



Cordell Housing Index Price (CHIP)

Cordell Building Indices

New Zealand | May 2021



CoreLogic®



Table of Contents

Introduction to the Cordell Building Indices	3
Cordell Housing Index Price	4
New Zealand CHIP	5
CHIP & CPI figures	6

Introduction to Cordell Building Indices



The Cordell Building Indices (CBI) are a series of construction industry index figures that are used to monitor the movement in costs associated with building work within particular segments of the industry.

The CBI indicates the rate of change in prices within particular segments of the New Zealand construction industry. The changes in prices are measured daily through the use of detailed cost surveys, and are reported on a quarterly basis. This ensures the most current and comprehensive industry information available.

Each index is based on a combination of labour, material, plant hire and subcontract services required to construct buildings within the particular segment being measured. The CBI measures the change in the cost of constructing buildings, and as such do not provide the actual costs.

Key components

The indices are based on a comprehensive collection of labour, material, plant hire and subcontract costs covering all major trade categories within the segment being measured.

Each of the trade categories contains labour, material and plant hire costs combined in typical proportions required to construct the various types of buildings commonly found within each segment.

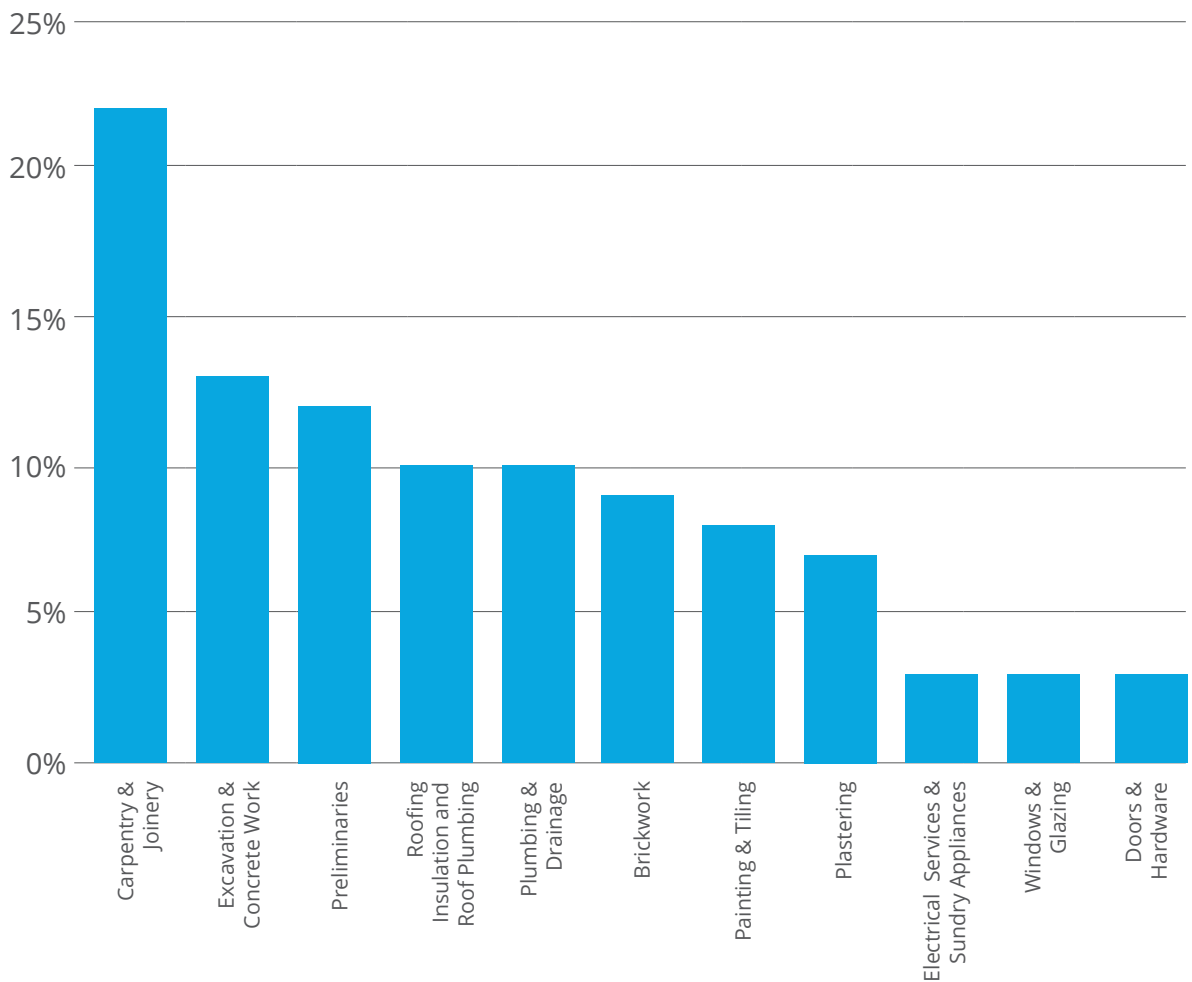
Cordell Housing Price Index

The Cordell Housing Index Price (CHIP) measures the rate of change of construction costs within the residential market and covers freestanding and semi-detached single and two storey dwelling homes.

The key categories within the CHIP index include:

- Preliminaries
- Brickwork
- Roofing Insulation and Roof Plumbing
- Doors and Hardware
- Painting and Tiling
- Electrical Services
- Excavation and Concrete Work
- Carpentry and Joinery
- Windows and Glazing
- Plastering
- Plumbing and Drainage
- Sundry Appliances

CHIP Trade Breakup



New Zealand

136.2

March New Zealand
CHIP Index

1.3%

Quarterly Growth

3.26%

Annual Growth

The economy has been a little sluggish in the past few months, with GDP dropping in the final quarter of 2020 and some forecasters expecting that it will have dropped again in the first quarter of 2021 too. However, the construction sector has been a real bright spot, especially the residential segment, with house-builders very busy.

Indeed, there are signs that the high level of residential activity is now starting to flow through to cost/price pressures. The Cordell Housing Price Index (CHIP) showed that construction costs rose by 1.3% in Q1 2021, far above the 0.6% and 0.4% increases in Q3 and Q4 2020 respectively, and in fact the highest rate of cost inflation since the first quarter of 2019 (i.e. two years ago).

In terms of the annual growth rate, it had progressively slowed from the peak of 6.9% in Q4 2017 to be less than 3% in Q4 2020 – however, we may now be seeing a turnaround, with annual residential construction cost inflation rising back to about 3.3% in Q1 2021. That's more than double the Q4 2020 general CPI figure of 1.5%.

In more general terms, then, as we suspected might be the case (and we noted in last quarters' CHIP write-up), Q4 2020 now looks to have been the low-point for construction cost inflation in this cycle. For a start, the industry remains very busy – with new dwelling consents running very close to 40,000 on an annual basis (highest since the mid-1970s) – and anecdotal evidence had already started to emerge about shortages of labour and materials. That can only mean one thing for general cost inflation – upwards.

Of course, when you add in potential COVID-related shipping problems, and also the recent publicity about shortages of structural timber domestically, the scope for faster cost rises is only underlined. In addition, the Government's recent tax policy changes which incentivise investors to target new-build properties could well add demand to the sector and more pressure on capacity (and hence costs).

It's also important to note that work on consented alterations & additions is also running at the highest levels in 10-15 years, let alone any projects being done that don't require consent. That just reinforces how busy the industry is, and is being driven partly by the fact that many owner-occupiers can't find their ideal next property (due to the lack of listings) and so are choosing to renovate not relocate.

New Zealand CHIP & CPI figures

Based on 200m² concrete slab, brick veneer, concrete tile roof house.

Year	Months	NZ CHIP			NZ CPI	
		% Chg.	Index	% Year	% Chg.	Index
2012	DEC	0.0	100.0		0.000	100.0
2013	MAR	1.1	101.1		0.428	100.4
	JUN	1.4	102.5		0.170	100.6
	SEP	0.3	102.8		0.935	101.5
	DEC	0.8	103.7	3.68%	0.084	101.6
2014	MAR	0.4	104.1	2.99%	0.337	102.0
	JUN	0.5	104.6	2.06%	0.252	102.2
	SEP	1.2	105.9	2.98%	0.335	102.6
	DEC	0.6	106.5	2.73%	-0.167	102.4
2015	MAR	0.8	107.4	3.10%	-0.167	102.2
	JUN	0.6	108.0	3.24%	0.418	102.7
	SEP	1.0	109.1	3.03%	0.333	103.0
	DEC	0.5	109.6	2.93%	-0.498	102.5
2016	MAR	0.8	110.4	2.83%	0.167	102.7
	JUN	0.3	110.7	2.52%	0.417	103.1
	SEP	0.7	111.5	2.22%	0.332	103.4
	DEC	0.9	112.5	2.62%	0.414	103.8
2017	MAR	1.7	114.4	3.64%	0.988	104.9
	JUN	1.9	116.6	5.30%	0.000	104.9
	SEP	1.8	118.7	6.45%	0.489	105.4
	DEC	1.1	120.2	6.87%	0.110	105.5
2018	MAR	1.1	121.6	6.24%	0.497	106.0
	JUN	1.0	122.8	5.32%	0.396	106.4
	SEP	1.1	124.1	4.55%	0.887	107.4
	DEC	1.3	125.7	4.58%	0.098	107.5
2019	MAR	1.3	127.3	4.69%	0.100	107.6
	JUN	0.6	128.1	4.32%	0.600	108.3
	SEP	1.0	129.4	4.27%	0.700	109.0
	DEC	0.9	130.6	3.90%	0.500	109.6
2020	MAR	1.0	131.9	3.61%	0.800	110.4
	JUN	1.0	133.2	3.98%	-0.500	109.9
	SEP	0.6	134.0	3.55%	0.700	110.6
	DEC	0.4	134.5	2.99%	0.500	111.2
2021	MAR	1.3	136.2	3.26%	-	-

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