TONY'S VIEW Business Survey

Input to your Strategy for Adapting to Challenges

Feel free to pass on to friends and clients wanting independent economic commentary

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My Aim

To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy-to-understand manner.

Businesses upbeat

I am experimenting with how best to reinstate my monthly survey of businesses and what they are observing in their particular sectors. The last time I did this the response rate was extremely high and processing the responses was challenging. Since then, my subscriber list has multiplied in number eight-fold and the issue has become one of getting good insights without sending me crazy.

For this month I have experimented by inviting Tony's View readers to volunteer their insights if called upon – and I have then called upon them. About 80 people replied and their responses are as below. I will give further thought to the best format for next year, keeping in mind that I do not wish to simply replicate the good numerical results we already get from the ANZ's long-running Business Outlook Survey.

These are some of the key themes which I picked up from this month's responses.

- Cost pressures are developing in construction as activity booms and labour is hard to find, and for other sectors due to goods supply disruptions.
- Labour is in short supply across numerous sectors.
- The IT sector is very strong.
- Accountants are finding most of their clients to be in fine shape.
- The construction boom and soaring house prices has led to a boom in purchases of sections and developable land to the point where shortages are appearing.

Accounting & business advisory services incl bus. Broking

- Small Chartered Accountant Auckland- Very busy with compliance which has been set back with banks requiring final accounts almost from 1 April and many clients refinancing. A few clients are considering business purchases, but most businesses are over-priced. Most clients doing very well with only a few suffering. Plenty of clients buying investment properties. The bank of Mum & Dad is doing good business.
- Most clients are no longer negatively impacted by Covid-19 - proved to be only temporary - and some are doing much better than before even those in tourism [catering to middle & above end of market]. Backpacker is not great because of lack of foreign tourists so this is being repurposed. The theatrical area has been a disaster as with future uncertainty and 14-day quarantine shows

with overseas performers will not be staged. The wage subsidy while not generous, helped cover costs for most during the lockdown. Only a couple opted not to take it.

- My clients are small businesses with turnover less than circa $1.5m. All have survived Covid - [with grateful thanks for wage subsidy]. I'm seeing excellent monthly sales & with tight controls this is flowing through to very good P&L reports. Almost all are optimistic & thinking progressively about business growth in 2021. Most are considering employing additional people including apprentices if appropriate. It's been a period when I consider small business has matured somewhat & I'm seeing business owners being much more cognisant of KPI's, opportunities presented via relatively cheap overdraft or term loans & the benefits of taking time to be involved in producing a business plan [and actually implementing it] - generally I reckon it's a much better balance between working on as well as in the business.
- Value-add work was a tad slow during and a few months after lockdown but definitely back to normal, we have not experienced a major shock as of yet.
- Very cautious bank lending for business; elevated buyer demand; more recently vendors starting to stir again after showing very low interest in selling; flaky vendors who withdraw and/or have unrealistically high expectations of value.

Advertising & marketing

- Confidence in consumer spending seen in healthy, rebounding marketing spends and planning going into 2021. Marketing scenario planning in certain sectors in relation to Tasman and international border changes. Shift in marketing investment towards online and away from linear traditional media channels.
- Digital marketing - seeing more clients willing to try pay per click advertising to grow their business (Facebook and Google Ads), many of them are not selling online but are advertising a traditional business. I think the talk of the boom in eCommerce is having a flow-on effect where businesses that don't sell online are hearing the broader discussion and becoming more aware or interested in digital channels to advertise and grow their business. Am also seeing a few new start-up online businesses from women out of work, and also with ex airline employees actively researching a new start with online or social-media related businesses.

Aviation

- Uncertainty! We are still in the process of reducing costs as we still don't know how long the borders will remain closed for.

Banking and finance generally

- Some reluctance from businesses to invest (borrow) at present - manifests in extending existing asset funding / vehicle leases rather than committing to new multi-year exposures. Something of a sit on hands / wait and see activity at the moment with people only doing what they absolutely have to do.
- Large banks with backing from the Government's Business Finance Guarantee scheme are taking business from the finance company market - the Government is actually promoting anti-competitive behaviour here.

- Caution dealing with New to Bank customers approaching us continues. Locally tightly held investment market continues - yields continue to reduce across all property sectors.
- More help and advice needed and being sought to raise both debt and equity.

Civil construction/infrastructure

- Building consents remain stable. Builders have concerns over material supply in one years’ time

Commercial construction

- Electrical Contracting Residential & Commercial - South Island - Plenty of construction projects to be priced recently but this is likely to slow up March/April if we believe Bank economists recent commentary. Seeing pressure going on wage rates (to retain staff). Some materials in short supply and looking like could get worse before gets better. Wholesalers advising of price increases for copper cabling and other inputs to commercial & housing. Apprenticeship boost is great for improving supply of skilled electricians. 2021 is when we are really going to feel the impact from Covid 19, and employment intentions will be more project specific going forward.
- Lots of tenders coming in.
- Commercial projects are all going ahead, although some are taking a little longer to take off. In general, the construction sector is looking very busy. There was an expectation subtrade pricing would be lower after Covid, however it now seems it has all gone back to normal. Commercial leasing is all happening, but sales have slowed.

The trickle down from government and publicly funded opportunities is still slow. This is due to some restructures/attempts to set up their own capability (or redeploy internal capacity), some waiting on funding approvals and a general delay in investment decisions holding back projects from getting underway. There are some signs that this will improve in Q1/Q2 next year, but no real certainty based on the actions of this year around “shovel ready” or other projects.

Private sector sentiment appears to be improving slowly, with some hotel and commercial opportunities that were on hold now being reviewed and potentially gaining some momentum. Industrial and storage still has plenty of interest with land in Auckland being the only real limitation (only for that region, although land value in other areas is one to watch). Multi-unit apartment and mixed-use developments still slow, but land development and medium density housing is following the residential bounce back.

Generally, seems that main contractors are (mostly) ok for now, but are a little nervous for Q2 onwards. Consultants are hungrier than usual and diversifying away from commercial office/retail, but most are hanging onto staff to see what the new year brings. Q2 could be great or pretty tough. At this point it’s hard to know whether we should recruit, downsize, or simply hold on for a bit longer. So, the impact from delayed investment decisions this year is going to be felt early next year. But the extent and duration seem dependent on how quickly government projects can get moving.

Commercial Property Investment

The market in New Zealand is very segmented. Auckland is most favoured, then Hamilton and Tauranga next most favoured. Having said that, the re-classification of soils in Hamilton is causing engineers to re-calibrate all Hamilton buildings down in terms of % NBS. This is potentially very problematic for existing owners of buildings in Hamilton as strengthening costs may not be economic. Wellington is also selectively favoured, especially for buildings with long leases to credit tenants, but risks around operating expenses cost escalation (rates and insurance) exist as the market is typically a gross lease market.

Given the uncertainty of the occupier market over the next few years, long leases with fixed/CPI rent reviews are favoured over market rent reviews.

Logistics is a favoured asset class currently with some prime assets exchanging for sub-4% yields. Growth of e-commerce has made the case for rental growth in logistics assets as demand for space grows. In the US Prologis has estimated that e-commerce companies require 111,480sqm (1.2 million square feet) of distribution space for each US$1 billion in sales. U.S. may need another 1 billion square feet of warehouse space by 2025.

The current online shopping market size in NZ is $5 Bn which has grown at CAGR 6.1% over the period 2015-2020 Online Shopping in New Zealand - Industry Data, Trends, Stats | IBISWorld

Office property demand by investors has been somewhat muted due to uncertainty over the future of office demand given work from home acceleration due to lockdowns. Having said that, the sales of Deloitte House, Wellington for $228 million at 4.5%, and Grant Thornton House, Wellington and 34 Shortland Street, Auckland both at 6.0% show investment confidence. Net effective rental growth has turned negative as tenants' incentives increase to maintain face rents. In Auckland, space for sub-lease is very fluid, but will impact direct leasing from building owners.

Retail is a heterogeneous asset class with winners and losers. Grocery-anchored convenience centres (essential services) have been keenly sought with asset sales at sub-5% initial yield, regional dominant shopping centres such as Sylvia Park have traded well post lockdown but rent relief packages have been agreed with retailers unable to trade during lockdown. affecting net income yield in the current year. Secondary (by location or quality) shopping centres are experiencing increasing vacancies and negative rent reversions. As a result, they are experiencing yield expansion.

Many investors are also considering healthcare, retirement and "build to rent" sectors as potentially resilient sectors with diversification benefits as part of a multi-asset portfolio.

Education and training

- I work in a large secondary school. For us, life has largely returned to pre-Covid normal. We are aware of some families that are finding it harder in the community, and employing staff from overseas is a no-go, but other than that things are pretty normal. I know some of my colleagues at other schools, particularly in more tourist hotspots, have more families struggling than we do here. We are located just north of Wellington so have a decent number of parents who are employed in the govt sector or their business have government sector clients.

Engineering

- Demand for industrial machinery / equipment across most industries is okay to good. The Petrochem industry is still significantly down but there are some signs that this market is improving, slowly. The South Pacific Islands are purchasing virtually nothing, and we expect minimal demand for a long time. Our biggest headache is freight, compared to conditions prior to Covid, airfreight is expensive and slow, sea freight is very, very slow and inconsistent and we expect prices to rise but fortunately couriers are still okay-priced but a little slower than usual. We expect sales through Dec

/ Jan to be slightly down from previous years. Hopefully we will be approaching business as usual from Feb. We are beginning to plan for growth, and we would create new positions for the right candidates.
- Big changes as a result of declining gas availability in Taranaki. A 50 million shutdown of a Taranaki gas processor has been cancelled. Resulting in layoffs, reduced working week for permanent employees in some local engineering companies. Big multiplier effect in our community.
- A severe shortage of skilled staff. Clients looking for sharper pricing on estimates and quotes, but company costs are escalating due to increase in raw materials. More use of three quote system. Changed attitudes in workforce after COVID, want to balance work with lifestyle, not as motivated as prior to COVID.
- I work in building consenting for a main urban centre. The volume of residential consents picked up following a short lag after lockdown. Commercial consents are picking up now. The complexity of the residential building work is increasing as more difficult sites are being developed.

Farming & farming services

- Supply Chain reliability is our biggest issue at the moment. Factories are supplying on time, but shipping times are out of control. HR, finding skilled staff would be our second biggest issue.
- Overall, the dairy sector is in a good place. The decent payout will mean all but the worst operators will be complaining about their tax bill. But the sector does have significant headwinds: 1) hard to find good labour 2) environmental concerns bordering on zealotry and 3) a lack of liquidity making it hard to enter /exit the industry. Provided these don't get out of control the tailwinds from stable global prices and strong demand should see the medium / long term outlook as being pretty good.
- Labour shortage, and lack of skilled labour that is clean living, drug, smoke free. Many farms and agri businesses struggling with low ability, reliable staff who have decent work ethic. In my experience, the good ones are hard to come by and you need to look after them to keep them, hours, pay and work life balance.
- Improving strength of dairy pricing is looking favourable, and investments such as property and dairy farms are looking much better as the returns on shares, term deposits and other investments have lowered. Fonterra looks to have improved its financial management and is gaining more confidence of farmers in my opinion.
- With the exception of venison producers, farming businesses are performing well at the moment. Cash flows are fairly strong, particularly for dairy farms. The concern is that with many of our overseas customers, particularly in Europe, stuck with lock down restrictions of various degrees, that current prices won't be maintained. The main concern is for red meat prices. The economic effect of environmental restrictions is creating some uncertainty. From my Canterbury perspective there has been a lot more interest in leasing additional land, rather than purchasing to manage this risk but also due to Bank's reduced appetite for rural lending.

We are both Dairy & Sheep/Beef farmers in the Hauraki district. Dairy farming comments: In general dairy farming is trucking along very well at present. The payout is good (and has been for 3 years now), interest rates (very low) and the weather are at the right levels too. It's not a normal situation to have all 3 of these things line up at once. Therefore, it's important to take advantage of this and strengthen your business for the future challenges, principally by reducing debt and keeping in front of the environmental rules which are tightening all the time.

I have noticed that banks have slightly eased up their lending criteria and farms are now selling - but at levels say 10-25% below levels of 5 years ago. This means that highly indebted farmers will struggle for Bank approved equity levels. Despite what you hear there is no push from the Banks to force mortgagee sales on these situations. Instead, they are being managed, with an exit coming in the future, once the farmer has enough equity to exit voluntarily. However, if the 3 things I noted above don't line up - then there's the possibility this will change.

Sheep & Beef Comments: Incomes for both Sheep and cattle are down compared to last season’s record prices. But they are still at comfortable levels. Last season’s drought has also affected this year’s income detrimentally (e.g., fewer lambs to sell). But all in all, this industry carries on ok. There is significantly less debt in the industry compared to Dairy and a more conservative mindset. From what I can see the debt is unevenly spread with probably 67% having nil or minimal debt and the balance increasingly paying record prices for land, which is pushed along by Forestry/Carbon.

General Comments: I realise Covid 19 had a devastating effect on many families and businesses but the Covid shutdowns didn't really affect farming incomes, life for us carried on as normal. We just had the kids helping out on farm, which was neat.

Other Headwinds: apart from the ones listed above. Artificial Proteins- these will eventually have a big impact. I don't have a crystal ball to say by how much or when. In general, when Fonterra and Beef & Lamb say don't worry - that means you should worry!
Environmental and Social Pressures - These are well reported. What hasn't been spoken about as much are the counter measures available to mitigate some of your farming footprint, with more on the way.

For example, constructed wetlands can reduce Nitrate leaching by up to 65%. It's quite probable that the rules will tighten before all these counter measures have been researched and accepted by both farmers and the Authorities.

Climate Change - Again well reported. Science should hopefully provide a solution, with several treatments looking promising. As above it's quite possible that the industry will have some lean years between the introduction into the ETS (which is a certainty regardless of what farmers think) and the timing of available countermeasures. Our family has done well out of forestry with its associated Carbon Trading - so there's an offset available for farmers anyway.

Health

- Strong recovery in orthopaedic surgery since lockdown, with elective orthopaedic surgery ramping up in both public and private sectors and across NZ.
- High demand.
- Lots of action on the vaccine front, being scaled up at huge levels, very quickly, so 1-2 years from now we would expect things to be largely back to normal with regards to the Covid situation. Once that settles, we will see health system largely return to normal until the next pandemic. However, some people are talking about the 'age of pandemics.' Some people think that the next pandemic is not far away given there doesn't seem to have been any discernible shift in animal husbandry practices. Once international travel kicks back into gear we will see this same pattern again. Statistically, it's only a matter of time.
- In medical circles this pandemic was an expected event (we talked about what we would all do when the next big pandemic hit back in medical school) and even since Covid there have been several further new bugs come out (but not as bad yet). Covid was a bad mix of infectiousness and virulence but nature has a way of breeding those bugs very quickly when you keep a million chickens in a shed, pigs on a farm, or pangolins and ducks and bats or whatever all in large populations in confines. Bugs that would have killed the host and then died now have a neighbour close by to spread to, and with lots of hosts you see more rapid mutation. We humans don't seem to be very good at learning lessons. And it's not just limited to Asia, a lot of Europe and especially US have similar enough practices.

Horticulture incl. viticulture

- The recent government agreement to bring in 2,000 RSEs is not enough for the produce industry. We have done recruitment drives for kiwis and followed up all applications, but there are very few suitable workers. Some growers are saying 30% of their apple crops will not be harvested in 2021. Port congestion and massive container shortages will bring other uncertainties that our industry hasn't seen before.

Information technology

- Underspend on project work this financial year. Budgets in local government reduced substantially next financial year.
- Good numbers of Jobs - Crazy numbers of applicants.
- Capex funding that was cut for key projects at the beginning of Covid lockdowns is coming back into play, with hiring of project consultants on the rise for sectors not directly impacted by the on-going restrictions or down turned sectors. It appears as if everyone is prepared to be back to full steam next year with confidence built in the ability of teams to deliver even if they have to work remotely at times.
- An unbelievable shortage of quality software engineers, which has now driven salaries up materially in a very short space of time. Because the borders are shut the finite pool of engineers are just being poached and it's causing a circular problem as the companies being poached from are having to then poach themselves. We're in heath technology where our main market is the US and due to the large uptick in coronavirus, we are seeing a lot of cost cutting by the hospitals. Anything not a need to have is out.
- Business Applications and Cloud are going gangbusters, busiest last 3 months in years, still signing up new projects this late in the year!
- A lift in activity after a delay or period of holding off on investments in technology-based projects. This has been noticeable over the past 6 weeks. Raising difficulty in getting good people in the market - this anecdotally appears to be related to people being inclined to stay where they are rather than taking on the risk of leaving established positions for a new role, even when there is more money on the table.
- Business as usual, even recruiting new staff.
- In Christchurch we are as busy or even a bit busier than pre Covid.
- Continued strong interest in digital transformation, i.e., using apps and online services to go paperless, automate repetitive tasks, streamline business processes and facilitate remote working and collaboration.
- Telecoms - A better post Covid than anticipated. Loss of roaming revenue (both on and offshore) will be a continual 'big hit' until tourism picks up again. Telcos endeavour to morph into entertainment seems uncertain (I see some resistance to people paying for Sky and Spark Sport). The industry seems to continue to offer additions to promote loyalty (free data offers for example) and is unable to change customer thinking that expects better technology (think 5g) without paying more.
- Thirst for data continues to increase exponentially, home broadband margins are too tight (this govt has big decisions to make regarding what I think are Chorus maintaining unreasonable wholesale margins) and watch for Telco's driving more wireless home broadband offers that bypass Chorus services and costs.

Insurance

Whilst very few policies provided cover for COVID, one major exception was Event Cancellation insurance, which typically provided cover for Communicable Diseases. This was generally an 'optional' benefit and came at a higher premium. Large scale event organisers were able to afford the premiums for this cover and as such we are seeing several billion dollars' worth of claims being made under this type of insurance, most notably the cancellation of The Olympic Games and potentially other sporting events, Wimbledon Tennis, Euros etc. So, in short, not many insurance policies provided cover for COVID, but insurers are going to fork our substantial amounts to meet these event cancellation losses.

There has been a spike in the number of Employment Dispute claims and Directors and Officers claims both here in NZ and globally- mainly caused by employers not following proper HR guidelines in letting staff go in the heat of a COVID lockdown. Offer of insurance in these two areas is now more restrictive.

The current insurance market is relatively static, with premium increases within 0-10% of last year. However, dependent upon the outcome of the above we are possibly going to see a hardening of the market in 2021 as insures look to recoup losses following these claims.

- I’m in the bank-assurance insurance sector - we are seeing falling insurance sales across this sector. Life Insurance is up in the advice and direct insurer sectors but significantly down in bank insurance. With the FMA investigations, changes to incentives, I fear more kiwis are taking on debt through sky high home loans but are not taking the much-needed protective measures. I believe we are seeing kiwis struggling to put together enough cash to buy a home and insurance is the first thing out the door when they are trying to upgrade or even get in the housing market. General insurance is remaining static as house insurance is a requirement of taking on a home loan but given the recent flooding (which is increasing over time) and soon to come rising sea levels we will see a tightening of capital and increase in premiums to spread the risk - making insurance even more of a grudge purchase than it is now and probably impacting future insurance sales.

Manufacturing (all categories)

- We are seeing a huge increase in demand from residential customers. We increased production capacity by 33% for the run into Christmas and sold out 4 weeks earlier than we did last year. Since November we are experiencing huge out of stock issues from suppliers importing product, with container ships bypassing Auckland due to not being able to offload. These out-of-stock issues will have high knock-on effects to costs before the end of this year and into next year. Very difficult to get factory labour (skilled and unskilled). Considering expansion next year with focus on automation. This is partly due to increase in sick leave days and increase in minimum wage (although all staff about new minimum, when this is increased I expect that all hourly workers will be expecting an increase to their rate). Still, a great position to be in considering what we were facing in April this year!
- Fluctuating demands in market, a sense of customers running down stock, recoveries are only seen in China, not across other parts of the world. Economic recession world-wide, driving reduced spend on product. FMCG of dairy product for export markets mainly.
- Window treatments. Business is better than last. Maybe due to Home Renovation. More up-end product: Motorised Roller Blinds, Outdoor Products: Awnings, Louvre Roofs, etc. Challenges: Interrupted Overseas Supply as well as international Shipping: Delays, plus Shipping Cost Went North.
- Sales in Hardware stores continue to increase - 15-20 % up on last year - as consumers spend more on home maintenance and increasing house prices leads in increasing feelings of wealth. Supply chain for raw materials and goods continue to get stretched as global demand increases and challenges in factory's ramping up and sourcing raw materials. Shipping container shortages and reduced shipping options to NZ - resulting in resulting in increased container fees up to 50 %. Most shipments now running 4-6 weeks late and compounded by Auckland wharf congestion and labour shortage. Local carriers also advising to allow additional 1-2 days for delivery's in NZ. Having to work overtime and weekends to produce goods and unload containers as they arrive. Hiring staff for factory and warehouse challenging despite offers of training and living wage. Suppliers of raw materials all staring to indicate price increases in materials - 10 - 25 % and labour costs. Passing on those costs in local market dominated by major retailers is challenging.
- We are manufacturers/producers of materials for construction industry. We are very busy now with very strong forward orders. There is still a significant lack of suitable labour to hire in our region (Central Otago) and we are struggling to find anyone capable and willing to work in labouring roles. Drugs and alcohol along with mental health issues are the main issues we are dealing with. This is slowing our production and we are finding owners/builders are getting irate with delays as they are adding to build costs and have a knock-on effect for the rest of the construction timeline.

Mortgage broking/advisory

- Very busy. Properties are selling quickly for very high prices and borrowers are openly talking about making offers $75k above asking prices before even starting to negotiate. No problem with valuers or banks accepting prices so far but I am getting nervous. Few people in our area are using auctions, so not too risky for buyers but anecdotally not the case through much of NZ. Turnaround times with applications are terrible with all banks but a couple are trying to improve. The rest don't seem to care and are just asking us to set expectations with clients. Banks starting to refuse to escalate requests for urgent settlements, documentation etc and blaming advisers for not setting adequate time frames (even though advisers rarely set the time frames). Lending policies are pretty tough. LVR restrictions are being enforced and high LVR loans are tough to get approved. Most banks won't consider high LVR loans for other bank clients and they are tough with construction, Lines of Credit, Investment and even refinancing. They keep telling us their service and credit can't be too bad because they are writing record volumes. Actually, the problem is so much demand and all the banks are so bad that there is nowhere else to go and they retain their market share notwithstanding. A lender with reasonable policies and good service would clean up in the broker channel at the moment but there isn't one.

- Huge growth, changing policies, blown out turn arounds.
- Record enquiries, I mean record numbers across the board for FHB, Investors and New Builds. Properties still coming onto the market!
- Lack of stock. Unaffordable prices for FHB's. Quick sales. Exorbitant prices.

Property investment

- Investors trying to find a home for their money due to low bank deposit rates and low interest rates favouring property investment. Lots of interest from new Property Investors who are looking further and further out of main centres as perception that prices have increased.
- House prices rising much faster than rents therefore reducing yields to the point where there's very little cashflow despite the low interest rates. Therefore, buying new investment houses is based on expecting future house price increases, which is a bit like a Ponzi scheme whereby existing investors are paid out by new investors. Secondly, more tenants are becoming bolder and defying their Tenancy Agreement obligations, knowing the government's new regulations give them more power, and it's much harder for Property Managers and Landlords to enforce the Agreements and almost impossible to remove them from the property despite their behaviour.
- Huge delays after the building consents have been issued with actually getting the builder to complete the work on time. As you've correctly pointed out in the past, number of consents being issued is not a good metric for determining whether houses are or are about to be built. LBP don't have a code of ethics/conduct as part of the construction act and managing their conduct is difficult outside of the legal system.

Recruitment

- The first thing I thought would be of interest is that according to the RSCA approximately 48% of recruitment consultants have lost their job as a result of Covid. Unfortunate? Yes, but not necessarily a bad thing. Events like this usually cull the less productive consultants, the one's that tend to keep the profession near the bottom of the list when it comes to customer service. The second thing is that the Finance Department is hiring - from Administrators to Finance Managers. As a consequence, I am concentrating on the passively looking candidates, the good ones who already have a job but are quietly looking at the market to see if an ideal role pops up for them. The third thing? Normally at this time of year I would be hearing clients say, 'let's leave it until the New Year when people are back from holiday'. As in every other facet of life in 2020 (no less than that of an economist) what happened in past years does not always apply anymore and as a consequence I cannot see anyone hitting the Pause button on recruitment activities over Christmas and New Year.

Residential Construction including section development

- I don't know anyone in the building sector who is not overcommitted until about the middle of 21. Supplies from the locals, bunnings etc are beginning to run low for popular lines. Everyone wants to finish their deck project by Christmas, so decking is intermittently in short supply. I live a short walk out of the city centre. A new house has just been finished over the road. Further down the street a large addition and reroof has taken place. Two houses about a block away are in the process of building new fences.

- Kapiti, land development consulting - An undersupply of available land, developed land being soaked up before construction, slow response to capacity issues from Council, NPS-Urban Development not likely to help in the short term. Shortage of skilled professionals to support my land development consulting business.
- In North Auckland sales have increased since around September and we're sold out of sections. The next stage is about to commence early next year. Builders are looking for sections and large (super) lots for townhouses and units.
- Increasing workloads, everyone seems to be far too busy and booked out well in advance (a lot of builders already booked up for 2021) yet still heaps of new enquiries for next year. Potential clients seem surprised to hear that their project can't be done within the next 2 months let alone 6-12 months! We are no longer engaging in competitive tenders without charging for our quotes with a preference toward working on negotiated terms as the preferred contractor. Staffing is an on-going issue with good builders grabbing the opportunity to go out on their own. Very aware that we need to keep on top of training - very grateful for the training incentive as an employer.
- Everyone wants to be a property developer at the moment as money is cheap and prices seem to be going in one direction. We are overrun with requests to assist and we have a team of 12 planners.
- In North Auckland sales have increased since around September and we're sold out of sections. The next stage is about to commence early next year. Builders are looking for sections and large (super) lots for townhouses and units.
- We are a small housing company in the Queenstown Lakes/Central Otago region. We only build around 20-25 houses a year. Many of our clients are either speculators or investors and most are either repeat clients or by referral. There was an initial hold on projects but in the last 3 months it has gone crazy. We are struggling to keep up with the enquiry level. We anticipate that with the enquiries and confirmed projects that we will be very busy possibly for the next 18-24 months. (Unless something goes seriously wrong again). Most other similar companies I believe are also having the same experience.
- Willingness for developers to continue under B.A.U with high demand for residential sections. In Christchurch, developable land is quickly running out.
- Strong demand, trouble getting product into NZ.

Residential Real Estate

- Extremely strong buyer inquiry far in excess of listings. Many people are considering selling but no assurances of finding a property to buy is holding the market back. Very little sign in our town of Kiwi's returning - certainly not buyers. The most we see are shifting back and renting, not many have sold houses or businesses from our experience.
- Large price increases and not enough property to sell. The latest RVs came out over the weekend and property values have risen an average of 35-37%, equating to around $100,000- $150,000 per average property. Cashed up Auckland buyers are pushing local buyers out of the market and are paying excessive amounts just to secure a property. First home buyers are missing out because they have to add bank-imposed conditions.
- We're essentially a provider to Real Estate as a Home Staging business. Our challenges have transitioned from lack of business post lockdown, to maximum capacity and struggling to get stock due to port, freight and supply chain issues. These look to continue next quarter and maybe until winter. We also have a high amount of interior design work on, for which we are struggling to get stock. Recruiting has been easy - a recent entry level role drew 150 applicants of a high calibre - returning expats, recent grads, several air hostesses and the usual assortment of applicants who think Interior Design is their career path... Listings are selling quickly, with agents looking at 2 weeks campaigns in December. I feel vendor price expectations will rise and days on market will increase to a quasi-status quo.
- We've just completed a small 7 section subdivision in Tasman. We have two new house builds under way. As seen in your recent graph, Tasman is close to Auckland on economic growth, with a substantial portion coming from the housing industry. Contractors are rushing from one build to the next, we have joiners coming to do work on Sunday afternoon, from a firm of 12, with a full order book well into next year. They say they the pace is not sustainable - we just want our

weekends back. The next stage of our neighbour's subdivision is under way, one section at our property sold last week, there are plenty of buyers cruising the area looking for sites.
- FOMO is alive and well. I've been selling real estate for 11 years and cannot recall a time previously when prices appear to be rising so quickly. Feels unsustainable. Developers are finally buying up larger sites for development, no doubt due to low interest rates. Can mean first home buyers missing out on these properties.
- 1st home buyers struggling to save deposits and meet lending criteria as house prices continue to escalate.

Residential Rentals

- High demand still in rural Otago, but investors spending their overseas holiday money on upgrades to the properties have no chance of getting it done quickly. Tradies and supplies waiting lists are getting longer. There is also some resistance to rent increases from younger couples saving to buy their own home. They are prepared to go into a lower value property for the savings so higher end rentals are sitting longer between tenancies. New amendments and Healthy Homes regulations are worrying some investors. Tenants are not yet aware of the implications of these.
- Rents in Kapiti have increased very considerably in the past year and what is particularly noticeable is that while previously rents of $550+ for 3 bedrooms or $500+ for 2 bedrooms would have implied a good quality of rental, now many low (and bottom) end of the market rentals are advertising at or close to these rates.
- As a counterpoint on a personal basis, we are already happy with the returns we are getting from our 4 rentals despite the quality being above average and the rents being below average and that we have invested substantially in improving them over the past 18 months. Reflecting this and in consideration of our excellent tenant families, we have given them extremely modest first rent rises in 18 months for which in every case they have relievedly thanked us. We have a lot of sympathy for people who have to rent, especially good tenants, and we do not feel any financial pressure to maximize our returns. Despite what one reads in news media, this may not be entirely unusual.
- Just rented out a 3-bedroom property in Burnside for $450/week. Found three suitable applicants in a short period of time with minimal advertising. Applicants were all families with multiple children looking for an affordable long-term rental in a quiet area with sufficient space indoors and outdoors.
- Extremely good time to be involved with Residential Rentals (got first rental 42 years ago). Lots of people wanting houses, rents firm. House values are appreciating strongly. Healthy Homes legislation has meant a lot of spending which has been great for my maintenance team, and also for our tenant's comfort. Building more next year, just hoping we don't have shortages with material supply. With the failure of Kiwibuild, land supply and costs, etc I don't see much changing over the next decade or two. For established long term landlords this is a very positive time

Retailing

- Vehicle sales are off the charts, almost all presold straight off the boat.
- We are a hobby / craft shop. Level 4 saw a huge increase in sales which has continued throughout the year, each month's sales are higher than 12 months earlier by at least 15%. We expected this to be a 'fad', but sales continue to grow as new hobbyists continue to buy. The general conversations in the shop revolve around two main topics - customers spending money that would previously have gone to overseas trips and getting back to a simpler way of life - making, baking etc.
- Glass - Retail is through the roof and customers are well briefed to be patient. No cost pressure but starting to get a few supply issues - getting enough product. Freight internal to clients and external NZ is a nightmare. Each ETA is deferred several times for every shipment. This is a new issue.
- At least back to pre-Covid levels. We are in Fast food and fuel retailing.
- Demand for both new and used vehicles still strong. Parts and service equally strong. Biggest concern is our supply chain. Both in reduction in manufacturing offshore and reduced inwards freight opportunities into NZ. This is not just affecting supply of new vehicles but also access to parts. Also of major concern is the ongoing rise in employment costs. Minimum wage increases

and the flow on effect to qualified and semi qualified staff, have had and is continuing to have an impact on costs. Difficult in getting skilled staff means having to pay more to keep those you have.

Shipping, transport, storage & distribution

- Ports of Auckland incidents and labour shortage has resulted in inbound container ships sitting in a queue for 10 days to berth Auckland, offload import cargo and then skirt the country repositioning empty containers and collecting exports. This combined with congestion in major trans-ship ports such as Singapore, Aussie wharf union strikes and general COVID-19 disruptions to supply chains worldwide are resulting in massive delays to shipping. It is very hard to get exports out, ships are changing schedules frequently, are fully booked for 2-6 weeks in advance and DIFOT measurements are down to unprecedented lows.
- I work in Tauranga with transportation of shipping containers, I have never seen such a backlog in the 4 years I have worked where I am. 6 trains in and 6 out each day with 70+ containers on each train Tauranga to Auckland. Four more trains have been added per week for this route. At present we will not catch up until March/April 2021, but this could just be the new normal. Limiting issues in the industry are lack of staff and infrastructure. As far as I can see in the BOP reign the other main parts of our business being logs, coal and paper by rail appear to be similar to this time last year, Volumes have not dropped and may have increased from what I can see.

Tourist accommodation & attractions

- No overseas visitors (usually the main source), but NZers are coming to visit in numbers we've never seen before. We are outside the main tourism centres (in Golden Bay), but NZ is finally discovering us. Business is down, but not out!
- Import Furniture Fittings and Equipment for NZ Hotels. With the emergence of the vaccine, hotels here in NZ are starting to talk about doing deferred upgrades of their properties. There is a nervousness around timing, i.e., when will the borders start to reopen, and spending capital too soon. Or too late, as their competition may have already upgraded meaning their offering is now below par for their location and market sector. Another issue is that there will be global demand for Hotel FF&E which will fill up factory capacity, pushing out lead times for product, and likely increasing prices, offsetting the strength of the NZD vs USD. The other major issue is shipping. We are currently experiencing shipping prices double what they have been for the past 2 years as lines bypass NZ due to international demand and local congestion. This is forecast to continue well into the middle of next year and will force price increases.

Trustee Services

- The advent of the new Trustee Act is creating some unnecessary panic among those with family trusts. The upside is that it is forcing people to decide whether the trust is serving any useful purpose - and many are deciding to wind it up. Expect more panic as the 30 January start date comes around - and it will keep the lawyers busy.

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