

# BRANZ Building and construction sector economic insights

## Intro

As markets digest the Official Cash Rate (OCR) reduction of 25 basis points and lower borrowing rates, attention remains sharply focused on the persistent pressures shaping the wider housing landscape. While mortgage rates may see some downward movement, the underlying dynamics of affordability continue to challenge buyers and developers alike. This quarter's report explores how these recent changes intersect with longer-term trends, providing a timely snapshot for stakeholders navigating a complex and evolving environment.

## Overview

### Highlights from Q2



#### Housing affordability

- The cost to build a house rose by nearly 4% in Q2 compared with Q1 – to \$1.06m.
- Median section price rose 0.5%, with notable regional variations.



#### Subdued pipeline in the short term

- New dwelling consents hold steady at around 34,000 a year.
- \$105.6bn of projects in the pipeline – benefits will take time to flow through.



#### Homeowner satisfaction

- Overall rating of builder performance up 5% year on year.
- First-time home builders 7% more likely to recommend their builder in 2024 compared with 2023.



#### Productivity and profitability

- Labour productivity fell 1.5% in 2024 compared with 2023.
- Before-tax profit margins fell from 8.1% in 2023 to 7.9% in 2024.



**This report provides the latest analysis drawn from Build Insights and other key sources of information.**

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## Housing affordability remains a long-term challenge

- Affordability pressures continue across the country, with no easy fixes on the horizon.
- Land pricing remains a key driver, with smaller section sizes being used to help improve affordability.

### Section prices reflect supply pressures

- Median section prices rose modestly by 0.5% in the June 2025 quarter, reaching around \$380,000.
- Regional variation is significant:
  - Auckland prices fell by 2.6% to just under \$600,000.
  - Bay of Plenty (+1.8%) and Waikato (+3.8%) saw increases, reflecting council reports of insufficient land availability.

### The cost to build vs buy widens further

- The **BRANZ New Build Index** shows a standard new build rose from \$1.02m to \$1.06m this quarter.
- Construction build prices have stabilised, sitting at levels similar to 12–15 months ago.
- Existing house values fell slightly, with Cotality estimating a 0.1% drop for the quarter.
- If sufficient land is brought to market, the cost to build should stabilise, potentially closing the affordability gap.

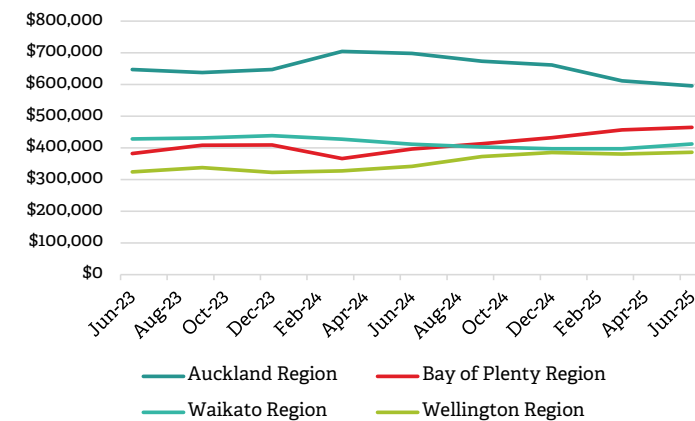
### Servicing costs ease, but pressures remain

- Mortgage servicing affordability improved by 40% compared to a year earlier, driven by falling interest rates and flat house prices.
- Rental affordability also improved:
  - Up 3% compared to a year earlier.
  - Up 1% compared to March 2020, showing a longer-term improvement.

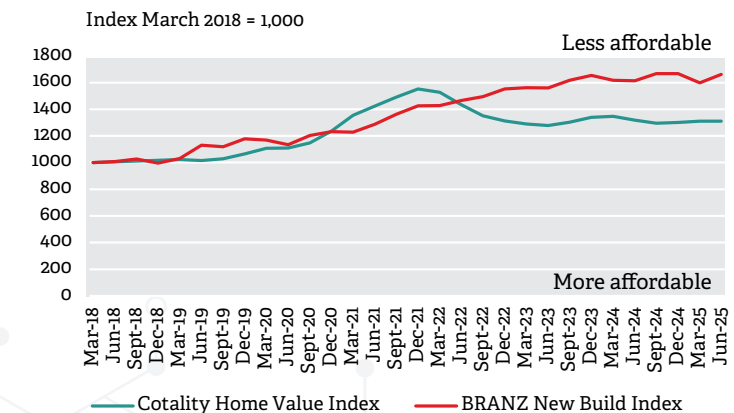
#### Build Insights data sources:

- REINZ
- BRANZ
- Cotality

#### Median section prices



#### Affordability of building, versus buying an existing home





## Homeowner satisfaction: Rising confidence in builders

### First-time home builders more positive than ever:

- In 2024, first-time home builders were 7 percentage points more likely to recommend their builder compared with 2023.
- Overall builder performance ratings have lifted 5 percentage points year-on-year, signalling growing confidence in the sector.

### Communication and service improving across the board

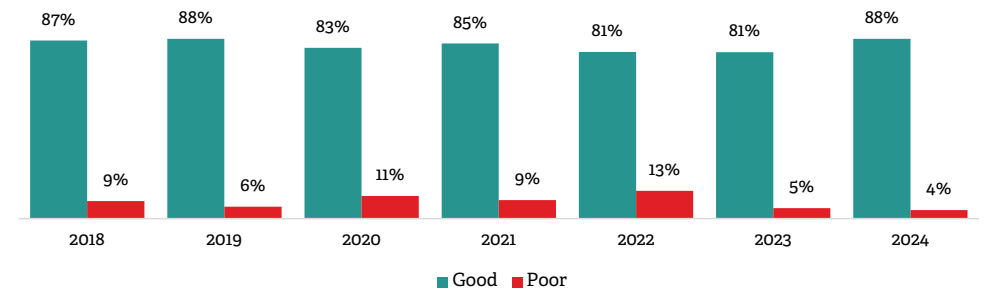
- Satisfaction with builder communication jumped from 62% to 70%, returning to pre-pandemic highs.
- Service during the buying process improved from 74% to 81%, while support after move-in rose from 62% to 69%.
- These improvements show builders are focusing on what matters most to customers: clear communication, reliable service, and post-build support.

### Customers remain happy with the quality of their homes

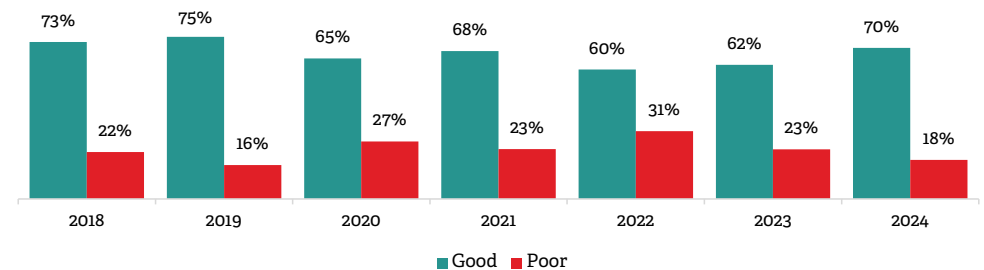
- While it is inevitable that with thousands of homes built each year some minor issues arise, new homeowners consistently report satisfaction with the overall quality of their homes.
- What matters is that issues are resolved promptly and to the satisfaction of the customer, reinforcing trust in the building process.

### Maintaining service levels as workloads rise is key

- History shows satisfaction levels can dip as workloads increase, underlining the challenge for the industry to keep communication strong and service levels high as demand rebounds.
- Clients' expectations remain steady even in busy periods – placing a premium on professionalism and proactive engagement from builders.



New homeowners rating of overall quality



New homeowners rate on the level of communication from their builder

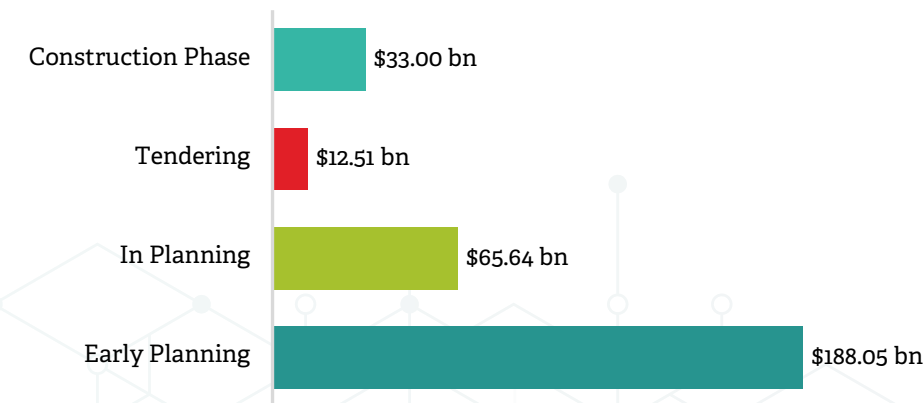
Build Insights data source:

- BRANZ New House Owners' Satisfaction Survey

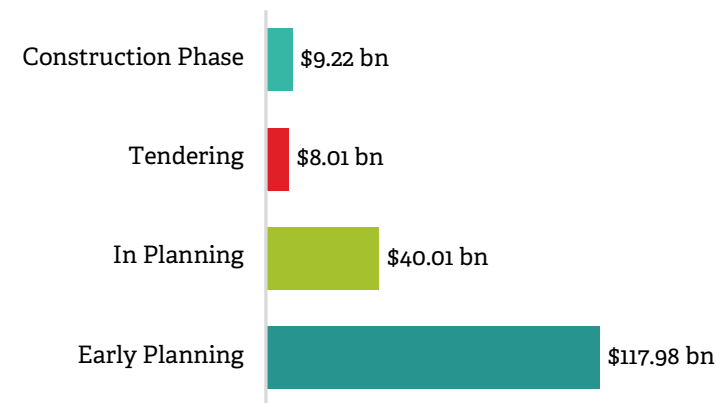


## Subdued pipeline in the short term, uneven signals across sectors

- The construction sector is expected to remain relatively subdued over the next 12–18 months, reflecting ongoing economic pressures and tighter demand across both residential and commercial markets.
- Residential:** new dwelling consents are holding steady at around 34,000 annually, but volumes are not expected to return to 2023 levels until 2028/29. This highlights the ongoing affordability challenge and the importance of smaller, more efficient builds that are accessible for households.
- Commercial and infrastructure:** While positive signs are emerging — with \$65.6b in non-residential projects and \$40b in infrastructure projects currently in planning — the longer lead times mean benefits will take time to flow through. Many of these projects, such as transport and energy, are critical to building national resilience.
- The Sector is reporting continued softening of demand compared with last year, but “cautious optimism” is beginning to return as project intentions gain clarity.



Value of non-residential projects in pipeline



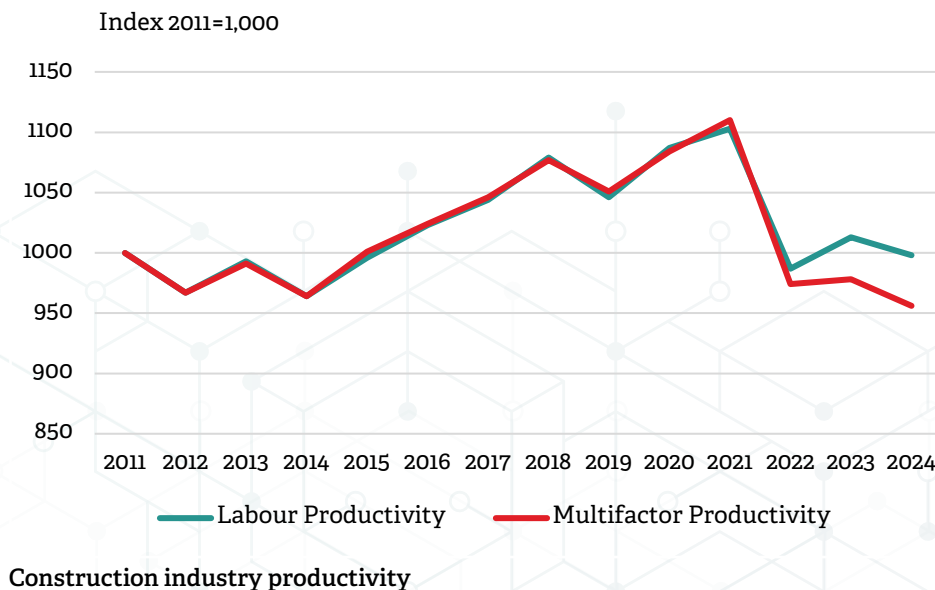
Value of infrastructure projects in pipeline

Build Insights data sources:

- Pacifecon NZ

## Productivity and profitability under pressure

- With fewer projects in the pipeline, firms are retaining their workforces, leading to falling productivity. Labour productivity declined by 1.5% in 2024 compared with 2023, now sitting at levels last seen in 2011. This is a stark reversal from the productivity gains seen during the early pandemic years.
- The erosion in productivity has placed pressure on profitability. Before-tax profit margins fell from 8.1% in 2023 to 7.9% in 2024 – a reminder of how thin margins are in construction compared to the wider economy (12.3%).



### Build Insights data sources:

- Stats NZ

- Despite this, the sector has demonstrated resilience. Profitability remains higher than in previous downturns, and firms are prioritising retaining skilled staff – a critical move to protect capability for the long-term recovery.
- For BRANZ, these signals reinforce the need to support smarter building solutions, improved productivity, and resilient business models that help the sector weather near-term challenges while laying foundations for more affordable and sustainable building in the future.

