



Department of
Building and Housing
Te Tari Kaupapa Whare

Building and Housing Trends: July – September 2005



Published in December 2005 by
Department of Building and Housing
PO Box 10-729
Wellington
New Zealand

This document is also available on the Department's website:
www.dbh.govt.nz

ISSN: 1176-8339 (document)

The contents of this document may be freely used and reproduced, unless otherwise specified. In all cases, the Department of Building and Housing must be acknowledged at the source. The contents are for information only, subject to change and not a substitute for commercial judgement or professional advice, which should be sought prior to acting in reliance on the information. The contents of this document are prepared based on information and sources the Department believes to be reliable and, while the Department makes reasonable efforts to ensure the information is accurate, it does not accept liability for any errors in that information. Nor does the Department accept any liability or responsibility to any person for any loss or damage that may result from any act or omission by any person in relation to the material.

Contents

Introduction	2
Executive summary	3
Building and construction activity	3
The Cost of Building	5
The Volume and Value of Residential building	6
Non-residential building	8
Other construction	8
Employment	8
Cost of renting	9
Economic growth and industry outputs	11
Sectoral analysis	11
Growth in building activity slows	11
Decreased residential construction	13
Decline in new dwelling construction across most regions	15
Apartment consents have fallen	15
Non-residential construction	16
Labour market	19
Increased building costs	20
Increased renting and house operation costs	21
Cost of renting by type of dwelling	22
The number of tenancy bonds lodged and repaid	23
Bond/Rent Ratios for types of dwellings and selected major centres	24
Building quality and performance	27
Weathertightness issues	27
Update on regulatory developments	29

Introduction

The Department of Building and Housing (the Department) has increased the coverage of the *Building and Housing Trends* publication in recent quarters. Originally the publication covered the building sector and was referred to until the June quarter 2005 as *Building Industry Trends*. A decision was made to change the title for this quarter's publication given the wider coverage. We expect that the coverage of the publication will continue to increase and the format and approach will evolve.

Building and Housing Trends is based on a combination of accessible information and forecasts from government agencies, as well as information and indicative statistics developed by the Department from administrative databases and other internal information. It has been prepared in line with the Department's strategy to build and enable access to sector-related information and knowledge. Reserve Bank forecasts mentioned are taken from the December Monetary Policy Statement.

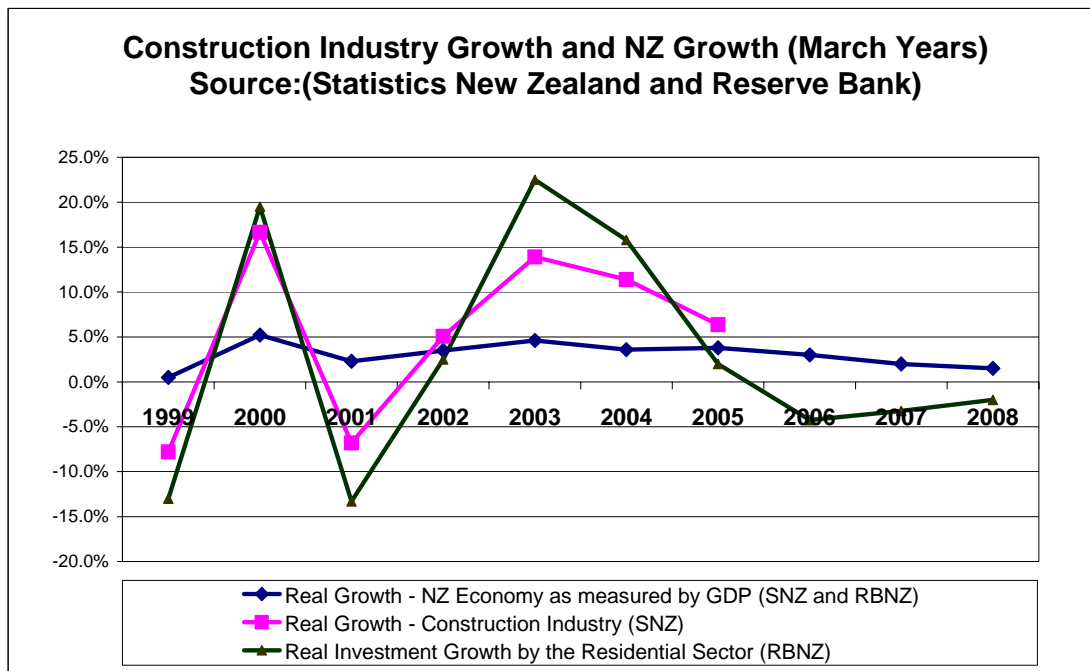
Executive summary

House prices, monetary policy and the construction industry

The New Zealand building and construction industry has experienced a period of rapid growth, but the seasonally adjusted value of all building work put in place fell 5.1 percent in the September 2005 quarter, following a rise of 5.6 percent in the June 2005 quarter.

In the December Monetary Policy Statement the Reserve Bank is forecasting investment by the residential sector to fall in real terms by 4.25 percent in the March year 2006 and 3.25 percent in the March year 2007. Building and construction will be strongly affected by any residential sector investment decline.

Figure 1: Economic growth and forecasts

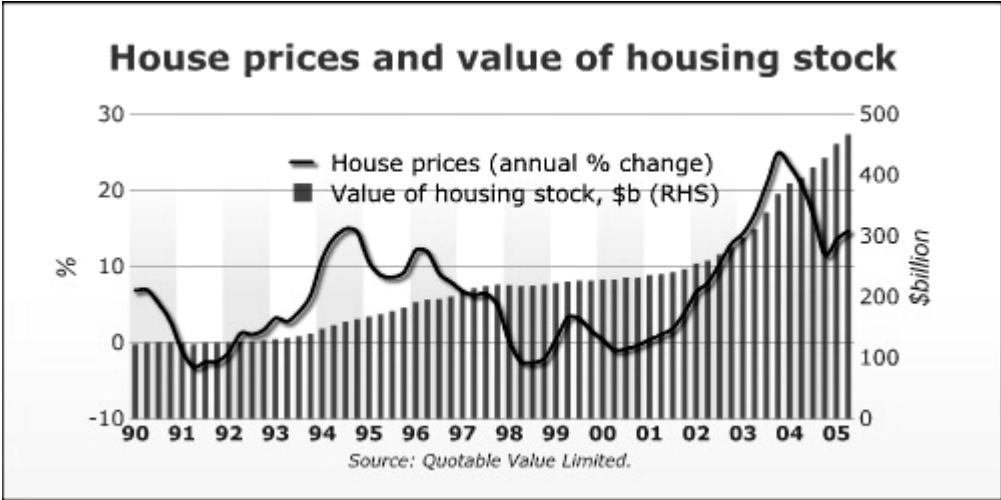


Source: Reserve Bank of New Zealand and Statistics New Zealand

The real estate market remains strong. This strength is indicated by the following factors.

- The continuing increases in median house prices (Real Estate Institute of New Zealand median house prices).
- The short time taken on average to sell a house at present (Real Estate Institute of New Zealand website).
- The cost of building and construction continues to rise faster than general inflation (Figure 4).
- Anecdotal evidence indicates that the market for commercial and industrial properties remains very tight.
- Mortgage debt of households continues to rise rapidly.

Figure 2: House prices and the value of the housing stock

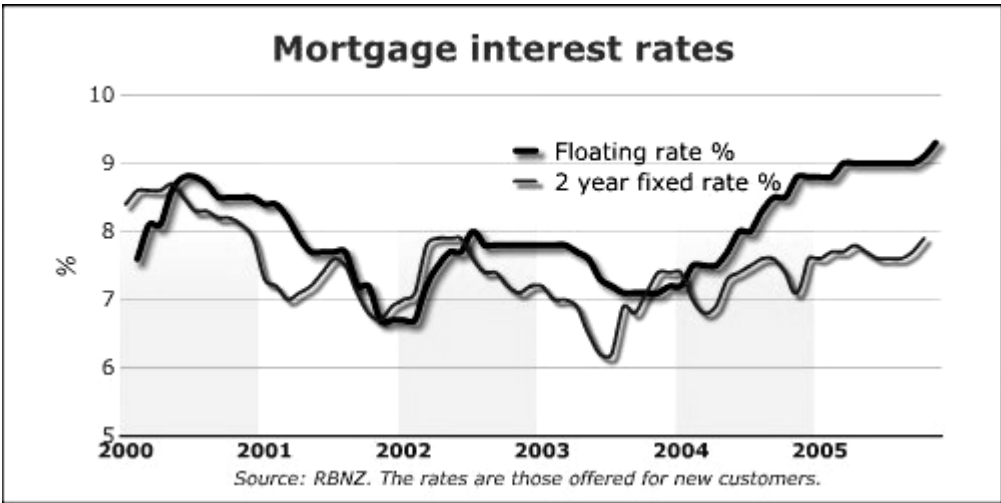


Source: Quotable Value Limited quoted by Reserve Bank of New Zealand

As house prices rise, individual owner’s wealth increases and they tend to spend more on average. This results in inflationary pressures of concern to the Reserve Bank. In response, the Reserve Bank has pushed short-term interest rates up to slow the growth in consumption and increase savings.

The increases have not as yet significantly slowed the real estate markets. In fact, it appears that increasing short-term interest rates takes longer than before to cool the house market.

Figure 3: Interest rates



Source: Reserve Bank of New Zealand

The ability of rises in short-term interest rates to slow the housing market has been undermined in the short-term by:

- fixed rate mortgages: most mortgage funding is now undertaken through fixed-term mortgages and so a rise in call and short-term interest rates will be fully reflected in mortgage rates only once the mortgage's fixed term has expired
- lower fixed rate mortgages relative to short term wholesale market rates: the margin required for longer-term funding has narrowed in recent years. This has resulted in lower fixed mortgage rates relative to the short-term rates (such as the 90-day bill rate) controlled by Reserve Bank actions. New Zealand long-term interest rates have been dragged down by low long-term interest rates in trading partner economies. This has been a large part of the reason why increases in short-term interest rates in New Zealand have not fully fed into higher long-term rates
- residential rental properties being seen as more attractive to savers and investors: factors include changes in expectations of continued capital gains and changing perceptions of competing investments such as investments in unit trusts, shares or other saving instruments.

The above factors decrease the responsiveness of house prices, individuals' wealth and consumption to increases in short-term interest rates. As a result, the Reserve Bank's monetary policy has lost some of its bite. In such an environment, significant increases in interest rates may be required to deflate the housing market and decrease consumption in a reasonable time-frame. Unfortunately, such interest rate increases would put further upward pressure on the exchange rate to the detriment of exporters, the tourism industry and those businesses producing goods competing with imports.

In response the Reserve Bank and The Treasury have developed terms of reference for a project called the 'Supplementary Stabilisation Instrument Project'. This project will consider structural and cyclical policies that are amenable to implementation in the short term and that have a direct bearing on the strength of the housing market. In particular, the review will look at policies that may influence housing credit growth independently of changes to the interest rates, including tax reduction through property investment, such as Loss Attributing Qualifying Companies, and factors that may be incorporated into the prudential framework (bank supervision framework) that could reduce the amplitude of housing credit cycles.

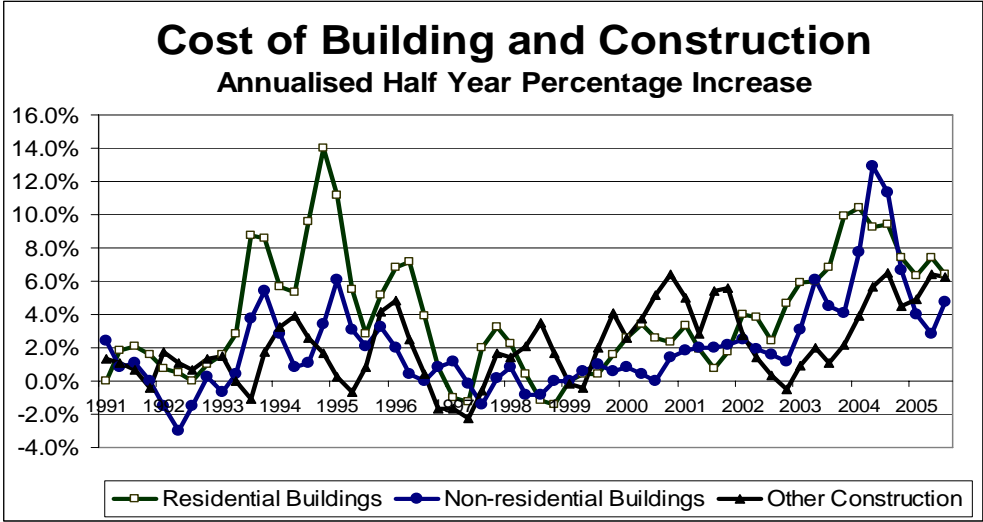
The cost of building

The cost of building and other construction increased at rates between 4.8 percent and 6.4 percent during the year to September 2005. These increases reflect increasing costs of factors and inputs used in building and construction.

- The wage rates and salary rates in the construction industry have been increasing at an annual rate of over 4 percent (the increase was 1.6 percent for the September quarter).
- Cost of inputs as measured by the Producers Price Index from Statistics New Zealand increased 7.2 percent from the September quarter 2004 to the September quarter 2005. Ready-mixed concrete increased 9.1 percent and framing timber 3.1 percent over the same period.

The inflation in costs of building has been slowing, but the increase in the cost of other construction appears to have been accelerating. This is thought to mirror expected growth in spending on infrastructure, for example roading.

Figure 4: Cost of building and construction

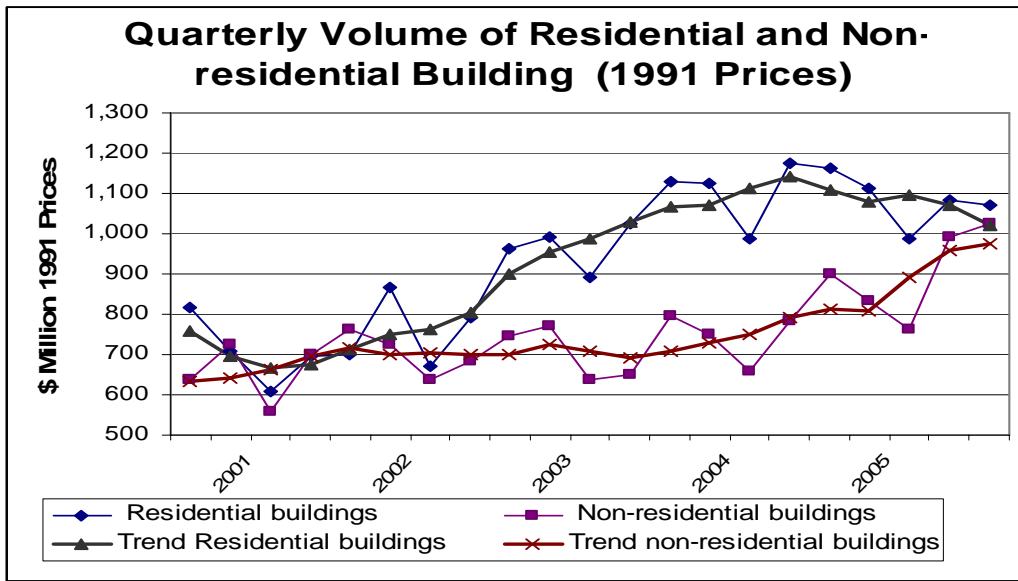


Source: Statistics New Zealand

The volume and value of residential building

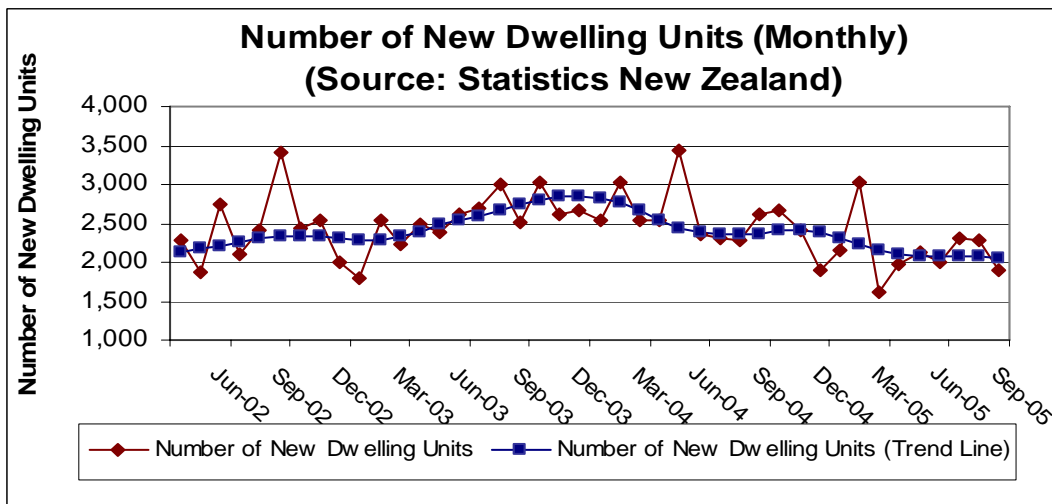
In recent years the building and construction industry has been struggling to meet demand. However, since late 2003 there has been a marked decline in the number of building consents issued for dwellings. This has been reflected in a decline in the volume of residential dwellings built (Figure 5). Note that before June 2005 the volume declines were more than offset by increases in the volume of non-residential buildings (Figure 5).

Figure 5: Real volume of work put-in-place



Building consents are forward indicators that would suggest volume declines will continue. However, the number of building consents for dwellings issued in the September quarter is still about 4 percent higher than the average for the same quarter over the past 12 years.

Figure 6: Number of residential consents



Source: Statistics New Zealand

The fall in volumes of both types of consent have been offset by increasing prices so that the value of consents issued has been oscillating around a stable level over the same period.

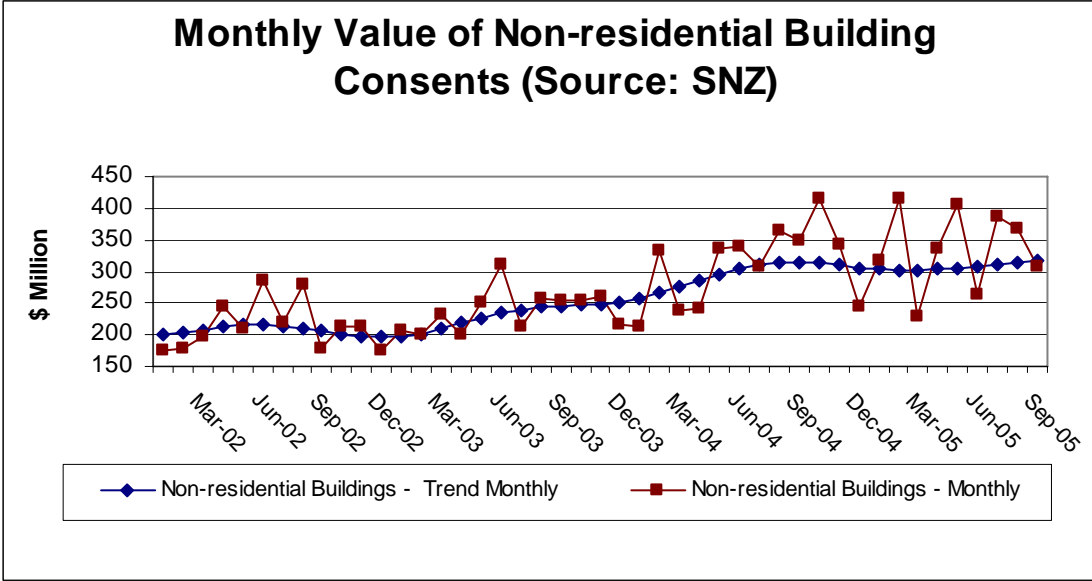
The supply of housing is still at a reasonably high level (Figure 5), but the Reserve Bank expects continued declines in residential sector real fixed investment. It is picking a fall of 4.25 percent in the 2006 March year, 3.25 percent in the 2007 March year and 2 percent in the 2008 March year.

The volume and value of non-residential building

Like residential buildings, the trend value of non-residential building consents has been stable in recent months, but at a higher level than in 2003 and early 2004.

The Reserve Bank is expecting business investment in fixed assets such as buildings to increase 13.25 percent in the 2006 March year, 0.25 percent in the 2007 March year and 1.5 percent in the 2008 March year.

Figure 7: Value of non-residential building consents



Source: Statistics New Zealand

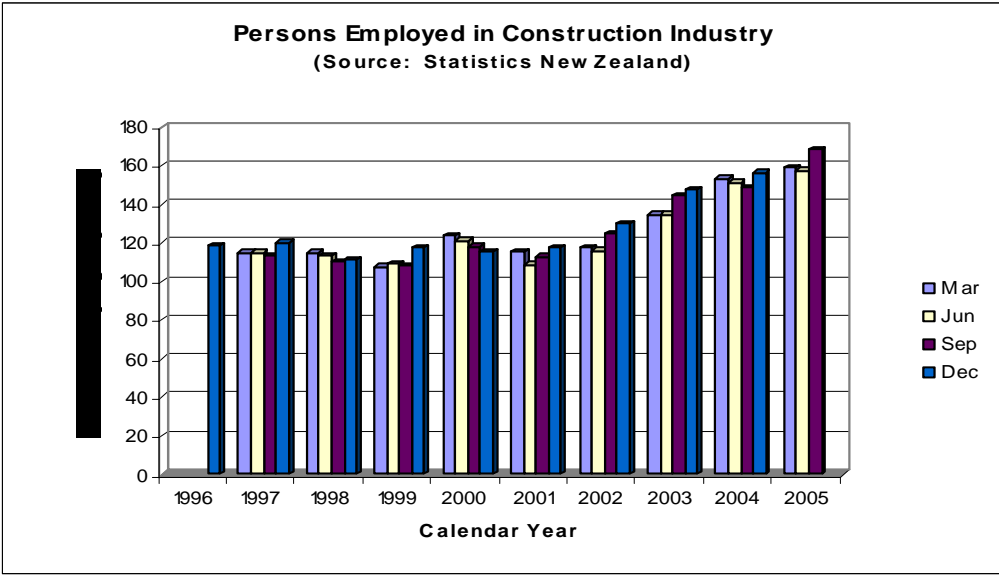
Forecasts of other construction

In contract to building, the Reserve Bank is expecting government spending on fixed assets to increase by 12 percent in the 2006 March year, 2 percent in the 2007 March year and 7.25 percent in the 2008 March year.

Employment

The increasing outputs of the construction industry resulted in rising employment from around 115,000 in the late 1990s to around 168,000 during the September quarter according to the Household Labour Force Survey. Average annual employment growth rose by around 13 percent over the year to September 2005, which is indicative of an industry growing capacity rapidly.

Figure 8: Employment in the construction industry



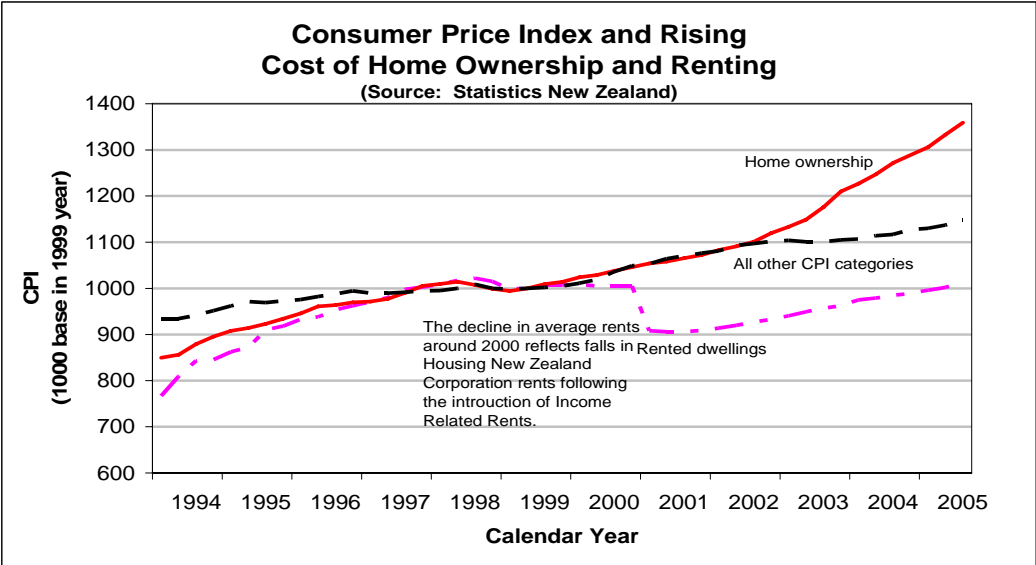
Source: Statistics New Zealand

Information on vacancies collected by the Department of Labour indicates a decline in advertised vacancies for building tradespeople over the last year. In July 2005 the numbers fell to the lowest levels since the start of the survey in January 2003. Since July 2005 the number of advertised vacancies has increased somewhat, but is still below the volume of a year earlier.

Cost of renting and home ownership

The cost of a home has also increased. The CPI sub-group ‘Rents’ increased at an annual rate of 2.7 percent from the September 2004 quarter to the September 2005 quarter. Over the same period the cost of home ownership increased 6.8 percent while general inflation, as measured by the CPI less housing costs, increased 2.8 percent. It is interesting to note that, on average, rents continue to move marginally more slowly than general inflation for the year to September 2005 but that the cost of home ownership continues to increase quickly.

Figure 9: Indices of accommodation costs



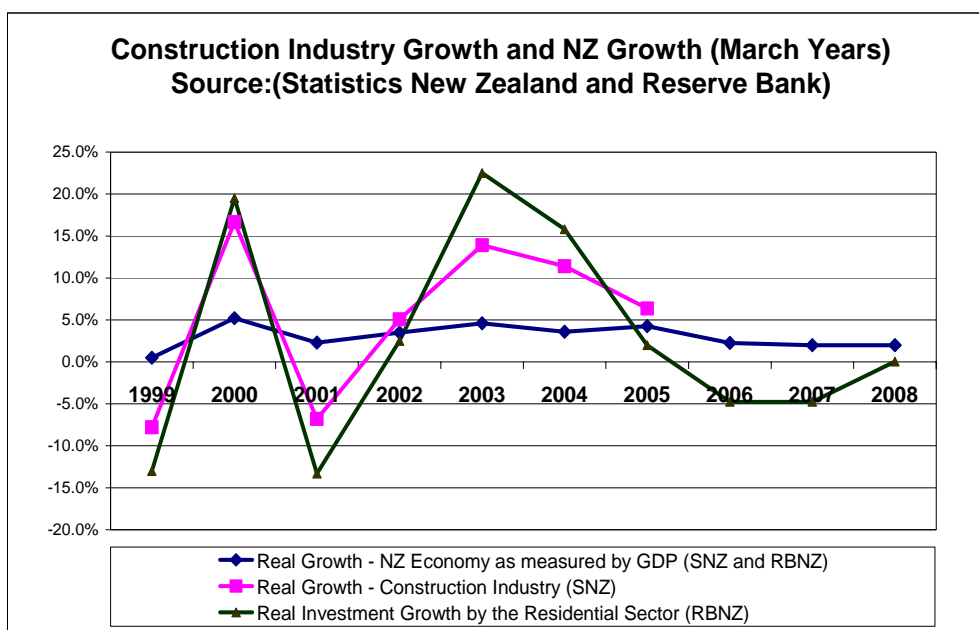
Source: Statistics New Zealand

Economic growth and industry outputs

The Reserve Bank noted on 27 October 2005 that its task of controlling inflation was being made difficult by “persistently buoyant housing activity and related consumption, higher oil prices and the risk of flow-through into inflation expectations”. In response to these issues the Reserve Bank increased interest rates in October and December and noted that “pipeline effects from the repricing of fixed rate mortgages are expected to slow the housing market and household spending over the coming months”.

Rises in interest rates would normally result in a decline in investment intentions and a resultant decline in building consents. The Reserve Bank forecasts indicate a fall in growth this financial year. Investment is expected to decline. Construction is expected to fall along with investment.

Figure 10: Economic growth



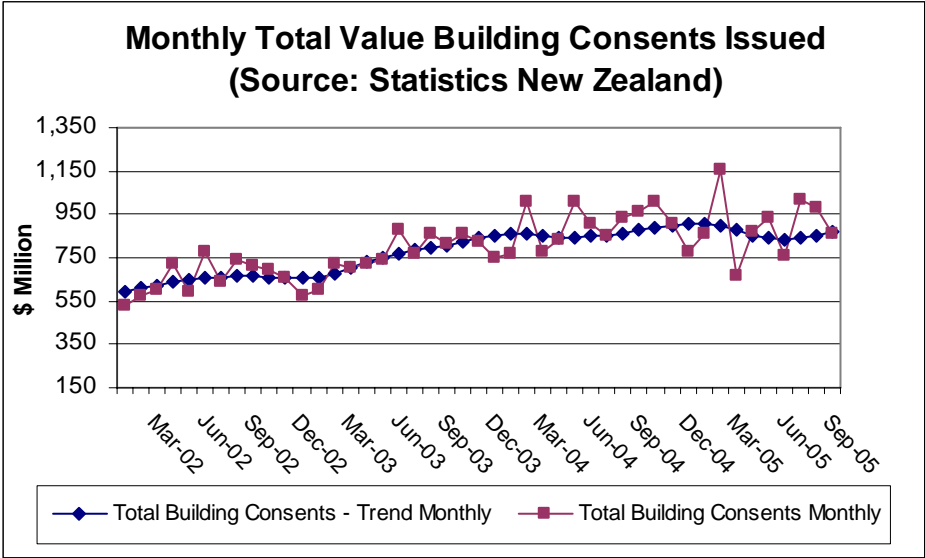
Source: Reserve Bank and Statistics New Zealand

Sectoral analysis

Growth in building activity slows

In recent months the value of building consents issued has been stable to falling on a year earlier.

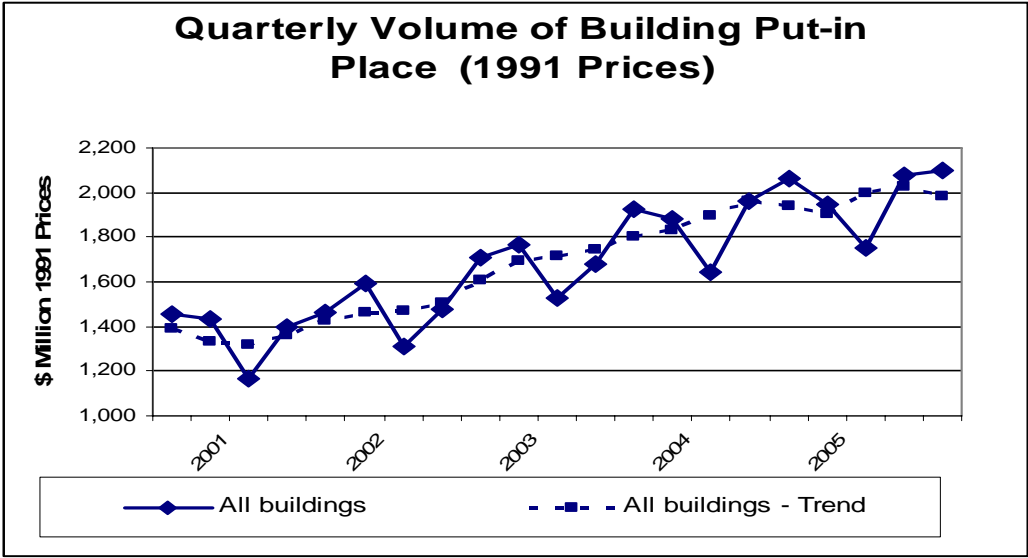
Figure 11: Trend in the monthly value of building consents



Source: Statistics New Zealand

Building consent statistics are indicators of future building activity and so the downturn in consent volumes can be expected to translate into lower future building activity. The declines in consents are beginning to be reflected in the volume of work put-in-place.

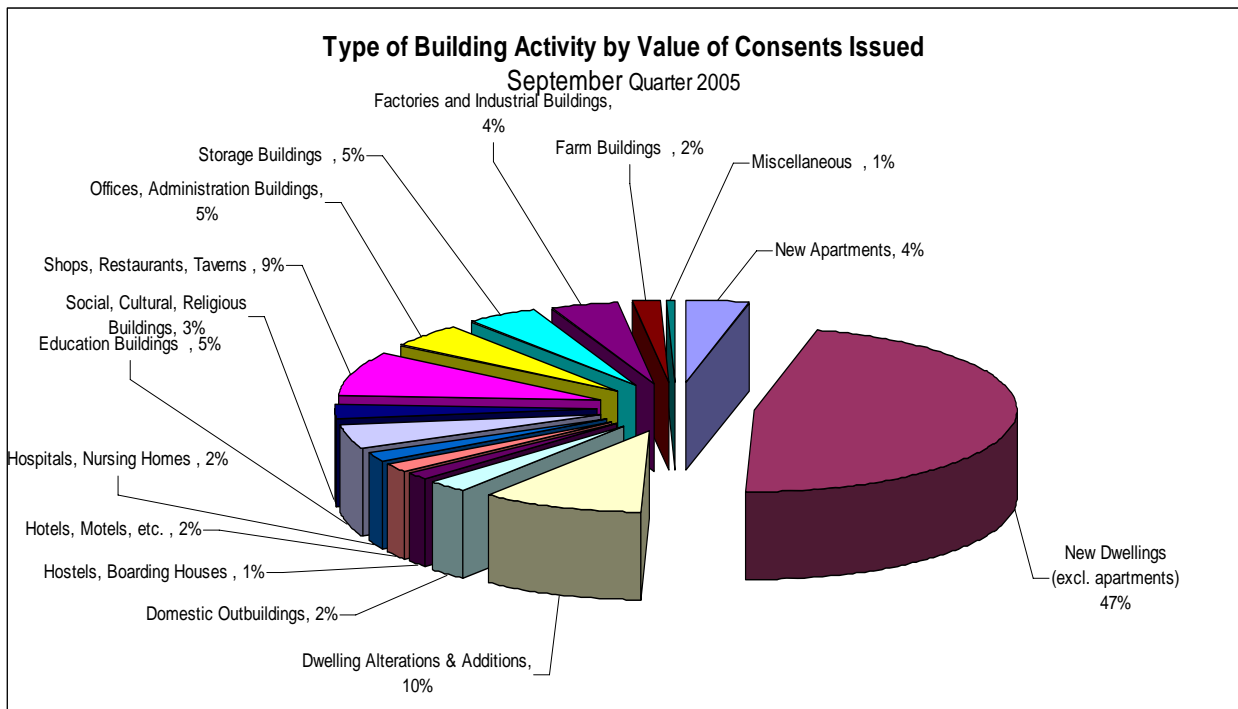
Figure 12: Total value of surveyed building activity



Source: Department of Statistics

In contrast to recent quarters the ratio of dwellings to total building consent numbers fell to 50 percent in the June quarter. This ratio stayed approximately constant in the September quarter.

Figure 13: Consents by type of building

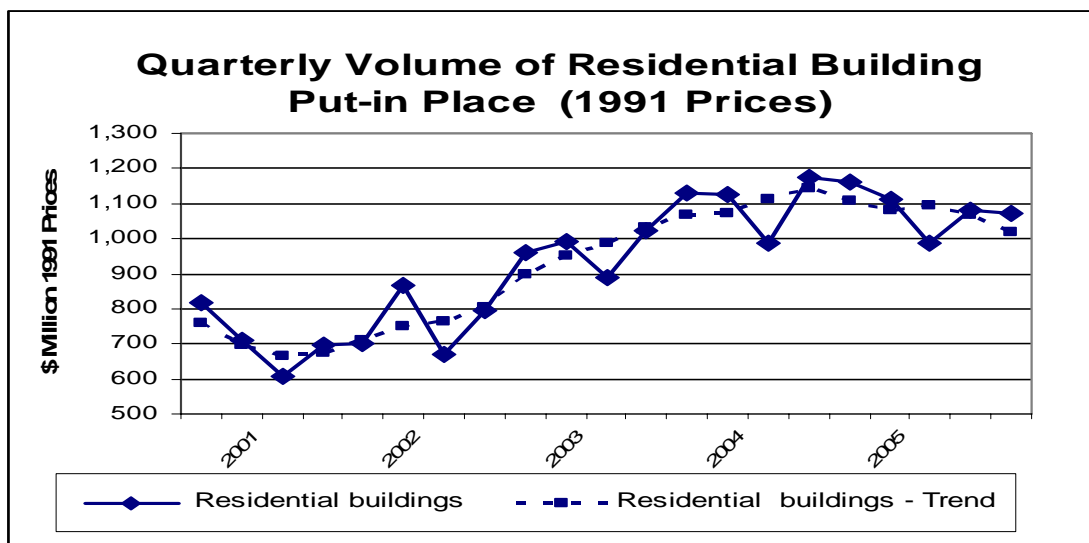


Source: Statistics New Zealand

Decreased residential construction

The volume of residential building stabilised in 2004 and began to fall in 2005. The decline has lagged behind the decline in number of new dwelling consents issued, which began in late December 2003 (Figure 15).

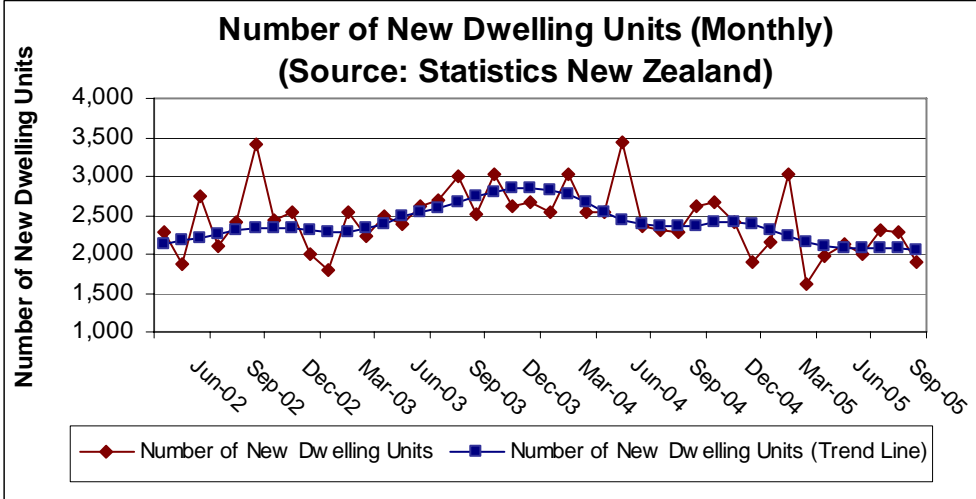
Figure 14: Quarterly volume of residential building



Source: Statistics New Zealand

The number of building consents issued is a forward indicator and is currently falling, which indicates that there may be continued declines over coming quarters. The Reserve Bank expects continued declines in real fixed residential investment. It is picking a real fall of 4.25 percent in the 2006 March year, 3.25 percent in the 2007 March year and 2.0 percent in the 2008 March year.

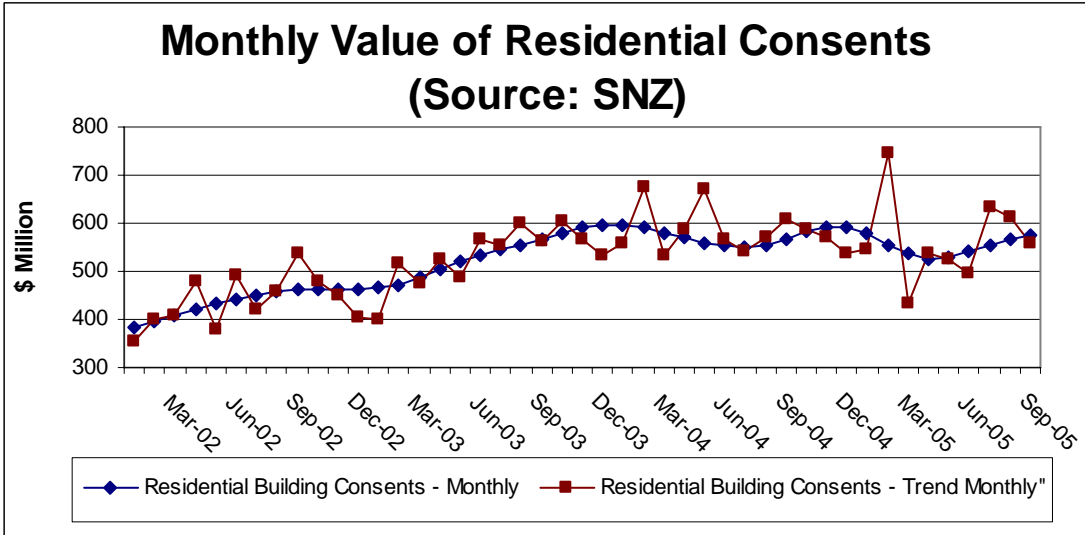
Figure 15: Number of new dwelling units



Source: Statistics New Zealand

The volume of building consents has been falling, but the value is oscillating around a stable to falling trend line.

Figure 16: Monthly trend and actual value of residential consents

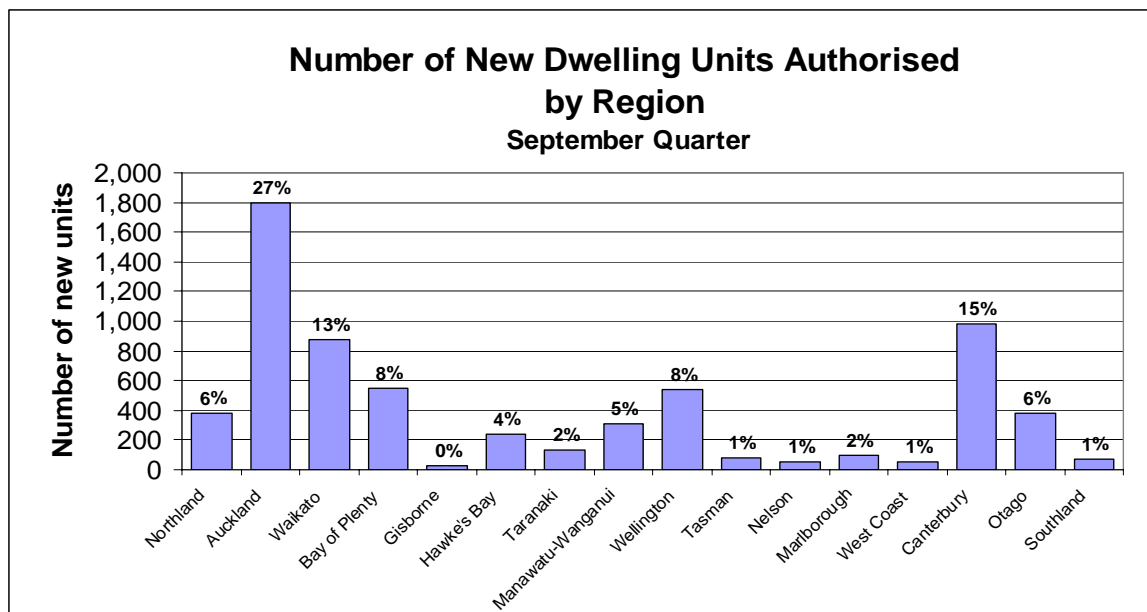


Source: Statistics New Zealand

Decline in new dwelling construction across most regions

When analysed geographically, 12 of the 16 regions showed a decrease in residential building consents in the June quarter when compared with the June quarter of 2004.

Figure 17: Regional spread of new dwelling consents



Source: Statistics New Zealand

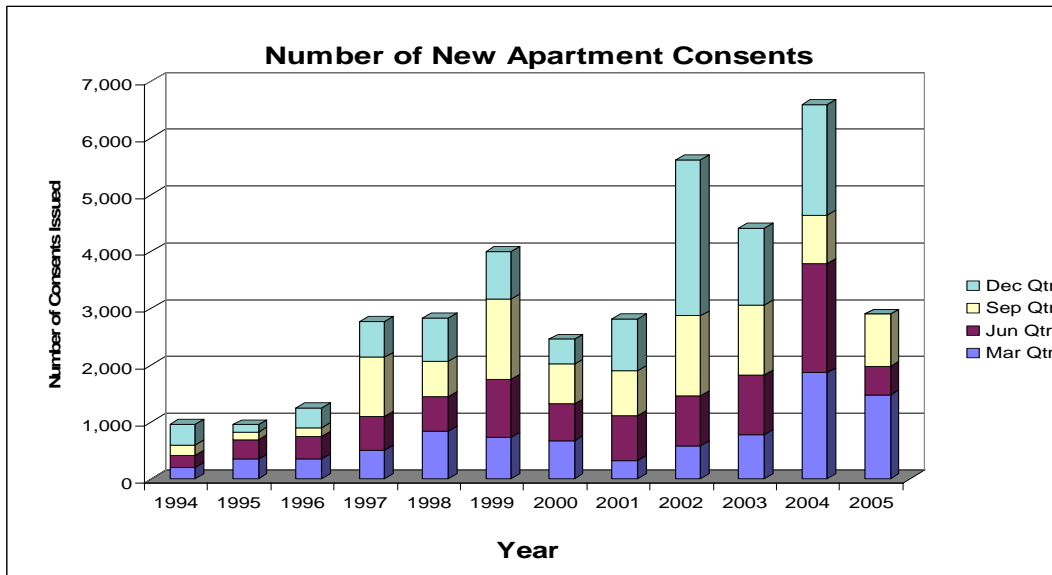
In the March quarter approximately one-third of all new dwelling consents were issued in the Auckland region. This proportion fell to 28 percent in the June quarter and to 27 percent in the September quarter of 2005. Wellington's and Manawatu-Wanganui's proportions increased 1 percent to 8 percent and 5 percent respectively.

Apartment consents have fallen

During the March quarter 2005 there were strong rates of apartment consent issuance as developers sought to beat fee increases that arose as a result of the new Building Act. There were subsequently large declines over the June quarter. In the September quarter apartment numbers were more in line with recent years, but overall the number of consents issued this 2005 calendar year is less than in recent years.

Although the number of consents issued for new apartments is volatile from quarter to quarter, the very large drop in new apartments this year is thought to reflect excess supplies of apartments reaching the market in key centres such as Auckland.

Figure 18: New apartment consents for the September quarter

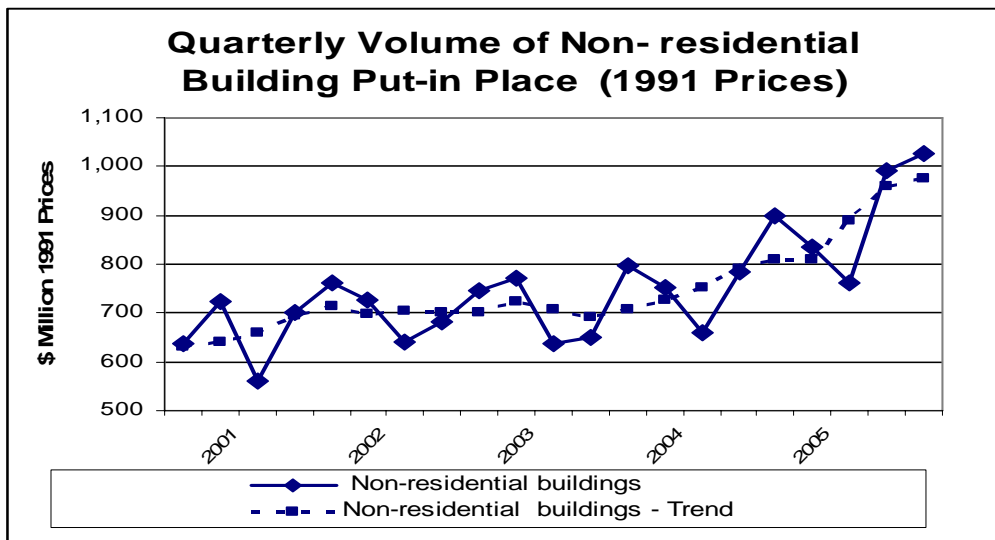


Source: Statistics New Zealand

Non-residential construction

The volume of non-residential building has been growing strongly for 2½ years.

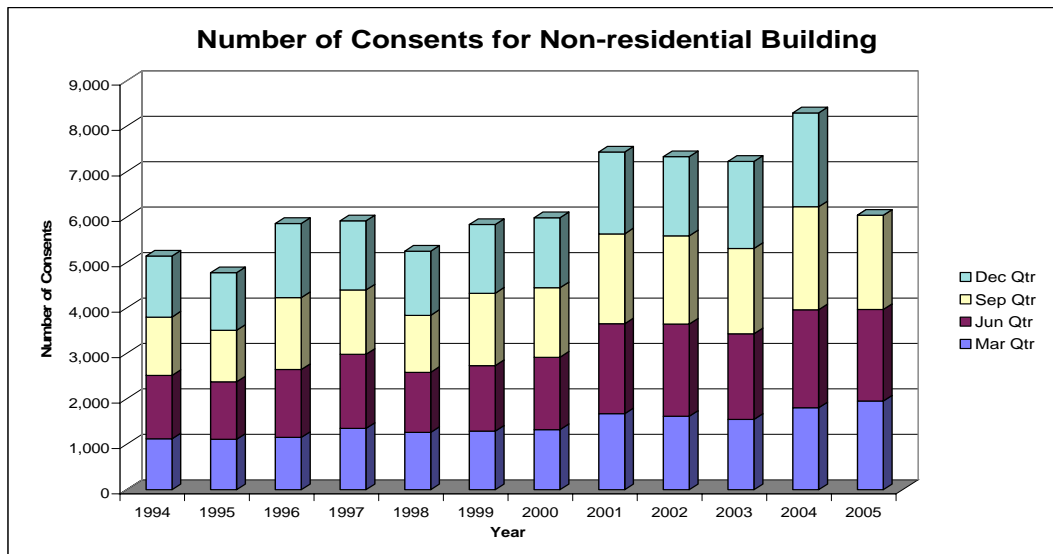
Figure 19: Quarterly volume of non-residential building put-in-place in 1991 prices



Source: Statistics New Zealand

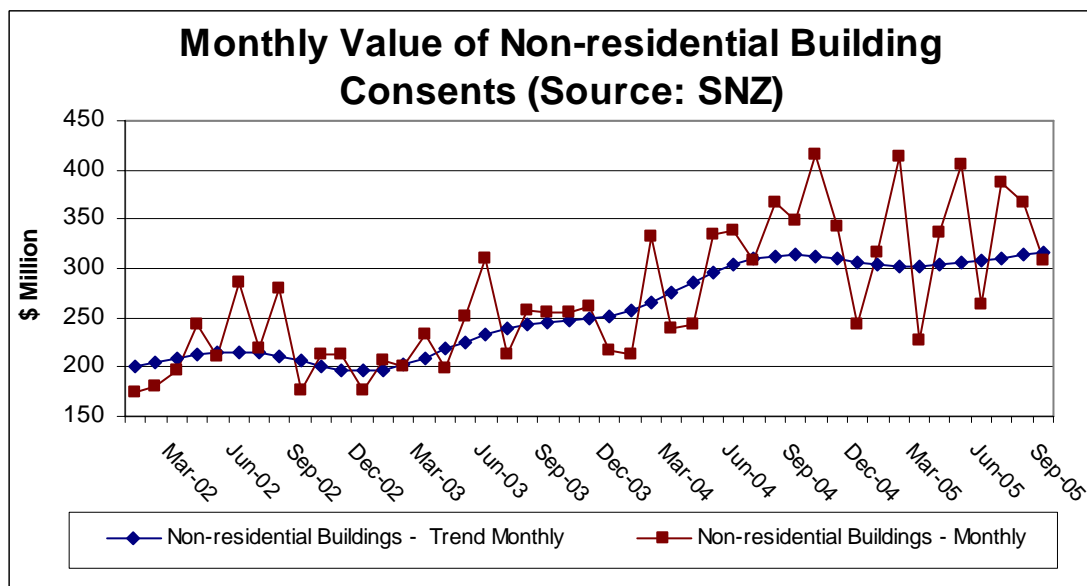
The Reserve Bank is expecting real business investment in fixed assets such as buildings to increase 13.25 percent in the 2006 March year, 0.25 percent in the 2007 March year and 1.5 percent in the 2008 March year.

Figure 20: Number of non-residential consents



Source: Statistics New Zealand

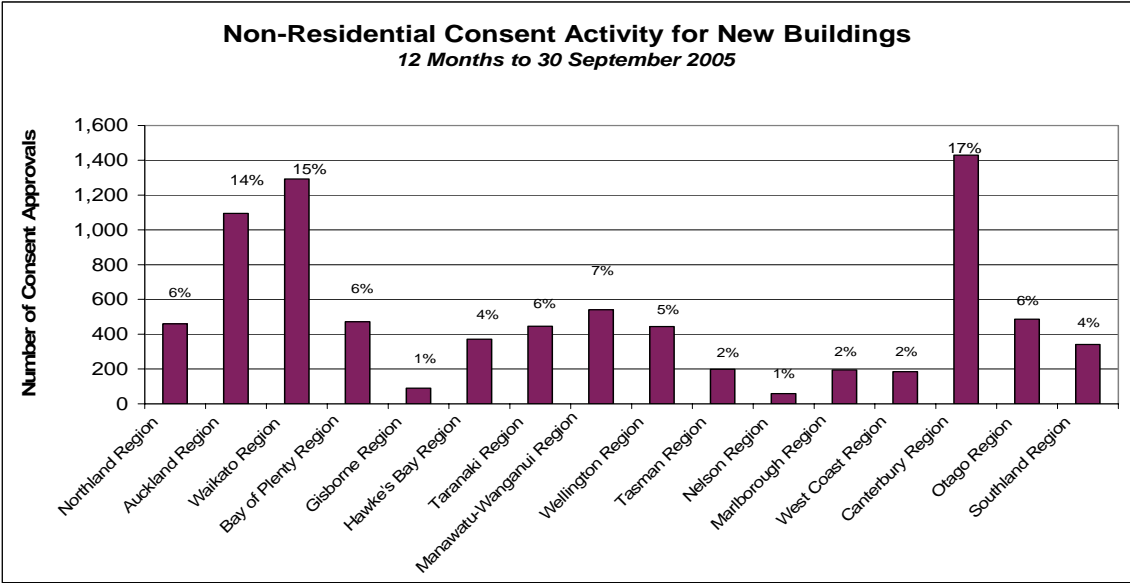
Figure 21: Value of non-residential building consents



Source: Statistics New Zealand

Last quarter it was noted that at present the number of non-residential consents in Auckland is much lower than the region’s share of economic activity and population, whereas in the Waikato, Canterbury and Manawatu-Wanganui regions consents are strong, indicating that investment in these regions is robust. This situation has continued in the September quarter.

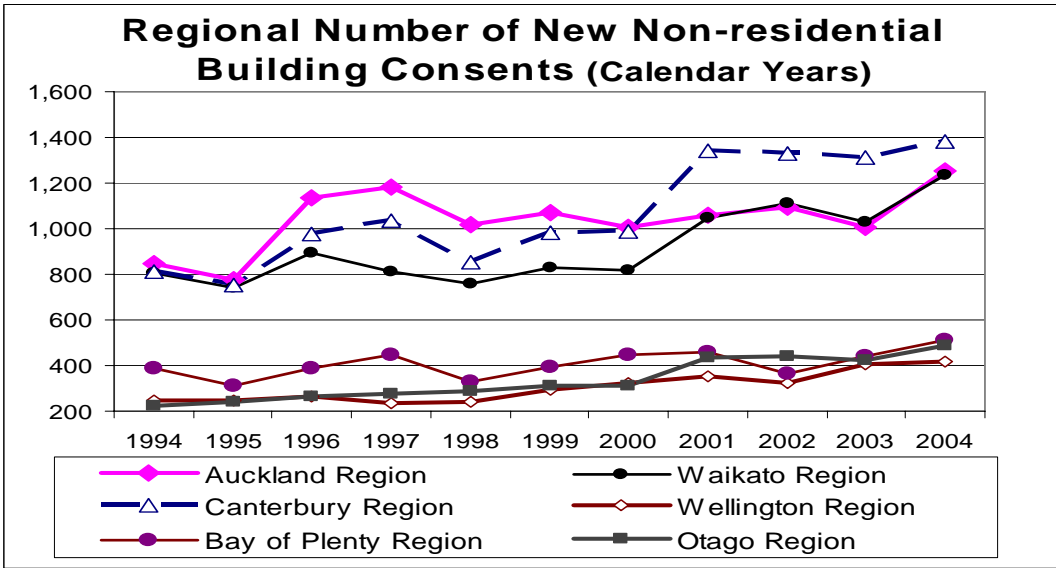
Figure 22: Non-residential consents for all regions in the year ended June 2005



Source: Statistics New Zealand

Since 1994 Canterbury and Waikato regional non-residential consents have increased more rapidly than those for the Auckland region.

Figure 23: Non-residential consents for major regions since 1994



Source: Statistics New Zealand

Labour market

The June 2005 quarter Household Labour Force Survey results published by Statistics New Zealand suggested a flattening in the rise in numbers of people employed in the construction industry in recent quarters. However, in the September quarter this trend reversed and numbers employed jumped 5 percent. In recent years numbers employed have increased in the September quarter, so the rise may indicate a seasonal pattern rather than a trend.

The decline in the consent figure over the last year and the fall in advertised vacancies would suggest that employment in the industry should be relatively stable or perhaps even fall over the coming year. However, there is also some anecdotal evidence that lags in the building and construction industry responses may explain the employment rise. Individuals wanting a builder may need to delay projects and so building work may hold up well after the peak in an economic cycle. Employers in the industry may also delay increasing employment to ensure the perceived increase in demand is sustained and that their books will continue to be full before increasing employment. The lags on both the demand and the supply side of the industry can act to maintain increases in employment, as appears to have been the case in the September quarter.

Figure 24: Numbers employed in the construction industry



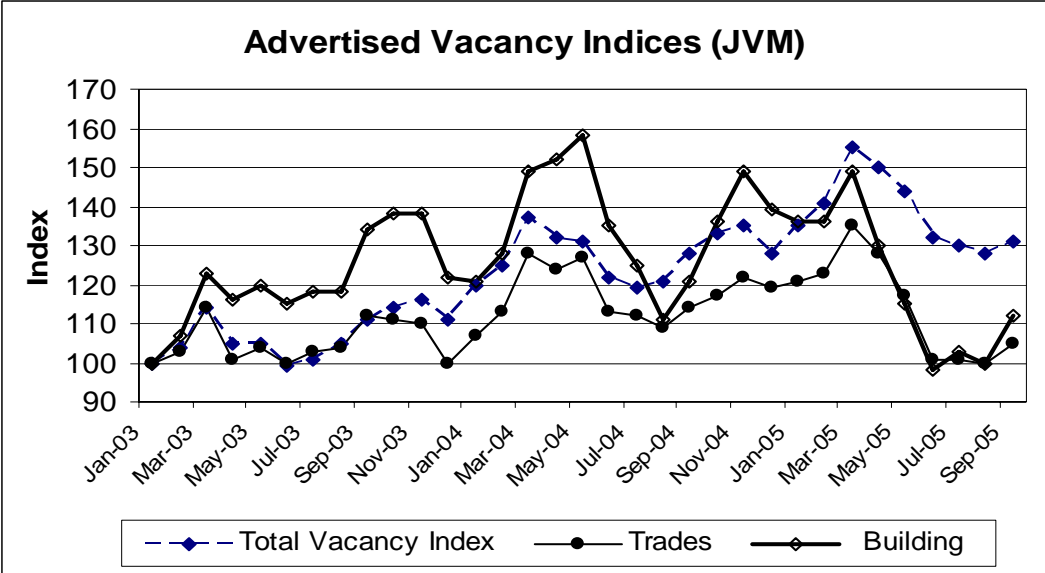
Source: Statistics New Zealand

Vacancies for tradespeople have slowed dramatically in 2005 according to the Job Vacancy Monitor monthly analysis of job advertisements undertaken by the Department of Labour.¹ In the March 2005 quarter advertised vacancies fell away, partly reflecting seasonal factors, as employment in construction often falls in the June quarter (Figure 24), but also declining

¹ According to the Department of Labour, the Job Vacancy Monitor is an indicator of both supply and demand trends in the labour market for various occupations.

numbers of residential building consents and rising interest rates. For June 2005 advertised vacancies were 27 percent lower than a year earlier. By September the numbers of advertisements had stopped falling and began to rise. By October 2005 they stood at about 10 percent above the trough experienced 6 months earlier.

Figure 25: Indices from the Job Vacancy Monitoring Survey

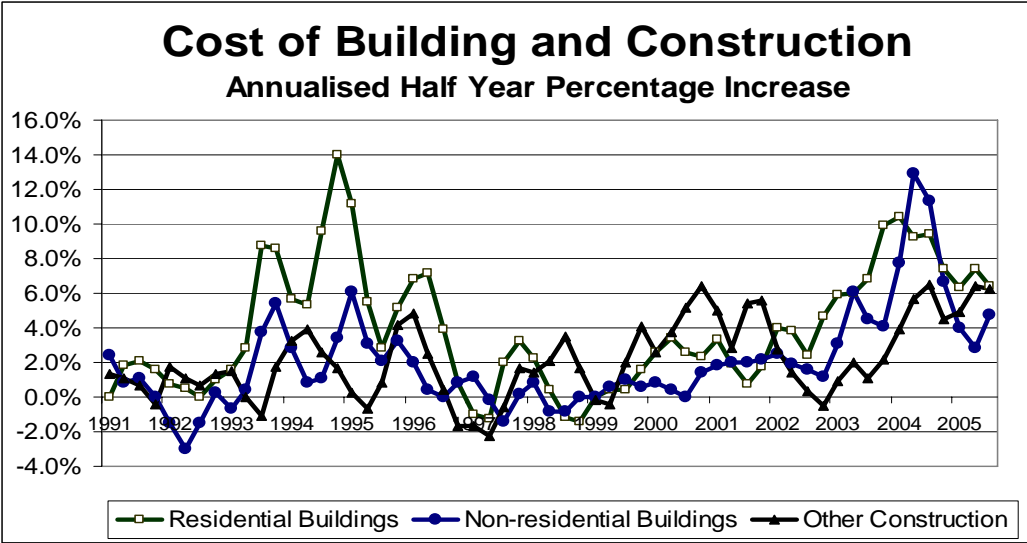


Source: Department of Labour

Increased building costs

The Department arranges for the survey of the costs of building two standard houses throughout the country. The results of this survey indicate that in July 2005 the cost of building a typical 145 square metre house in New Zealand was \$1,435 per square metre, while a typical 202 square metre house cost \$1,265 per square metre. The cost of building a typical 145 square metre house increased 11.2 percent for the year ended July 2005. The cost of a 202 square metre house increased by 8.95 percent on average for the year.

Figure 26: Cost of building and construction



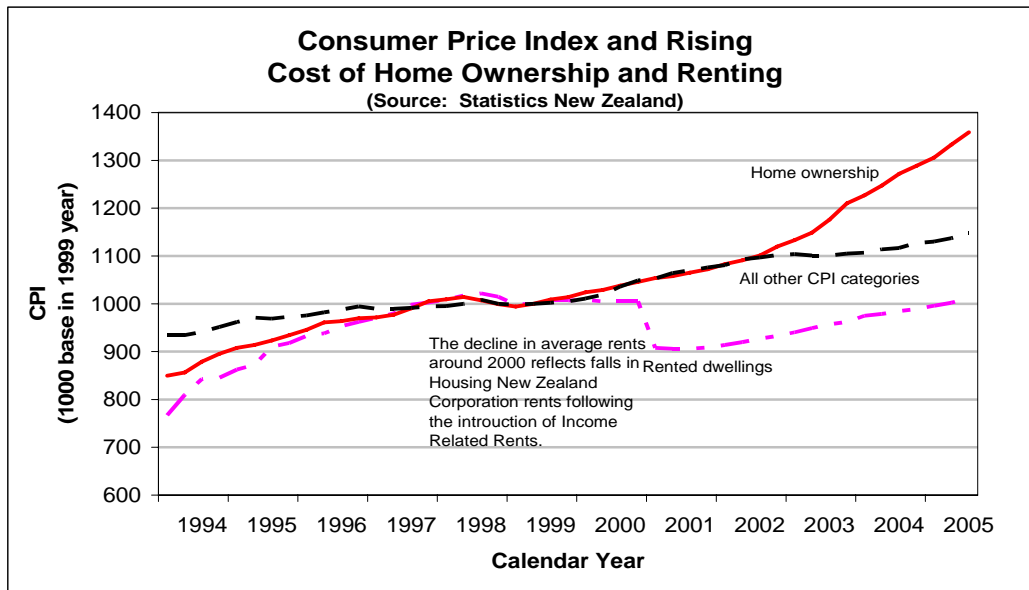
Source: Department of Building and Housing

The Capital Goods Price Index from Statistics New Zealand shows that the cost of residential building increased 6.5 percent from the September quarter 2004 to the same quarter in 2005. For the same period the cost of non-residential buildings increased 4.5 percent and other construction increased 5.7 percent. Figure 26 suggests that inflation in the cost of building may have peaked at around 10 percent in 2004 and appears to be sitting at around 4 to 7 percent. This rate of inflation is significantly above the levels of general inflation and may reflect the overhang of building and construction holding up demand. Other things being equal, increased employment in the industry over the last 6 months and the slowing economy should be expected to slow this inflation over coming quarters.

Increased renting and house operation costs

The cost of accommodation has also increased. The CPI sub-group ‘Rents’ increased at an annual rate of 2.7 percent from the September 2004 quarter to the September 2005 quarter. Over the same period the cost of home ownership increased 6.8 percent (Figure 27) while general inflation as measured by the CPI less housing costs increased 2.8 percent. It is interesting to note that on average rents continue to move marginally more slowly than general inflation for the year to September 2005, but that the cost of home ownership continues to increase quickly.

Figure 27: Indices of accommodation costs



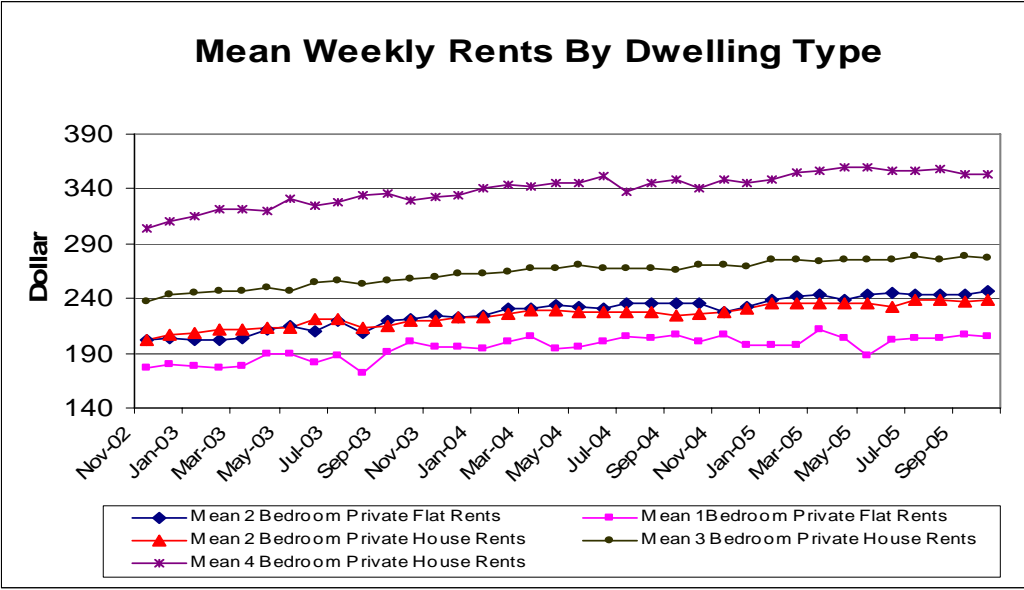
Source: Statistics New Zealand

Cost of renting by type of dwelling

The countrywide cost of renting a one-bedroom flat from a private landlord in October 2005 averaged around \$206, a two-bedroom flat around \$246, a two-bedroom house \$239, a three-bedroom house \$277 and a four-bedroom house \$354. The rents have edged up on average by around 3 percent over the past year.

All the above dwelling classes have increased except one-bedroom flats, which have rented at around \$206 since March 2004. For example, private rents for two-bedroom houses are around 5 percent higher than a year earlier for the 4 months to October 2005. These statistics would suggest that tenants on average are less willing to rent a one-bedroom dwelling than they used to be.

Figure 28: Mean rents for various types of dwelling



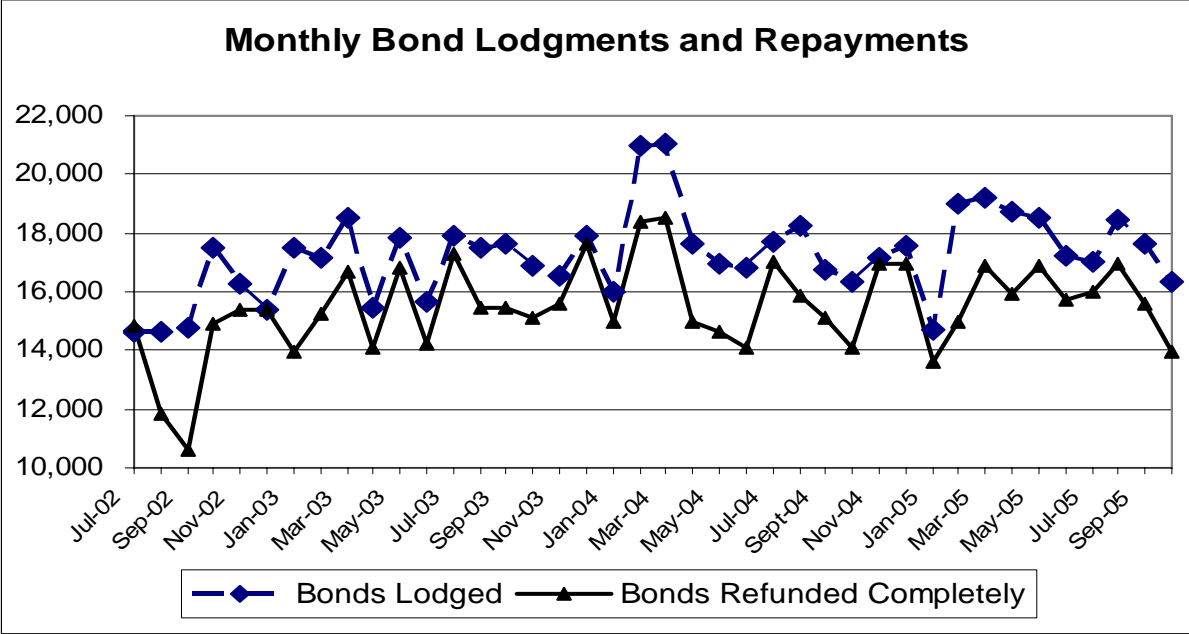
Source: Department of Building and Housing

The number of tenancy bonds lodged and repaid

The proportion of dwellings rented in New Zealand has been rising since 1991 according to the Census of Population and Dwellings. At the 1991 Census 73.8 percent of households lived in their own dwellings and did not rent. By 2001 this percentage had declined to 67.8 percent. The number of dwellings not owned by those living in them but who make rental payments totalled 359,000 in the 2001 Census. At the same time there were approximately 263,000 active bonds.

In the following table the number of bonds being lodged and repaid would suggest that over the last 3 years this trend towards renting has continued. The margin between lodgements and repayments underline this trend. The strength of the trend is, however, uncertain. The number of bonds lodged will not accurately indicate the number of tenanted dwellings since some properties have no bond attached or lodged, and sometimes some properties can have a number of bonds attached.

Figure 29: Monthly bond lodgements and repayments

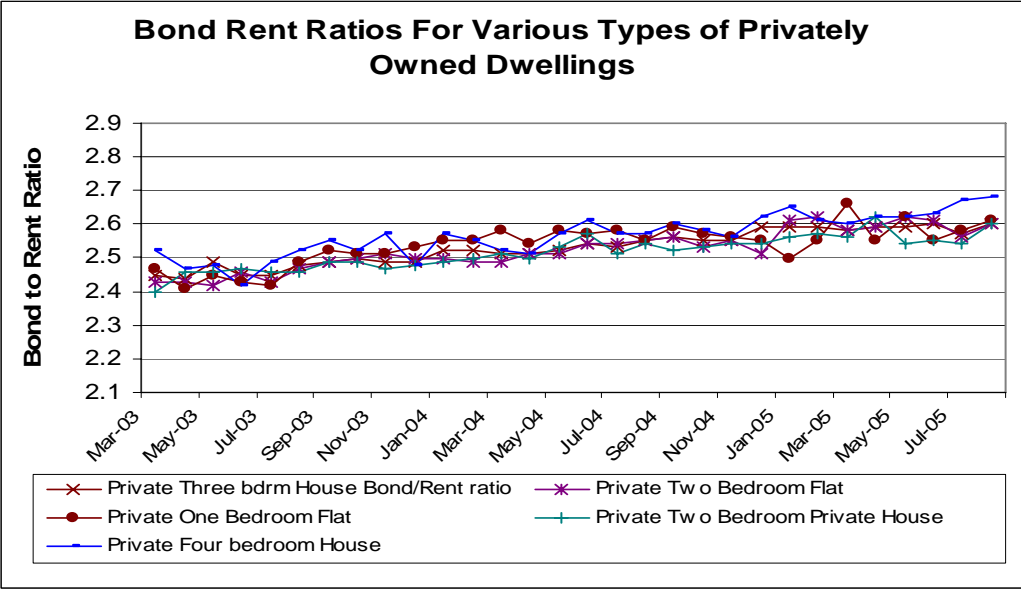


Source: Department of Building and Housing

Bond/rent ratios for types of dwelling and selected major centres

The Department holds residential tenancy bonds in trust for landlords and tenants. Landlords can require a bond of up to 4 weeks’ rent. The Department calculates the ratio of bonds to rents as part of its financial management processes. This ratio contains information about market power, demand and supply conditions and perceptions of landlords’ risks when renting dwellings.

Figure 30: Bond/rent ratios for selected dwellings

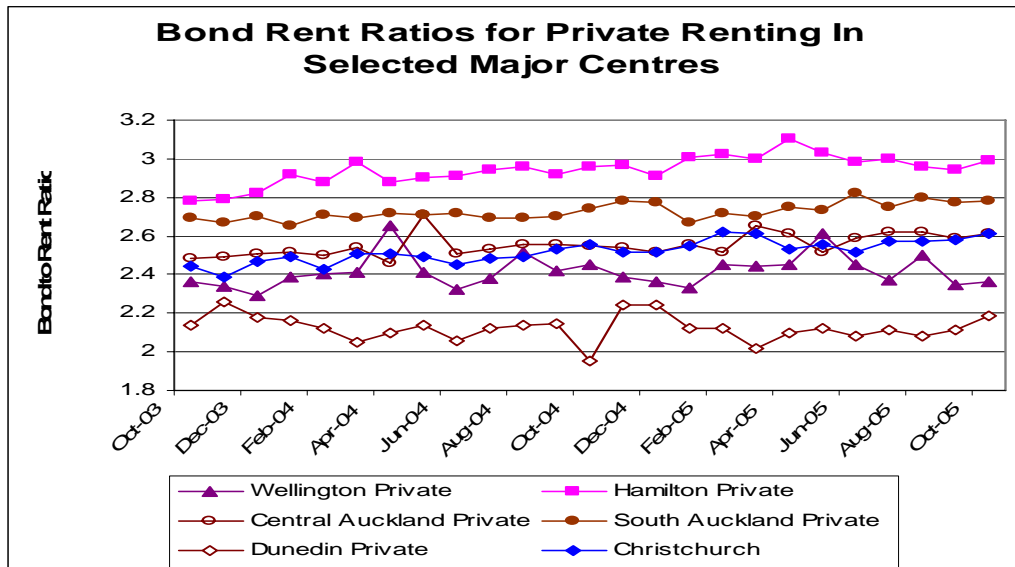


Source: Department of Building and Housing

At present bond/rent ratios are rising to around 2.6 (Figure 30). However, the slow movement in rents does not suggest that there is a significant change in demand and supply conditions. The market power of tenants and landlords would also appear to be relatively stable. Consequently, it is possible that at present landlords’ perceptions of risk in the rental market may be adjusting. Indeed landlords may be sacrificing some rental return for the increased security provided by a larger bond. It is also probable that the average tenancy, tenant and landlord is changing over time and that these changes will be influencing bond/rent ratios. Over time, the drivers of the bond/rent ratio may become clearer. In the meantime, however, it is appropriate to consider them as additional information and allow the build-up of a statistical series.

It is interesting to note geographical rental markets have different bond/rent ratios. Various explanations could be advanced for these variations based on anecdote and other softer forms of information. Such an approach may not be particularly beneficial at present and so we have provided the figure below showing the bond/rent ratios in various centres for your information and possible interpretation.

Figure 31: Bond rent ratios in selected centres



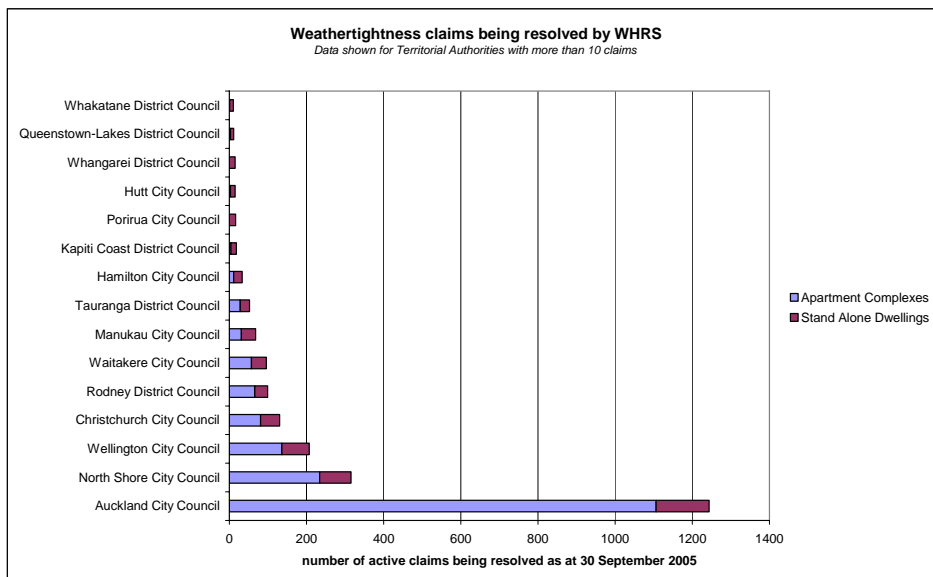
Building quality and performance

Weathertightness issues

The Weathertight Homes Resolution Service (WHRS) was set up by the government in November 2002 to help homeowners resolve disputes over leaky homes. The WHRS was transferred into the Department of Building and Housing in July 2005.

The number of claims being made to the WHRS continues to increase with total claims totalling 3641 at the end of September 2005. Around three-quarters have arisen in the general Auckland region², while the Wellington area contributed another 8 percent and Christchurch 5 percent. The majority of active claims involve apartment complexes (72 percent).

Figure 32: Active weathertightness claims



Source: Department of Building and Housing

The WHRS registers a claim and then an assessor inspects each affected property. If the report upholds the claim, an offer is made by the WHRS to help resolve claims using either mediation or adjudication. At the end of September 2005, 2740 assessment reports had been prepared. Of these, 316 were prepared in the September 2005 quarter.

The increased awareness of weathertightness risk factors, and the changed and changing building regulatory framework and environment, should decrease claims for recent years and limit the majority of these claims to buildings constructed prior to 2004.

² For this statistic the Auckland region includes Auckland, North Shore, Rodney, Waitakere and Manukau City Councils.

Building Code waivers

Section 67(1) of the Building Act 2004 allows a building consent authority that is a territorial authority to grant an application for a building consent subject to a waiver or modification of the Building Code. This power has traditionally been used infrequently by territorial authorities.

Thirteen waivers were issued during the September quarter (Table 1), achieving less than half of the long-term average of 30 waivers per quarter. This figure is also down from the June quarter.

C3 Spread of Fire waivers feature prominently in the September quarter figures, making up approximately 40 percent of total waivers. This compares to a past quarter figure average of approximately 33 percent of total waivers. In the September quarter 60 percent of the C3 Code waivers arose from a building being too close to a boundary. In these situations the Building Code requires measures to be taken to prevent spread of fire to adjacent property.

Territorial authorities often waive the fire rating requirement where these boundaries are beside public parks or rights of way, or other areas that are not going to be built on. In some cases the title is marked so that, in the event of any building being erected on the adjacent area, the waiver could be withdrawn. The remaining 40 percent of C3 waivers were granted for car parks held under individual titles, usually in apartment buildings. Where each car park has a unit title it can be held under separate ownership. In these cases the Building Code requires a firewall between adjacent parks. Generally, due to impracticality, territorial authorities waive this requirement on the condition that nothing other than a vehicle is stored in the park.

The remaining eight waivers during the September quarter relate to Building Code Clauses B1, B2, C2, E1, E2 and F4 with no trends emerging.

Table 1: Building Code waivers

	B1 Structure	B2 Durability	C2 Means of escape	C3 Spread of Fire	E1 Surface water	E2 External moisture	F4 Safety from falling	Total
Auckland CC	0	0	0	1	0	0	0	1
Buller DC	0	0	0	0	1	0	0	1
Hastings DC	0	0	0	1	0	0	0	1
Invercargill CC	0	0	0	0	0	0	1	1
Manukau CC	0	0	0	1	0	0	0	1
Napier CC	0	0	0	1	0	0	0	1
Nelson CC	0	1	0	0	0	0	0	1
New Plymouth DC	0	0	0	1	0	0	0	1
Selywn DC	0	0	1	0	0	0	0	1
Tauranga CC	0	1	0	0	0	0	0	1
Thames DC	1	0	0	0	1	0	0	2
Wellington CC	0	0	0	0	0	1	0	1
Total	1	2	1	5	2	1	1	13

The Department continues to monitor territorial authorities' use of Code waivers to determine whether they highlight any problem with the Building Code or other performance issues.

Update on regulatory developments

In July 2005 the Department released Building Controls Update 24 advising stakeholders that the Department has recommended to the Minister for Building Issues that he should consider seeking an amendment to the regulations to require mandatory inspection, maintenance and reporting of the relevant systems and features that make up 'means of escape from fire'.

Guidance for territorial authorities and building practitioners on managing variations and amendments to building consents was published on the Department's website

in September 2005. The Building Act 2004 revised the consents and inspection process and altered the way in which code compliance certificates are issued. This has had an impact in the way that variations are managed. Summary information in the form of a Building Controls Update on this issue was sent out by email to the 2200 subscribers to this Department service.

Guidance for territorial authorities and independent qualified persons (IQPs) on managing compliance schedules and building warrants of fitness under the 2004 Act and the 2005 Regulations was published on the Department's website in September 2005. The Building Act 2004 introduced new requirements for IQPs and building owners in respect of building warrants of fitness, and this has created a number of queries, particularly around the new Form 12A requirement.

An amendment to the Acceptable Solution for the C Fire Safety Clauses of the New Zealand Building Code, C/AS1 was published in July 2005 and came into effect on 1 October 2005. It included changes in respect to minimum fire ratings, safety in early childcare centres and the citing of three amended New Zealand Standards.

A report on Grade 500E Steel Reinforcement was published by the Department in July 2005 in response to concerns raised about the performance of Grade 500E reinforcing steel. In addition Practice Advisory 7 and a wallchart were widely distributed to suppliers, designers and constructors reminding them of correct practice, particularly with regard to bending, re-bending and welding. The report concluded that Grade 500E steel complying with AS/NZS 4671 is a satisfactory material but must be handled with care. Grade 500E QT steel manufactured by the quench and tempered process results in a material less tolerant to normal fabrication procedures. All documents are available on the Department's website.

In August 2005 the Department went out for public consultation on Building Code Clause F6 Lighting for Emergency and its Compliance Document. The proposed changes are designed to make the performance requirements in the Building Code clearer and provide more scope for alternative solutions to be developed, while continuing to provide adequate lighting within the escape routes of buildings in the event of an emergency. Submissions are being evaluated for a proposed Regulation change during 2006.

The E2/AS1 Compliance Document for External Moisture, first published in June 2004 finally came into effect on 1 July 2005. This document provides greatly increased design details for a larger number of roof and wall cladding types and requires drained and ventilated cavities in higher-risk situations.