Department of
Building and Housing
Te Tari Kaupapa Whare

Building and Housing Trends: January to March 2008

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Introduction

This *Building and Housing Trends* publication covers the period from 1 January to 31 March 2008. It is based on a combination of accessible information and forecasts from government agencies (Statistics New Zealand, Ministry of Social Development, and Department of Labour), the Real Estate Institute of New Zealand, Quotable Value Limited and Housing New Zealand Corporation. Some of the information and figures have been developed by the Department of Building and Housing (the Department) from our databases and other internal information. Preparing this report reflects our strategy of building and enabling access to sector-related information and knowledge.

Executive summary

The economy

New Zealand's economic activity increased by 3.1 percent in the year to December 2007. The previous year's increase was 1.5 percent (to December 2006). This is measured by inflation-adjusted or real GDP. Construction industry output also grew in real terms 2.1 percent in the year to December 2007, compared to a 1.5 percent decline in the year to December 2006. This broke the previous declining trend.

The Household Labour Force Survey estimates the number of people employed in the construction industry was 174,800 in the March 2008 quarter. This is a 6.1 percent fall in the year to the March 2007 quarter.

Inflation in the housing sector has been hovering around 5 percent since the December 2005 quarter according to the 'housing and household utilities' group within the Consumers Price Index (CPI). Inflation in the housing sector was 5.1 percent in the year to the March 2008 quarter, which was slightly lower than the 5.2 percent in the year to the December 2007 quarter.

Inflation for the purchase of new housing was 5.7 percent in the year to the March 2008 quarter, compared to 6.1 percent in the year to the December 2007 quarter. Note that these figures are unlike the growth in median house prices, which has levelled off since late 2007.

Actual rents for housing increased by 3.0 percent in the year to the March 2008 quarter, compared to 2.9 percent in the year to the December 2007 quarter.

General price inflation (as measured by the CPI all groups) was 3.4 percent in the year to the March 2008 quarter compared to 3.2 percent in the year to the December 2007 quarter. Rent inflation has been lower than general price inflation since the December 2007 quarter[1].

The housing sector

The housing data continued to show signs of a slowing housing market, with smaller price increases and a lower number of sales in recent months. According to the Real Estate Institute of New Zealand (REINZ), the median house price in March 2008 was $349,000, 1.6 percent up on $343,500 in March 2007. With the exception of February 2008, the March 2008 price resulted in the slowest annual growth rate in median house prices recorded since January 2002. The annual increase in the median house price was 4.0 percent in the year to January 2008 and 0.7 percent in the year to February 2008.

Of particular interest is the median house price for Auckland which actually fell 1.2% in the year to March 2008, showing that there are price declines in some markets.

Sales activity declined overall in the March quarter. The monthly sales volume was 5,129 in March 2008 (Figure 5)[2]. This is less than half of the 10,989 transactions in March 2007, and is

[1] Rent inflation has fluctuated around 3 percent annually but compares lower than general price inflation since the December 2007 quarter because the latter has increased significantly since the December 2008 quarter, largely due to higher petrol prices.

[2] REINZ sales volume figures used here are based on actual sales reported by sales agents and are taken as of the date when a transaction becomes unconditional.

only slightly more than half of the 10,094 transactions in March 2006. This means that the general downward trend in sales volumes has continued, and volumes are reaching levels not seen since January 2001.

The median number of days to sell a property in March 2008 was 40 days, significantly higher than the 27 days it took in March 2007 and the 33 days it took in March 2006 (see Figure 6).

Tenancy bond data shows that average weekly rents for new tenancies of most dwelling types provided by private landlords are rising. This continues the long-running trend in rent increases. In March 2008, the average weekly rent was $215 for one-bedroom flats, $287 for two-bedroom flats, $270 for two-bedroom houses, $323 for three-bedroom houses and $416 for four-bedroom houses.

The building sector

The inflation adjusted value of all 'building work put-in-place'[3] rose by 7.5 percent in the December 2007 quarter compared to the December 2006 quarter. This increase is consistent with the GDP data where the construction industry output also increased by 5.7 percent in the same period.

Residential building work contributed 63 percent to the unadjusted value of all building work in the December 2007 quarter. This contribution was below the peak of 67 percent in the June 2003 quarter.

The March 2008 building consent data representing anticipated building work recorded a 30.9 percent fall in consents for the number of authorised new dwelling units (including apartments) compared with March 2007. The resulting trend for the number of consents for new dwelling units declined from June 2007 onwards.

The number of new dwelling consents is expected to ease further, with the slowing of the housing market, lower annual net migration numbers and the Reserve Bank maintaining a higher official cash rate, all of which are likely to weaken housing demand. This is consistent with Reserve Bank's June 2008 Monetary Policy Statement projection. This forecast a 17 percent decline in the 2009 March year annual average percentage change in real residential investment forecasts.

The trend value of consented non-residential buildings has remained at a high level high since 2005. The unadjusted value was 14.3 percent lower in March 2008 compared to March 2007, but 27.6 percent higher in February 2008 compared to February 2007 and 29 percent higher in January 2008 compared to January 2007.

Inflationary pressures continue to exist for capital, production and labour in the construction industry. Between the March 2007 and the March 2008 quarters, the price increase measured by the Capital Goods Price Index (CGPI) was 5 percent for residential building, 2.3 percent for non-residential building and 3.7 for other construction. The Producers Price Index (PPI) for inputs measuring the production cost for construction increased 5.1 percent, and labour costs (as

[3] Statistics New Zealand's building work put-in-place is a quarterly estimate of the dollar value of construction on residential and non-residential building. This data supplements building consent statistics.

measured by the labour cost index - salary and wage rates) increased 3.4 percent for building trade workers and 3.2 percent for the construction industry.

The economy

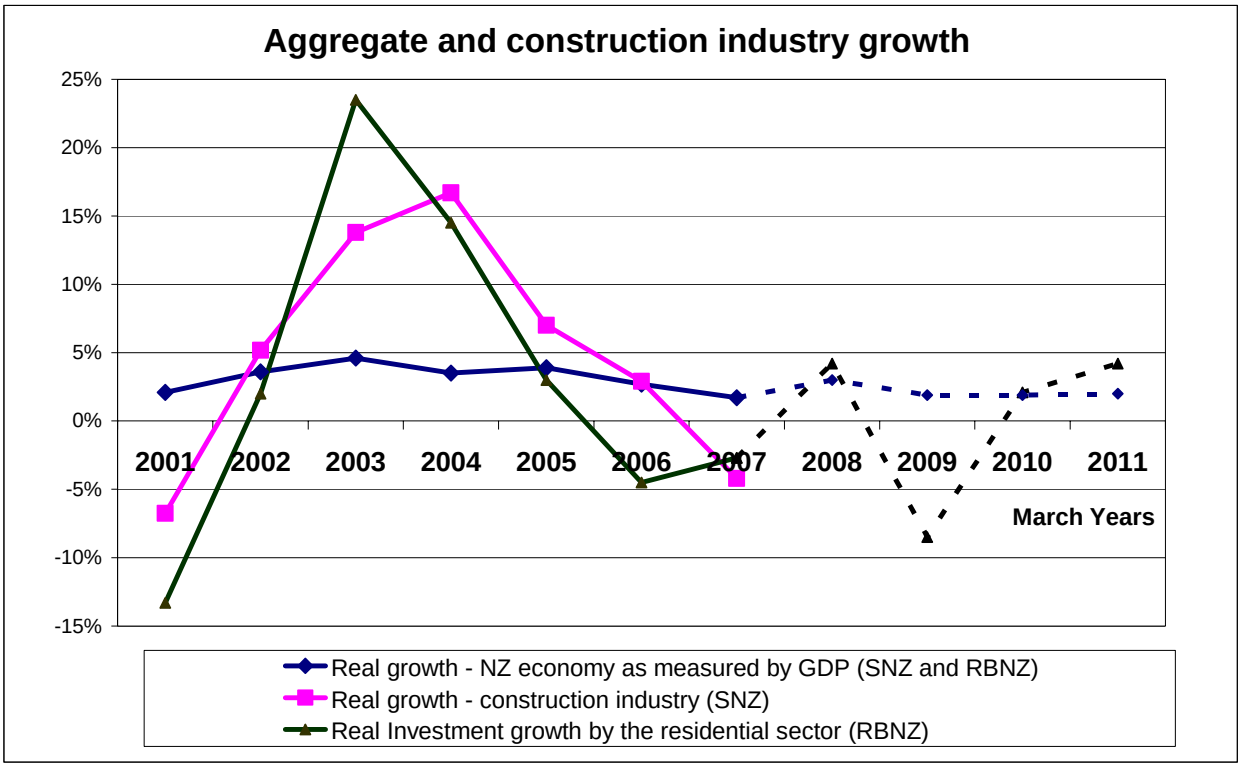
Economic growth and industry outputs

New Zealand's economic activity increased 3.1 percent in the year to December 2007. The previous year's increase was 1.5 percent (to December 2006). This is measured by inflation-adjusted or real GDP.

Breaking the previous declining trend, construction industry output grew (in inflation adjusted terms) 2.1 percent in the year to December 2007, compared to a 1.5 percent decline in the year to December 2006.

In the June 2008 Monetary Policy Statement, the Reserve Bank forecast real investment (as measured by inflation adjusted Gross Fixed Capital Formation) to decrease by 0.2 percent in the year to March 2009. Over this period, real residential investment is expected to fall by 17 percent, real business investment to grow by 3.7 percent and real government sector investment (government spending on infrastructure is an important component of non residential construction) to grow by 7.7 percent.

Figure 1: Aggregate and construction industry growth

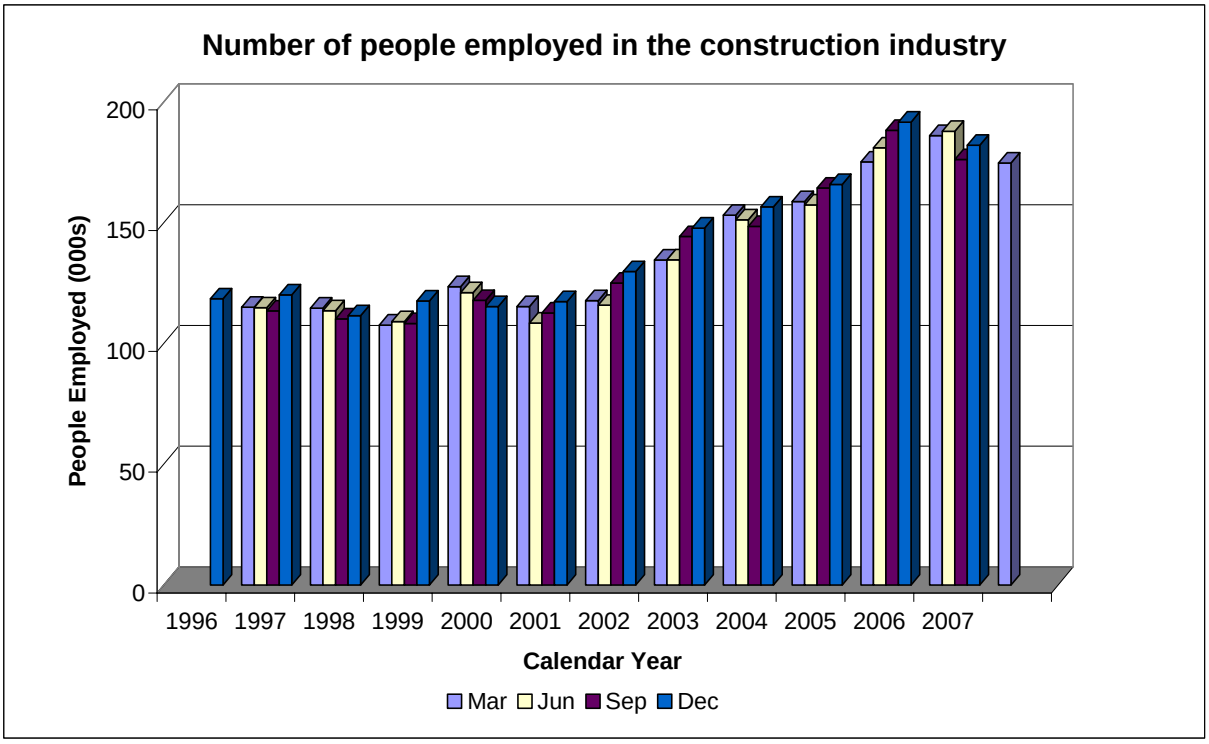


Source: Reserve Bank and Statistics New Zealand

Labour market

Employment numbers in the construction industry have grown strongly in recent years and peaked at 191,700 in the December 2006 quarter. However, employment numbers have recorded year-on-year decreases since the June 2007 quarter. The number of people employed in the construction industry was 174,800 in the March 2008 quarter, 6.1 percent lower than in the March 2007 quarter.

Figure 2: Number of people employed in the construction industry



Source: Statistics New Zealand

Cost of purchase of new housing and renting

Inflation in the housing sector is largely measured by movements in the 'housing and household utilities' group[4] of the Consumers Price Index (CPI).

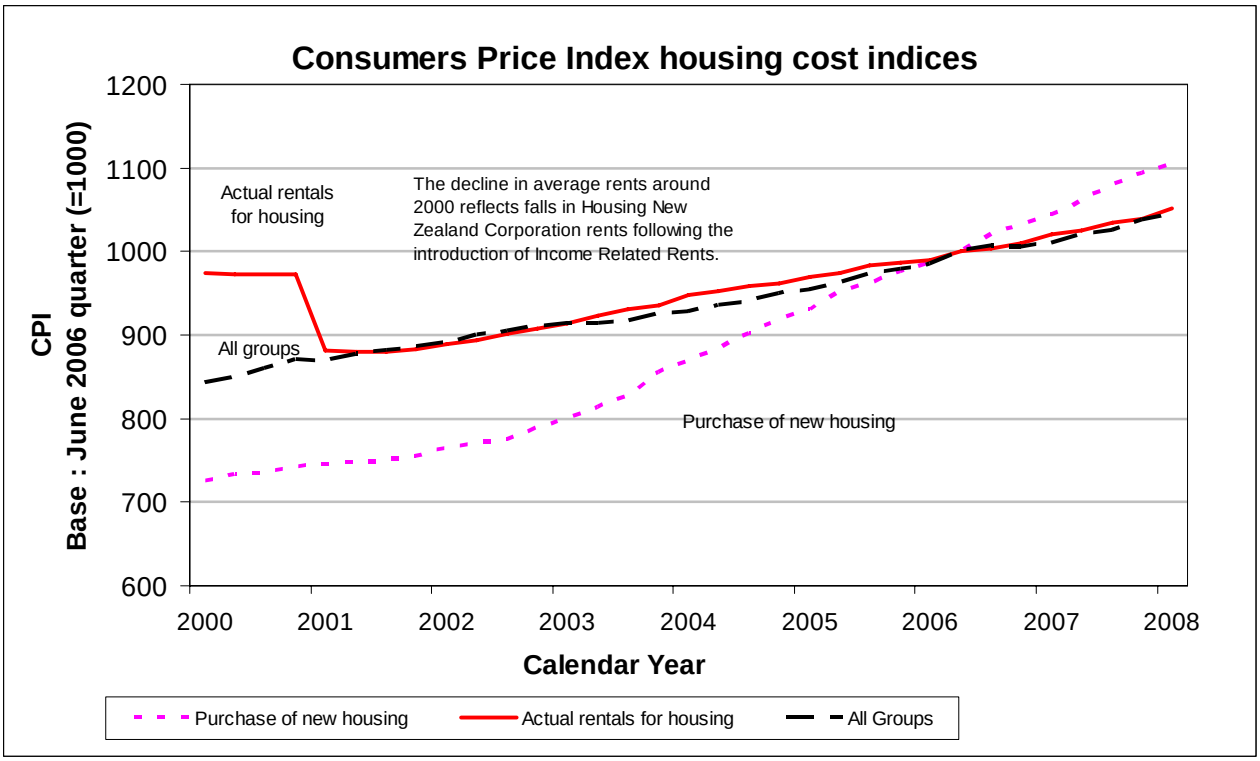
Inflation in the housing sector has been hovering around 5 percent per annum since the December 2005 quarter according to the 'housing and household utilities' group within the CPI. Inflation in the housing sector was 5.1 percent in the year to the March 2008 quarter, which was slightly lower than the 5.2 percent in the year to the December 2007 quarter.

Inflation for the purchase of new housing was 5.7 percent in the year to the March 2008 quarter, compared to 6.1 percent in the year to the December 2007 quarter. Note that these figures are unlike the growth in median house prices, which has levelled off since late 2007.

[4] This group includes price changes in renting and the purchase of new houses (but not existing houses) and related service costs such as real estate agents' fees.

Rent inflation continues to be lower than general price inflation. Actual rents for housing increased by 3.0 percent in the year to the March 2008 quarter, compared to 2.9 percent in the year to the December 2007 quarter. General price inflation (as measured by the CPI all groups) was 3.4 percent in the year to the March 2008 quarter compared to 3.2 percent in the year to the December 2007 quarter.

Figure 3: Consumers Price Index and housing cost indices



Source: Statistics New Zealand

The housing sector

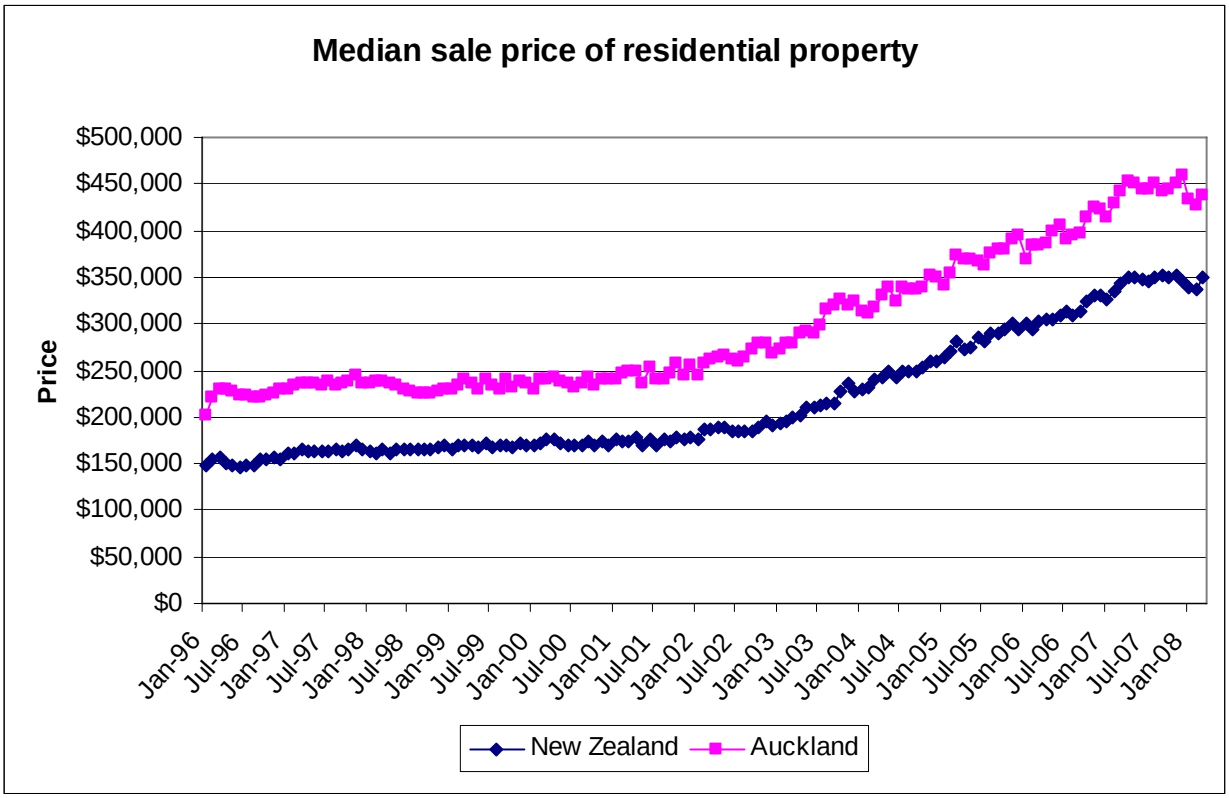
Sales price

The housing data shows the housing market continued to slow, with smaller price increases and a lower number of sales in recent months. According to the Real Estate Institute of New Zealand, the median house price in March 2008 was $349,000, 1.6 percent up on $343,500 in March 2007. Exception for February 2008, this is the slowest annual growth rate in median house prices recorded since January 2002. The annual increase in the median house price was 4.0 percent in the year to January 2008 and 0.7 percent in the year to February 2008.

The January to March 2008 data have shown declines in the annual growth rate of house prices, though it is possible that the increase in price growth in March is evidence of a rally. Data in the coming months will confirm if the small increase in March 2008 is a fluctuation in the overall downward trend.

Of particular interest is the median house price for Auckland which actually fell 1.2% in the year to March 2008, showing that there are price declines in some markets.

Figure 4: Median sale price of residential property



Source: Real Estate Institute of New Zealand

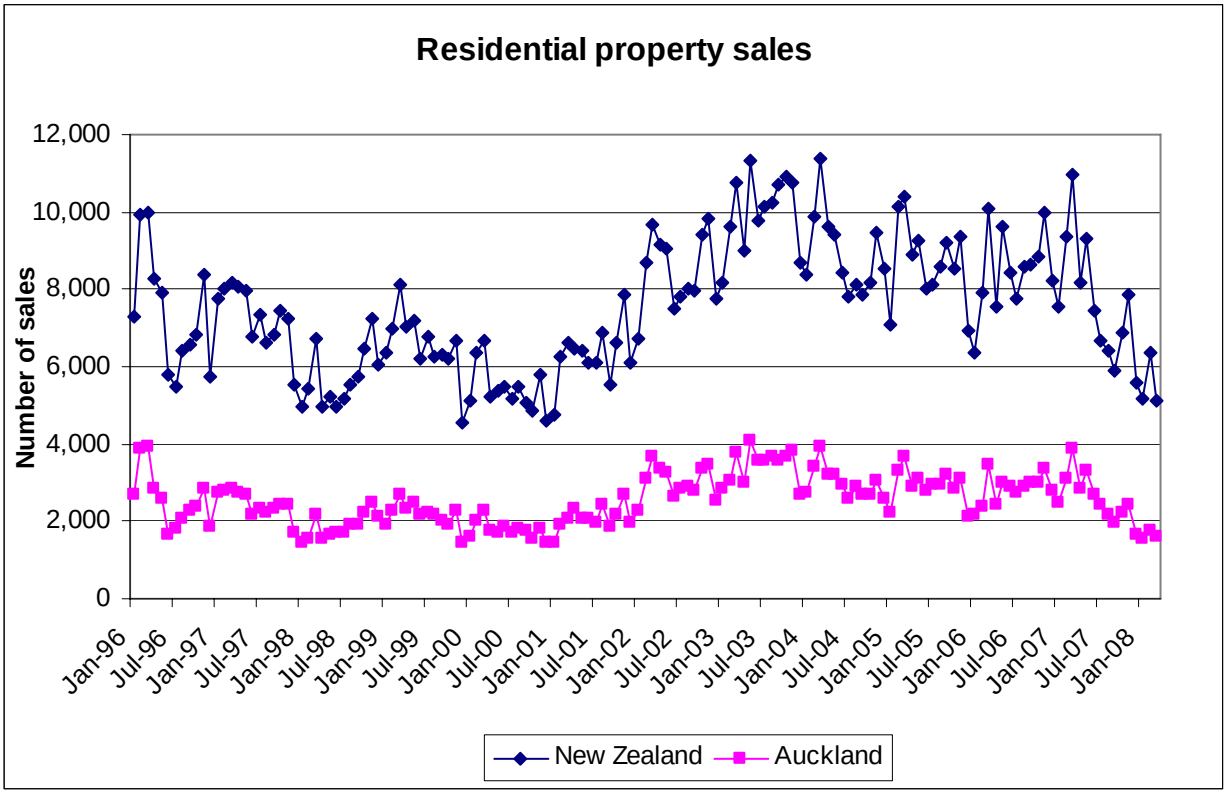
The total value of New Zealand's housing stock increased to $614 billion at the end of the December 2007 quarter, up from $611 billion in the September 2007 quarter and $605 billion in the June 2007 quarter.

The growth rate in housing stock value for the December 2007 quarter compared to the December 2006 quarter was 9.8 percent. This was below the 13.6 percent growth rate in the September 2007 quarter and the 10.5 percent growth rate in the December 2006 quarter.

Housing market activity

Sales activity declined overall in the March quarter. The monthly house sales volume was 5,129 in March 2008 (Figure 5)[5]. This is less than half of the 10,989 transactions in March 2007, and is only slightly more than half of the 10,094 transactions in March 2006. This means that the general downward trend in sales volumes has continued, and volumes are reaching levels not seen since January 2001.

Figure 5: Residential property sales

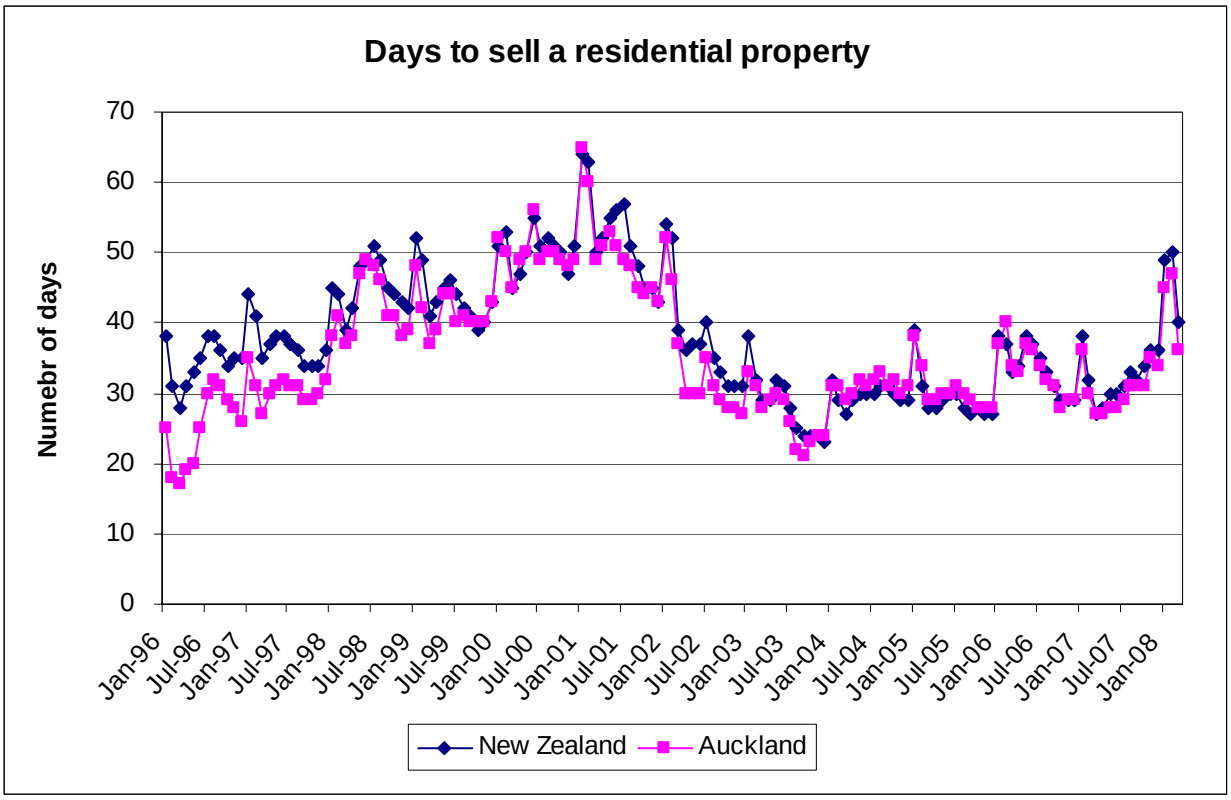


Source: Real Estate Institute of New Zealand

The median number of days to sell a property in March 2008 was 40 days, significantly higher than the 27 days it took in March 2007 and the 33 days it took in March 2006 (see Figure 6). This is consistent with the sales volume data, supporting the possibility of a cooling market.

[5] REINZ sales volume figures used here are based on actual sales reported by sales agents and are taken as of the date when a transaction becomes unconditional.

Figure 6: Days to sell a residential property



Source: Real Estate Institute of New Zealand

Social housing assistance

There are two main ways[6] the government assists low-income families into affordable housing: the Accommodation Supplement[7] (AS) and Income-Related Rents[8] (IRR). As of March 2008, there were 241,876 AS recipients and 59,647 IRR tenants.

Figure 7 shows government expenditure on social housing assistance as a percentage of the housing sector expenditure[9] from the quarter to June 2004 to the quarter to December 2007.

[6] Note that a variety of homeownership assistance programmes such as Welcome Home Loans are not considered as part of these statistics, because they are relatively small compared to the IRR and the AS and focus on homeownership rather than rent relief.

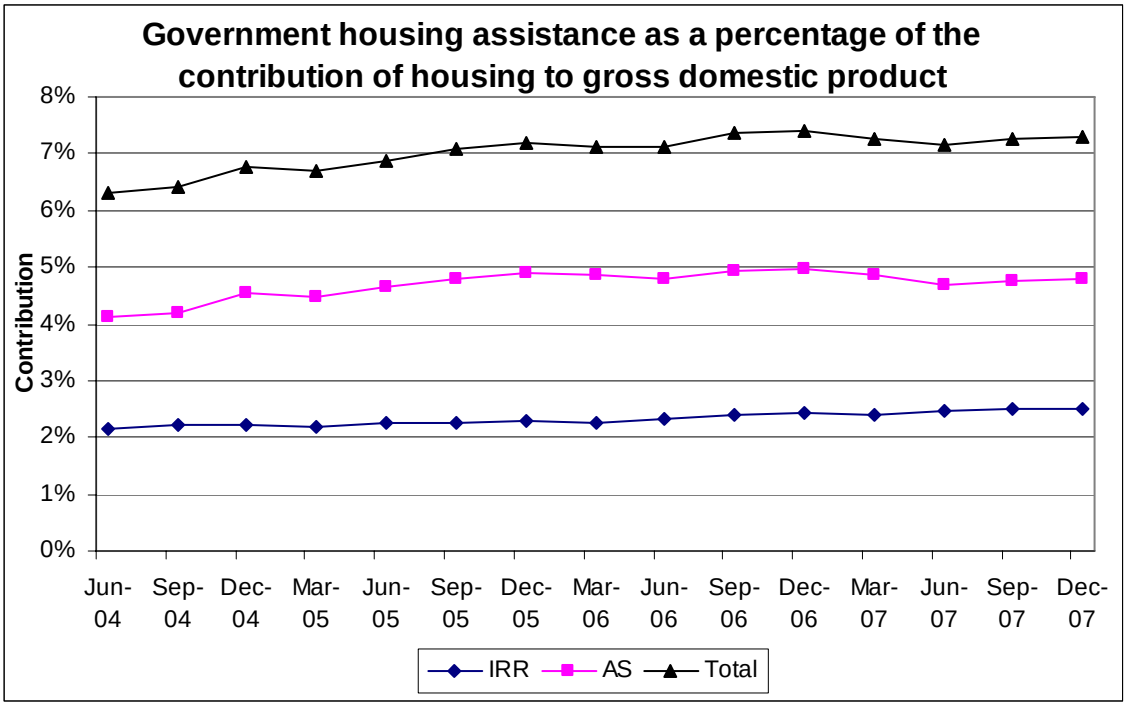
[7] The Accommodation Supplement is available through the Ministry of Social Development for people in private accommodation (i.e. not in social housing) who meet the income criteria. Recipients can then use the AS to offset some of the cost of their board, rent or mortgage payment.

[8] The Income-Related Rent subsidy is paid to Housing New Zealand Corporation by the Government to subsidise the rent of Housing New Zealand Corporation tenants on low incomes (that is below the single living-alone rate of New Zealand Superannuation, after tax, for single tenants and below the married couple rate of New Zealand Superannuation, after tax, for all other tenants). Tenants in Housing New Zealand Corporation homes are not required to pay more than 25 percent of their income in rent. The marginal proportion rises to 50% for incremental amounts beyond the relevant rate of New Zealand Superannuation. The IRR subsidy compensates Housing New Zealand Corporation for the difference in the rent paid and the market rent on the property. As such, IRR is an indirect subsidy of social housing.

[9] Gross Domestic Product: Household consumption expenditure by purpose in actual current prices – Housing (series SNCQ.S2NP30CZE). Source: Statistics New Zealand.

The level of total government housing assistance relative to total housing contribution to GDP remained unchanged at 7.3 percent in the December 2007 quarter. IRR assistance relative to total housing contribution to GDP remained constant at 2.5 percent. AS assistance relative to total housing contribution to GDP remained constant at 4.8 percent over this period.

Figure 7: Government housing assistance as a percentage of the contribution of housing to gross domestic product

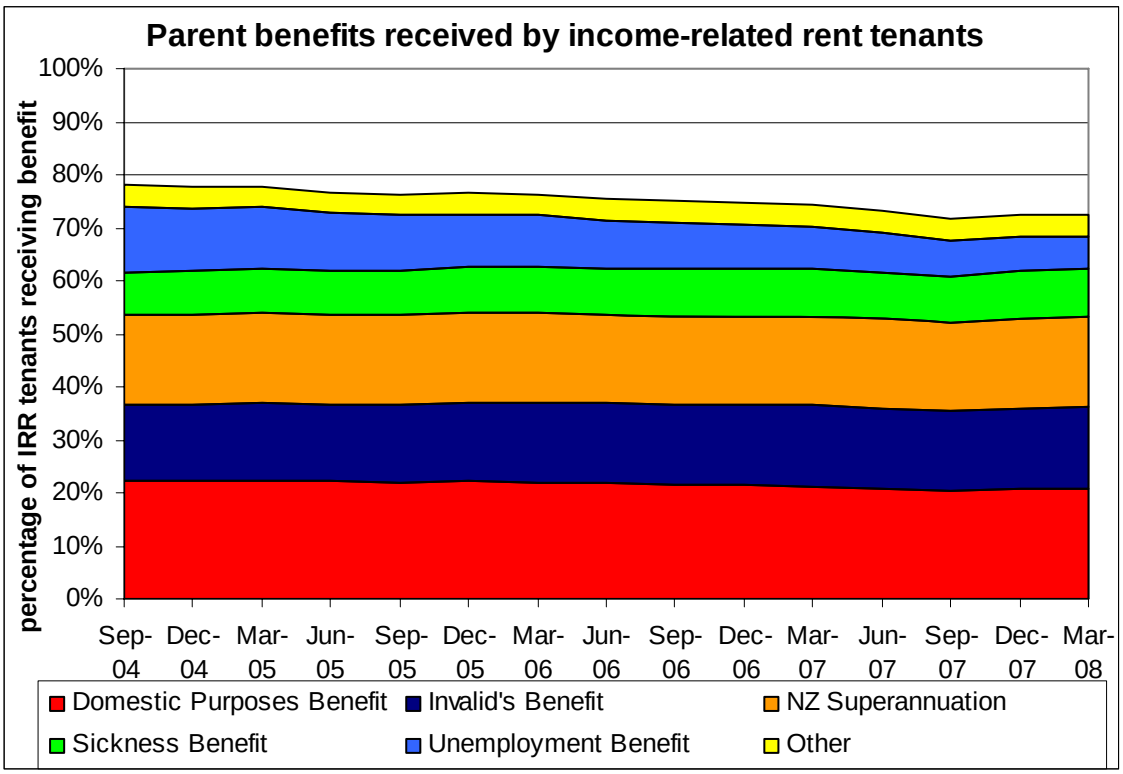


Source: Department of Building and Housing, Housing New Zealand Corporation, Ministry of Social Development and Statistics New Zealand

Total government housing assistance (as measured by IRR and AS) increased in the December 2007 quarter to $340.8 million, from $336.2 million in September 2007. The total government housing assistance in the December 2007 quarter is a 2.8 percent annual increase from the $331.6 million in the December 2006 quarter.

Figure 8 shows no significant changes in the composition of benefits received by IRR tenants in the March 2008 quarter, compared to the December 2007 quarter.

Figure 8: Parent benefits received by tenants receiving income related rents



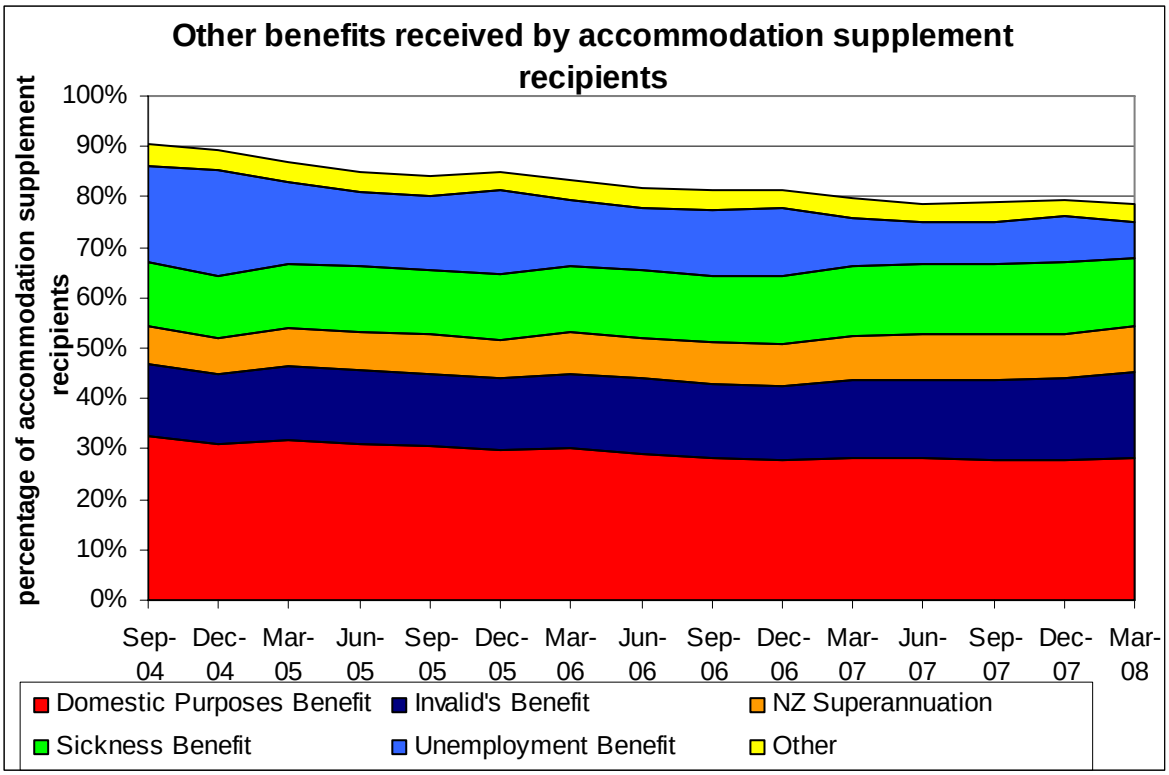
Source: Housing New Zealand Corporation

Figure 9 shows the distribution of parent benefits for all tenants receiving AS. The largest changes in the composition of parent benefits received by AS recipients in the March 2008 quarter (compared to the December 2007 quarter) were:

- a decrease in the proportion of Unemployment Benefit recipients[10], from 9.0 percent to 7.1 percent
- an increase in the proportion of AS recipients not receiving a parent benefit, from 20.5 percent to 21.5 percent
- an increase in the proportion of Invalid's Benefit recipients from 16.0% to 16.8%
- a decrease in the proportion of Sickness Benefit recipients from 14.1% to 13.6%.

[10] Includes Unemployment Benefit, Unemployment Benefit Hardship, Unemployment Benefit (in Training), Unemployment Benefit Hardship (in Training) and Unemployment Benefit Student Hardship. Does not include Emergency Benefit.

Figure 9: Other benefits received by accommodation supplement recipients



Source: Ministry of Social Development

Waiting list priority for Housing New Zealand Corporation housing is determined by several factors[11] and applicants are divided into four groups that reflect different levels of need. The groupings are referred to as:

- A priority[12]
- B priority[13]
- C and D priority[14].

The total number of applicants for A and B priority waiting lists increased from 3,669 to 3,811 between December 2007 and March 2008 (Figure 10). The increase in the A waiting list (from 125 to 206) is much higher than in previous March quarters. The B list increased from 3,544 to 3,605.

[11] The following factors are used to determine housing needs:

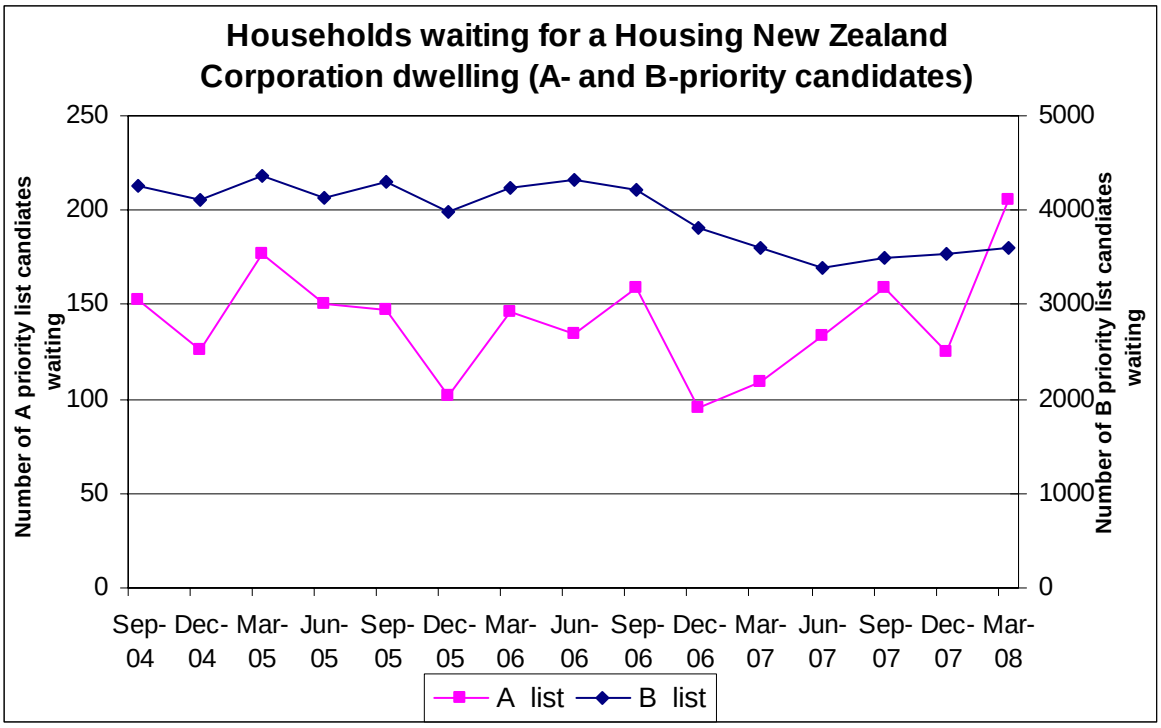
- affordability – the relationship between income and current housing costs
- adequacy – the house's physical condition and structure
- suitability – house size in terms of occupants and overcrowding
- accessibility – the applicant's ability to access housing in the private sector market, taking discrimination into account
- sustainability – the ability to sustain housing in the private sector market.

[12] 'A' priority households have severe and persistent housing needs that must be addressed immediately. The household's wellbeing is severely affected or seriously at risk by housing circumstances that are unsuitable, inadequate or unsustainable, and there is an immediate need for action. The household is unable to access or afford suitable, adequate and sustainable housing without state intervention.

[13] 'B' priority households have a significant and persistent housing need. The household's wellbeing is affected in a significant and persistent way by housing circumstances that are unsuitable, inadequate or unsustainable. The household is unlikely, in the near future, to be able to access or afford suitable, adequate and sustainable housing without state intervention.

[14] 'C' and 'D' priority waiting lists are for households with low to moderate housing need.

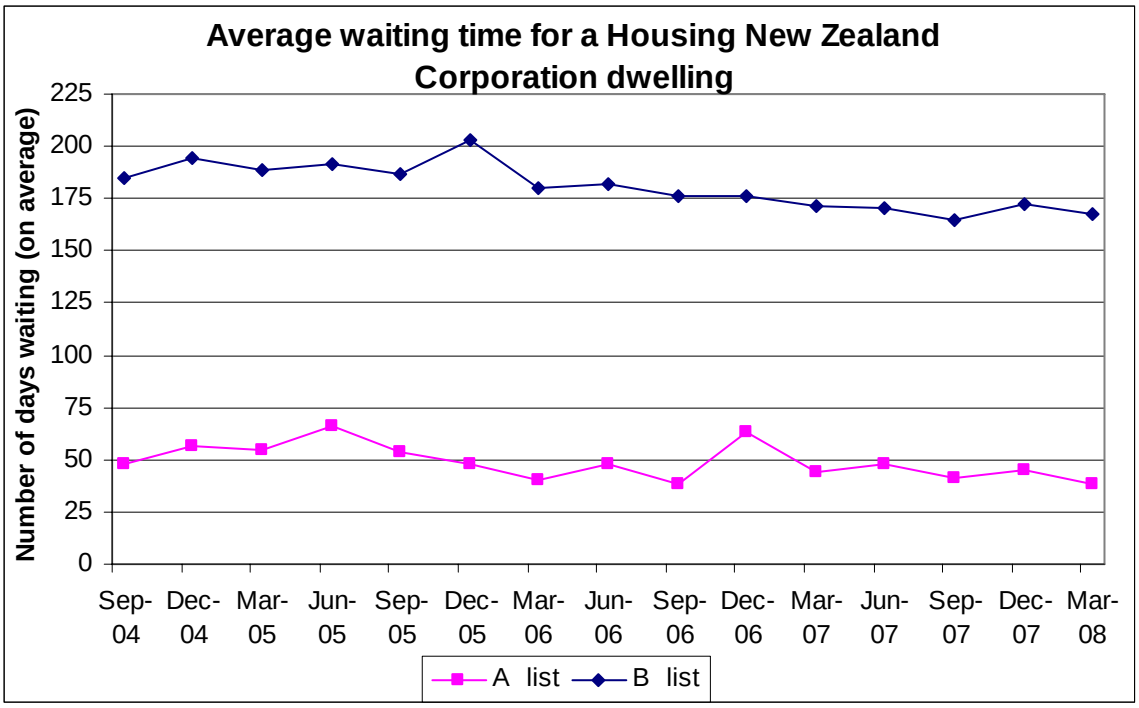
Figure 10: Households waiting for a Housing New Zealand Corporation dwelling (A and B priority applicants)



Source: Housing New Zealand Corporation

The average waiting time for a property for B priority applicants on the Housing New Zealand Corporation list fell from 172 days in December 2007 to 168 days in March 2008 (as shown in Figure 11), which is consistent with previous March quarters. The waiting time for A priority candidates decreased from 45 to 38 days in the same period. Combined with the total waiting list data, this suggests that demand for Housing New Zealand Corporation properties is increasing. However, the rate the demand is being met is also increasing to keep waiting times down.

Figure 11: Average waiting for a Housing New Zealand Corporation dwelling



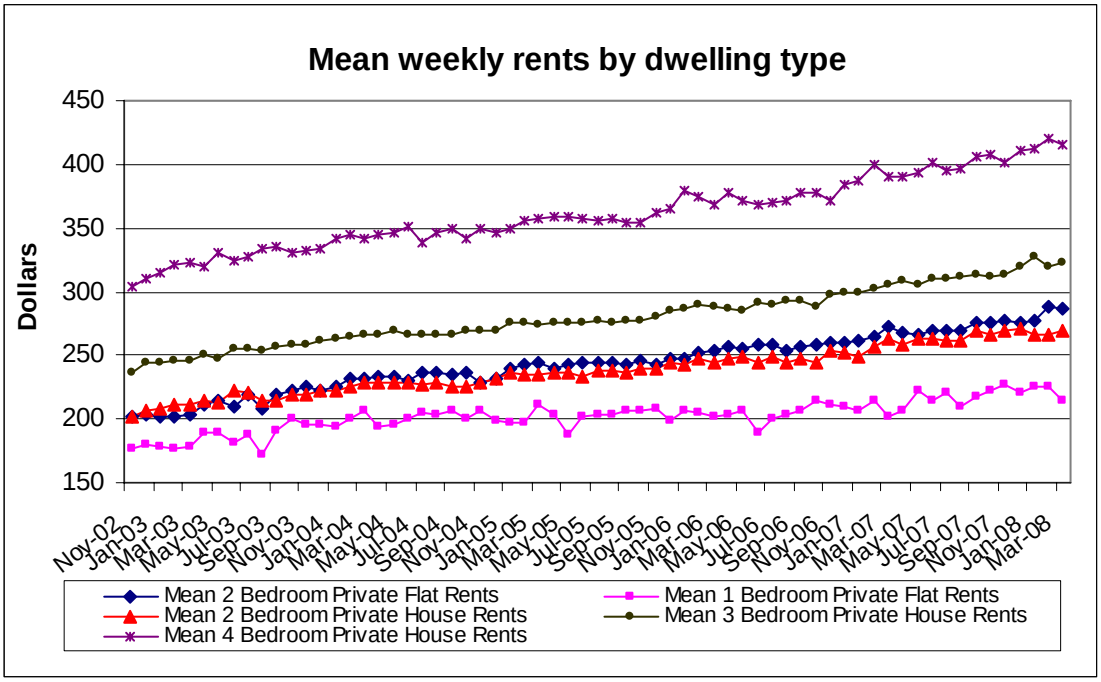
Source: Housing New Zealand Corporation

Market rent analysis

Tenancy bond data shows that average weekly rents for new tenancies of most dwelling types provided by private landlords continue to rise. In March 2008, the average weekly rent was $215 for one-bedroom flats, $287 for two-bedroom flats, $270 for two-bedroom houses, $323 for three-bedroom houses and $416 for four-bedroom houses.

The private market rent for a four-bedroom house and a one-bedroom flat grew the most at an annual rate of 6.4 percent, followed by a three-bedroom house at 5.9 percent, a two-bedroom flat at 5.5 percent, and a two-bedroom house at 2.7 percent, all in the year to March 2008.

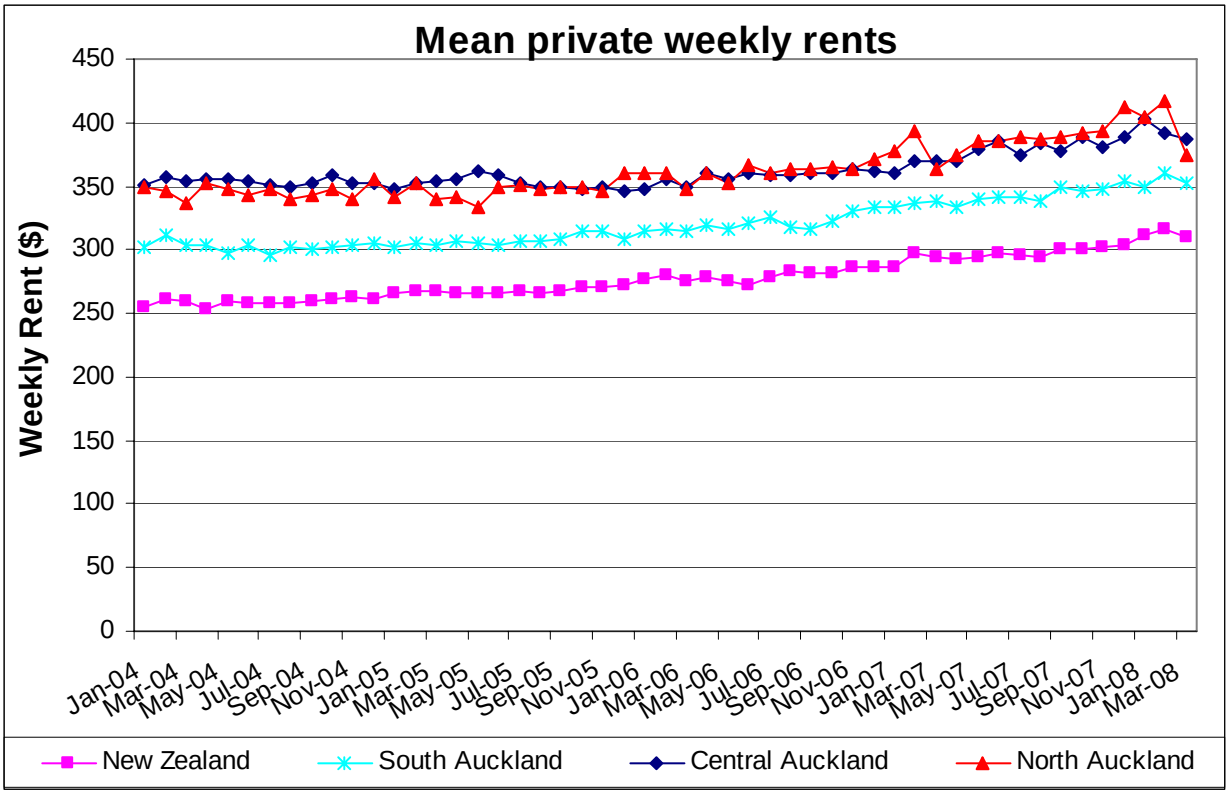
Figure 12: Mean weekly rents by dwelling type



Source: Department of Building and Housing

Overall, rents continue to increase. In the year to March 2008, mean New Zealand rents for new tenancies rose by 5.4 percent. In Auckland over the same period, rents for new tenancies increased by 3.0 percent in North Auckland, 4.9 percent in Central Auckland and 4.1 percent in South Auckland. Rent increases for newly established tenancies slowed nationwide, including all areas of Auckland during the March quarter.

Figure 13: Mean private weekly rents



Source: Department of Building and Housing

The building sector

All building activity

Statistics New Zealand's quarterly data on 'building work put-in-place' puts an estimated gross dollar value on actual building work done on residential and non-residential buildings. The trend for the inflation adjusted value of all 'building work put-in-place' has been rising since the September 2006 quarter (see Figure 14).

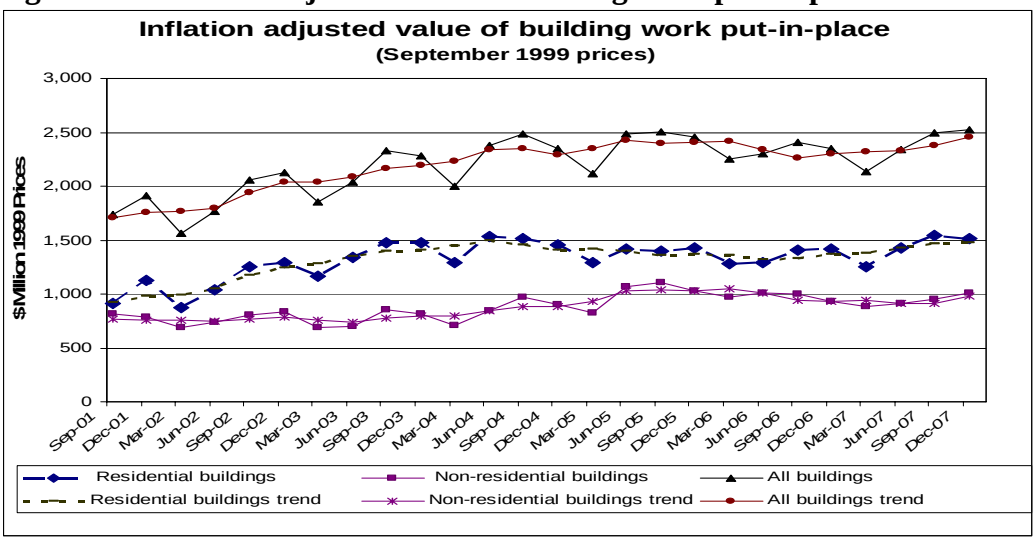
The latest data shows that the inflation adjusted value of all 'building work put-in-place'[15] rose by 7.5 percent from the December 2006 to the December 2007 quarter. This increase in the level of actual building work in the December 2007 quarter is consistent with the GDP data where the construction industry output also increased by 5.7 percent in the same period.

Trend values for inflation adjusted residential building work show rises for the last four quarters, following falls in the first half of 2006. However, consent values in current prices for residential buildings show a declining trend since June 2007. This decline in consent trend values has not shown up in the trend for residential building work as it can take several quarters for consented work to take place.

Trend values for inflation adjusted non-residential building work reached a high point in the March 2006 quarter and since then have generally declined. However, the trend value for the December 2007 quarter increased 7.4 percent since the last quarter. Building consent trend values (in current prices) remain at a high level.

Building activity continues to be largely driven by residential building work, which contributed 63 percent to the unadjusted value of all building work put in place in the December 2007 quarter. This is below the peak of 67 percent in the June 2003 quarter.

Figure 14: Inflation adjusted value of building work put-in-place



Source: Statistics New Zealand

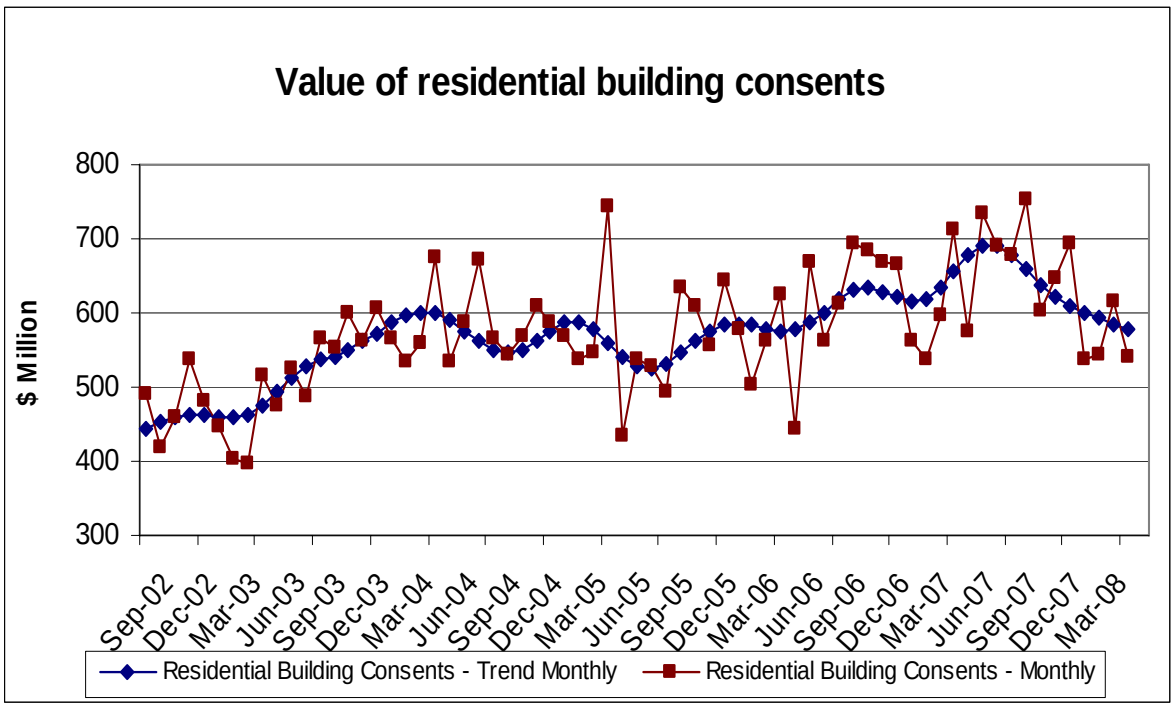
[15] The real value of building work put-in-place refers to values adjusted for price inflation (constant price values at September 1999 quarter prices). Data available up to the December 2007 quarter is used in this instance.

Residential building

The monthly data on building consents granted by territorial authorities provides lead indicators for future building work. The building consents data obtained from Statistics New Zealand is for consents with values of $5,000 or more. This building consent data is in current values (ie, includes price changes) and is for the March 2008.

The value of all residential building consents issued[16] in March 2008 was 23.8 percent lower than in March 2007. The resulting trend value of all residential building consents has continued to decline from its peak since June 2007.

Figure 15: Value of residential building consents

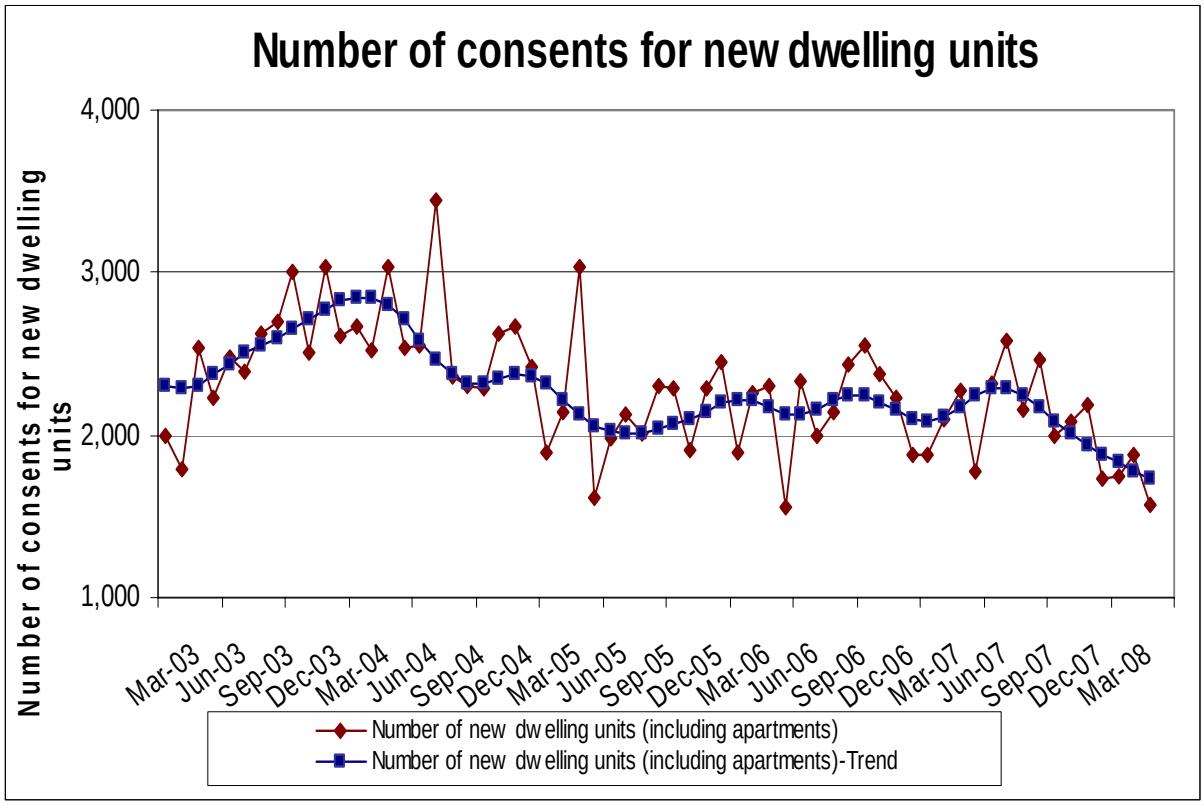


Source: Statistics New Zealand

[16] New residential buildings including outbuildings, plus alterations and additions.

The number of consents for new dwelling units (including apartments) authorised in March 2008 was 30.9 percent lower than in March 2007. The number of new dwellings authorised has been on a downward trend since June 2007.

Figure 16: Number of consents for new dwelling units

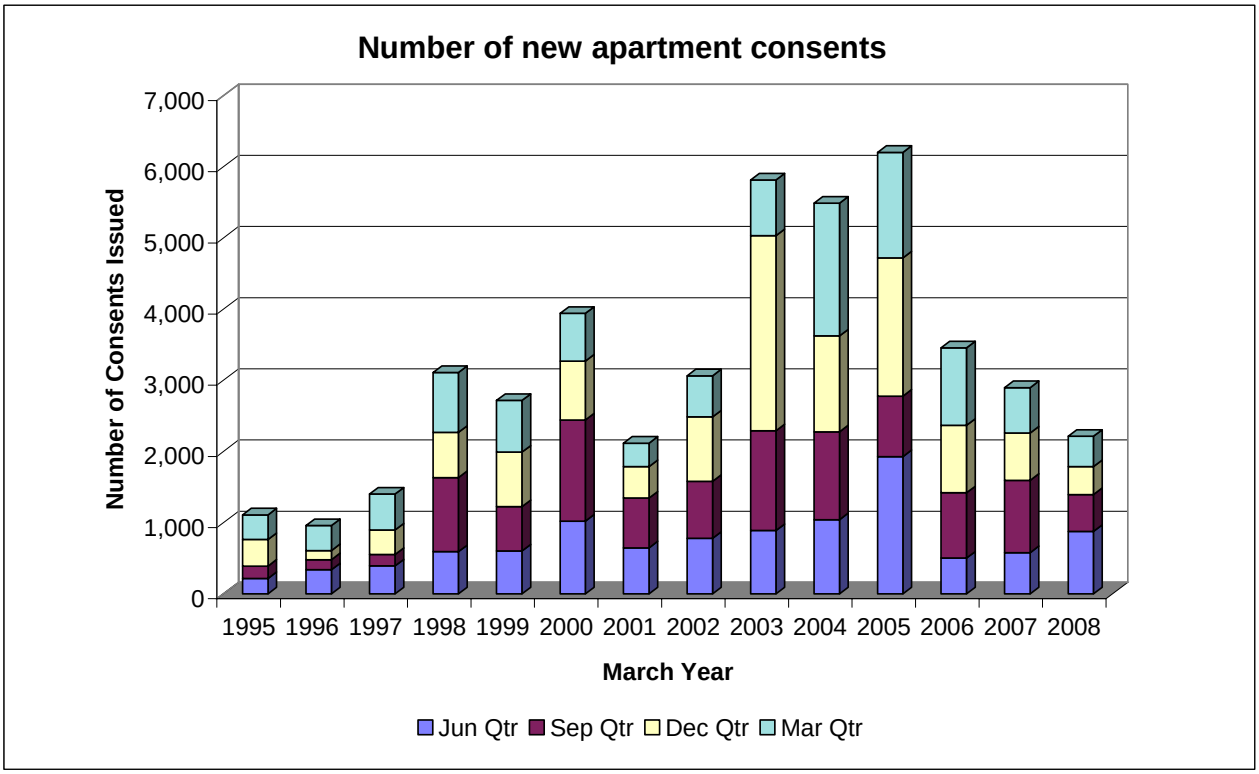


Source: Statistics New Zealand

The number of authorised apartment units can vary considerably from month to month. However, since January 2008, the number of authorised apartment units has been lower compared to the same time last year. The number of apartment consents issued in March 2008 was 73.7 percent lower than in March 2007. Apartments contributed 3.2 percent to the number of new dwellings authorised in March 2008, compared with a monthly average of 8.8 percent for the previous 12 months.

Annually, the number of authorised new apartment building consents recorded a 23.6 percent decline from 2,898 in the year ended 2007 year to 2,214 in the year ended March 2008.

Figure 17: Number of new apartment consents



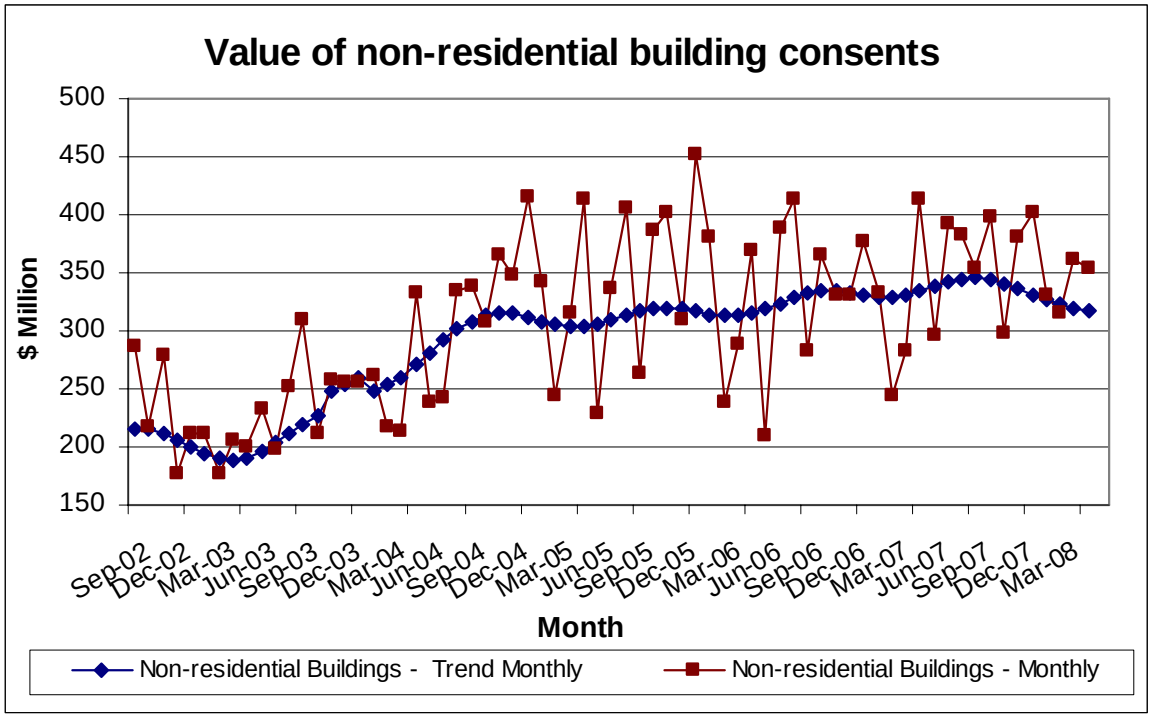
Source: Statistics New Zealand

Non-residential building

The value of non-residential building consents[17] remains at a high level (Figure 18). The trend remains high but shows a decline since July 2007. However, although Statistics New Zealand estimates the trend series after removing consents with values of $25 million or more, the trend values still need to be used with caution.

The actual non-residential building consent values decreased by 14.3 percent in March 2008 compared to March 2007, largely due to decreases in the value of the 'offices and administration buildings', 'hospitals and nursing homes', and 'shops, restaurants and taverns' categories.

Figure 18: Value of non-residential building consents



Source: Statistics New Zealand

[17] Non-residential construction includes new non-residential buildings plus alterations and additions to existing non-residential buildings.

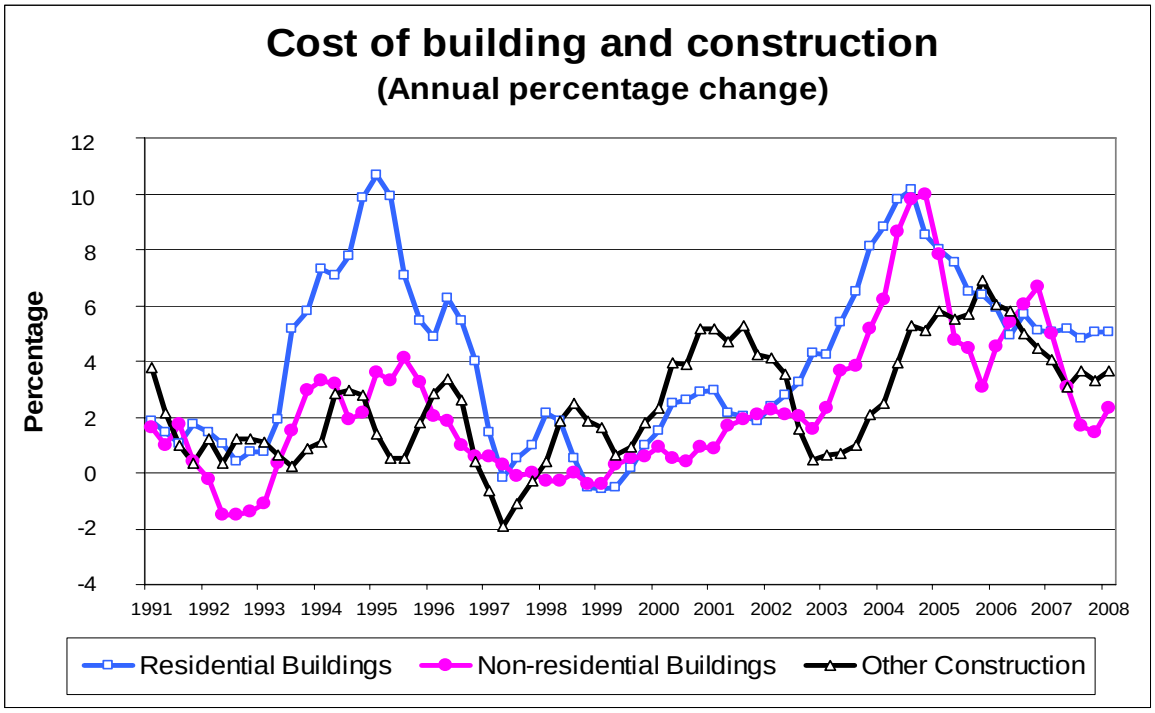
Building costs

The various building costs indicators for capital, production and labour show that there are inflationary pressures in the construction industry.

The Capital Goods Price Index (CGPI) measures movements in price levels of various fixed capital assets in the New Zealand's economy. The March 2007 quarter CGPI showed that price increases for residential building were high compared to other industries in the economy. In the year to the March 2008 quarter, the increase for the overall CGPI was 2.5 percent, of which the increase for residential building was 5 percent, the increase for non-residential building 2.3 percent, and the increase for other construction 3.7 percent.

The increase in residential building costs is mainly because of higher prices for construction components and increased subcontractors' charges. Higher non-residential building costs are explained by higher prices for reinforcing steel products and increased costs for structural steelwork in the construction of warehouses, and of shops and offices. The main reasons for the increase for other construction costs are rising costs for construction of water supply systems (due to higher costs for labour and fuel) and of car parks, pools, paths and drives (due to increases in costs for concrete work), and construction of wells (due to higher labour charges for water well drilling).

Figure 20: Cost of building and construction



Source: Statistics New Zealand

Another cost indicator, the Producers Price Index (PPI), measures change in the levels of prices for the production sector of the economy. The PPI comprises output indices[18] (which measure

18 The PPI output indices cover the prices of primary products, manufactured goods, revenue from renting and leasing, the provision of services, capital work undertaken by own employees and margins on goods purchased for resale. The output indices

change in prices received by producers) and input indices[19] (which measure changes in the cost of production and excludes labour and capital costs).

The PPI input index measuring the production cost for construction increased by 5.1 percent in the year to the March 2008 quarter. This reflects the increased prices for raw materials in the residential building sector (eg, 8.7 percent increase in timber frames price in the year to the March 2008 quarter).

The PPI output index for the construction industry also rose by 5.2 percent in the year to the March 2008 quarter. This contributed to the rise in the overall PPI outputs index. The increase in the latest quarter was driven by the non-building construction sub-index, including road construction and maintenance, and installation of plant and machinery (due to higher suppliers' prices, particularly for steel).

However, the increases in the PPI indices for the construction industry were lower than those for the overall PPI. The increase was 7.4 percent for PPI inputs and 6.1 percent for outputs, for all industries in the year to the March 2008 quarter.

The Labour Cost Index (LCI), which records changes in salary and wage rates, shows an increase of 3.2 percent for the construction industry and 3.4 percent for trade workers in the year to the March 2008 quarter. The increase in the LCI for all industries and occupations was higher at 3.5 percent for the same period.

Other developments in the building and housing sector

Weathertightness

The Weathertight Homes Resolution Services Act 2006 (the WHRS Act) came into effect on 1 April 2007. It gave leaky home owners access to speedy, flexible procedures for assessing and resolving their claims.

The new Weathertight Homes Tribunal (the Tribunal) under the Ministry of Justice was also established in April 2007. WHT aims to provide a more accessible and cost effective resolution process. WHT also provides assistance and guidance for claimants and homeowners on procedural matters.

Claimants bring a claim under the WHRS Act by applying to Weathertight Services, Department of Building and Housing, for an assessor's report. If the claim is found to be eligible under section 13 of the WHRS Act, then the claimant can proceed to the resolution process. Under the WHRS Act 2006 multi-unit properties are lodged with the Service as single claims.

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exclude interest and dividends, royalties and patent fees, receipts from insurance claims, government cash grants and subsidies and GST and other indirect taxes.

19 The PPI input indices cover the prices of materials, fuels and electricity, transport and communication, commission and contract services, rent and lease of land, buildings, vehicles and plant, business services, insurance premiums less claims. The output indices exclude wages and salaries (measured in the Labour Cost Index), capital expenditure (measured in the Capital Goods Price Index), ACC levies, land tax, government licence fees, road user charges, rates, royalties, patent fees and bad debts and donations.

WHRS encourages claimants to make repairs before seeking settlement. This is intended to discourage further deterioration of the "leaky" buildings while the resolution is sought. At the same time, it should allow claimants to substantiate their claims with the receipts from the repairs. After the claim is assessed eligible the claimants are given time to decide their choice of resolution. At the end of March 2008, of the claims where claimants decided to proceed with resolution process half chose to repair first. The rest were going through alternative jurisdiction or resolution options provided under the WHRS Act 2006 or WHRS Act 2002 (for older claims).

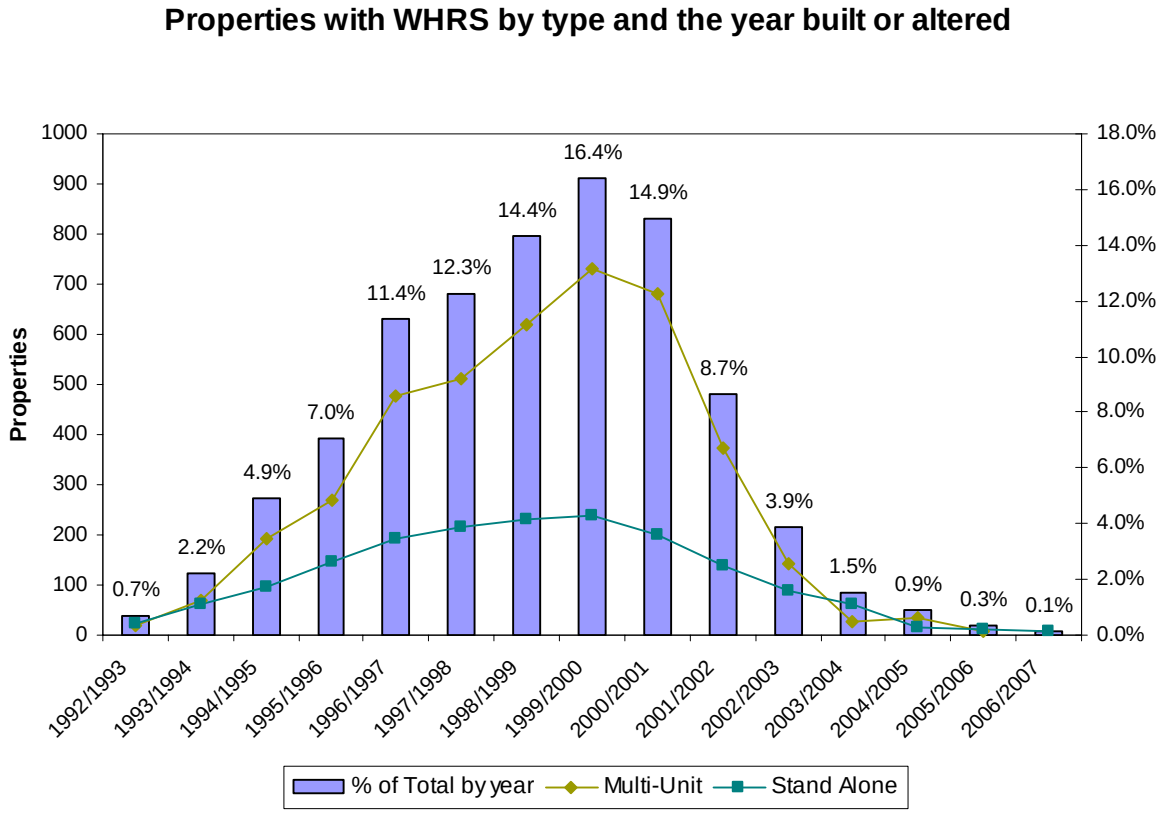
The Weathertight Lending Assistance pilot scheme is delivered by HNZC and is available to people with a WHRS claim. At 31 March 2008, HNZC had made 13 loans totalling $2.442 million to claimants, and this leaves $4.641 million for the remaining 15 months of the pilot period for the scheme.

From January to March 2008, WHRS accepted claims on 177 properties. On 31 March 2008, the number of active multi-unit and stand alone claims with the WHRS was 2,392. These claims were associated with 3,193 properties. 74 percent of active claims came from the Auckland region (Auckland, Manukau, North Shore, Waitakere City Councils and Rodney District Council) with 47 percent of these claims from Auckland City alone.

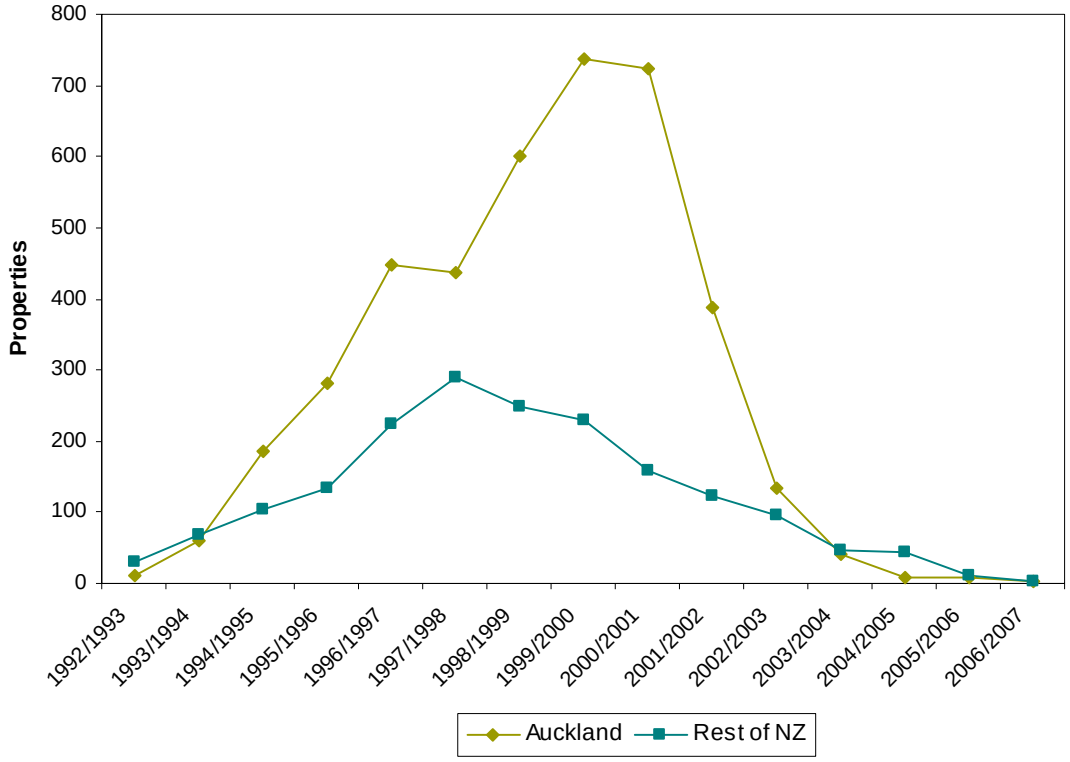
Since the beginning of the service in April 2007 to 31 March 2008, the Tribunal has received 180 claims resolving 63 claims, mostly through mediation (48 claims).

Analysis of properties listed with WHRS

Breakdown by financial year (July to June), as of 31 March 2008:



Properties with WHRS by location and the year built or altered



Building Act determinations

The Building Regulations contain the New Zealand Building Code, and the Building Act 2004 contains rules about building consents and inspections. Interpretation of Building Regulations may result in the Department receiving a request to clarify interpretations of the Building Code and territorial authorities' functions and powers under the Building Act. The Department will then decide on the request (that is, make a determination) about a particular situation.

The number of determinations increased since 2003. As at 23 May 2008, a total of 544 determinations had been processed by the Department. Approximately 72 percent of determinations were related to cladding and weathertightness issues.

Table 2: Building Act Determinations 2003–2007

Calendar year	2003	2004	2005	2006	2007	Up to 23 May 2008
Cladding/weathertightness	1	68	144	89	80	11
Access and facilities for people with disabilities	5	2	4	4	4	1
Fire safety	1	2	8	5	1	1
Surface water	2	2	0	5	0	0
Swimming pool fencing	1	0	2	4	4	0
Structure	0	1	1	1	6	2
Interior environment and facilities	0	1	2	1	3	0
Land subject to natural hazards	0	1	1	3	2	0
Barrier	1	0	3	2	1	2
Other (eg, refusal to issue a code compliance certificate)	0	0	1	15	40	3
Total	11	77	166	129	141	20

Notes:

1 'Cladding/weathertightness' refers to monolithic claddings and other related weathertightness matters.
2 'Access and facilities for people with disabilities' includes routes, ramps, lifts, toilets etc.
3 'Fire safety' determinations include matters such as emergency egress, fire cells, alarms, smoke detectors, and messaging to emergency services.
4 'Surface water' determinations concern stormwater and surface water run-off from one property to another.
5 'Swimming pool fencing' must comply with the Fencing of Swimming Pools Act.
6 'Structure' includes structure for safeguarding injury, loss of amenity and protection of other property.
7 'Interior environment and facilities' includes laundering facilities, personal hygiene facilities, and management of internal moisture.
8 'Land subject to natural hazards' refers to determinations concerning coastal erosion, and land subject to flooding and instability.
9 'Barrier' refers to desk barriers, stair balustrades and the like.
10 'Other' includes refusal to issue a building consent or a code compliance certificate for procedural reasons other than Building Code compliance.

Source: Department of Building and Housing

Update on the Department's work programme

Building Code Review

In November 2007, the Department reported to the Minister of Building and Construction on our review of the Building Code as required by Section 451 of the Building Act 2004. The review considered whether the Code:

- meets the requirements of the Building Act 2004
- is stated in enough detail to provide clear guidance on the performance standards that buildings must meet to ensure compliance with the Building Code.

The Department's review took a thorough look at the Code and its ability to meet the needs of New Zealanders, now and in the future. It included two rounds of public consultation, followed by extensive engagement with the building sector and consumers. A discussion document published in May 2006 was concerned with the scope of the Code – the features of building work the Code should address. A second discussion document published in August 2007 sought comment on specific proposals for building performance requirements. The Government has made no decisions about the recommendations made by the review.

Acceptable Solution for earth buildings

The Department published a new Acceptable Solution (E2/AS2) for the weathertightness of earth buildings in March 2008.
E2/AS2 cites New Zealand Standard NZS 4299:1998 *Earth buildings not requiring specific design*, subject to the following modifications:

- Revised window and door joinery details
- Revised foundation and soffit details
- New information for wall penetrations

The Acceptable Solution became effective on 1 May 2008.

Changes to the Building Act 2004 affecting Cable Cars

From 31 March 2008, a requirement in the Building Act 2004 relating to cable cars took effect.

It means that any building with a cable car attached to or servicing it must have a compliance schedule.

The Department of Building and Housing has released technical guidance for building officials and independent qualified persons (IQPs) by amending the Compliance Schedule Handbook to include cable cars in the Content Guide. This includes information and guidance on the content to be included in a compliance schedule about inspections and maintenance of the cable car.

The compliance schedule handbook refers to New Zealand Standard NZS 5270, Cable Cars for Private Residences. This Standard includes information on the inspection and maintenance of cable cars for houses, including an example of a maintenance checklist and items to be included on a compliance schedule

Buildings used wholly as a single household unit (a house) need the compliance schedule only for the cable car, but not for any other specified system in the building.

On the anniversary of the issue of the compliance schedule, a building warrant of fitness must be supplied to the council, certifying that all the procedures in the compliance schedule have been carried out. Sections 108 to 111 of the Building Act describe the building warrant of fitness requirements.

The owners of buildings with cable cars must contact their council to obtain a new compliance schedule, or, if a compliance schedule already exists, an amendment to the compliance schedule. The council can charge a fee for issuing this.

There are several reasons why owners of cable cars should obtain a compliance schedule. Owners who do not obtain a compliance schedule may find themselves breaching warranty requirements under sale and purchase agreements when selling their properties. Councils should consider placing documents on Land Information Memorandum indicating whether compliance schedule and building warrant of fitness requirements have been complied with where properties are serviced by cable cars. There may also be problems for owners if a cable car failure leads to an insurance claim and there is not an up-to-date compliance schedule in place. It is also an offence under the Building Act 2004 not to obtain a compliance schedule where one is required. From July 2008, a council will be able to issue fines for certain breaches of the Act, such as not obtaining a compliance schedule.

The council will need some information from a qualified person in order to issue the compliance schedule. This will include, for example, how often the cable car needs an inspection, including safety checks, and what maintenance is needed to keep the cable car operating safely. Specific areas of concern would be the presence and operation of any device that prevents the cable car from an uncontrolled descent, and ensuring there are clearances and other measures to ensure that users are not in danger of being crushed between moving and non-moving parts of the cable car.

Proposed amendments to the Compliance Documents for ventilation

In January 2008 the Department consulted further on proposed amendments to Compliance Document G4 relating to ventilation, particularly for apartments. An additional Standard, BS 5588-9: 1999 *Fire precautions in the design, construction and use of buildings – Part 9: Code or practice for ventilation and air conditioning ductwork,* is proposed to be cited in the Compliance Document.

Timber treatment survey

In March 2008, the Department invited responses from the industry to a short survey on the supply and use of treated framing timber. The target audience was people working in the industry rather than homeowners.

The last five years have been a time of rapid change in both timber product development and site practices. The Department met with representatives from the construction industry to review the supply and use of enclosed treated framing timber in New Zealand.

We are reviewing whether treated framing is fit-for-purpose; meets the needs of the building and construction sector; has simple and clear selection, identification and handling requirements; and how it meets the expectations of designers, builders and consumers.

As part of this review, the survey sought feedback from the industry on:

- choices for treated framing

- handling LOSP timber
- boron treatments
- weather exposure
- timber identification and quality assurance.

The overall aim of the review and this survey was to examine timber treatments for framing to ensure the timber's continuing reliability, and where necessary to amend procedures, standards or guidelines.