

BRANZ building and construction sector economic insights

Intro

This report uses the latest trusted data to reveal current conditions and forecast building and construction trends. As 2025 draws to a close, it compares regional housing affordability and situates a slow short-term outlook for the construction sector within the context of a steady growth picture expected over the long term.

Overview



Housing affordability gains

- If households continue repaying at 2023 levels, a standard 30-year mortgage could now be paid off in around 17 and a half years.
- The time it takes to save for a deposit has dropped from 14 years in 2021 to 10 years in 2025.



Strong construction pipeline visible on horizon

- BRANZ' economic modelling forecasts a steady increase from \$59.9 billion in activity in 2025 to \$73.3 billion in 2029.
- This healthy longer-term forecast is supported by a more immediate increase in demand in regional markets and government announcements on infrastructure spending.



Urban centres lead the way in affordability gains

- Wellington has seen 64% improvement in mortgage serviceability from late 2023. Compared to a national average of 52%.
- Section prices in Auckland and Wellington have fallen by 16% over the last 12 months. However, sections in the Bay of Plenty region have increased by 23%.



Construction costs and labour pressures increasing

- National construction prices have risen by 1% over the past year, while the cost of new house consents, measured in dollars per square metre, has increased by 3.6% since December 2023.
- Although pressures on materials and labour have eased, the outlook of future projects suggests that these pressures could re-emerge.

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Housing affordability gains depend on where you live

Mortgage rates have fallen steadily since December 2023, substantially improving headline serviceability and lifting borrowing capacity for price-sensitive buyers.

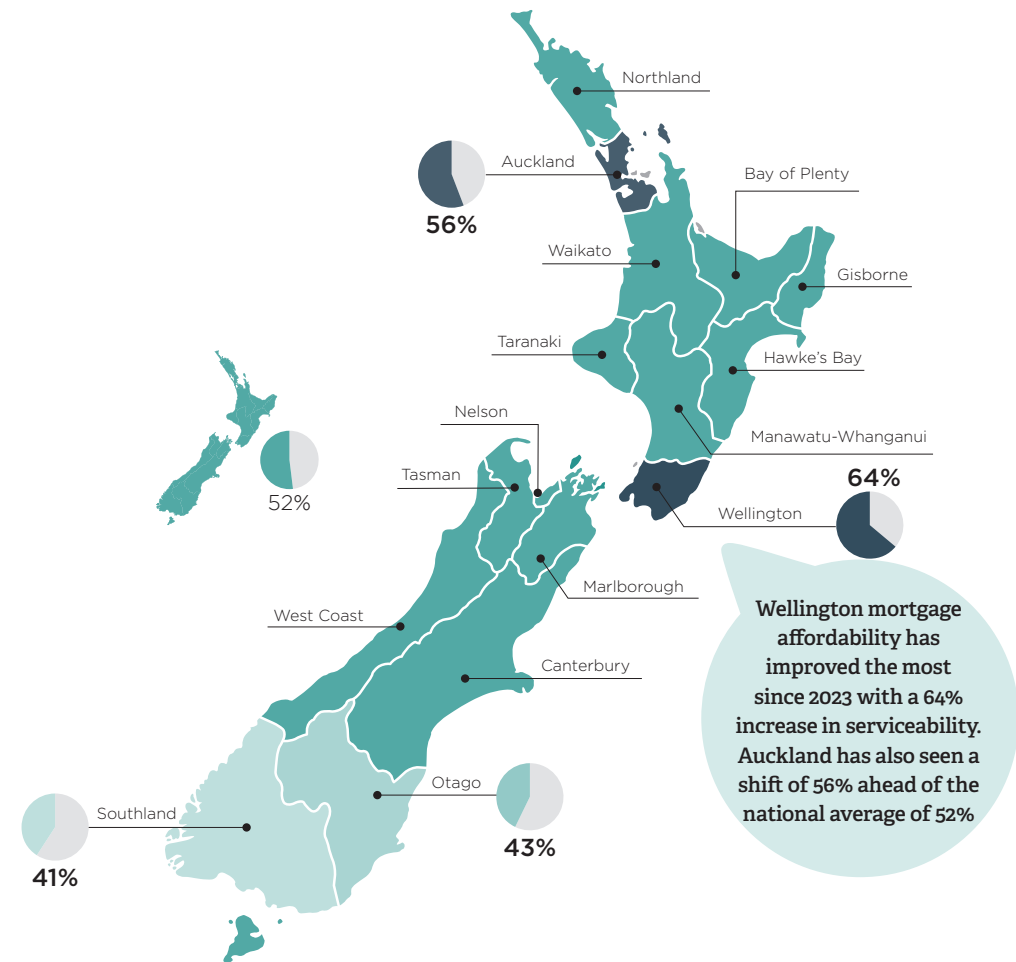
- Advertised mortgage interest rates in 2023 were peaking with floating rates around 8%.
- At the current average special mortgage rate of 4.43%, monthly repayments on the same level of property are 26% lower compared to late 2023.

National affordability indicators show improvement since the 2023 rate peak

- Cotality's Q2 2025 housing affordability report shows a value-to-income ratio of approximately 7.5 in Q2 2025, this is the lowest since mid-2019.
- They report a drop-in time-to-save-a-deposit to approximately 10 years versus almost 14 years in 2021.

Mortgage affordability gains are focussed on Wellington and Auckland. It's a different story in our regions.

- REINZ regional reports through 2025 have shown differing median price trajectories. Many regions have recorded year-on-year median lifts in 2025, while Auckland and a few large urban markets have been more muted or mixed.
- The Ministry of Housing and Urban Development's Mortgage serviceability indicator shows the impact of improved mortgage interest rates and muted house prices on housing affordability. With the Wellington region seeing the biggest improvement in the mortgage serviceability indicator, up 64% from late 2023.
- Auckland has also seen an improvement, with the indicator improving by 56%, compared to a national average of 52%.



Build Insights data sources:

- Change in Housing Affordability Indicators (CHAI)
- Cotality
- Reserve Bank
- Ministry of Housing and Urban Development

Where you build continues to impact costs

Section prices experienced significant variation depending on the region.

- Some provincial markets recorded strong median increases while main urban areas were more mixed.
- Looking at the price per square metre, the sections in the Auckland and Wellington regions have fallen by 16% over the last 12 months.
- Otago has also seen a fall by 15%.
- However, sections in the Bay of Plenty region have increased by 23%.

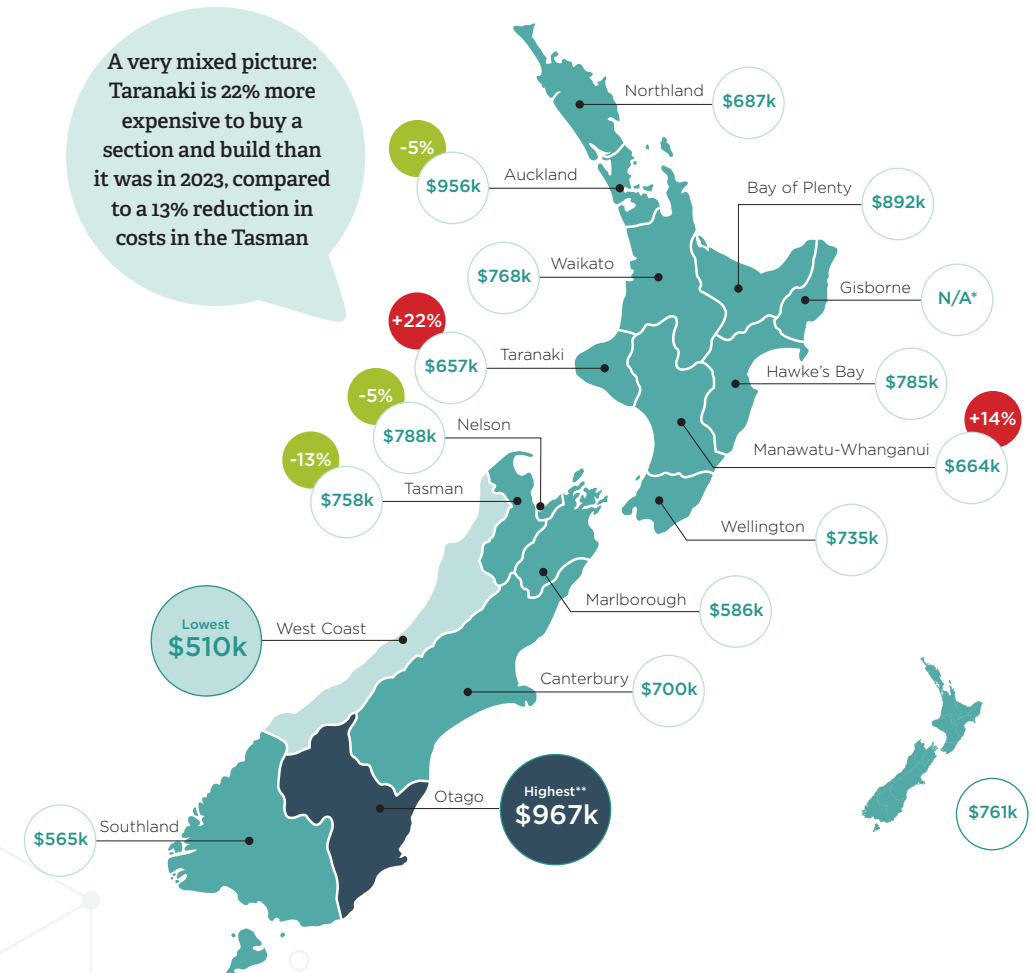
The costs of building a home also vary depending on the region

- Increases in the build price of new house (on a dollar per square metre basis) show a 3% increase since December 2023. However, there is some regional variation, with Gisborne and Nelson both seeing a decrease in the cost by 15% and 13% respectively.
- Whilst the highest increase in cost was for the Manawatu-Whanganui region with an increase of 13%.

Build Insights data source:

- Ministry of Housing and Urban Development's Mortgage serviceability indicator
- REINZ
- BRANZ

Section and build costs across the regions



Construction pipeline strong long-term outlook

BRANZ economic modelling has been forecasting steady growth beyond 2026, now the large projects in the pipeline give this forecast more weight.

- Government's recent announcement of accelerated school infrastructure spending and confirmed large defence housing projects will increase building activity in regional markets.
- Despite a continued trough in demand in the short term, this longer-term outlook will be good for builders' forward planning.
- BRANZ Build Insights' modelling builds on a longstanding forecast from the National Construction Pipeline report (2024) that points to a steady increase in construction workloads to 2029.

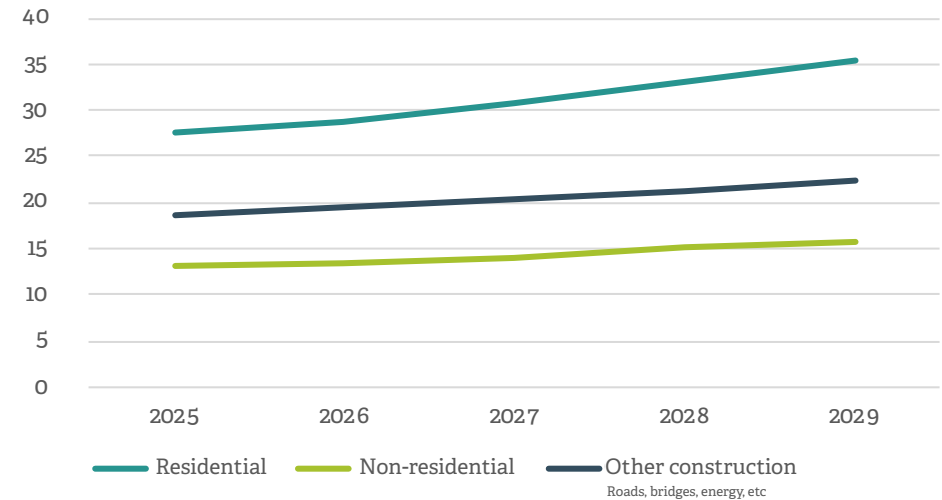
Construction price pressures easing temporarily

- Stats NZ report residential construction prices were broadly flat or showed modest quarter-on-quarter changes.
- Stats NZ's CGPI¹ for residential construction shows national construction prices have increased by 1% over the last year and 3% since December 2023.
- Increases in the cost of new house consents (on a dollar per square metre basis) show similar trends, with a 3% increase since December 2023.

¹The capital goods price index (CGPI) for residential buildings measures how build costs in the residential sector have changed after stripping out quality changes

BRANZ modelling forecasts a steady increase in construction activity from \$59.9 billion to \$73.3 billion by 2029

Expenditure on construction in current \$B



Build Insights data sources:

- Stats NZ
- BRANZ
- National Construction Pipeline Report