

Registered Master Builders' Association of New Zealand incorporated

ADJUSTMENTS TO RESTRICTIONS ON HIGH-LVR RESIDENTIAL MORTGAGE LENDING

August 2016

Introduction

Registered Master Builders have been laying foundations for building in New Zealand for over a century. We count amongst our membership residential builders, volume builders, commercial and major contractors in New Zealand.

The Registered Master Builders Association (RMBA) and its members operate in a sector that employs 8% of New Zealand's workforce 170,000 people including building, construction, trades, heavy and civil engineers.

Our members are responsible for a significant portion of commercial and residential building activity in New Zealand each year. In residential buildings alone we estimate conservatively that RMBA members were contracted to build the equivalent of over half of New Zealand houses consented to in 2015.

By any measure RMBA's members are responsible for a significant amount of residential and commercial building activity in New Zealand. RMBA's 100 year history and its unparalleled presence in the industry means the association is credibly placed to help contribute to reforms relevant the building and construction sector in this country.

The RMBA's purpose is to help our members build better businesses for our members through improved productivity and profitability.

The values at the heart of the RMBA are:

- We act with integrity in all that we do,
- We listen and focus on delivering value to our members,
- We take a leadership role in the sector,
- We align and collaborate to support a stronger and more productive industry

Retentions in Construction Contracts

We welcome the opportunity to comment on the Reserve Bank's consultation paper on the proposed restrictions on high-LVR residential mortgage lending. **We certainly support the Reserve Bank's efforts to protect households and the wider economy from the impacts of sharp correction in house prices.**

RMBA has contributed submissions to a number of inquiries that have focused on housing affordability in New Zealand including the Productivity Commission's inquiries on housing affordability, using land for housing and better urban planning. Our submissions have focused on addressing supply side constraints, relating to over regulation and overly prescriptive planning requirements, afflicting the building process in this country.

The Registered Master Builders Association's submission relates to questions:

Q5: Is the construction exemption still suitable with the proposed policy changes?

Q10: Do you have any comments on the effectiveness and appropriateness of the combined collateral exemption, or any of the other exemptions within BS19?

We strongly support the retention of the exemption for mortgage lending to fund the building of new dwellings. While there are encouraging forecasts of building in New Zealand over the next 6 years and, by value, construction is at record levels, demand continues to outstrip supply. The exemption is still suitable with the proposed policy changes and indeed is in keeping with efforts in New Zealand, at central and local government level, to increase housing supply in this country. Accordingly we endorse the Reserve Bank's approach in the consultation paper to retain the exemption.

The Registered Master Builders Association, if required, is available to discuss its submission with the Reserve Bank.

David Kelly
Chief Executive
Registered Master Builders Association

PO Box 1796
Wellington 6140
Phone: 04 385 8999.