

Foundations for future growth

BDO CONSTRUCTION SECTOR REPORT 2025

Welcome to the seventh BDO Construction Sector Report, our annual study of the priority issues facing business leaders in New Zealand's construction industry. Based on a nationwide survey of 196 business owners and leaders in April-May 2025, the report reveals that while the construction sector is facing significant uncertainty right now, there are reasons to be optimistic.

Along with an overview of the core challenges facing the sector, our report captures the current sentiment of construction business leaders and their expectations for the future. We take a closer look at specific projects, business types and regional issues, while also sharing practical tips for construction business leaders to help navigate the challenges ahead.

Executive summary

New Zealand's construction industry has experienced significant fluctuations in recent years, reflecting broader economic trends seen nationally and internationally. While the recessionary conditions of 2024 have given way to a slightly improved outlook locally, ongoing volatility in global markets is creating an uncertain business environment for Aotearoa's business leaders.

Mirroring what we saw in 2024, the 2025 BDO Construction Sector Report shows that economic pressures continue to be the leading concern for construction business leaders. Just 37% of respondents felt positive about economic factors (all or most of the time) in the two weeks prior to the survey, ranking it lowest among the 18 business performance metrics surveyed. Rounding out the top five issues are political factors, leveraging new technologies (including AI), business growth and cash flow – the latter two factors entering the top five for the first time in this year's survey.

Just 45% of construction business leaders felt positive about their business growth in the two weeks before our survey, making this a priority issue for the first time in our survey.

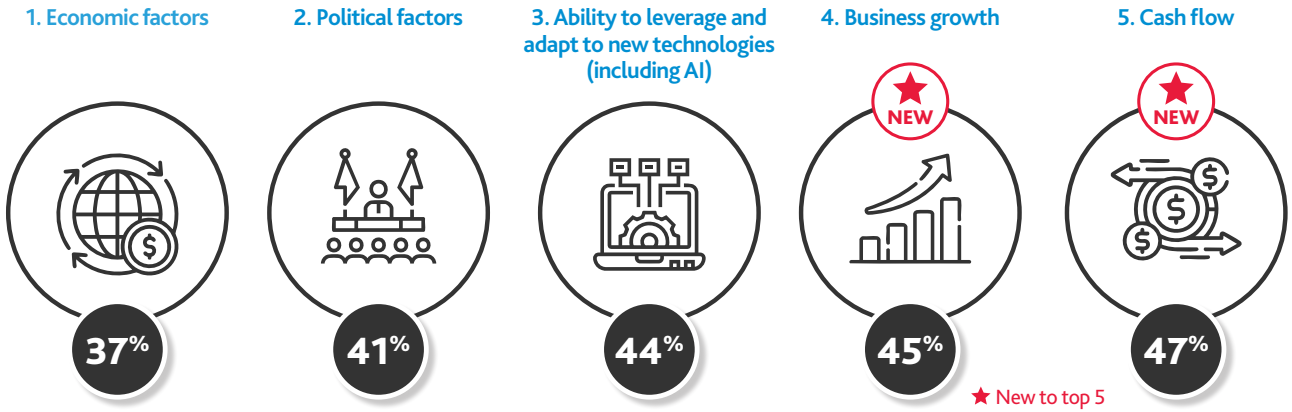
"With tough economic conditions and an unsteady forward work position, achieving growth has been challenging for much of the construction sector recently - but there are signs of foundations being laid for future growth. The Government's new Investment Boost initiative will likely incentivise some businesses to invest in productive assets to grow profitability, although strong pipelines of forward work remain essential for businesses to grow."



Nick Innes-Jones,
BDO Construction Sector Leader

LEADING BUSINESS ISSUES

Five lowest scoring attributes. % feeling positive (last 2 weeks)



While the report shows New Zealand's construction sector is still plagued by some of the problems evidenced in our 2024 report, there are positive signs emerging. It has become less difficult to access finance and staffing levels are now more stable. The civil/infrastructure subsector is faring better than the residential and commercial subsectors, while business performance sentiment among construction business leaders in the South Island is especially positive compared to Auckland and the rest of the North Island. And while it's encouraging to see more business leaders with increased profit margins compared to last year, this number is still relatively low - just 31% say they have seen increased profit margins over the last 12 months.

At a national level, construction business leaders are expecting to feel more positive in the future. While 60% currently feel positive about their overall business performance (all or most of the time), this increases to 67% when looking ahead to six months' time – a small uptick from last year's survey and a sign that leaders may see hope on the horizon. And with business growth now becoming a priority issue for construction leaders, more stable economic and financial conditions could result in opportunities for consolidation and expansion.

60% feeling positive about current overall business performance

67% expecting to feel positive about overall business performance in six months

However, with international trade tariffs still up in the air, ongoing geopolitical turmoil and a shaky local economy – not to mention record numbers of people leaving New Zealand – the future for the sector may not be entirely rosy. The 2025 BDO Construction Sector Report reflects the uncertainty that many are feeling about the New Zealand economy right now, with multiple market forces leading to pockets of positivity and circles of concern. For now, business leaders will need to dig deep and focus on what they can control as macroeconomic conditions look set to ebb and flow into 2025 and beyond.

Growing for the future

While different challenges are being experienced across regions, projects and roles, nationally some consistent patterns are emerging. Business growth has become more of an issue for construction business leaders than it was in 2024, and when conditions allow, many may seize opportunities to expand – but they must have the foundations in place to do so. This means the right staff, the right strategy, and the right support.

With such varied issues and opportunities faced throughout the industry, it is more essential than ever to partner with industry experts who not only understand the macro matters impacting the construction sector, but also the specific local and subsector nuances that can make all the difference in a business's success. At BDO, we have construction specialists across the country who can help to peel back the layers and understand what's going on in your business.

Observations from our construction sector leaders

"It's a mixed bag for construction business leaders right now, but it's great to see parts of the sector feeling optimistic – and may even be looking at opportunities for growth in future. Head contractors and civil and infrastructure leaders appear best placed, which reflects what I see in the market. At the other end of the spectrum, Auckland has been hit by a slowdown in residential activity and there is more concern here about forward work and cash flow – issues echoed across the rest of the North Island. As macroeconomic conditions remain a concern, construction business leaders will be looking at inflation levels, cost of living pressures and what policies the Government might introduce to help alleviate pressure."



Nick Innes-Jones,
BDO Construction Sector Leader

"After last year's market downturn, we're now seeing different issues emerge for different parts of the sector. The labour market seems to have stabilised from 2024, with businesses now rightsizing and looking to consolidate, and certainly in Christchurch we're observing more construction work in progress than this time last year. However, the picture in Auckland and other parts of the North Island is more concerning, and economic pressures are driving this. I'm hopeful we're turning a corner, and indications are that we will see the market improve towards the latter part of 2025."



Martin Veitch,
Construction Partner,
BDO Christchurch

"It's encouraging to see some positivity return to the construction sector after very challenging conditions in the past year or so, but it's clear there are still major challenges for many regions and subsectors. Here in the Southern Lakes, the residential sector is strong – however we're seeing different scenarios playing out across the country. If and when the market picks back up nationally, it will be essential for businesses to have the right staff in place to maximise opportunities and drive growth. This means training and retention are key now."



Bjorn de Nijs,
Construction Partner,
BDO Southern Lakes
& Central Otago

"Construction leaders are feeling optimistic about the future, but many are experiencing a sluggish market with cash flow and staffing struggles to contend with. A balance needs to be struck between hiring experienced staff to be ready for a market recovery and managing the financial risk of bringing on new people when future projects aren't guaranteed. The recently announced Investment Boost will likely drive larger commercial spend and may provide a welcome boost to the sector overall. "



Ruth McGregor,
Construction Partner,
BDO Wellington

Overall insights

Green shoots of positivity but economic pressures create concern

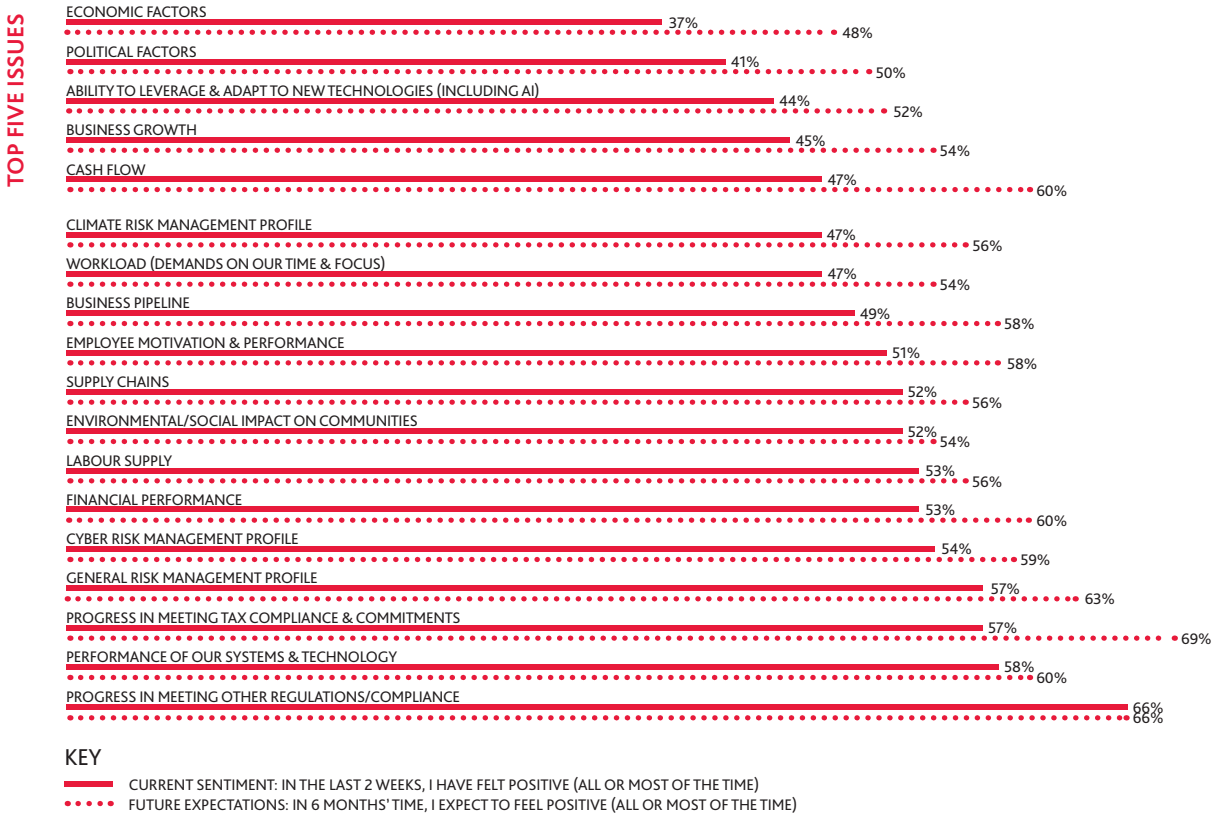
The 2025 BDO Construction Sector Report shows construction business leaders continue to face similar pressures to 2024, with some new problem areas emerging. While economic factors remain the metric leaders feel least positive about, business growth and cash flow have now entered the top five issues for business leaders. However, there are areas of strength for the industry, with most leaders feeling positive about regulations and compliance, systems and technology and risk management.

Leading issues for construction business leaders

In 2024, construction business leaders were feeling least positive about economic factors, adapting to new technologies (including AI), political factors, climate risk management and workload. Our 2025 report shows the first three of these remain leading issues, with the addition of business growth and cash flow to round out the top five concerns.

It may come as no surprise that construction business leaders are feeling less positive about economic and political factors than they are other metrics. Government project cancellations and ongoing geopolitical tensions have impacted the sector, along with New Zealand's challenging economic conditions over the last year. Meanwhile, the threat – and opportunity – of AI continues to impact a wide range of sectors, and businesses may be grappling not just with how to maximise its impact, but also what it might mean for their business into the future.

BUSINESS PERFORMANCE SENTIMENT: CURRENT VS FUTURE



Growing pains

Just 45% of construction business leaders felt positive about their business growth in the two weeks before our survey, moving it into the top five issues for leaders in the sector. Macroeconomic conditions will be playing a role here, along with a decline in forward work beyond 12 months. Business growth is a major concern for New Zealand leaders in all sectors, as identified in the May 2025 **BDO Business Wellbeing Index**.

Construction business leaders who are looking to grow their business may be buoyed by the Government's recent Investment Boost announcement, which provides a tax incentive to invest in productive new assets. Business leaders will also be hoping for a stronger forward work position to help them achieve their growth ambitions.

Cash flow concerns

Cash flow appears to be a concern for the sector, with just 47% of survey respondents feeling positive about their cash flow all or most of the time in two weeks before our survey. Workloads may be a contributing factor to this.

According to Stats NZ, the value of New Zealand building work put in place in the year ended December 2024 was down 6.4% compared to 2023, with a downward trend in building activity since the post-Covid building boom of 2022. Less activity in the market means fewer jobs for construction firms and less money to put back into the business, making it challenging for some parts of the sector to 'keep the lights on' and pay their staff. However, it's reassuring to see slightly more positivity among construction business leaders regarding their financial performance, suggesting that stronger balance sheets might be keeping some businesses out of more financial trouble.

"The last financial year wasn't good, and we are starting from behind financially this year, so we have to do a bit of catch-up cash flow-wise"

Survey respondent

Forward work falls back

Construction business leaders' forward work position is likely contributing to their cash flow concerns. Just 41% have sufficient confirmed work beyond 12 months - a slight decline from 2024 - and more than a quarter only have enough work to cover the next six months or less.

In addition to cash flow problems, a constrained pipeline of work can also create staffing challenges. Businesses must carefully consider their staffing numbers, attracting and retaining quality people while ensuring there is enough work to pay them.

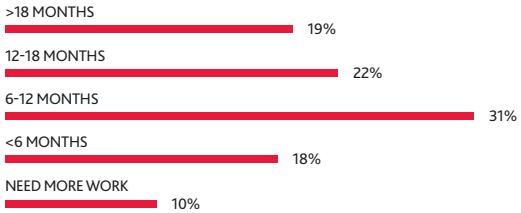
"[A significant challenge is…] ensuring our employees are on jobs to reach their contracted hours"

Survey respondent

Although the Government has taken steps to alleviate some of these market pressures and stimulate infrastructure and construction activity – notably through the Investment Boost, the New Zealand Infrastructure Investment Summit and building consent changes, some business leaders continue to feel the impact of cuts and delays to building and construction projects over the past two years.

BUSINESS FORWARD WORK POSITION

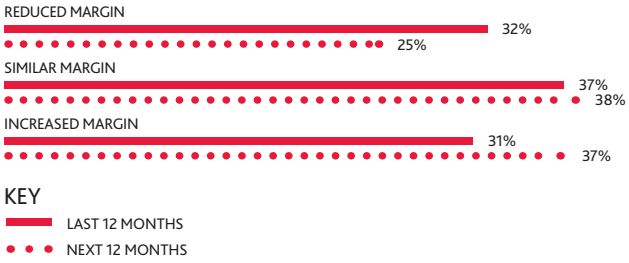
Sufficient confirmed work for each period



Profit margins improve slightly, with more hope for the future

While there are clear challenges within the sector, our survey also reveals areas of positivity. Although just 47% of business leaders are currently feeling positive about their cash flow, this jumps to 60% when considering expectations for six months' time – suggesting leaders may be expecting more jobs to come in or costs to ease later this year.

GROSS PROFIT MARGIN CHANGE (LAST 12 MONTHS VS EXPECTATION FOR NEXT 12 MONTHS)



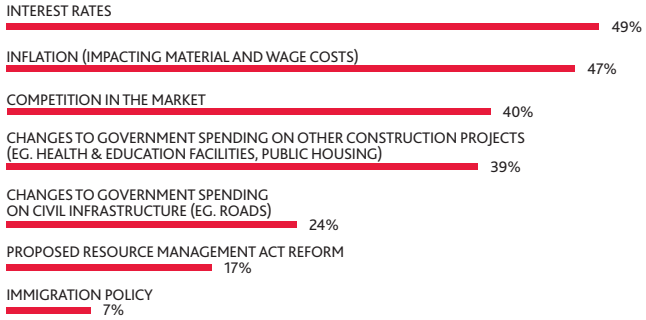
Meanwhile, more construction business leaders reported increased profit margins in the past twelve months than they did in our 2024 survey, although this is still relatively low at 31%. Encouragingly, the future expectations for profit margin growth are higher, with 37% expecting to see improved margins in the next year. The flipside of this is that one quarter of business leaders predict their profit margins to fall during the same period, highlighting the uncertain and inconsistent state of the sector.

Looking at the factors expected to impact profitability over the coming months, it's clear macroeconomic pressures are causing financial concern. Our survey shows 49% of business leaders expect interest rates to have a significant impact on their profitability over the next 12 months, closely followed by inflation (47%). While these figures are high, they do show an improvement versus 2024, when 67% of construction leaders expected inflation to significantly impact their profitability. Interest rates and inflation have reduced considerably since our survey last year, but these economic improvements are still trickling through to businesses and consumers.

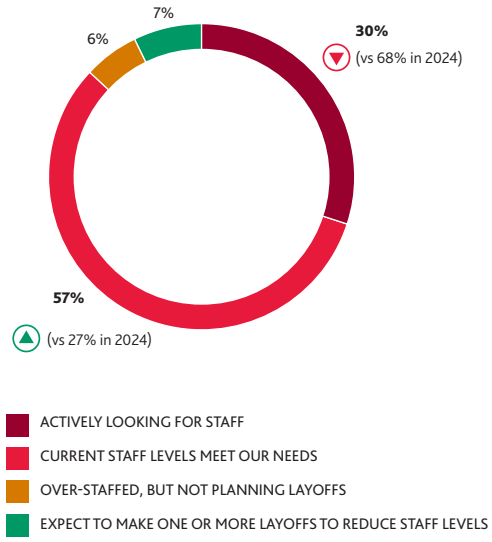
Stable staffing levels, but quality concerns continue

Staffing levels seem to have stabilised, with businesses no longer facing the labour crisis that plagued the industry in previous years. Most survey respondents (57%) say that current staff levels meet their needs, and just under a third expect to be actively looking for staff in the next 12 months.

FACTORS EXPECTED TO IMPACT PROFITABILITY (NEXT 12 MONTHS)



RECRUITMENT INTENTIONS (NEXT 12 MONTHS)



Despite improvement in staffing levels, there are lingering concerns around quality and retention of staff. When asked what their greatest challenges or concerns are over the next year, the majority of survey respondents mentioned staff – whether that's finding good workers, retaining them or keeping morale high.

> *"[A key issue is] keeping skilled people in our industry from leaving overseas"*
>
> **Survey respondent**

While staffing poses a challenge for construction business leaders, they're less concerned about the effects of immigration policy on profit margins. Only 7% of survey respondents expect immigration policy to impact their profitability over the next 12 months. This could be attributed to relatively lower forward work levels or recent changes to the Accredited Employer Work Visa, including the reduction of the domestic workforce threshold for labour hire employers in certain construction roles.

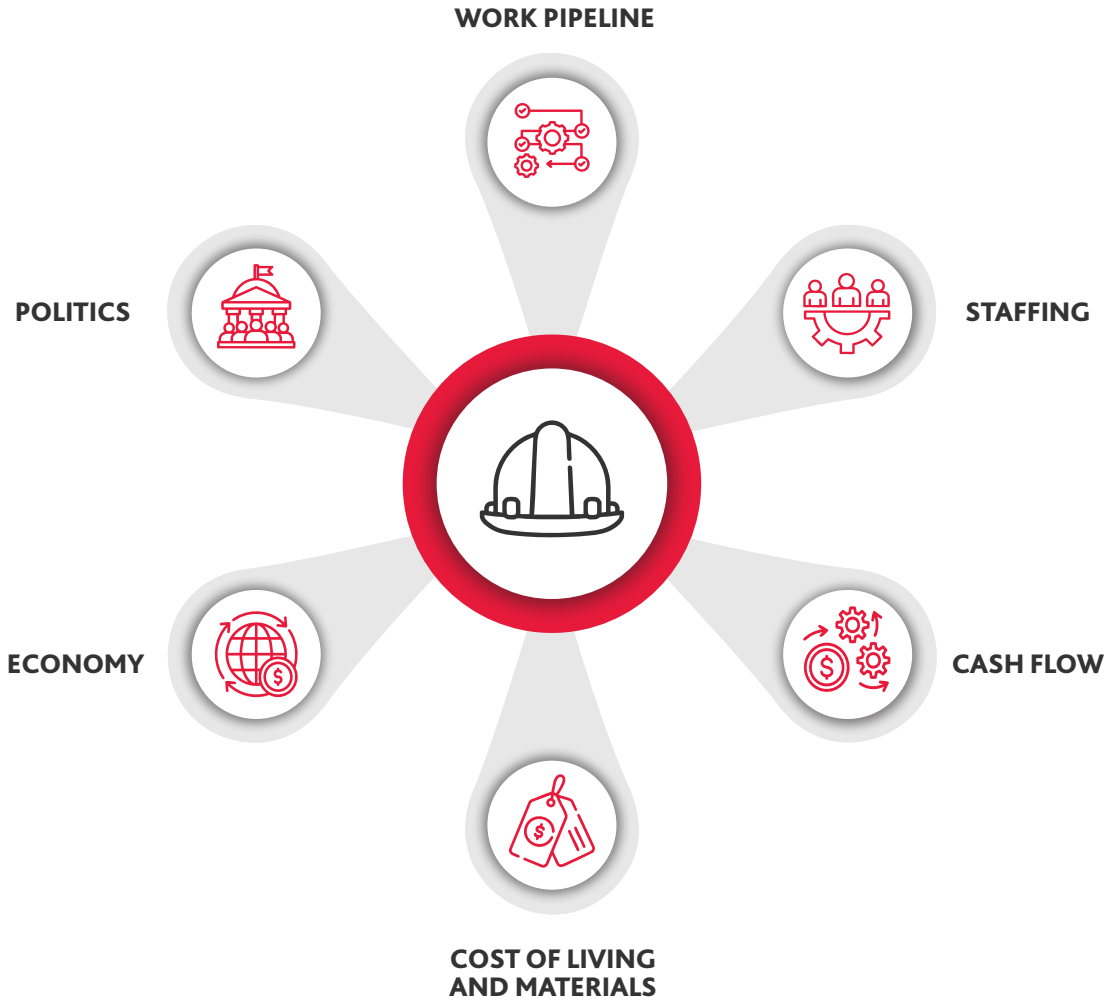
For businesses to achieve growth as the market improves, staffing volumes and quality become even more essential. Firms could use any down time they have currently to analyse their talent pool, upskill existing team members and understand what skills they might need to take the next step forward.

A variety of challenges on construction leaders' minds

One of the key outtakes from the 2025 BDO Construction Sector Report is the sheer variety of issues emerging throughout New Zealand's construction sector. When asked to comment on their greatest challenges and concerns over the coming year, respondents pointed to everything from compliance concerns, geopolitical and AI worries through to not having enough work – and some even having too much work. The range of responses reflects the 'uneven' nature of the construction industry at present; some regions, roles and subsectors are thriving, while others are finding it as challenging as ever.

Despite the huge volume of reported challenges, some clear themes did emerge across the survey demographic:

GREATEST CHALLENGES FOR BUSINESS LEADERS OVER THE NEXT 12 MONTHS



Below are some of the comments made by construction business leaders on their primary concerns for the coming year:

- "Managing staff levels to meet demand"
- "International tension affecting trade and decision making/growth"
- "Project delays due to regulatory issues (i.e. start dates on site being delayed)"
- "Improving our AI knowledge"
- "Availability of skilled experienced senior staff"
- "Political uncertainty regarding capital spend by Government agencies (health, education)"

Where to from here?

The construction sector is in a state of flux. Conflicting market forces are adding uncertainty around the wider economic outlook, although falling interest rates and inflation will have a further role to play in stimulating confidence and helping the sector to recover further. Some reports suggest we may be nearing a turning point. Total building volume (seasonally adjusted) was flat in the March 2025 quarter compared to the December quarter, while the MBIE National Construction Pipeline Report 2024 forecasts strong growth in activity in 2026 and beyond.

Growth will be back on the agenda for construction business leaders over the coming months and years. Positively, the BDO Construction Sector Report shows business leaders have found it less difficult to access finance than in 2024. In our 2025 survey, 29% of business leaders said it was more difficult to access finance in the last 12 months, compared to 44% in 2024. This suggests that although cash flow may be tight for some businesses, there could be more financial support available to seek out opportunities and develop businesses in the future.

With such changeable conditions and challenges, it's essential for construction business leaders to work with advisers who know their business, their market and their operating environment.

To learn more about the differences between different parts of the construction sector, read our subsector insights and regional analysis.

Subsector trends

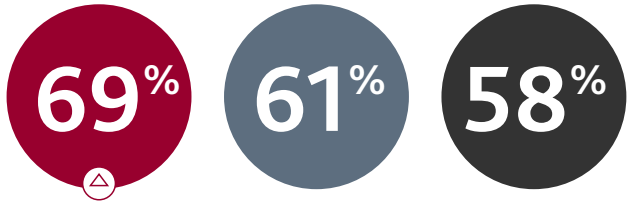
The different trends observed across the construction industry remain apparent when focusing on individual subsectors. In general, head contractors and business leaders involved in civil and infrastructure projects are faring the best in the current conditions.

After two years of challenging economic and market conditions, some parts of the sector have recovered more quickly while others are still near the bottom of the trough. The foundations for growth are in place across most parts of the industry, but it remains to be seen how businesses will be able to stimulate future growth in uncertain times.

Civil infrastructure, residential and commercial projects

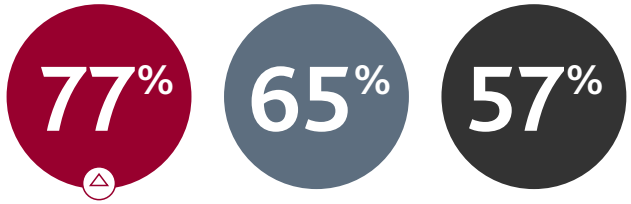
When looking at sentiment in the construction sector by project type, there is a clear leader: civil/infrastructure. 69% of business leaders working on these projects are currently feeling positive about their overall business performance, increasing to 77% when thinking about performance in six months' time. This is significantly higher than the commercial and residential subsectors, where profit margins are tighter and there's less forward work.

% FEELING POSITIVE ABOUT OVERALL BUSINESS PERFORMANCE (LAST 2 WEEKS)



CIVIL/ INFRASTRUCTURE | COMMERCIAL | RESIDENTIAL

% EXPECTING TO FEEL POSITIVE ABOUT OVERALL BUSINESS PERFORMANCE (6 MONTHS' TIME)



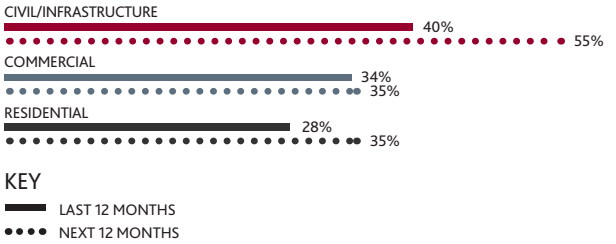
CIVIL/ INFRASTRUCTURE | COMMERCIAL | RESIDENTIAL

"It's encouraging to see civil/infrastructure business leaders feeling prospective about their business performance. We hope to see an uplift over the coming months as announcements made in Budget 2025 become a reality. This includes the Investment Boost tax incentive, establishment of Invest New Zealand and allocated infrastructure spend across health, education, defence and rail. There's a promising pipeline of work ahead and it will be key to keep the pace of near-term projects moving to not only bolster the sector, but address the nation's infrastructure deficit."

Sean O'Meara, BDO Project and Infrastructure Advisory Regional Director

The future may be looking brighter for civil and commercial subsectors. The MBIE National Construction Pipeline Report 2024 says intentions are high for non-residential activity, although this will rely on local and central government funding initiatives. The Government's Budget 2025 announcements – including infrastructure spending and the Investment Boost - will also likely stimulate activity in these subsectors. Accordingly, it's the civil sector that's most in need of new staff. 42% say they will be actively looking for staff in the next six months, considerably more than 28% in commercial and 29% in residential.

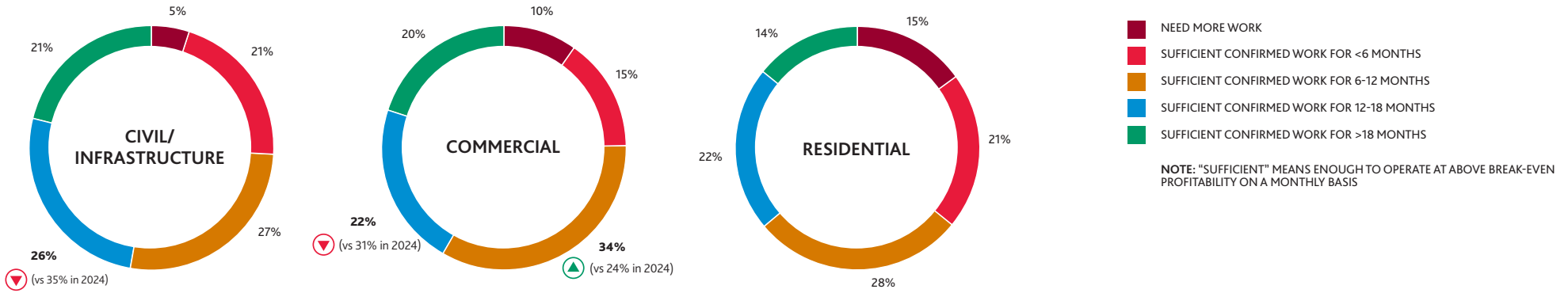
BUSINESSES WITH INCREASED GROSS PROFIT MARGIN (LAST 12 MTHS VS EXPECTATION FOR NEXT 12 MTHS)



Meanwhile, the residential sector remains under pressure across Aotearoa, although we are now seeing areas of resilience and growth. Home sales and house prices are picking back up, and while Stats NZ data shows new dwelling consents were down 5.2% in April 2025 vs April 2024, the rate of decline seems to have slowed.

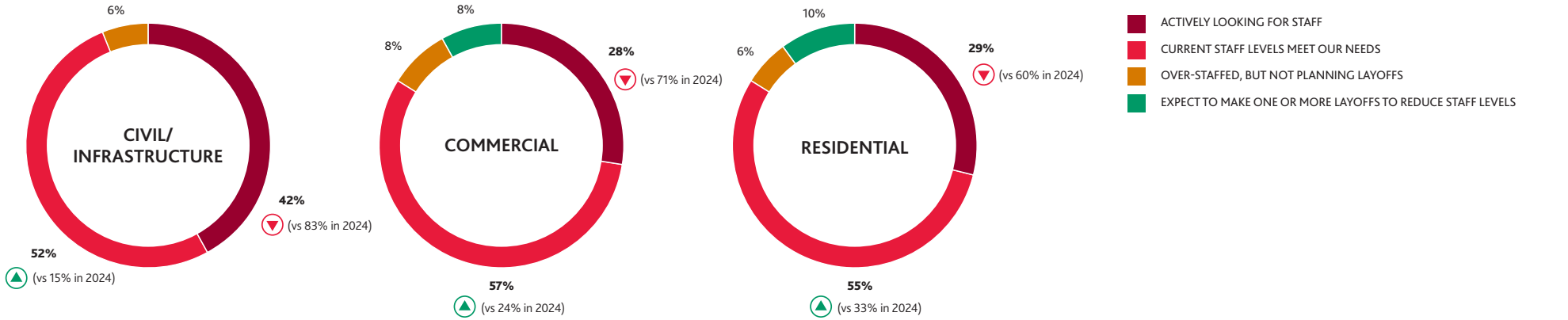
Our BDO Construction Sector Report shows that the forward work position and profit margins for the residential space are similar to 2024. As macroeconomic conditions flow down into consumer and business confidence, we can expect to see more residential activity in the coming months.

BUSINESS FORWARD WORK POSITION



NOTE: "SUFFICIENT" MEANS ENOUGH TO OPERATE AT ABOVE BREAK-EVEN PROFITABILITY ON A MONTHLY BASIS

RECRUITMENT INTENTIONS (NEXT 12 MONTHS)

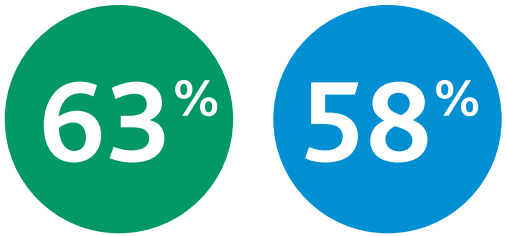


Head contractors and subcontractors, consultants and materials/supply chain

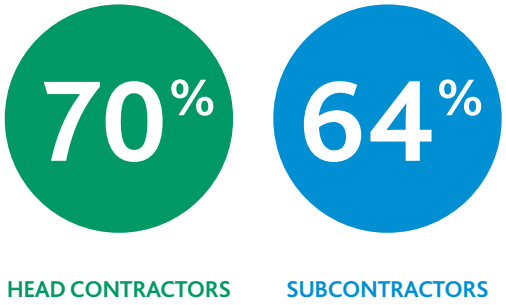
Head contractors appear to be slightly better off than subcontractors, with 63% saying they feel positive about their overall business performance now and 70% expecting to feel positive in six months' time. They're feeling slightly more positive about their cash flow and labour supply than other business types, indicating they may be better equipped to weather the economic storm and jump on new opportunities as they arise.

Head contractors also have a more comfortable forward work position than their subcontractor peers. 48% have sufficient confirmed work beyond 12 months, compared to just 26% of subcontractors. Worryingly, this forward work position for subcontractors has dropped from 40% in 2024, suggesting there may be increased competition for fewer projects.

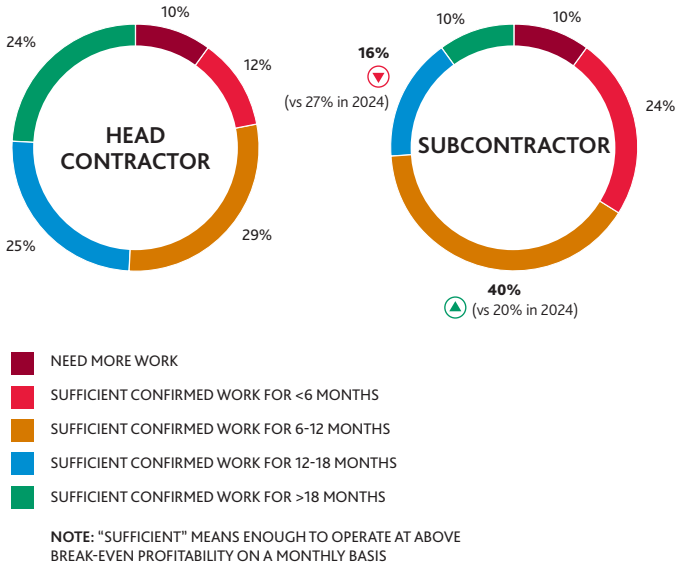
% FEELING POSITIVE ABOUT OVERALL BUSINESS PERFORMANCE (LAST 2 WEEKS)



% EXPECTING TO FEEL POSITIVE ABOUT OVERALL BUSINESS PERFORMANCE (6 MONTHS' TIME)



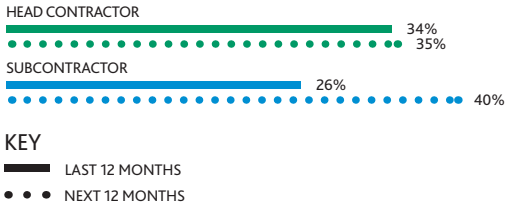
BUSINESS FORWARD WORK POSITION



NOTE: "SUFFICIENT" MEANS ENOUGH TO OPERATE AT ABOVE BREAK-EVEN PROFITABILITY ON A MONTHLY BASIS

More positively, subcontractors have high expectations for their profit margins in the next 12 months. 40% expect profit margins to grow, compared to 35% of head contractors. Profit margins have increased slightly for both head and subcontractors year on year.

BUSINESSES WITH INCREASED GROSS PROFIT MARGIN (LAST 12 MTHS VS EXPECTATION FOR NEXT 12 MTHS)



Recruitment intentions are similar for head and subcontractors, with the majority of respondents saying current staff levels meet their needs. While a small number expect to make redundancies over the coming 12 months, just under a third of head contractors and subcontractors will be actively looking for new staff. Happily, confidence is relatively high in filling these vacancies.

Meanwhile, those working in consultancies appear to have a relatively healthy forward work pipeline and many are actively looking for staff. Materials and supply chain leaders appear stable, although their forward work position seems more concerning than the other groups.

**Note: The 2025 BDO Construction Sector Report does not have a statistically significant dataset to report statistics on materials/supply chain and consultancy*

Regional insights

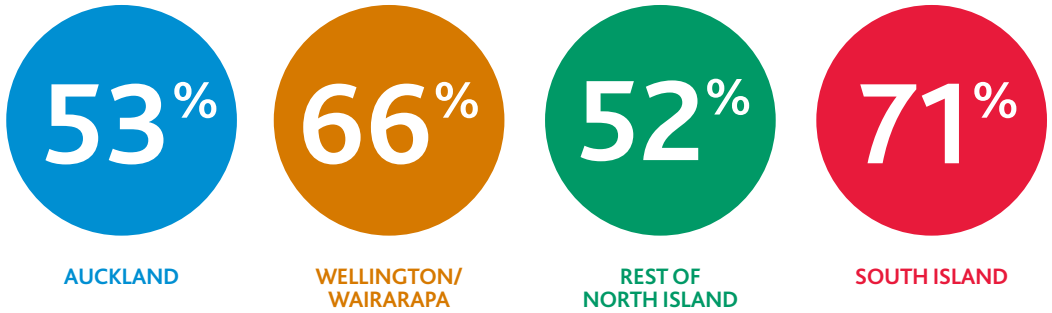
New Zealand's cities and regions each face unique construction challenges and opportunities. From the top of the North Island to the bottom of the South Island, we see contrasting residential and commercial markets, local council priorities and funding levels, climate conditions and economic concerns. As such, our 2025 BDO Construction Sector Report reveals business leaders across the country have very different outlooks.

In terms of business sentiment, the South Island is feeling most positive about their current and future business performance, followed by Wellington/Wairarapa, Auckland, and the rest of the North Island. The South Island's positive score may in part be due to the strong economic performances of its regions; Otago, Canterbury and Tasman took out the top three spots in ASB's Regional Economic Scoreboard for the final quarter of last year, bolstered by tourism, retail sales and the housing market.

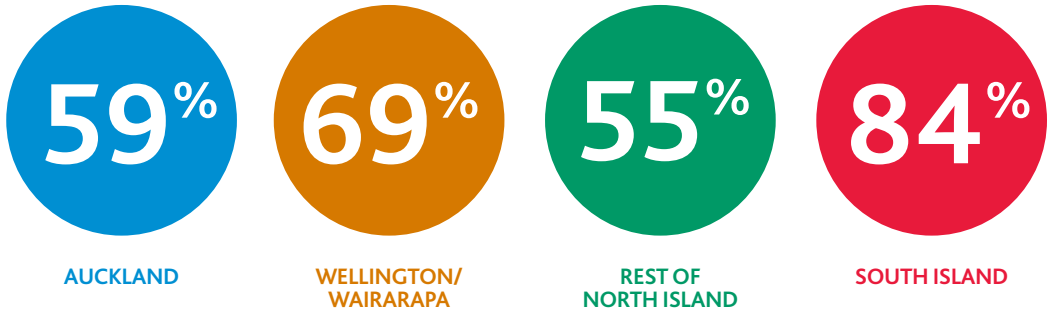
The BDO Construction Sector Report shows a strong forward work position and some profit margin growth for the South Island, further cementing its positivity. 49% of South Island respondents have sufficient work beyond the next 12 months, and 33% say their gross profit margin has increased over the past year. This puts the South Island near the top of the pack, although Wellington/Wairarapa is also seeing strong profit margin growth.

Wellington's positive sentiment may come as a surprise, as the region has suffered through government job cuts, slow population growth and a weak labour market. However, there is still plenty of construction activity happening. Additionally, Wellington respondents to our survey were primarily from the head contractor group, which appears to be in a more favourable position than other subsectors. Similarly, the profile of survey respondents in the 'rest of the North Island' category were predominantly from small businesses. While smaller businesses can be nimbler in times of change, they face greater resource constraints and it can be more challenging to remain competitive during market downturns.

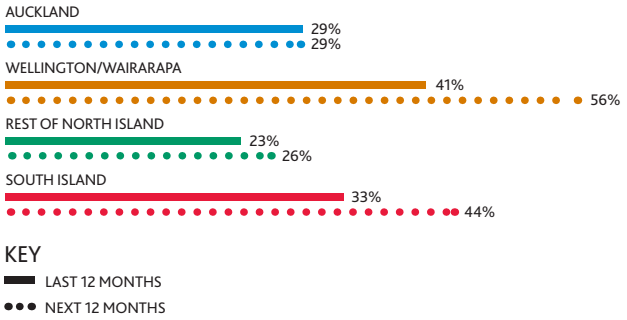
% FEELING POSITIVE ABOUT OVERALL BUSINESS PERFORMANCE (LAST 2 WEEKS)



% EXPECTING TO FEEL POSITIVE ABOUT OVERALL BUSINESS PERFORMANCE (6 MONTHS' TIME)



BUSINESSES WITH INCREASED GROSS PROFIT MARGIN (LAST 12 MTHS VS EXPECTATION FOR NEXT 12 MTHS)



Drivers of negative and positive sentiment across regions

Looking beyond profit margins and forward work, there are some common themes when it comes to what's driving positivity across the regions. All areas are feeling reasonably positive about regulation and compliance obligations. The business performance metrics leaders feel least positive about across all regions are political and economic factors – although these are challenging Auckland and the rest of the North Island more than Wellington and the South Island.

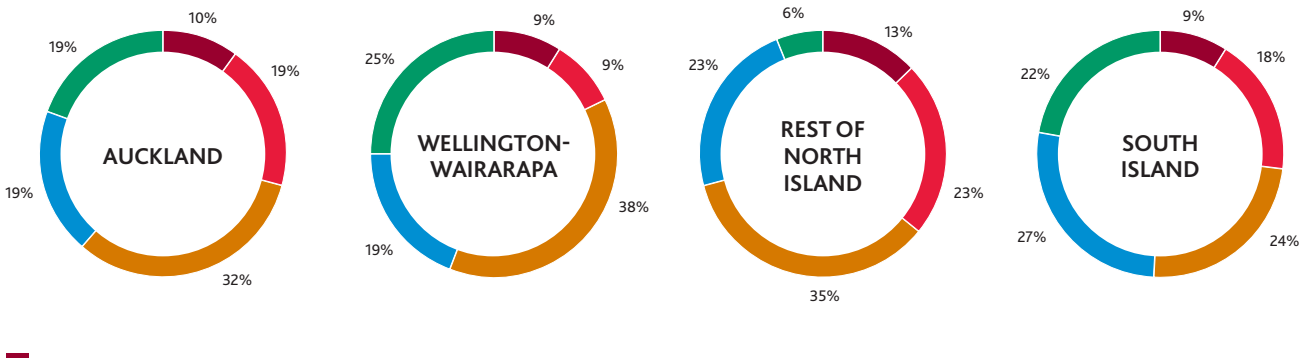
Stable staffing – apart from in the rest of the North Island

The strong forward work position in the South Island is echoed in its greater need for staff, with 40% of business leaders expecting to hire staff in the next 12 months. This is in stark contrast to the rest of the North Island group, where only 23% expect to be recruiting and 19% expect to make layoffs – reflecting the poorer forward work and profit margin position in this part of the country. Auckland and Wellington are more stable, suggesting businesses are rightsizing after a few years of labour supply challenges.

However, survey respondents across the country pointed to staffing skill levels and retention as key challenges for the coming year, so it will be key for construction businesses across the country to ensure they have the right staff to meet the demands of this changing market.

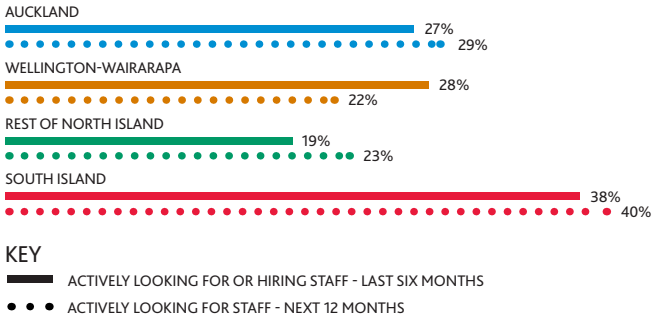
As for the future leadership of businesses, most regions appear confident in their succession plans, with Auckland less certain than the other groups. Auckland and South Island leaders are also less confident in filling their vacancies in the coming 12 months, suggesting there is work to be done to ensure the right people are in place to take the business forward into the future.

BUSINESS FORWARD WORK POSITION



NOTE: "SUFFICIENT" MEANS ENOUGH TO OPERATE AT ABOVE BREAK-EVEN PROFITABILITY ON A MONTHLY BASIS

RECRUITMENT ACTIVITY



Auckland commentary

"Auckland's construction sector has proven to be resilient in recent years, and business leaders working on civil and infrastructure projects are in a reasonably positive place right now. There's more tendering going on in the commercial subsector compared to the second half of 2024, while times are a bit tougher in the residential space. Hopefully as economic conditions improve over the next year, we'll seen an improvement across the board. Staffing will likely become a bigger issue as the market recovers and more projects get signed up, so businesses should take measures now to attract and retain the skilled workers they'll need in the future."



Nick Innes-Jones,
BDO Construction Sector Leader

Wellington commentary

"While Wellington's economy has suffered recently, many construction businesses have had a positive year. Head contractors have been busy with some big projects winding up, while ongoing earthquake strengthening work has provided a pipeline for some businesses. I've seen clients be very active in tendering for work, although forward work position remains something to keep an eye on. The residential market remains squeezed and new dwelling consents are down – but there is hope that interest rate cuts will flow through to support the housing market's recovery in the near future."



Ruth McGregor,
Construction Partner,
BDO Wellington

Christchurch commentary

"In the Christchurch construction sector, we're seeing the start of a recovery after a difficult 2024. Confidence and activity are up in, certainly in the residential and less so the commercial sectors, with lower interest rates and inflationary pressure helping to drive some positivity. Locally, we have high-performing agribusiness, tourism and education sectors, with lower comparable house prices to other parts of the country helping to boost demand for new housing. The BDO Construction Sector Report reflects what we're observing on the ground in Canterbury - a solid foundation being laid for future growth."



Martin Veitch,
Construction Partner,
BDO Christchurch

Central Otago commentary

"Construction activity remains robust in the Queenstown Lakes District, with demand consistently outpacing supply. Many construction firms are eager to expand their workforce but face challenges in sourcing qualified personnel. Despite the Otago region performing relatively well compared to other parts of the country, wage inflation has become a notable concern. Nonetheless, industry leaders recognise the value of highly skilled employees, particularly given the favourable outlook for future projects in the area. Consequently, hiring activity is expected to persist."



Bjorn de Nijs,
Construction Partner,
BDO Southern Lakes
& Central Otago

Tips

You can't control the economy, but you can control how you prepare for - and react to - changing market conditions. We've put together practical tips based on our observations from working with construction business leaders to help you navigate the challenges and opportunities in the market currently.



Cash flow and finances

- Cash flow is king. Reduce unnecessary expenditure (both operational and capital expenditure) to have the ability to pay bills on time.
- Look at how you can improve your financing structures by engaging with existing and/or new financiers. You may be able to take advantage of better debt and capital structure options available in the market.
- Monitor your sales pipeline, margins and forward cash flow carefully. If your forward work reduces, consider the adjustments you can make to ensure there's no strain on cash flow.
- Stress-test budgets and cash-flow forecasts against different scenarios and mitigate potential future risks.



Growth

- Always be looking to work on new client relationships and opportunities. It can be easy to fall into a niche, but exploring different projects and sectors could open up new revenue streams.
- It may be necessary to make staffing cuts to remain competitive, but don't cut your business so much you cut muscle. It's important to have the right staff to be ready for an improvement later in the year.
- Maximise any downtime to work on your business so that you're better prepared to capitalise on opportunities as the market recovers. This includes securing available talent, working on systems and processes, and developing appropriate governance structures.



Workload

- Focus on where your work is coming from and what part of the sector you want to be in – and be prepared to flex according to the market. Diversify to ensure you're not over-reliant on areas such as Government contracts.
- Examine your business and understand your unique selling points. Consider different ways to stand out from your competitors to win tenders.
- Reputation is everything. Make sure you keep your standards and quality high, even in tough conditions, to help win work over competitors.
- Think about your limits on margins. Lower margin work can keep boots on the ground and keep staff motivated, so long as the job is managed efficiently to maintain the margin. Taking jobs at too low a margin can have a big impact on cash flow and take your focus away from other jobs that may be more profitable, so it's important to find the balance.



Staffing

- Focus on retaining key senior staff through providing opportunity for development, ownership, and better pay. Retention of quality people is key in this market – you will need them when conditions improve.
- To retain good employees, take the time to upskill your staff to boost their motivation and plug future talent gaps.



Paperwork and planning

- Stay on top of your compliance. It's a necessary evil that can cost you time and money if you don't get on top of it.
- Have a plan, supported by numbers, showing you different scenarios and what the way forward looks like. Then ensure you know what levers in your business you can pull to navigate different situations.
- Use any downtime to your advantage, especially when it comes to futureproofing against the threats of AI and climate change. Consider how AI could be an opportunity for your business, especially when it comes to maximising efficiencies.

Finally, communication is essential, no matter what stage and environment your construction business is operating in. Keep your business stakeholders (shareholders bankers, creditors, Inland Revenue) abreast of where you're at and if cashflow is tight, communicate with suppliers and other creditors early. It's important to take professional advice, especially if the going gets tough. This includes lawyers, bankers, industry bodies and your accountants.

About the report

Survey demographics

Our survey took place during April-May 2025 and was completed by 196 construction business owners and leaders from across Aotearoa New Zealand.

Demographic profile of respondents

The demographic profile of respondents is as follows:

Position

- Owner, CEO or Managing Director: 51%
- General Manager or Other: 49%

Number of employees

- <11: 29%
- 11-30: 26%
- >30: 45%

Average annual turnover (past 3 years)

- <$5m: 33%
- $5m-$9m: 24%
- $10m-$29m: 20%
- $30m-$59m: 7%
- >$60m: 11%
- Prefer not to disclose: 5%

Type of business

- Head contractor: 45%
- Subcontractor: 26%
- Material supplier/supply chain: 10%
- Consultancy: 12%
- Other: 7%

Type of projects

- Civil/infrastructure: 32%
- Commercial: 68%
- Residential: 56%

Note: Some businesses work across multiple project types

Location

- Auckland: 40%
- Wellington-Wairarapa: 16%
- Rest of North Island: 16%
- South Island: 28%