

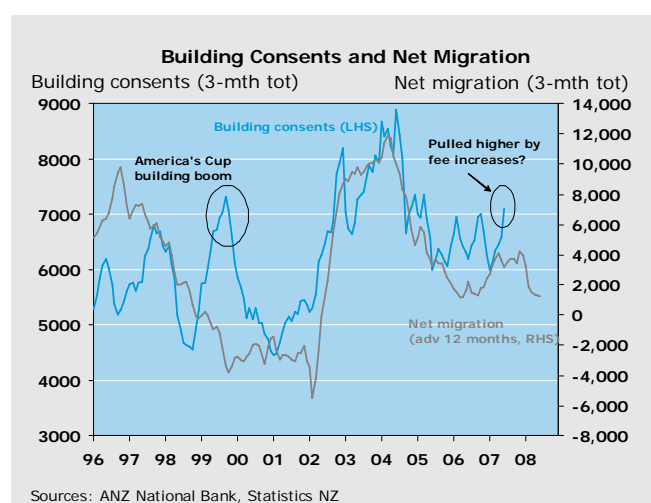
BUILDING CONSENTS ISSUED – JUNE 2007

Key points

- Residential building consents rose strongly in June. Ex-apartments more modest.
- Announced council fee increases are likely to have biased the numbers upwards.
- Non-residential consents issuance remains strong.
- The picture is clouded for the Reserve Bank. Fee increases are likely to have led to increased volatility and therefore makes interpretation difficult.
- However, even allowing for such volatility, today's results still reinforce a degree of resilience.

Assessment

	Residential Building Consents (m/m%)		Ex-apartment Consents (m/m%)		Value of non-residential Consents (m/m%)
	s.a.	Trend	s.a.	Trend	Trend
Sep-06	3.8	-0.2	0.4	0.3	-0.2
Oct-06	-5.1	-2.1	-0.8	-0.4	-0.7
Nov-06	-11.1	-3.0	-4.9	-0.9	-1.1
Dec-06	-4.3	-2.9	2.4	-0.8	-0.7
Jan-07	4.6	-1.2	-3.7	-0.2	0
Feb-07	6.5	1.7	6.4	0.7	0.6
Mar-07	-1.1	3.7	-2.7	1.3	1.1
Apr-07	1.1	4.3	2.6	1.4	0.9
May-07	5.8	4.3	2.8	1.4	1.8
Jun-07	15.8	3.9	1.4	1.1	2.7



Residential building consents surged in June. The total number of residential dwelling consents rose 15.8 percent in June, after a 5.8 percent increase in May. On an ex-apartment basis, the monthly increase was more modest at 1.4 percent. In June 2007, the largest contribution to the total number of new dwelling units came from the Auckland region with 696 units (27 percent), followed by Canterbury with 381 units (15 percent), Waikato with 371 units (14 percent), and Wellington with 315 units (12 percent). Although trend measures tend to be heavily influenced by the last observation, the trend has now been rising for the majority of this year and annual growth is currently 29.1 percent.

Announced council fee increases will have contributed to the increase. As we mentioned in the previous monthly building consents release, builders are likely to have rushed to get applications in prior to council fee increases, which come into force from 1 July this year. For example, Auckland City Council consent fees are increasing by 4.9 percent. The pattern of strong increases in consent issuance prior to fee increases or changes in the consent process has occurred in the past and as a result we expect a considerable pull-back in the number of consents issued next month.

Non-residential construction activity remains solid. The value of non-residential consents was \$382 million in June, slightly above the average experienced over 2006 of \$327 million. There is still a strong pipeline of activity in the non-residential construction sector and this should ensure that the construction sector, as an aggregate, remains constrained for some time yet.

The picture is clouded for the Reserve Bank. Announced fee increases are likely to have led to increased volatility in the monthly data. One of the reasons the housing market has remained robust has been owing to limited supply. Yet more supply will add to demand pressure. The 3-month average value of consents per squared metre – a broad measure of construction costs – has now flattened although is still up 7.4 percent on a year ago. **On balance, today's result does highlight a degree of resilience. While the Reserve Bank is in a watchful stance, the bias to rates remains up and in the absence of some sort of event there is zero scope for an easing in the foreseeable future.**

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