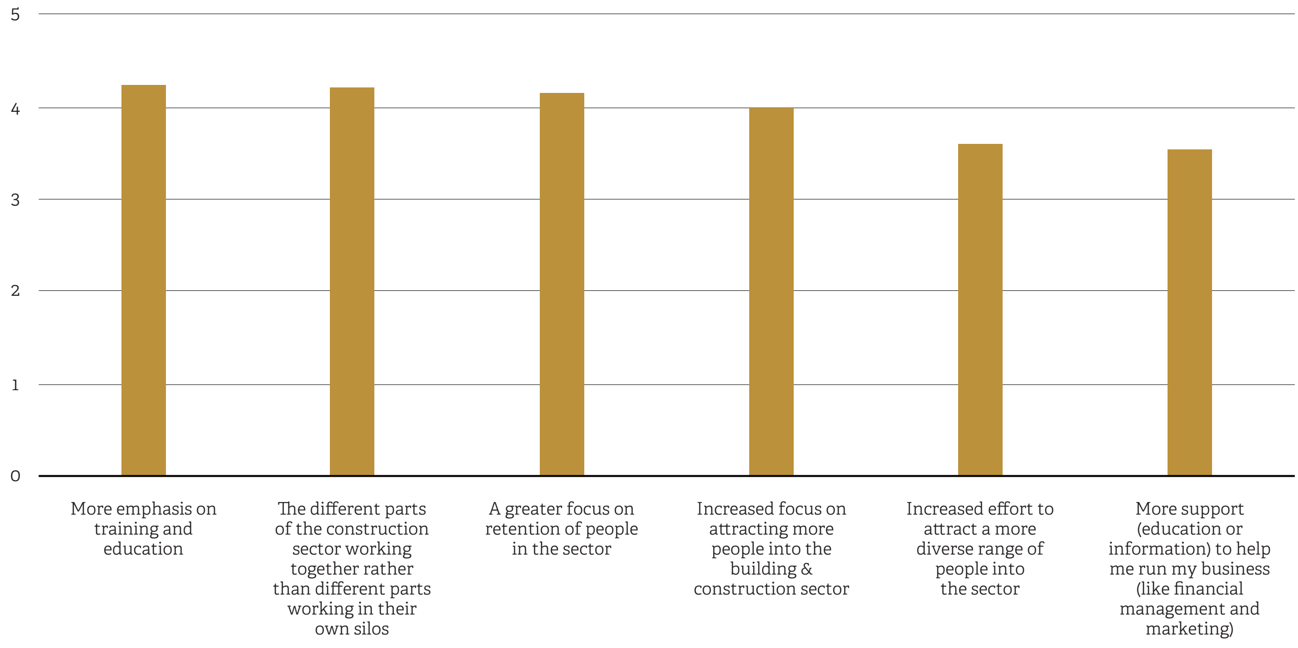
Many of the sector participants identified the challenges and uncertainty of the vocational education system. More ongoing training to support or upskill the workforce once qualified is also needed. Currently most of this is done at an industry association level with varying levels of success.

Similarly, the fragmented and siloed nature of the sector was raised again this year as the second most pressing issue. There is confusion about who is the voice of authority or leadership on certain issues and a lack of collaboration and coordination.

A greater focus on retention of people was also raised, particularly during periods of market contraction where historically the sector loses a large number of the workforce that can take years to recover.

WHAT CHANGES TO THE CONSTRUCTION SECTOR WOULD CONTRIBUTE THE MOST TOWARDS YOUR BUSINESS OR ORGANISATION SUCCEEDING OVER THE NEXT FIVE YEARS?

(Weighted average when ranked from 1 "not important at all" to 5 "extremely important")

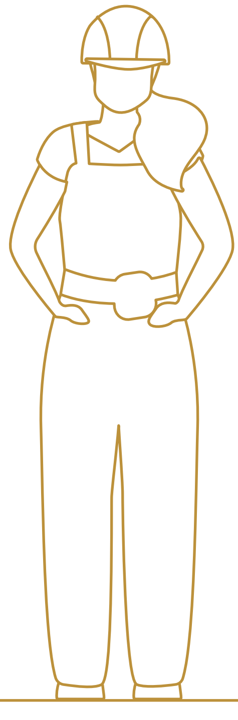


The extreme boom/bust flows through most seriously to the workforce, and not just those on tools but all the way through the different capabilities and professions. They're all highly valued, highly skilled people. That takes a damn long time to train, and we lose them.
- Building sector leader

A significant number of people working in our sector are unqualified. You can buy yourself a truck and a ladder and off you go. We shouldn't be letting this happen. Success stories come from education.
- Building Consent Authority

The industry is incredibly fragmented. This is creating a sector that lacks a cohesive long-term vision and no one is able to show leadership.
- Building sector leader

It's very siloed and whilst there's a lot of good intent by a whole lot of different people, I'm not sure how much progress we're making.
- Building sector leader



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