

WILLIS BOND & Co

THE DEVELOPER'S PERSPECTIVE 'CONSTRUCTIVE'

22 September 2016

WYNYARD CENTRAL



132 HALSEY



SUNDERLAND



CATALINA BAY



CLYDE QUAY WHARF



PWC CENTRE



WELLINGTON CONVENTION CENTRE & MOVIE MUSEUM



ONE MARKET LANE



CUBA DIXON

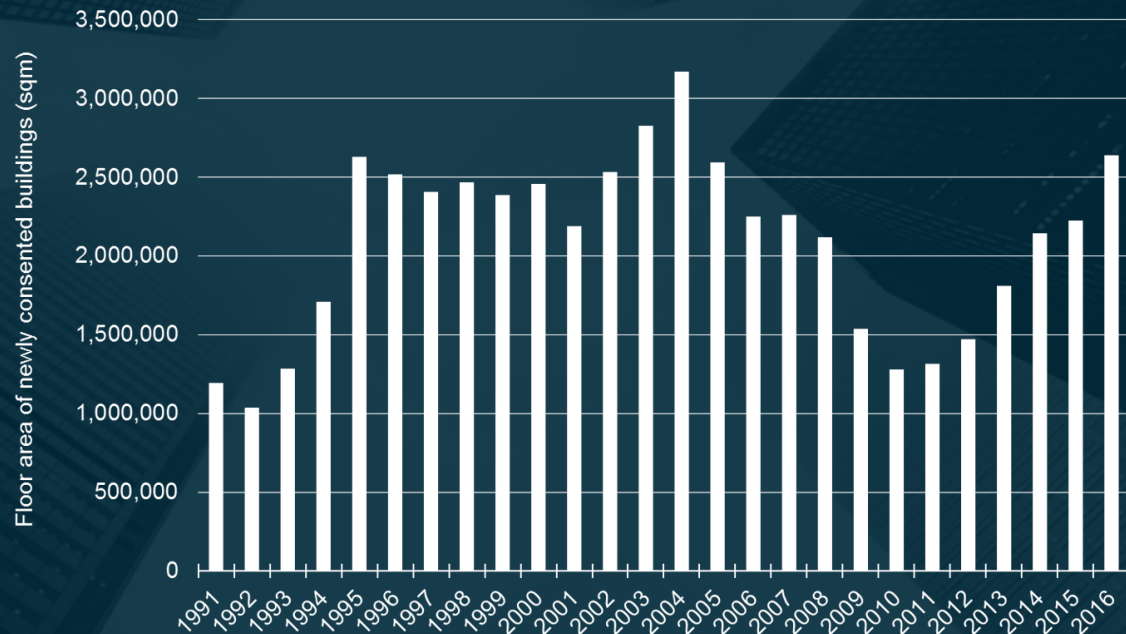


XERO HOUSE



BUILDING PERMITS - AUCKLAND

Auckland New Building Consent Floor Area



Source: Statistics NZ

CBRE

THE PROPERTY CYCLE



PRICE HIKES HIT NZ'S BIGGEST APARTMENT SCHEME

14

Price hikes hit NZ's biggest apartment scheme

11:25 AM Thursday Sep 15, 2016

Auckland Region

Building & Construction

Monetary Policy

...

SHARE:



Deposit-payers might be asked for 15 per cent more



Work is progressing on Rose Gardens at Albany.

Developers of New Zealand's biggest new multi-unit apartment project are considering asking buyers for 15 per cent more money for more than 200 new Auckland places.

Robin Lee, deputy manager of the \$300 million 800-unit Rose Gardens Apartments project now well advanced at Albany, said more money was needed to cover rising

PARTNERSHIP APPROACH

- No legal disputes in 28 years
- Projects all finished successfully
- High staff retention
- Reduces risk
- Increases efficiency
- Better for the bottom line
- Inherently stable

**CONSTRUCTION
PARTNERS**



Haydn + Rollett

DESIGN PARTNERS

a t h f i e l d
a r c h i t e c t s
l i m i t e d
a t h f i e l d
a r c h i t e c t s
l i m i t e d
a t h f i e l d

architectus™

C H E S H I R E

studiopacificarchitecture



FUNDING PARTNERS



WILLIS BOND CAPITAL PARTNERS



WILLIS BOND CAPITAL PARTNERS II

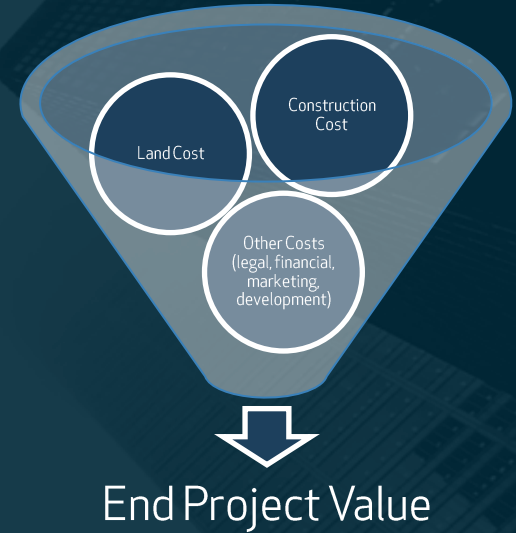


A WIDER VIEW OF THE CONSTRUCTION INDUSTRY

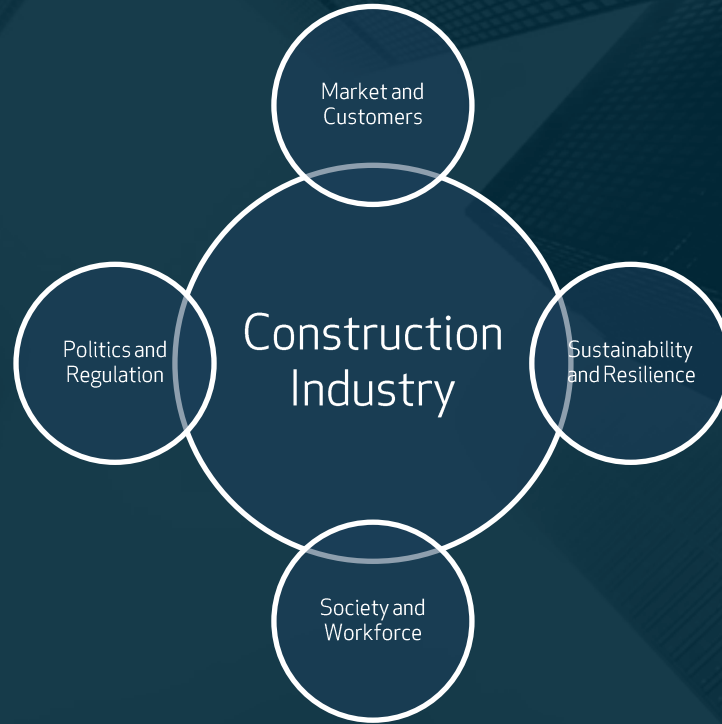
Site Planners	Finance strategists	Accountants	Lawyers	Town Planners
Urban Designers	Architects, designers and draftsmen	Engineers	Landscape Architects	Building Contractors
Project Marketing Specialists	Development Managers	Project Managers	Construction Managers	Tenants and Purchasers
Local & Central Government	Property Managers	Real Estate Agents	Property Developers	Environmental Consultants

A DEVELOPMENT PERSPECTIVE

- Development success relies on the ability to coordinate and manage a series of interrelated activities within budget and on time.
- Development relies on the skills a number of different professionals.
- Strong, long-term partnerships help achieve collaboration and minimize risk.



TRENDS AFFECTING THE CONSTRUCTION INDUSTRY



CONSTRUCTION INDUSTRY CHALLENGES

- Adversarial settings
- Fear of litigation
- Silo based approach
- Lack of innovation
- Sustainability work is relatively weak
- Productivity growth
- Attitude to labour
- Lack of scale / critical mass
- Regulation

SHAPING THE FUTURE OF CONSTRUCTION



COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

Industry Agenda

Shaping the Future of Construction

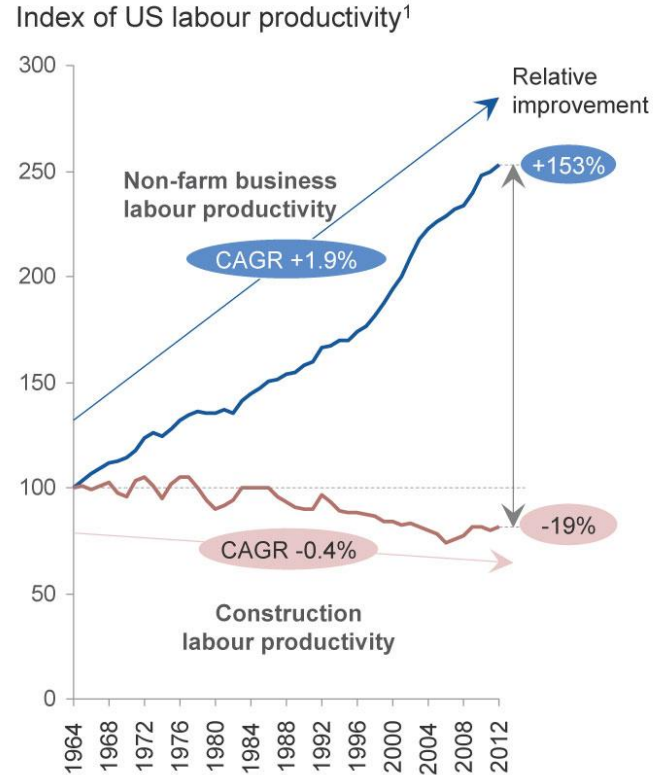
A Breakthrough in Mindset and Technology

Prepared in collaboration with The Boston Consulting Group

May 2016



US INDUSTRY PRODUCTIVITY & PERFORMANCE 1964-2012



UNIQUE CONSTRUCTION ENVIRONMENT



The industry has
unique characteristics ...

Multiple stakeholders with diverse interests/needs

Project business and on-site construction

High industry fragmentation

Low profitability and capitalization

Highly cyclical and volatile business

Unstable workforce



... and operates in a complex
client context



Immature project definition and technical assessment

Over-preference for lowest price bid

Insufficient or incremental funding

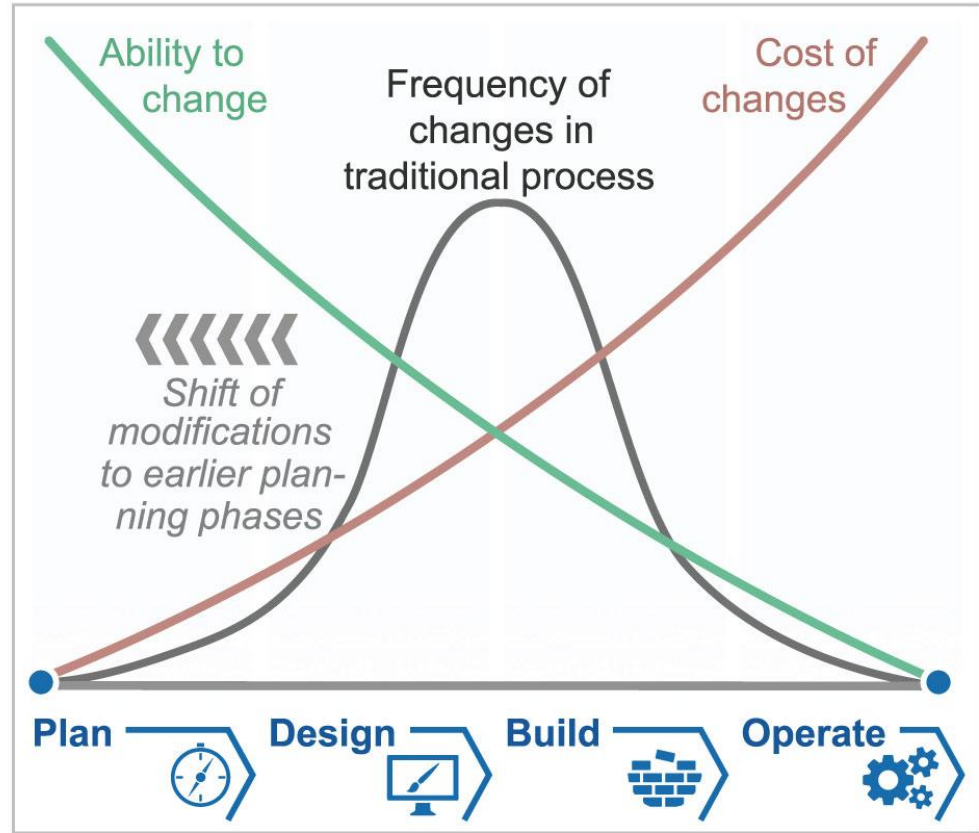
Conservative clients

Increased risk transfer to contractors

Complexity of contracts and dispute resolution



COST OF CHANGES IN CONSTRUCTION LIFE CYCLE



ELEMENTS OF COOPERATIVE PARTNERSHIP

Project culture



Project charter with common project goals

Transparent financials ("open books")

Co-location of teams ("big rooms")

Common data platform (e.g. BIM)

Tendering and contract



Choosing most efficient, not cheapest

Multi-party contract with clear accountabilities

Early involvement of key participants

Prudent management and appropriate allocation of risk

Incentive mechanisms



Alternative cost models, such as target cost

Incentives for cost optimization

Premium for early project delivery

Shared risk/reward ("pain share, gain share")

Conflict resolution



Collaborative decision-making and control¹

Internal dispute resolution via negotiation

Third-party mediation and conciliation

Decision by adjudicator or arbitrator

OPPORTUNITIES

- Joint Government/Industry approach
 - Biggest client
 - Biggest influencer
 - Regulator
 - Tax collector
- Shared objectives
 - Productivity Growth/Efficiency
 - People
 - Regulation
 - Innovation
- Identify true cost of risk aversion

OPPORTUNITIES

Construction 2025

Lower costs

33%

reduction in the initial cost of construction and the whole life cost of built assets

Faster delivery

50%

reduction in the overall time, from inception to completion, for newbuild and refurbished assets

Lower emissions

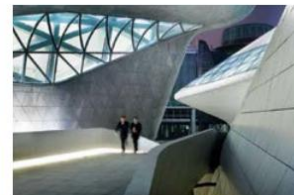
50%

reduction in greenhouse gas emissions in the built environment

Improvement in exports

50%

reduction in the trade gap between total exports and total imports for construction products and materials



The global construction market is forecast to grow by over 70% by 2025.

Global Construction 2025;
Global Construction Perspectives and Oxford
Economics (July 2013)