

eBoss Architect Survey  
BUILDING  
INDUSTRY  
CONFIDENCE

OCTOBER 2008





The outlook for the New Zealand building industry has changed dramatically in the last six months against the backdrop of the global financial market crisis. Among the key indicators of growing uncertainty is a decrease in the number of building consents being issued, which is down 45% from this time last year\*.

eBoss, the online technical library for the New Zealand building industry, has conducted a survey of industry professionals to assess current levels of confidence, as well as attitudes about the outlook for the industry.

The survey measured opinions on the relative health of the building industry, attitudes about job security, and steps government at various levels can take to lessen the impact of the financial market crisis here in New Zealand.

Building industry professionals representing 12 regions of New Zealand from Northland to Southland registered their opinions, including 113 architects, architectural designers, builders, engineers, interior designers, specifiers and suppliers.

## Global Financial Crisis

About two thirds of New Zealand building industry professionals surveyed report that their day to day work has already been impacted by the global credit crunch.

Some are blunt about the direct hit the building industry is taking, with one Architectural

Designer flatly warning, "Anybody who thinks New Zealand is immune from the effects of this crash is sucking dream tablets."

Others are more philosophical, suggesting uncertainty related to elections here and in the US have been contributing factors.



### Is your day to day work showing any impact from the global credit crunch?

	Response Percent
YES	63.4%
NO	36.6%

## Short Term or Long Term

Almost 70% of surveyed professionals agree the building industry is going to worsen over the next 12 months, while 11.4% hold out hope that it will improve within that period.

A Designer who foresees things will worsen initially, but be back on track after 12 months explains, "Once the panic is over, I feel things will settle and get back to normal."

A veteran industry supplier offers the following advice for getting through the anticipated rough patch: "This is a reality check for many - having seen this happen several times over the last 25 years, you get through by looking after every customer with fair prices and a good job done."

What is the outlook for 2010? The jury is still out. There is strong consensus about a negative industry trajectory over the next year, however only 20.4% believe the situation will continue to worsen over the next two years, and 44.9% believe the industry will strengthen overall over the next two years.

Only a very small minority of 9.1% foresee the industry continuing to worsen beyond the next two years.

The good news is that an overwhelming 80.8% have confidence that beyond the next 24 months, the industry will rebound and head in a positive direction. This points to the industry preparing itself for a tough 2009, and then looking for some recovery late 2010 through to 2011.

### Do you think the building industry is going to improve or worsen over the following periods?

	IMPROVE	NO CHANGE	WORSEN
12 Months	10.8%	18.9%	70.3%
24 Months	43.3%	35.6%	21.2%
24+ Months	81.0%	10.5%	8.6%

# WORK IN THE PIPELINE



The industry instability many are bracing themselves for in the short term is not surprising given that almost half of respondents report they have less than 6 months of work on their books, and another 10.8% report no forward work.

One Architect with only six months of secured work says this slowdown is very recent, with "...no new work through the door in last 6 weeks !!"

Many are experiencing delays with project timelines, with one Architectural

Designer reporting, "I have around 6 jobs on hold. Everybody seems to be waiting for their current houses to sell in order to finance their new homes.", with many projects put on hold until 2009 or indefinitely.

A fortunate 10% have 12 months or more of future work planned, while almost 30% of respondents indicate they have between 6 and 12 months of future work.

## How much work does your company have on its books?

		Response Percent
12 months or more		9.9%
6-12 months		29.7%
under 6 months		48.6%
No forward work		10.8%

## Thoughts on Job Security

While more than 2/3 of industry professionals predict an industry downturn over the next year, most remain relatively optimistic about their own job security, with 61.9% believing their jobs

are either secure or probably secure. 24.9% have a 'doom and gloom' outlook, believing there is either no security in their jobs, or are uncertain.

### Do you feel that your job is secure?

		Response Percent
Yes		34.5%
Probably		27.4%
Not sure		19.5%
Ask me in 6 months		13.3%
No Way		4.4%

## Practice Focus

Kiwis are renowned for their determination and flexibility, and 45.5% of companies are diversifying their focus (45.5%) in response to the crisis. Another 41.4% are conducting business

as usual, although one architect notes that while his firm hasn't change their business focus, they are undergoing a restructuring, including some job losses.

### Has your company changed its focus to combat changing market conditions

		Response Percent
Yes, we are diversifying our focus		45.5%
Yes, we are restricting our focus		12.5%
No, it is business as usual		41.1%

# IS THERE A SILVER LINING



While 58.9% of respondents have faith that the industry will emerge stronger after the downturn, 41.1% do not foresee a silver lining.

Among those who are struggling to see the bright side is an architect who has concerns about the long-term effects on the industry. "We seem to lose the knowledge from the industry when this happens. It's not good at all."

On the glass is half full side of the fence, a fellow architect believes, "...eventually money problems will sort themselves out

and then business will boom more than ever."

There are others who take the view that though the hard times may generate some business casualties, even that worst case scenario may not be all bad.

Comments from architectural designers and engineers suggest that, "12 hard months (will) weed out the bad developers who don't pay subbies or consultants, and who rip off clients." This will "...get rid of some of the cowboys."

Is this downturn eventually going to be a good thing for the industry? is there a silver lining?		Response Percent
YES		58.9%
NO		41.1%

## Regional Government Opportunities

More than 80% of the industry believes the single most important thing regional governments could do to assist the recovery of the industry is to improve the process of evaluating and issuing Building Consents.

A chorus of industry voices is united on this point, including a designer who says, "The snowball effect that happens in the building industry from the Councils taking so long to process building permits is ridiculous."

Others are more blunt still. One architectural designer believes, "We need a good mediation system within the act to protect the public from Councils breaching the Building and Resource Acts... Councils are bullies and get away with too much."

In distant second place for recommended regional government action, 44.2% believe the government should fast-track improvements to infrastructure, while another 37.5% say they should reduce reserve contributions.

What could regional governments do to assist the recovery of the industry?		Response Percent
Reduce reserve contributions		37.5%
Improve the process of evaluating & Issuing Building Consents		80.8%
Fast-track improvements to Infrastructure		44.2%



Just eighteen months after its launch, online architectural product library eboss registered its 8000th subscriber in November 2008. The rapid take-up from New Zealand's design professionals reflects the architectural and construction industries' willingness to embrace technology that streamlines the way they work.

The Kiwi-developed eboss site has been intuitively designed to save both time and resources. Providing information for a variety

of architectural drawing programmes, eboss allows architects, designers and engineers to browse and specify from a user-friendly library of reliably up-to-date product manuals, as well as providing monthly technical updates from NZ's leading suppliers to the building industry.

Through its relationship with the majority of Architects and Architectural Designers, eboss conducts regular surveys to gather feedback on architectural industry, to enable a forecast for the NZ building industry.

## Central Government Opportunities



Over two thirds (67.6%) of respondents say the central government should reduce compliance costs for designers in order to ease pressure on the industry's woes.

One architectural designer complains that compliance costs are increasing without improving

building "one iota", which is a situation he deems "...ambulance at the bottom of the cliff" drive!"

With a Wellington-based architectural designer gave the example of costs required to get a fire design approved. Here is his account: "I paid for a fire design, then I paid for this to be reviewed as requested by council, then I had to pay for a third engineer to conduct a peer review because council disagreed with my engineer. Peer review found in favour of us."

Another 53.9% of respondents recommend that the central government should improve the RMA. Some feel passionately about this, as reflected in the comments of a Bay of Plenty architectural designer who believes, "RMA is killing this country."

One architect admonishes the central government to, "Scrap the complexity of the current building code. Go back to basics."

"Councils & government seem to make all aspects within the industry unnecessarily complicated, take too long to reach a decision, charge too much and then don't take any responsibility," says an Auckland-based Designer.

Tax incentives for development are part of the answer according to 46.1% of respondents, while 21.6% think the government should move to fastrack the weathertightness claims process.

However, there are detractors to both of these solutions. With regard to tax incentives, one architectural designer says, "I'm not in favour of giving developers money back to kick start the economy, as we will continue to grow the current problems of too many apartments and office areas."

On the weathertightness front, a Wellington Architect believes, "...there is something extremely wrong for a government to totally re write building code for a weathertightness issue which only affected less than 1% of the buildings constructed over this period."

What could central government do to assist the recovery of the industry?		Response Percent
Fast-track weathertightness claims process		21.6%
Improve RMA		53.9%
Provide tax incentives for development		46.1%
Reduce compliance costs for designers		67.6%

## THE FUTURE



In the wake of the global financial crisis, many in the New Zealand building industry say they are 'at a knife edge', while others acknowledge the situation is giving them 'a reality check'. However, the prevailing uncertainty is mixed with a healthy dose of optimism that the industry will recover within the next two

years. The group suggests that recovery should not be expected in 2009, but late 2010 is a realistic timeframe.

There is clear consensus across the industry about what the government can do to facilitate recovery, with reducing compliance costs and simplifying Building Consents as the key priorities.

One architect reflects that "the country is well geared up with excellent architects and young building firms with modern systems. It would be a tragedy to stall building in New Zealand to a degree whereby a lot of these people have to look to other industries or offshore for work."

Most in the industry remain confident that the inherent strength and talent in the industry will mitigate any potential long-term impacts of either the global financial crisis or policy hindrances at home.

**eBoss is committed to run quarterly surveys to capture the sentiment in a changing environment to track changes in the market conditions and results from action/inaction of industry regulators.**

**\*1346 building consents issued in August 2008, 2465 in August 2007**