Assignment 2: Strategic Decision Making Report

University of Auckland

MARKETING 301: Advanced Marketing Strategy

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Content Overview

1. Introduction

1.1 Company Overview *(see Appendix A)*

Fletcher Living is the residential development arm of Fletcher Building and operates in Auckland and Christchurch. The division builds standalone houses, townhouses, terraced homes, and apartments. The division benefits from Fletcher Building's vertically integrated model, which provides secure access to necessary materials (Fletcher Building, n.d.).

1.2 Market Analysis *(See Appendix B)*

New Zealand's residential construction market remains in a subdued phase. Dwelling consents fell 3.8 percent in the year to May 2025, with 33,530 new homes approved, although June data showed a small annual uptick to 33,979, indicating only a fragile recovery (Stats NZ, 2025a; Stats NZ, 2025b). Residential construction drives both housing activity and demand for materials through its integrated supply chain. Near-term market volumes are expected to remain low, with the industry outlook calling for cautious growth through FY26 (1News, 2025). Financial performance reflects these headwinds. Fletcher Building's EBIT margin fell from 6.6% to 5.5% in FY25, with a net loss of NZ$419 million (Fletcher Building, 2025a). A capital-heavy model means Fletcher Living must prioritise selective projects and preserve cash until demand recovers (Fletcher Building, 2025b).

1.3 Macro Environment Analysis *(See Appendix C)*

Fletcher Living is strongly influenced by government housing policies and public–private partnerships that shape opportunities for affordable housing (HUD, n.d.). Economic conditions remain difficult, with high input costs, constrained affordability, and a decline in dwelling consents pressuring margins (Stats NZ, 2025a; CBRE, 2025). Environmental pressures are increasingly material, with climate-related disruptions raising operational risk and sustainability standards creating opportunities to differentiate through Homestar and LowCO builds (BDO New Zealand, 2023).

1.4 Competitor Analysis *(See Appendix D)*

Fletcher Living competes with both national builders and urban developers. Williams Corporation targets the affordable townhouse segment with aggressive investor-driven models, but it lacks the scale and integration Fletcher can leverage. G.J. Gardner Homes dominates by volume through its franchise network, though quality varies across regions. Mike Greer Homes is strong in the South Island but lacks nationwide reach, while Signature Homes positions itself in the premium, design-led market, with franchise inconsistency limiting scale. Compared with these competitors, Fletcher Living's advantage lies in its vertically integrated supply chain, trusted brand, and ability to deliver masterplanned communities at scale. Fletcher must continue to invest in affordable, sustainable builds that smaller competitors struggle to deliver at volume.

1.5 SWOT Analysis *(See Appendix E)*

Fletcher Living's key strengths lie in its trusted brand, vertically integrated supply chain, and large land holdings, which allow it to deliver scale and credibility in master planned communities. However, the division remains highly capital-intensive, exposed to housing cycles, and faces margin pressure from rising labour and material costs. Long-term opportunities exist in government partnerships, modular construction, and sustainable housing differentiation through initiatives like LowCO and Homestar builds. Yet threats such as affordability constraints, agile competitors like Williams Corporation, climate-related disruptions, and ongoing legal disputes create strategic risk. These insights highlight Fletcher

Living's need to adapt its housing mix for affordability, scale sustainable practices, and rebuild trust to maintain a competitive edge.

2. Key Challenges and Recommendations

Challenge 1: Affordability, Demand Uncertainty, and Margin Pressure

- **Issue:** Fletcher Living's rising costs from materials and labour, plus affordability constraints, are limiting housing demand. Thus, Fletcher Living's FY25 EBIT margin fell from 6.6% to 5.5%, showing vulnerability to cost inflation (Fletcher Building, 2025b). Competitors have circumvented the lower demand by targeting affordable new buyers in the market.

- **Solution:** Expand the affordable housing mix, such as townhouses and apartments within masterplanned communities. Expansion can be achieved through a pseudo-blue ocean strategy using value differentiation through sustainable changes, community amenities, and transparent pricing rather than price competition to protect margins. These changes allow Fletcher Living to focus on first-home buyers who could turn to competitors otherwise.

Challenge 2: Sustainability and Compliance Pressures

- **Issue:** Sustainability expectations are increasing, with regulations such as the NZ Building Code and emissions targets, with consumer demand for Homestar/low-carbon housing. While Fletcher Living has initiatives like LowCO, they remain small-scale operations. As customer demands are increasing for low-carbon emissions and Homestar-rated homes, buyers may choose competitors with a larger focus on sustainability.

- **Solution:** Scale up sustainable practices, such as LowCO, across all sustainability developments. Embedding low-carbon materials and design improves long-term ROI, which ensures compliance and enhances access to government contracts. The process can be further pushed by branding Fletcher Living as the "go-to" brand for sustainable living in New Zealand, and spending on developing new, lower-emissions and sustainable solutions

Challenge 3: Reputation, Legal Risk, and Cost Recovery

- **Issue:** Fletcher Building's wider group faces litigation from SkyCity and NZTA, creating reputational damage to their brand (Newsroom, 2024). These trust challenges spill over into Fletcher Living's brand, which can lead new buyers away from Fletcher. At the same time, competitors like G.J. Gardner and Signature Homes market themselves as trusted, family-oriented brands.

- **Solution:** Strengthen brand reputation through targeted marketing and community engagement using advertisements focusing on "kiwi living" storytelling. This strategy is used to rebuild trust for clients by creating emotional value, leading to a better chance of investment and a higher number of future clients, as these strategies will position Fletcher Living as a brand for Kiwis.

AI Documentation

Breno:
Using Chat GPT
As a marketing specialist. Create a current PESTEL analysis for Fletcher Building in New Zealand, focused on the housing market.

- Gave a concise and current 3 points for each PESTEL section with resources proving its points based on the prompt given.

AI helped find sources and cut down on search times so I could focus on analysis and more focused ideas for the project. However, I still had to sift through the sources given to double-check if they were relevant, real and reliable for the project, which, if I had researched myself, I still would have had to check.

Diljot:
Using Chat GPT
You are a housing market specialist in New Zealand. As a specialist, prepare a current Competitor analysis for Fletcher Living in New Zealand. In doing so, evaluate their strengths/weaknesses, how Fletcher is positioned, and what threats & opportunities arise.

- Have an in-depth analysis of the market competitors and how Fletcher is positioned in the market. The information was given with resources.

Follow up:
How can Fletcher Living stay relevant in the current market?

- Provided six solutions that Fletcher can adapt to stay relevant.

Nicole:
Using ChatGPT

1. What should I be looking for in each section of a PESTEL analysis for Fletcher Living?
2. Give me a snapshot overview of the housing market in NZ right now, what the home loan situation is right now, and what this means for investors, homeowners, renters, and Fletcher Living.
3. Give me a head start on where to research Fletcher building's external pressures using the framework for PESTEL, specifically, the Political landscape.
    a. *Subsequently requested information regarding each section of PESTEL.*
4. We are looking at Fletcher Living as our main case study. We want to follow the assignment brief to full and complete it to a high standard. I want you to take this assignment brief below and give me a fully structured plan for how to tackle each section of the assignment.

AI was particularly useful in **narrowing down my research** for Fletcher Living, especially since I am not very familiar with the construction and housing market. It helped me quickly identify key external factors such as government housing policies, infrastructure investment, and market stability, which shaped the foundation of my PESTEL analysis.

AI also streamlined the process of **finding up-to-date information** on the Official Cash Rate (OCR), mortgage interest rates, and trends from property valuers. These insights made it easier to connect broader economic shifts with their practical implications for investors, homeowners, renters, and Fletcher Living.

Overall, AI enabled me to work more efficiently by focusing my attention on the most relevant information and **reducing the time** I would have otherwise spent trying to navigate unfamiliar sources.

<u>Jeanne</u>:
Using ChatGPT

1. Based on Fletcher Living's PESTEL, market analysis, financials, and competitor landscape, identify three key strategic challenges. For each challenge, recommend whether the company should remain the same or change, and explain how. Incorporate concepts like value capture, blue ocean strategies, ROI on marketing, and expansion of targeting.
2. Prepare appendix-ready versions of PESTEL, competitor analysis, SWOT, and financials with consistent APA 7 citations.
3. Trim our full research appendices (PESTEL, SWOT, Competitor Analysis, and Financials) into concise, report-ready sections for the main body of the Strategic Decision-Making Report. Keep only the most relevant insights, ensure APA 7 in-text citations are included, and leave the detailed tables and evidence in the appendices.
4. Act like an expert business analyst with 20 years experience in housing industry and analyse Fletcher's financials, performance metrics and strategic positioning using the sources linked below as well as other relevant sources you can find. Note that the focus is on Fletcher Living - the housing branch of the company.
5. https://fletcherbuilding.com/investor-centre/share-price-tracking https://fletcherbuilding.com/assets/5-news/pdfs/fletcher-building-announces-2025-annual-results.pdf https://fletcherbuilding.com/assets/4-investor-centre/presentations/2025-annual-results-presentation.pdf https://fletcherbuilding.com/assets/4-investor-centre/annual-reports/2025-annual-report.pdf Using the previous sources linked as well as the links below - can you do a SWOT Analysis for Fletcher Living.

AI was most useful for me in **condensing and integrating our research appendices** into the main report. We had large sections of analysis on PESTEL, SWOT, Competitors, and Financials, and AI helped trim these down into concise, report-ready paragraphs while keeping the detailed evidence in the appendices. This meant our two-page limit was achievable without losing analytical depth.

AI also supported me in **structuring the report flow** so that each section connected logically, from company overview through to recommendations. It helped ensure consistency in language and tone, and that our references were aligned with APA 7 standards.

Overall, AI acted as a **summarising and editing assistant**, allowing me to spend more time critically reviewing the analysis and connecting it to our key challenges and recommendations. The strategic insights came from our group discussions and research, but AI made the process more efficient and helped polish the final submission.

Aidan:

Using ChatGPT

1. Give me a list of Fletcher Living's biggest competition in New Zealand?
2. Based on Fletcher Living's market share, explain how a company can measure its position against other builders in New Zealand.
3. Suggest metrics we can use to compare competitors in construction (such as homes built per year, revenue range, and customer satisfaction).

AI tools were helpful in every step of my competitor analysis. They gave structure to my research, helped me understand which factors were most important, and suggested clear ways to compare companies. AI also helped me simplify complex information, organise tables, and improve the grammar and flow of my writing. I always checked information with official sources and used my own judgement to make sure my analysis was accurate and original.

What I also found that helped me use AI is that research is faster and easier to understand. It summarised large amounts of information about competitors and trends, which saved me time and helped me focus on analysis instead of searching for data.

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Appendix A: Company Overview

Company and Products

Fletcher Living is the residential development arm of Fletcher Building, one of New Zealand's largest listed companies. It operates mainly in Auckland and Christchurch, with a history of over 113 years in delivering homes and neighbourhoods (Fletcher Living, 2025a). The division develops a range of residential products, including standalone houses, townhouses, terraced housing, and apartments, alongside community infrastructure such as walkways, parks, and transport links. Homes are sold largely on completion and typically include modern appliances, landscaping, and double glazing. Most freehold homes are backed by a 10-year Master Build Guarantee, offering buyers confidence and quality assurance (Fletcher Living, 2025a).

Core Competencies

Fletcher Living benefits from the scale, resources, and vertically integrated supply chain of Fletcher Building. This integration secures access to key building materials such as plasterboard, insulation, concrete, and laminates, which strengthens cost control and supply reliability (Fletcher Building, n.d.). The brand also holds a significant land bank that ensures future development capacity, and it has strong relationships with government and councils, particularly in public-private housing projects. Fletcher Living has built a reputation for delivering large-scale, masterplanned communities that integrate amenities with housing (Fletcher Living, 2025a).

Sustainable Competitive Advantage

The company's sustainable competitive advantage lies in its vertical integration, financial strength, and land holdings. Unlike smaller developers who rely on external suppliers and are vulnerable to cost shocks, Fletcher Living can leverage its internal product divisions and financial reserves to maintain stability through market cycles (Fletcher Building, 2025b). This positions it to withstand downturns and to secure prime development sites that support long-term growth.

Unique Selling Proposition

Fletcher Living's unique selling proposition is its ability to provide turnkey, move-in-ready homes within thoughtfully designed communities. Its developments focus not only on housing but also on creating vibrant, livable neighbourhoods with schools, shops, parks, and transport access. The emphasis on quality, transparency in pricing, and after-sales support differentiates Fletcher Living from smaller competitors. Increasingly, its focus on sustainability, including Homestar 6 standards and initiatives like the LowCO pilot homes that target reduced carbon and energy use, enhances its value proposition and aligns with growing consumer and regulatory demand for sustainable housing (Fletcher Living, 2025b).

Appendix B: Market Analysis

Threat of New Entrants - Low

The barriers to entry in New Zealand's residential development market remains low, particularly for large-scale suburban projects. Significant capital requirements for land acquisition, infrastructure development, and financing create upfront hurdles that deter smaller players (Fletcher Building, 2025). Additionally, complex consenting processes and regulatory compliance under the Resource Management Act (RMA) and local council frameworks demand time, expertise, and administrative resources that smaller developers often lack.

Beyond capital and compliance, access to supply chains and skilled labour presents a further barrier. Fletcher Living benefits from established supplier networks, long-term contractor relationships, and integration with Fletcher Building's manufacturing subsidiaries, which smaller entrants cannot easily replicate (Fletcher Living, n.d.). However, the emergence of niche modular and prefabricated builders, particularly in low-rise or affordable housing segments, has introduced limited new competition. These entrants can compete on cost efficiency and build speed, leveraging off-site production to bypass some traditional barriers.

Despite this, economies of scale, brand recognition, and vertical integration ensure that incumbents like Fletcher Living maintain a defensible position. Market softness and margin pressures in FY25 have slightly lowered the cost of entry for niche players, but systemic obstacles keep large-scale entry risk low (Reuters, 2025).

Bargaining Power of Suppliers - Moderate

As Fletcher Building is a holding company (or "holdco") there is a level of control over their dependence on external suppliers because of their leverage with subsidiaries. This means that their vertical integration provides benefits like asset protection, diversification, and tax optimisation (Fletcher Building, 2025). Alternatively, commodity-priced products like steel, specialised timber, fittings, and labour supply/costs, can spike with much less control. There is existing commentary surrounding their FY25 reporting addressing the input-cost pressure and the need for operational discipline, showing supplier dynamics matter materially to margins (Fletcher Building, 2025; Reuters, 2025).

However, supplier power cannot be fully neutralised. The company remains exposed to global commodity fluctuations, especially in steel, timber, and imported fittings, as well as to domestic labour shortages and rising subcontractor costs. These challenges were highlighted in Fletcher Building's FY25 commentary, which cited ongoing input-cost pressures and margin compression due to inflationary trends.

For smaller developers lacking vertical integration, these cost shocks pose a greater threat. Fletcher Living's diversified supply base and scale provide resilience, yet supplier relationships, particularly in constrained materials, remain strategically important.

Bargaining Power of Buyers - High

Buyer power in the New Zealand residential property market is currently high, driven by affordability challenges and shifting economic conditions. As of May 2025, Stats NZ reported 33,530 new dwelling consents, a 3.8% annual decline, indicating weaker demand (Stats NZ, 2025). Even with the Reserve Bank cutting the Official Cash Rate (OCR) to 3.75%, affordability constraints and employment uncertainty continue to limit consumer confidence (Reuters, 2025a; 2025b).

Buyers now have greater choice and negotiating leverage, especially as housing supply has risen in several regions. Homebuyers and investors are increasingly value-conscious, prioritising energy efficiency, build quality, and community amenities. Institutional investors focus on yield and rental returns, while first-home buyers remain price-sensitive, relying on lending conditions and government incentives.

This environment forces developers like Fletcher Living to compete more aggressively on price, transparency, and added value rather than relying on traditional brand prestige. Buyers can easily compare developers online, increasing market transparency and pushing margins lower.

Threat of Substitutes - Moderate

The threat of substitutes for new-build homes is moderate but rising (Ninness, 2025). Alternatives include existing housing stock (often more affordable or immediately available), build-to-rent schemes, and government-subsidised housing options that divert demand from private developers. Additionally, prefabricated and modular housing solutions are increasingly viable substitutes due to their faster construction times and lower production costs.

In regions where rental markets are softening, some potential buyers are choosing to rent rather than purchase, especially amid ongoing affordability concerns. At the same time, the growing emphasis on sustainable and energy-efficient housing creates opportunities for substitution within the new-build market itself, where eco-focused competitors may lure environmentally conscious buyers.

Nonetheless, Fletcher Living's turnkey, master-planned communities remain a unique selling proposition, appealing to buyers seeking lifestyle convenience, design consistency, and long-term neighbourhood value (Fletcher Living, n.d.).

Competitive Rivalry - High

Competitive rivalry within New Zealand's residential construction sector is intense. Fletcher Living competes directly with other national developers such as Williams Corporation, G.J. Gardner, Mike Greer Homes, and Signature Homes, alongside numerous boutique regional builders. Additionally, Kāinga Ora's government-led developments contribute to supply, intensifying competition across both public and private segments (Cotality, 2025; Ninness, 2025).

Market softening in 2025 has heightened rivalry as developers compete on price, incentives, and faster project delivery to maintain sales and cash flow. Fletcher's FY25 financial results revealed margin pressure and writedowns, reflecting the impact of slower sales and rising costs (Fletcher Building, 2025; Reuters, 2025). Smaller, more agile rivals can respond quickly to market shifts, while Fletcher's strength lies in its brand credibility, financial resources, and integrated operations.

However, these advantages do not eliminate the challenge of maintaining profitability amid discounting and rising buyer expectations. As affordability remains a key concern, differentiation based on trust, quality, and community development becomes essential.

Appendix C: PESTEL Analysis

Political

Government Housing and Infrastructure Policy	The New Zealand Government continues to shape the residential construction pipeline through public housing and infrastructure investment. Programmes such as *Kāinga Ora's Kiwibuild Underwrite* and the *Going for Housing Growth Programme* influence where and how developers like Fletcher Living can participate (HUD, n.d.). If Fletcher Living is not directly involved in these partnerships, large portions of urban development may be reserved for government-led or subsidised projects, reducing market access.
Trade and Tariff Policy	In April 2024, the Government removed barriers to overseas-certified building products to lower construction costs (Fletcher Building, 2024). While this opens opportunities for more affordable inputs, it also introduces new competition from imported materials, weakening Fletcher's domestic product advantage. In addition, exposure to international trade factors such as tariffs and shipping costs for steel and cement directly affects profitability.
Public-Private Partnerships and Affordable Housing Focus	Te Tūāpapa Kura Kāinga / HUD continues to prioritise affordable housing and public-private partnerships, encouraging collaboration between government and developers (HUD, n.d.). This provides opportunities for Fletcher Living to align its projects with public policy goals but also introduces competition from firms better positioned to deliver low-cost housing at scale.
Political and Regional Stability	New Zealand and Australia maintain strong political stability, providing a predictable business environment. Regional trade agreements within the Asia-Pacific also support reliable imports of raw materials (Newsroom, 2024). However, legal and reputational challenges surrounding Fletcher Building's construction division have drawn government scrutiny and could influence future tender eligibility.

Economic

Housing Market Stabilisation	The housing market has levelled after several years of volatility. Westpac forecasts a 5.4 % increase in 2026, signalling gradual recovery and renewed investor interest (WestpacIQ, 2025). For Fletcher Living, stable demand provides revenue consistency but limits speculative growth opportunities.
Interest Rates and Borrowing Constraints	Higher interest rates have constrained purchasing power, particularly for first-home buyers unable to refinance with competitive rates (1 News, 2025). Although the Reserve Bank may ease the Official Cash Rate in late 2025, affordability pressures persist, influencing Fletcher Living's product pricing and marketing strategies

Rental Market Softening	Rental prices have declined for the first time in years, shifting power to tenants (Cotality, 2025). This reduces investor appetite for new-build rentals, forcing developers like Fletcher Living to pivot toward owner-occupier segments or provide stronger value propositions for investors.
Labour and Material Cost Pressures	The shortage of skilled tradespeople inflates labour costs (CBRE, 2025). Global supply-chain fluctuations in timber and steel also introduce cost volatility (Fletcher Building, 2024). These inflationary pressures erode margins and emphasise the need for operational efficiency and supplier diversification.
Exchange Rate Exposure	Fluctuations in the New Zealand dollar affect the price of imported inputs such as steel, concrete, and fixtures (Fletcher Building, 2024). Currency risk management is therefore critical to maintaining predictable construction costs and profitability.

Social

Demographic Shifts and Population Growth	New Zealand's population continues to grow through migration and urbanisation, sustaining long-term housing demand (Opes Partners, n.d.-a). Fletcher Living's developments in Auckland and Christchurch directly align with these demographic trends, supporting stable medium-term demand.
Changing Housing Preferences	Evolving lifestyles, an ageing population, and smaller household sizes have increased demand for townhouses, compact homes, and age-appropriate housing (Opes Partners, n.d.-b). Fletcher Living's diversification into multi-unit developments reflects this societal shift.
Affordability and Consumer Expectations	Affordability remains central to buyer decision-making. Many first-home buyers prioritise sustainability, energy efficiency, and low-maintenance design (Fletcher Living, n.d.-a). Aligning product design with these expectations strengthens brand loyalty and supports sales in a price-sensitive market.
Workforce Culture and Reputation	Construction workforce expectations around safety, diversity, and inclusion are increasing (Fletcher Building, 2024). Fletcher Living's parent company promotes health, safety, and wellbeing as core values. However, recent legal disputes and negative media coverage (Newsroom, 2024) have challenged public trust, highlighting the need for enhanced transparency and stakeholder communication.
Skills Shortage	New Zealand continues to face a shortage of skilled construction workers, constraining project timelines (Madison, 2025). Fletcher Living must invest in training, technology, and recruitment to maintain productivity and quality

Technological

Prefabrication and Modular Construction	Industry innovation is accelerating toward prefabricated and modular housing to cut costs and mitigate labour shortages (CBRE, 2025). Fletcher Living can leverage these techniques to enhance efficiency and consistency across projects.
Digitalisation and Data Integration	Fletcher Building has invested in Building Information Modelling (BIM) and advanced project management systems, improving supply-chain visibility and construction accuracy (Fletcher Building, 2024). Such tools support smarter capital allocation and faster build times.
Sustainable Construction Materials	Technological development in low-carbon concrete and energy-efficient materials is now essential to meet regulatory and consumer sustainability standards (Fletcher Living, n.d.-b). Integrating these innovations enhances Fletcher Living's competitive differentiation.
Automation and Manufacturing Advances	Upgrades to automated production lines within Fletcher Building's manufacturing divisions increase efficiency and reduce reliance on fluctuating labour markets (Fletcher Building, 2024). This internal synergy benefits Fletcher Living's long-term cost management.
Innovation through Collaboration	Partnerships with research organisations (e.g., BRANZ) in emissions-reduction technologies reinforce Fletcher Living's alignment with national innovation agendas (BRANZ, 2025).

Environmental

Climate Change and Resilience Requirements	Increasingly severe weather events such as flooding and cyclones have disrupted supply chains and raised construction costs (BDO, 2025). Fletcher Living must integrate resilient design principles and risk-adjusted pricing to ensure long-term project viability.
Emissions Reduction and Sustainability Target	The NZ ETS (Emissions Trading Scheme) influences building-material costs and operational carbon reporting (Ministry for the Environment, 2025). Fletcher Living's *LowCO* initiative demonstrates proactive alignment with these sustainability imperatives (Fletcher Living, n.d.-b).
Green Building Standards and Consumer Demand	Consumers increasingly expect energy-efficient and sustainable housing options, incentivising Fletcher Living to pursue green certifications and implement waste-reduction strategies (Fletcher Building, 2024).
Waste Management	Waste reduction and recycling on construction sites are now both regulatory and reputational priorities. Fletcher Living's focus on sustainable procurement reinforces its corporate environmental responsibility (Fletcher Building, 2024).

and Circular Practices	
Environmental Legislation	Environmental law under the Resource Management Act ties emissions performance to development approval and financing, embedding sustainability in every stage of Fletcher Living's operations (HUD, n.d.).

Legal

Evolving Building Code and Compliance Standards	Recent updates to the NZ Building Code introduced new verification methods and performance standards, affecting construction costs and compliance complexity (Building Performance, 2025). Fletcher Living must continually adapt designs and materials to maintain certification.
Corporate Legal Disputes and Liabilities	Fletcher Building's ongoing legal battle with SkyCity over delays to the NZ International Convention Centre and its settlement with NZTA illustrate the financial risk of major project disputes (NZ Herald, 2025; Fletcher Building, 2024). These cases underscore the importance of legal risk management and project governance for Fletcher Living.
Health, Safety, and Employment Law	Strict health-and-safety obligations require robust workforce protocols. Non-compliance could damage Fletcher Living's reputation and license to operate (Fletcher Building, 2024).
Environmental and Insurance Litigation Risks	Climate-related compliance obligations and third-party insurance disputes, such as Fletcher Building's failed claim following the SkyCity fire, highlight exposure to complex legal interpretations (The Law Association, 2024).
Competition and Fair-Trading Law	Engagement in government tenders and public-private partnerships requires transparency under NZ competition regulations. Fletcher Living must ensure fair pricing and procurement practices to maintain eligibility for large-scale projects.

Appendix D: Competitor Analysis

Within the competitor landscape of the residential development industry, Fletcher Living maintains unique positioning due to its scale, integration, and community-focused development model. It leverages vertical integration with Fletcher Building to secure materials and reduce exposure to supply chain volatility, while also building large-scale masterplanned communities that differentiate it from smaller builders.

Williams Corporation focuses on medium-density townhouse and infill housing across major urban centres such as Auckland, Wellington, and Christchurch. Its co-ownership scheme, Own with Williams, appeals to first-home buyers and investors, but its reliance on capital raising and narrow product mix makes it more vulnerable to downturns compared with Fletcher Living's diversified pipeline.

G.J. Gardner Homes, New Zealand's largest franchise builder, maintains market leadership by volume (1,500+ homes per year pre-downturn). Its nationwide franchise network combines local knowledge with national systems, making it cost-competitive. However, quality and service levels vary by franchise, and fixed-price contracts expose it to rising build costs.

Mike Greer Homes operates on a joint venture model with strong roots in the South Island. While it offers affordable homes to mid-market buyers and has expanded nationally, it lacks Fletcher Living's scale, breadth of offering, and ability to compete on large urban projects.

Signature Homes positions itself at the premium end of the market, offering design-focused builds and strong warranty packages. Its reputation is positive, with awards for customer service, but the franchise model introduces inconsistencies, and some regional failures have harmed trust.

Fletcher Living's sustainable communities, integrated supply chain, and government partnerships provide it with a competitive edge. Its challenge is to balance scale and affordability while maintaining a premium brand in a market crowded with cost-competitive and design-focused rivals.

Variable	***Fletcher Living***	***Williams Corporation***	***G.J. Gardner Homes***	***Mike Greer Homes***	***Signature Homes***
Category	*Core – large-scale, vertically integrated residential developer*	Direct competitor – medium-scale urban infill developer	Direct competitor – national franchise-based home builder	Direct competitor – regional/national builder	Direct competitor – national design-led builder
Product Quality	*High-quality homes in masterplanned communities; strong focus on sustainability*	Compact, high-density townhouses/apartments; mixed perceptions of quality	Customisable standalone homes; quality varies by franchise	Wide range, from affordable to high-end; customisation available	Customisable, design-focused builds; mid–high quality
Pricing	*Mid–high pricing, value-for-quality positioning*	More affordable; targets first-home buyers and investors	Broad pricing range; often cost-competitive and flexible	Competitive pricing, offers both affordable and premium builds	Mid to premium pricing; tailored design focus

Place (Availability)	*Strong national presence in growth areas (Auckland, Christchurch, Hamilton, etc.)*	Active in major NZ cities; expanding into Australia and Asia	Nationwide via franchise model	Strong South Island base, now nationwide	Nationwide franchise presence
Promotion	*Balanced, professional marketing; community-building and sustainability messaging*	Aggressive digital and investor-focused marketing	Relatable, family-focused campaigns via local franchises	Regional brand strength, aspirational family focus	Stylish, aspirational, design-led marketing
Positioning	*Premium, trusted national developer with legacy brand*	Affordable, urban, investor-friendly	NZ's most popular home builder (by volume), accessible and flexible	Versatile builder with broad offering	Aspirational, design-conscious brand
Reputation	*Strong brand legacy through Fletcher Building, though group issues sometimes affect perception*	Mixed – investor appeal but public concerns about design/quality	Generally trusted, but reputation varies across franchises	Strong in South Island, growing nationally	Positive, design/quality reputation in many regions
People	*Professional staff, contractors, integrated supply chain*	Smaller in-house team, reliant on subcontractors	Franchise owners and subcontractor networks	In-house staff plus subcontractors	Franchise owners and design specialists
Partnerships	*Councils, iwi, infrastructure providers; vertically integrated within Fletcher Building*	Investor partnerships, offshore expansion links	Supplier partnerships, community sponsorships	Land developers, local councils	Architects, design partners, community sponsorships

Appendix E: SWOT Analysis

Strengths

- **Strong brand equity**: Fletcher Living is one of New Zealand's most recognisable residential development brands, trusted by buyers, government, and iwi partners. This reputation supports large-scale partnerships and attracts buyers in a competitive market.

- **Integrated supply chain**: Vertical integration with Fletcher Building's materials, distribution (PlaceMakers), and concrete divisions reduces reliance on external suppliers and helps contain costs during supply shocks (Fletcher Building, 2025b).

- **Land bank holdings**: A significant portfolio of undeveloped land provides long-term development options when demand stabilises (Fletcher Building, 2025a).

- **Scale and credibility**: Fletcher Living has proven capability to deliver masterplanned communities and large government partnerships (Kāinga Ora).

- **Balance sheet flexibility**: Net debt was cut from NZ$1.77b to NZ$999m in FY25, providing headroom for selective reinvestment (Fletcher Building, 2025b).

These strengths enable Fletcher Living to withstand market downturns and position itself for growth when conditions improve, especially in sustainability-led and affordable housing projects.

Weaknesses

- **High capital intensity**: Housing development requires large upfront land and infrastructure spending, reducing flexibility during downturns (Fletcher Building, 2025a).

- **Exposure to cycles**: Demand is tightly linked to affordability and interest rates; the FY25 net loss of NZ$419m underscores this vulnerability (Fletcher Building, 2025b).

- **Margin compression**: Rising material and labour costs squeezed group EBIT margins from 6.6% to 5.5% (Fletcher Building, 2025b).

- **Slow capital recycling**: Long project timelines reduce agility compared to modular competitors.

- **Legacy distractions**: Impairments, restructuring, and litigation issues divert management focus from growth opportunities (Fletcher Building, 2025a).

These weaknesses limit Fletcher Living's ability to pivot quickly to affordable housing, making it vulnerable to smaller, more agile competitors.

Opportunities

- **Housing supply gap**: Despite a 3.8% YoY decline in consents to 33,530 dwellings (Stats NZ, 2025), New Zealand still faces a structural housing shortage, especially for affordable homes.
- **Government partnerships**: Policies prioritising Kāinga Ora housing and affordable schemes provide stable demand pipelines (MBIE, 2024a).
- **Sustainability differentiation**: Growing consumer and regulatory demand for Homestar-rated and low-carbon homes allows Fletcher Living to lead with ESG credentials (MBIE, 2022; Fletcher Living, n.d.-b).
- **Capital-light delivery models**: Joint ventures and partnerships can reduce balance-sheet pressure while maintaining market presence (Fletcher Building, 2025a).
- **Technological innovation**: Modular and prefabricated methods can lower build costs and accelerate delivery (Infrastructure New Zealand, 2023).

Fletcher Living can capture long-term growth by scaling sustainable housing and pursuing partnerships that reduce capital intensity, aligning with both affordability and ESG demands.

Threats

- **Import liberalisation**: Removal of barriers for overseas-certified building products increases competition and squeezes Fletcher's cost advantages (Reuters, 2024).
- **Affordability crisis**: Even with OCR cuts, many buyers remain locked out of the market due to mortgage constraints (RBNZ, 2025; 1News, 2025).
- **Agile competitors**: Players like Williams Corporation and modular builders can respond faster to affordability and speed-to-market demands.
- **Climate risks**: Severe weather events disrupt supply chains and increase costs (BDO New Zealand, 2023).
- **Litigation and brand risk**: Legal disputes (e.g., SkyCity, Iplex class action) carry financial and reputational consequences (Fletcher Building, 2025a).

Threats compound Fletcher's challenge of sustaining margins while maintaining trust, highlighting the need for stronger risk management and brand-building strategies.

Appendix F: Key Challenges and Recommendations

Challenge 1: Affordability, Demand Uncertainty, and Margin Pressure

- **Issue:** Fletcher Living's rising costs from materials and labour, plus affordability constraints, are limiting housing demand. Thus, Fletcher Living's FY25 EBIT margin fell from 6.6% to 5.5%, showing vulnerability to cost inflation (Fletcher Building, 2025b). Competitors have circumvented the lower demand by targeting affordable new buyers in the market.

- **Recommendation:** Expand the affordable housing mix, such as townhouses and apartments within masterplanned communities. Expansion can be achieved through a pseudo-blue ocean strategy using value differentiation through sustainable changes, community amenities, and transparent pricing rather than price competition to protect margins. These changes allow Fletcher Living to focus on first-home buyers who could turn to competitors otherwise.

Challenge 2: Sustainability and Compliance Pressures

- **Issue:** Sustainability expectations are increasing, with regulations (NZ Building Code, emissions targets) and consumer demand for Homestar/low-carbon housing. While Fletcher Living has initiatives like LowCO, they remain small-scale operations.

- **Recommendation:** Scale up sustainable practices, such as LowCO, across all developments. Embedding low-carbon materials and design improves long-term ROI, ensures compliance, and enhances access to government contracts. The process can be further pushed by branding Fletcher Living as the "go-to" brand for sustainable living in New Zealand.

Challenge 3: Reputation, Legal Risk, and Cost Recovery

- **Issue:** Fletcher Building's wider group faces litigation from SkyCity and NZTA, creating reputational damage to their brand (Newsroom, 2024). These trust challenges spill over into Fletcher Living's brand, which can lead new buyers away from Fletcher. At the same time, competitors like G.J. Gardner and Signature Homes market themselves as trusted, family-oriented brands.

- **Recommendation:** Strengthen brand reputation through targeted marketing and community engagement using advertisements focusing on "kiwi living" storytelling. This strategy is used to rebuild trust for clients by creating emotional value, leading to a better chance of investment and a higher number of future clients, as these strategies will position Fletcher Living as a brand for Kiwis.

Appendix G: Residential & Development Financials

Segment Overview

- **Residential & Development (R&D)** remains a distinct business unit under Fletcher Building, alongside Light Building Products, Heavy Building Materials, Distribution, and Construction (post-1 July 2025 restructure).
- The R&D division covers:
    - **Fletcher Living** (residential development arm, medium-density and subdivision projects).
    - **Land Development** (land banking, joint ventures, subdivisions).
    - **Property Partnerships** (public/private sector housing projects).

Financial Performance Snapshot

(Note: Fletcher does not publish full standalone segment accounts publicly; below are group-level extracts, adjusted with segment commentary and analyst reasoning.)

Metric	FY25	FY24	Notes
Group revenue	NZ$6,994m	NZ$7,683m	Down ~9%. R&D contribution fell as residential demand weakened.
Group EBIT (before significant items)	NZ$384m	NZ$509m	EBIT margin fell to 5.5% from 6.6%. R&D margin contraction sharper due to fixed-cost leverage.
Group net loss	NZ$419m	NZ$227m	Driven by impairments and restructuring.
Group net debt	NZ$999m	NZ$1,770m	Lower leverage improves flexibility but constrains new housing investment appetite.
Residential consents (NZ macro)	33,530 homes to May 2025	34,847 homes to May 2024	Decline in pipeline demand — directly impacts Fletcher Living volumes.

Key Performance Indicators (Housing Lens)

- **Sales volumes**: Fletcher Living's settlements and presales declined in line with broader NZ dwelling consents.
- **Gross margins**: Likely compressed due to material and labour cost inflation. EBIT contraction at group level suggests R&D margins fell below historical 10–12%.

- **Land bank position**: Fletcher retains a land portfolio for future development; FY25 strategy emphasised “deferring capital-heavy initiatives” to preserve cash
- **Cash conversion**: Housing requires heavy upfront land and infrastructure spend, meaning weaker near-term cash conversion in downturns. Group OCF fell from NZ$588m to NZ$501m, consistent with this drag.

Financial Ratios & Sensitivities

Ratio	FY25	FY24	Interpretation
Group EBIT margin	5.5%	6.6%	Indicates pressure across all units; housing likely <5%.
ROIC (group)	4.5%	5.5%	Value destruction vs WACC (~7–8%). The housing segment drags ROIC due to low turnover in a weak market.
Net debt / EBITDA	~2.6x (est.)	~3.5x	Deleveraging achieved, but EBITDA weakness risks covenant headroom.

Sensitivity Scenarios (Housing Segment):

- **+100bps mortgage rates** → demand falls further, consent volumes could slip another 5–7%.
- **Material cost inflation +5%** (steel, timber, concrete) → gross margin erosion of ~1–2ppt on fixed-price builds.
- **NZD appreciation vs USD** → cheaper imports increase competition, hurting Fletcher’s product margins but potentially helping R&D cost base.

Outlook

- **Short term (12–18 months)**: Weak residential demand will cap R&D revenue; focus shifts to cash preservation and selective completions.
- **Medium term (2–3 years)**: If OCR cuts stimulate demand, Fletcher’s scale and land bank position it to capture recovery.
- **Strategic pivot**: Management signalling a leaner portfolio; R&D must prove capital efficiency or risk divestment/partnership restructuring.