



Department of
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Te Tari Kaupapa Whare

Building and Housing Trends: July – September 2006



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Introduction

This *Building and Housing Trends* publication covering the period from 1 July to 30 September 2006 is based on a combination of accessible information and forecasts from government agencies (Statistics New Zealand, Ministry of Social Development, Department of Labour), Quotable Value Limited and Housing New Zealand Corporation, as well as information and indicative statistics developed by the Department of Building and Housing (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.

Executive summary

The New Zealand economy has been slowing. The annual growth in real gross domestic product was 2.2 percent in the March 2006 year which was less than the March 2005 year growth of 3.7 percent. The construction industry slowed to an annual growth rate of 1.4 percent in the March 2006 year from 7 percent in the March 2005 year.

The Reserve Bank September Monetary Policy Statement forecasts a decline in real investment (as measured by Gross Fixed Capital Formation) of 3.5 percent during the March 2007 year. This decline is forecast to be followed by a rise of 0.4 percent in the March 2008 year, and 4.5 percent in the March 2009 year.

The following summarises the main developments in the building and housing sector since the last publication in October 2006.

Building and construction activity

The construction industry continues to slow. The annual growth rate of the construction industry declined by 7 percent in the year to the June quarter 2006, down from a 1.7 percent increase in the year to the March quarter 2006.

Residential building trends

- The trend in the number of new dwelling consents authorised has been increasing since May 2006. The number of new dwelling consents issued in the year to October 2006 was 26,577 and this is comparable with the 26,374 new dwelling consents issued for the same period a year ago.
- The value of residential building consents has oscillated on an increasing trend since March 2006, mostly as a result of increases in building costs. The increase in new dwelling consent numbers in recent months has increased trend values of residential building consents further. In the year to October 2006, residential building consent values were 6.9 percent higher than a year earlier.
- There were 3837 apartment consents issued in the year to October 2006 and this is 10.9 percent lower than the 4304 apartment consents issued a year earlier. It is expected that the apartment consent numbers in calendar year 2006 will be lower than in 2005.
- The Reserve Bank in its September 2006 Monetary Policy Statement forecasts a decline in real fixed residential investment of 6 percent in the 2007 March year.

Non-residential building trends

- The value of non-residential building consents follows an upward trend. Non-residential building consent values increased as a result of high consent numbers and increasing construction costs. The value of non-residential building consents in October 2006 was 7 percent higher than it was in October 2005.
- The trend for the value of real non-residential building work put-in-place has been increasing since December 2004.

Other construction (for example roads and infrastructure)

- The value for other construction consents issued in the year to October 2006 was 5.1 percent higher than a year earlier.
- In the September Monetary Policy Statement, the Reserve Bank forecasts government spending on fixed assets to decrease by 7.5 percent in the 2007 March year and increase 7 percent in the 2008 March year. Government spending on infrastructure is an important component of other construction.

Employment in the construction industry

- The Quarterly Household Labour Force Survey shows the number of people employed in the construction industry has increased 7300 or 4 percent from the June 2006 quarter to 188,300 in the September 2006 quarter.
- The monthly Building Trade Vacancy Index from the Department of Labour decreased by 11.6 percent for the year ended September 2006 and is at its lowest since the Index started in January 2003.

The housing market

The housing market is optimistic despite the recent increase in mortgage interest rates and lower gross domestic product growth rates. House price inflation remains high at an annual rate of 9.8 percent in October 2006. The median days to sell a property increased marginally from 28 days in October 2005 to 29 days in October 2006. The number of properties sold was relatively high at 8857 in September 2006 compared with 8513 in October 2005.

Social housing assistance

Government contributions to social housing assistance were \$315 million in the June 2006 quarter. The annual increase in contribution was 7.4 percent in the year to the June quarter 2006, and 10.6 percent in the year to the March quarter 2006.

Building and construction costs

- In the year to the September 2006 quarter, construction costs inflation has slowed to 5.7 percent for residential buildings, 6.0 percent for non-residential buildings and 5.0 percent for other construction.
- Wage and salary rates of people employed in the construction industry rose at an annual rate of 3.3 percent in the September 2006 quarter. This is higher than an annual rate of 3 percent measured by the Labour Cost Index for all industries in the economy.

Costs of renting and homeownership

The rebased and re-weighted Consumer Price Index indicates that for the 12 months to the September 2006 quarter, average rents have increased by 1.9 percent and the cost of homeownership increased by 6.2 percent.

Economic growth and industry outputs

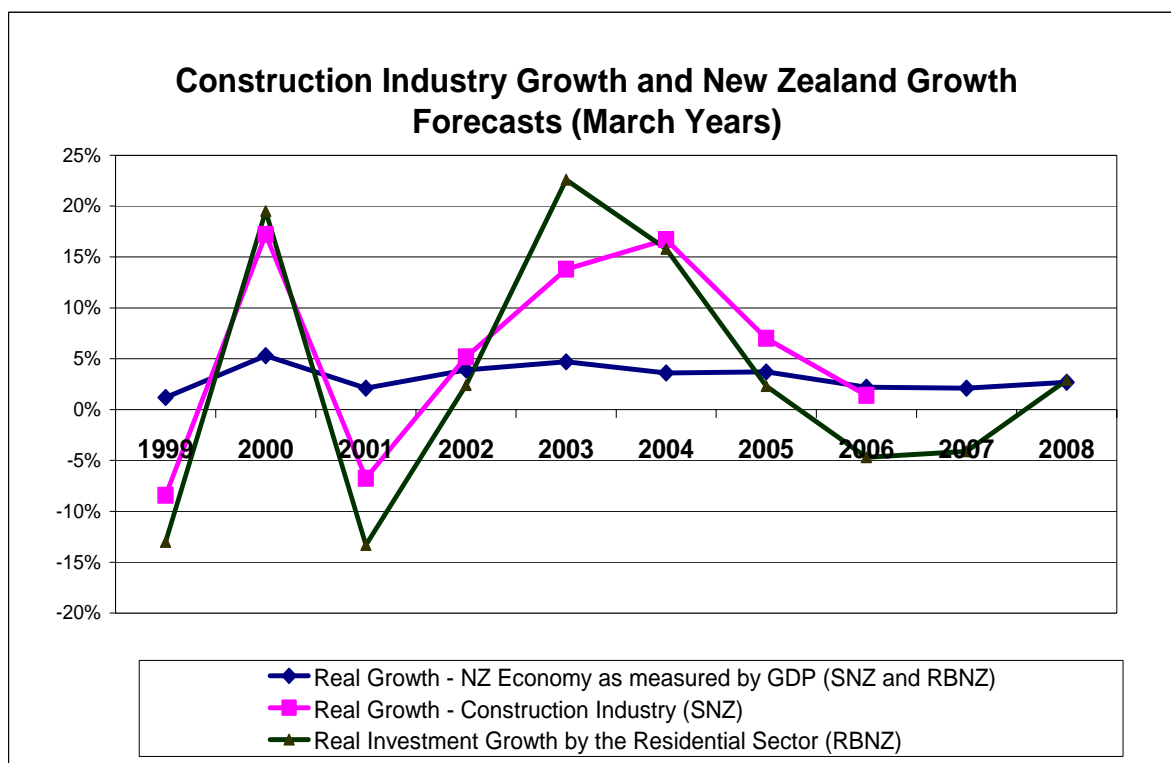
Real growth in gross domestic product for the New Zealand economy has slowed to 2.2 percent in the March 2006 year from 3.7 percent in the March 2005 year. The decline in growth rate largely reflects the fall in investment for residential buildings and other fixed assets. However, for the same period, the construction industry slowed to a larger extent. The annual real growth in the construction industry was 1.4 percent in the March 2006 year, down from 7 percent in the 2005 March year.

Building cost pressures and inflation in existing house prices have eased as the growth in the industry slowed. However, the slower growth appears to have reversed recently. Trends for monthly building consents authorised for residential and non-residential building have recently turned positive.

Increases in employment by the industry to 188,300 in the September 2006 quarter from 164,400 a year earlier also suggests ongoing industry confidence and expectations of increased outputs.

In its September Monetary Policy Statement, the Reserve Bank forecasts real investment (as measured by Gross Fixed Capital Formation) to decline by 3.5 percent, of which real fixed residential investment is expected to fall by 6 percent, real business investment to fall by 2.2 percent and real non-market government sector investment (where spending on infrastructure is an important component of other construction) to fall by 7.5 percent during the March 2007 year.

Figure 1: Construction industry growth and New Zealand growth forecasts (March years)



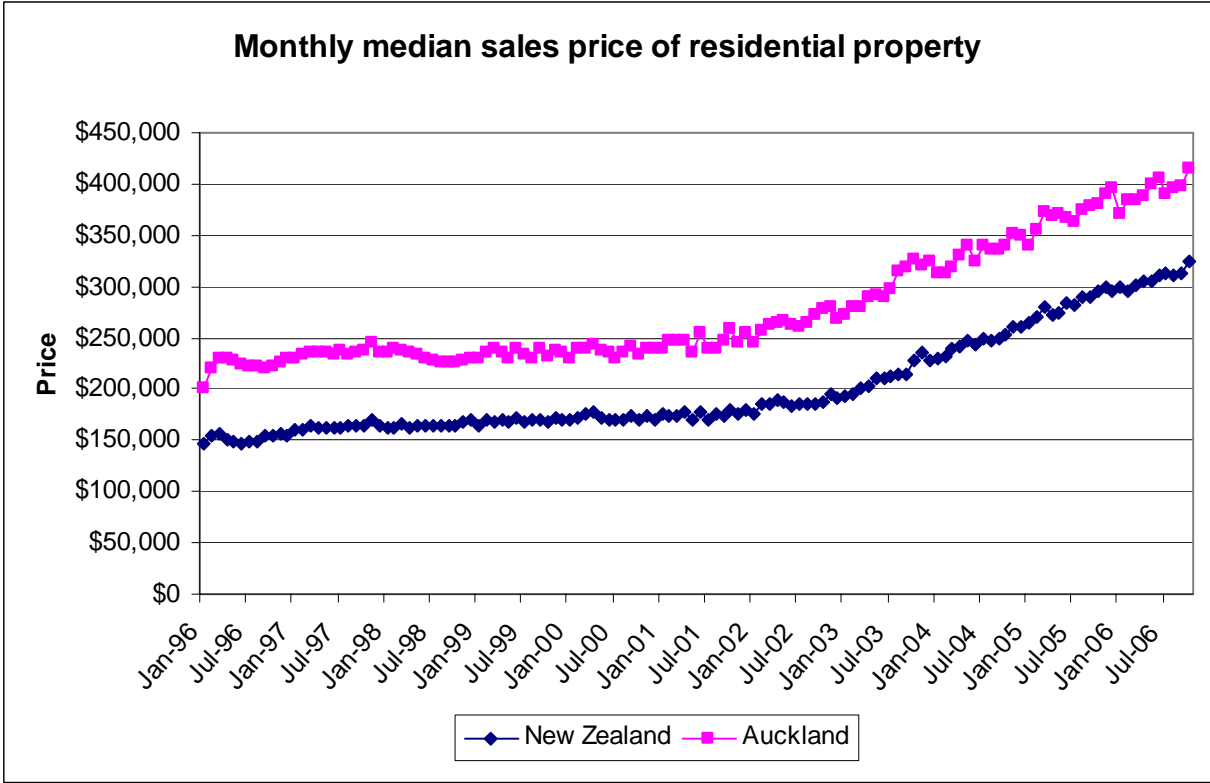
Source: Reserve Bank and Statistics New Zealand

The housing market

Sales price

The housing market has remained buoyant in recent months. Median house prices from the Real Estate Institute of New Zealand (REINZ) show increases in monthly sales prices since August 2006. The median house price in October 2006 was \$324,000, an increase of 9.8 percent for the year. House prices have strengthened in nearly all regions except Nelson/Marlborough and Central Otago Lakes where median house prices in October 2006 were the same as or lower than the previous month. The fastest increases in median prices from September to October 2006 were recorded for Northland (9.4 percent) and for Wellington (7.9 percent).

Figure 2: Monthly median sale price of residential property

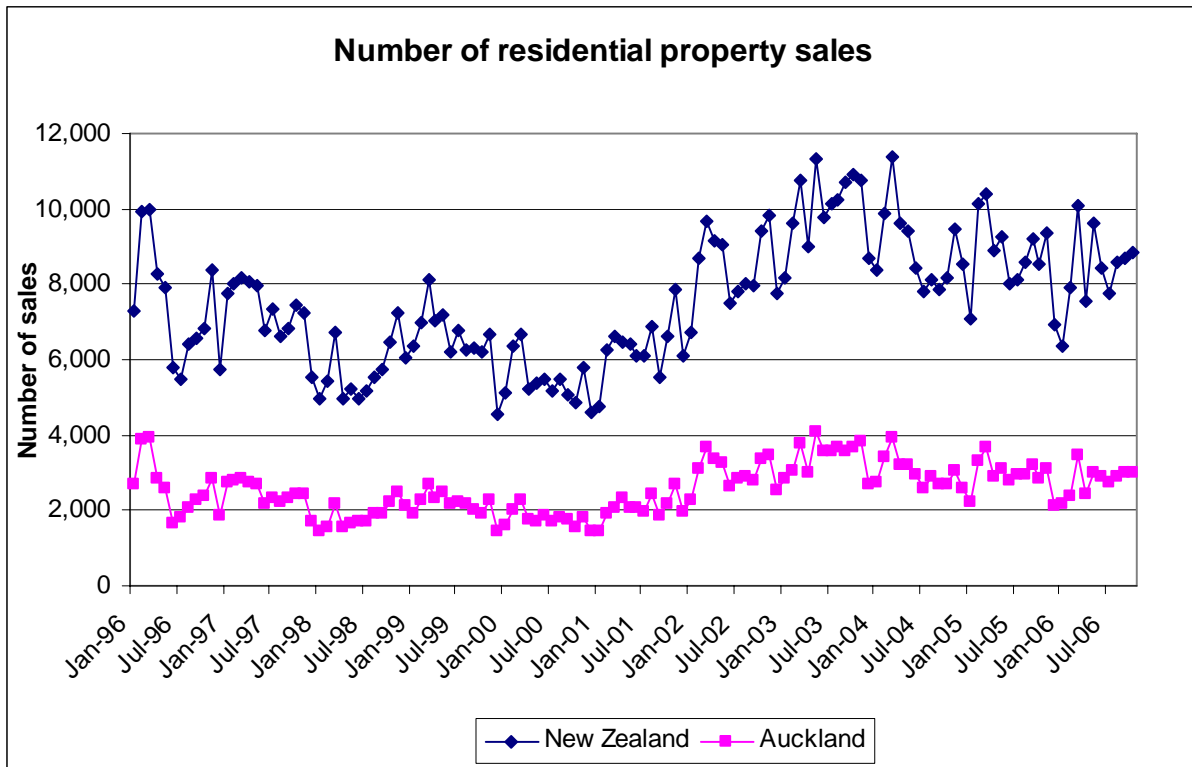


Source: Real Estate Institute of New Zealand

Sales volume

Residential sales volumes in New Zealand remained at relatively high levels after peaking at 11,378 transactions in March 2004. The monthly sales volume was 8857 in October 2006 (Figure 3).¹ This is comparable to 8531 transactions in October 2005 and 8191 transactions in October 2004.

Figure 3: Number of residential property sales



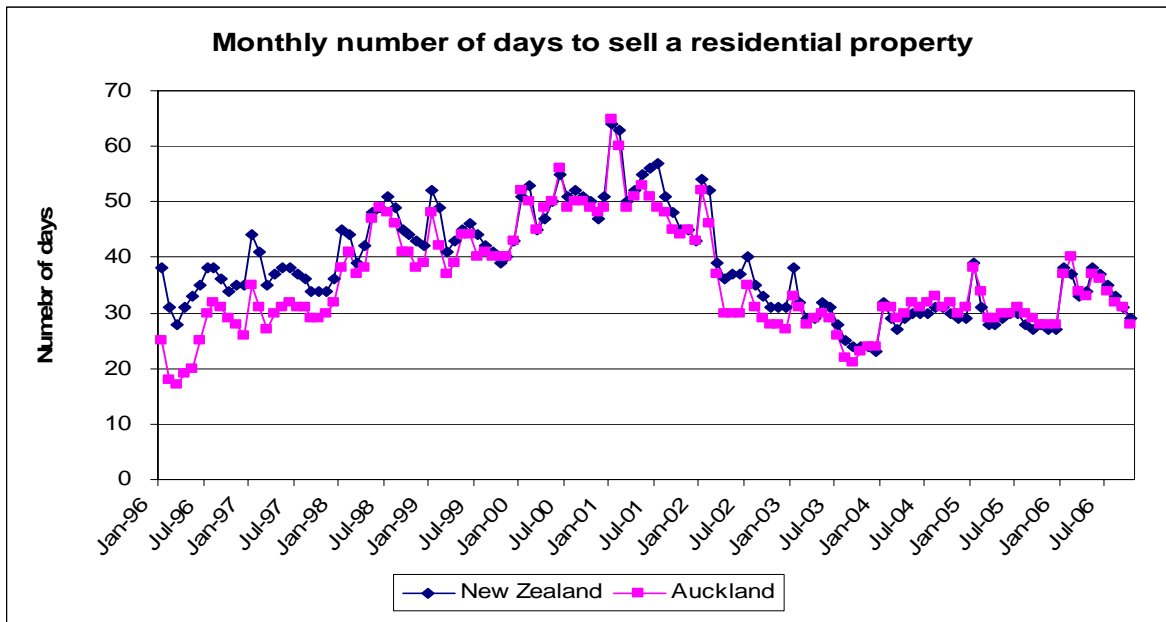
Source: Real Estate Institute of New Zealand

¹ REINZ sales volume figures used here are based on actual sales reported by sales agent and are taken as of the date when a transaction becomes unconditional.

Days to sell

The median days to sell a house in October 2006 was 29 days. This was marginally higher than the 28 days taken in October 2005, but lower than the 30 days taken in October 2004 (Figure 4).

Figure 4: Monthly number of days to sell a residential property



Source: Real Estate Institute of New Zealand

Social housing assistance

The two primary methods² by which government helps low-income families into affordable housing are the Accommodation Supplement³ (AS) and Income-Related Rents⁴ (IRR). As at September 2006, there were 254,847 AS recipients and 58,852 IRR tenants.

² Note that there are a variety of homeownership assistance programmes, such as Welcome Home Loans, that are not considered as part of these statistics. This is because they are relatively small compared to the IRR and the AS and they are focused on homeownership rather than rent relief.

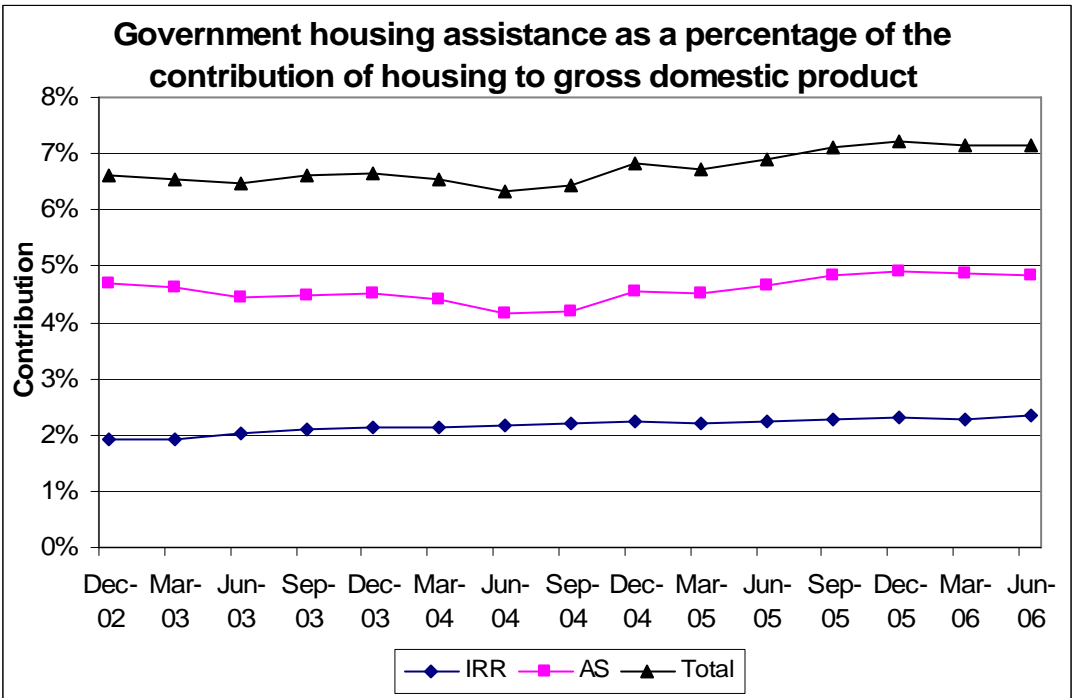
³ The Accommodation Supplement (AS) is available through the Ministry of Social Development for people in private accommodation who meet the income criteria. The recipients can then use this to offset the cost of their board, rent or mortgage payment.

⁴ Income-Related Rent subsidy (IRR) is paid to the Housing New Zealand Corporation by the Government so that it can subsidise the rent of Housing New Zealand tenants on low incomes (that is up to the single living-alone rate of New Zealand superannuation, after tax, for single tenants, and up to the married couple rate of New Zealand Superannuation, after tax, for all other tenants). A tenant in a Housing New Zealand home is not required to pay more than 25 percent of his or her income in rent. The IRR subsidy compensates Housing New Zealand for the difference in the rent paid and the market rent on the property. As such, IRR is an indirect subsidy of social housing.

Figure 5 shows government expenditure on social housing assistance as a percentage of the housing sector expenditure⁵ from the quarter ending December 2002 to the quarter ending June 2006. Note that, due to new data on the housing sector being made available by Statistics New Zealand on the size of the housing sector, this graph is not comparable with the graph presented last quarter.

The total level of assistance has not changed over the last quarter, remaining at 7.2 percent of the contribution of housing to gross domestic product, even though expenditure increased. The proportion of IRR assistance increased from 2.28 percent to 2.34 percent and the proportion of AS assistance decreased from 4.88 percent to 4.82 percent.

Figure 5: 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

⁵ Gross domestic product: Household consumption expenditure by purpose in actual current prices - Housing (series S2NP30CZE). Source: Statistics New Zealand.

The government contribution to social housing assistance from the quarter ending December 2002 to the quarter ending June 2006 is outlined in Table 1. The June 2006 quarter saw an approximate \$4 million increase in income-related rent payments, and a less than \$1 million decrease in AS payments over the last quarter.

Table 1: Government housing assistance⁶

Quarter	\$ millions			Annual percentage change
	Income-Related Rent	Accommodation Supplement	Total	
Dec-02	\$73	\$178	\$252	-
Mar-03	\$74	\$177	\$251	-
Jun-03	\$79	\$173	\$252	-
Sep-03	\$83	\$177	\$259	-
Dec-03	\$85	\$178	\$263	4.63%
Mar-04	\$86	\$177	\$263	4.70%
Jun-04	\$89	\$170	\$258	2.60%
Sep-04	\$92	\$174	\$265	2.17%
Dec-04	\$93	\$190	\$283	7.55%
Mar-05	\$93	\$189	\$282	7.03%
Jun-05	\$95	\$198	\$293	13.45%
Sep-05	\$98	\$207	\$305	15.03%
Dec-05	\$99	\$212	\$311	9.87%
Mar-06	\$99	\$212	\$312	10.60%
Jun-06	\$103	\$212	\$315	7.40%

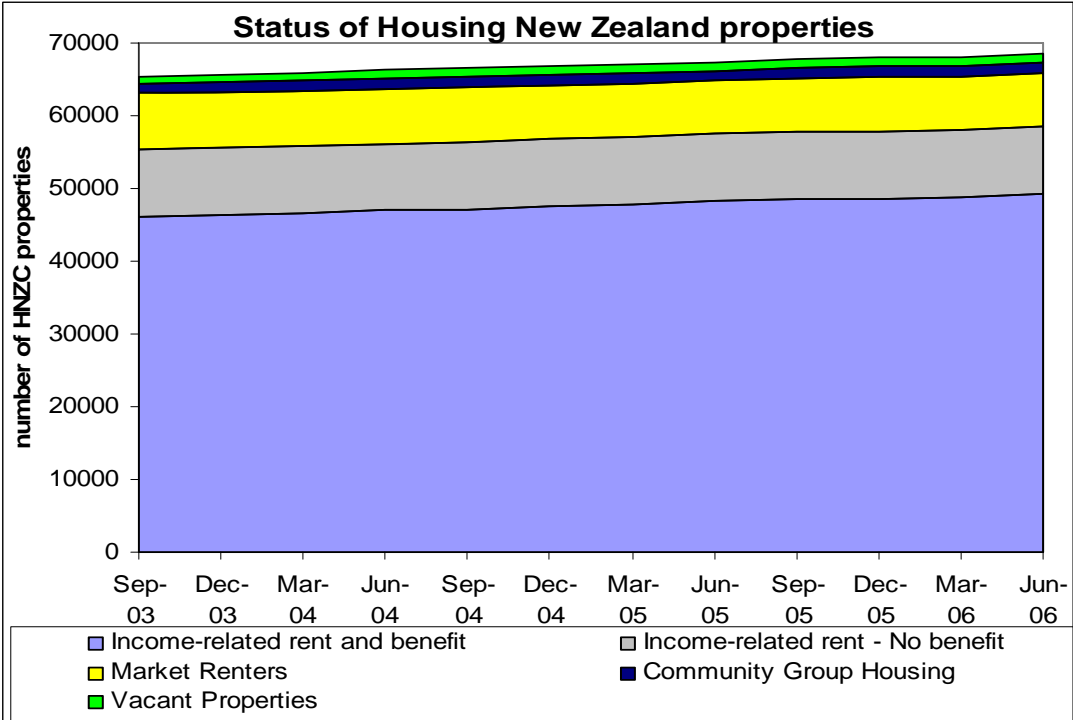
Source: Housing New Zealand Corporation and Ministry of Social Development

⁶ The figures used are rounded to the nearest whole number and annual percentage change is calculated using the original figures before rounding. This may result in the annual percentage changes differing slightly with the calculations using rounded figures in this table.

Figure 6 graphs the numbers of Housing New Zealand’s properties over time since September 2003. There has been a steady increase in the number of Housing New Zealand properties over this period.

Since September 2003 the ratio of tenants qualifying for an IRR to the volume of Housing New Zealand properties has risen from 89.5 percent to 90.8 percent. This shift reflects Housing New Zealand’s social housing allocation policies, which target those in greatest need.

Figure 6: Status of Housing New Zealand properties



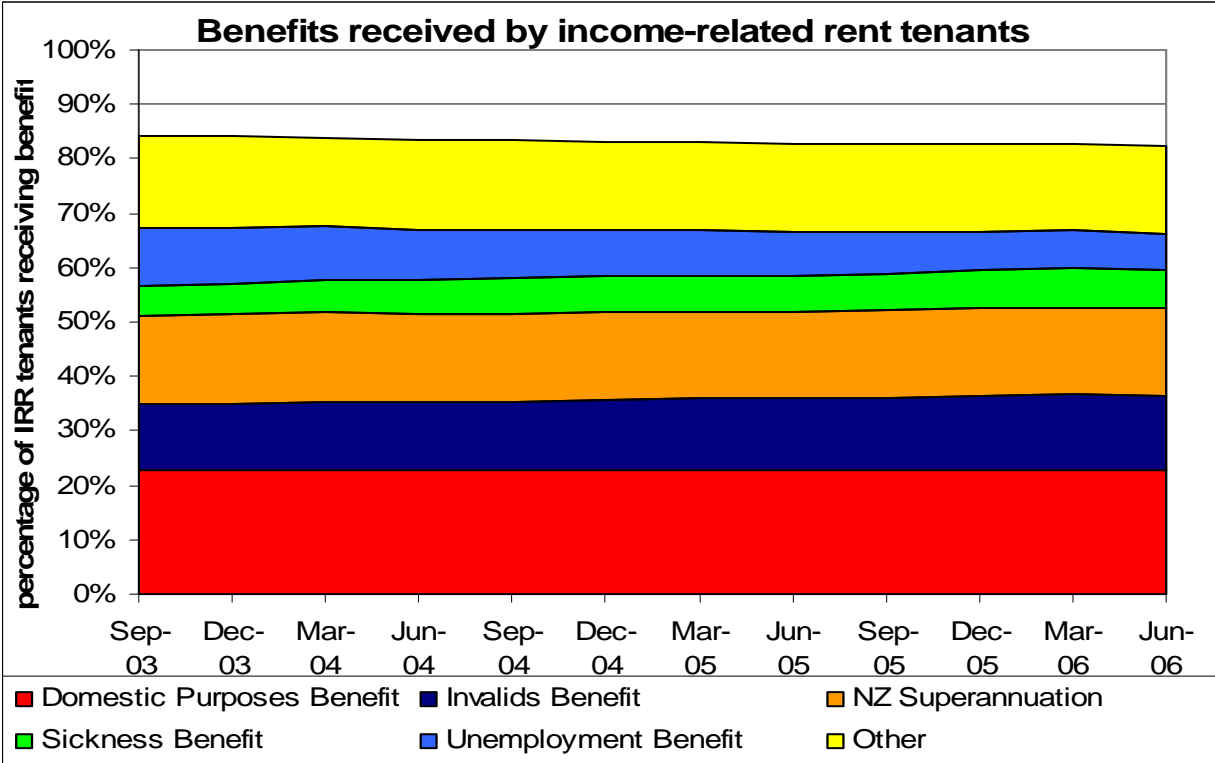
Source: Housing New Zealand Corporation

The proportions of Housing New Zealand tenants on particular benefits have not changed greatly between September 2003 and June 2006.

As shown in Figure 7, some major trends include:

- increase in the proportion of tenants paying IRR but not receiving a benefit
- decrease in the proportion of tenants paying IRR and receiving the unemployment benefit from 10.7 percent in September 2003 to 6.7 percent in June 2006
- increase in the proportion of tenants paying IRR and receiving the sickness benefit from 5.5 percent in September 2003 to 7 percent in June 2006
- increase in the proportion of tenants paying IRR rents and receiving the invalids' benefit from 12.1 percent in September 2003 to 13.8 percent in June 2006.

Figure 7: Benefits received by income-related rent tenants



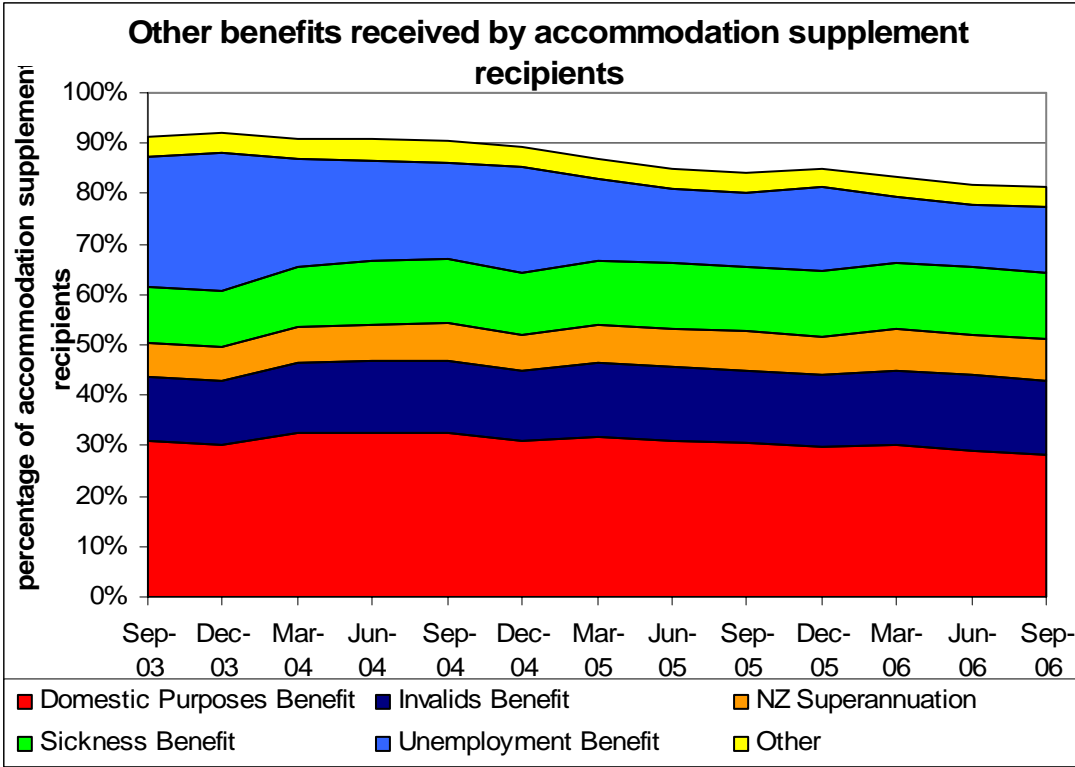
Source: Housing New Zealand Corporation

Figure 8 shows the equivalent distribution of benefit recipients for all tenants receiving AS. The relative proportions of the benefits received among AS recipients are more variable than those received by those on IRR over the period graphed.

Over time, there has been:

- an increase in the proportion of tenants receiving AS and a sickness benefit from 11.1 percent in September 2003 to 13.2 percent in September 2006
- an increase in the proportion of tenants receiving AS and an invalids benefit from 12.8 percent in September 2003 to 14.7 percent in September 2006
- an increase in the proportion of tenants receiving AS and New Zealand superannuation from 6.6 percent in September 2003 to 8.2 percent in September 2006
- a fall in the proportion of tenants receiving AS and domestic purposes benefits from 31 percent in September 2003 to 28.3 percent in September 2006
- a fall in the proportion of tenants receiving AS and unemployment benefit from 25.7 percent in September 2003 to 13 percent in September 2006.

Figure 8: Other benefits received by accommodation supplement recipients



Source: Ministry of Social Development

Priority on the waiting list for Housing New Zealand housing is determined by several factors⁷ and is divided into four groups that reflect different levels of need.⁸ The groupings are referred to as:

- A-priority⁹
- B-priority¹⁰
- C- and D-priority.¹¹

The number of households with higher levels of need waiting for Housing New Zealand dwellings declined gradually from early 2004 until the end of 2005. The number of priority applicants has stabilised since the beginning of 2006 (Figure 9).

⁷ 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.

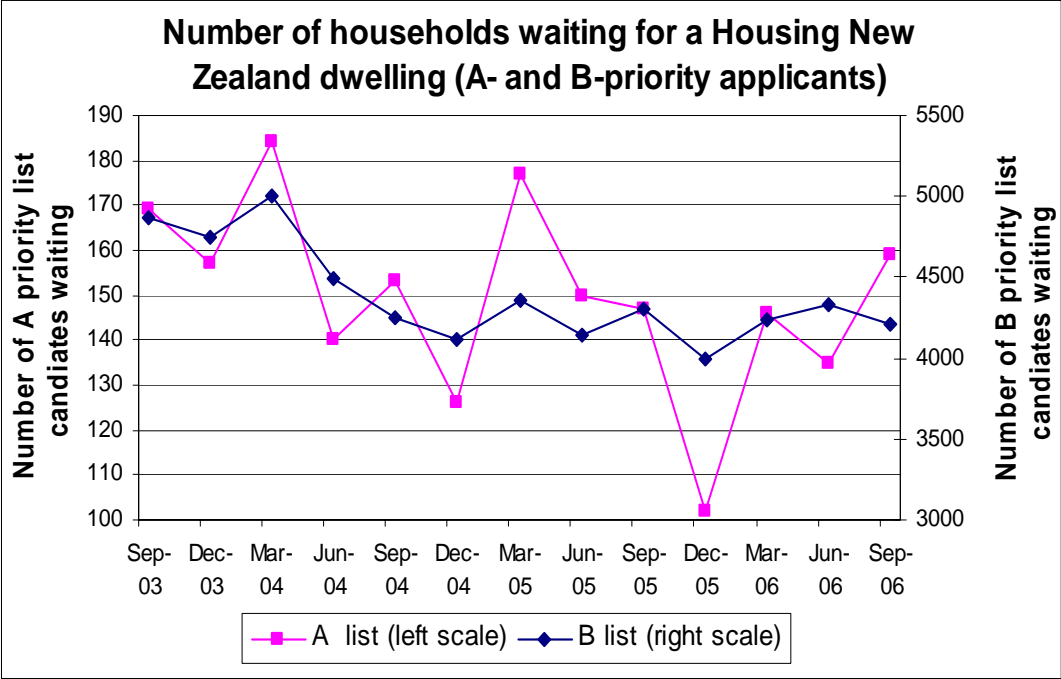
⁸ Source: Housing New Zealand Corporation.

⁹ An A-priority household has 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.

¹⁰ A B-priority household has 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.

¹¹ C and D-priority waiting lists are for households with low to moderate housing need.

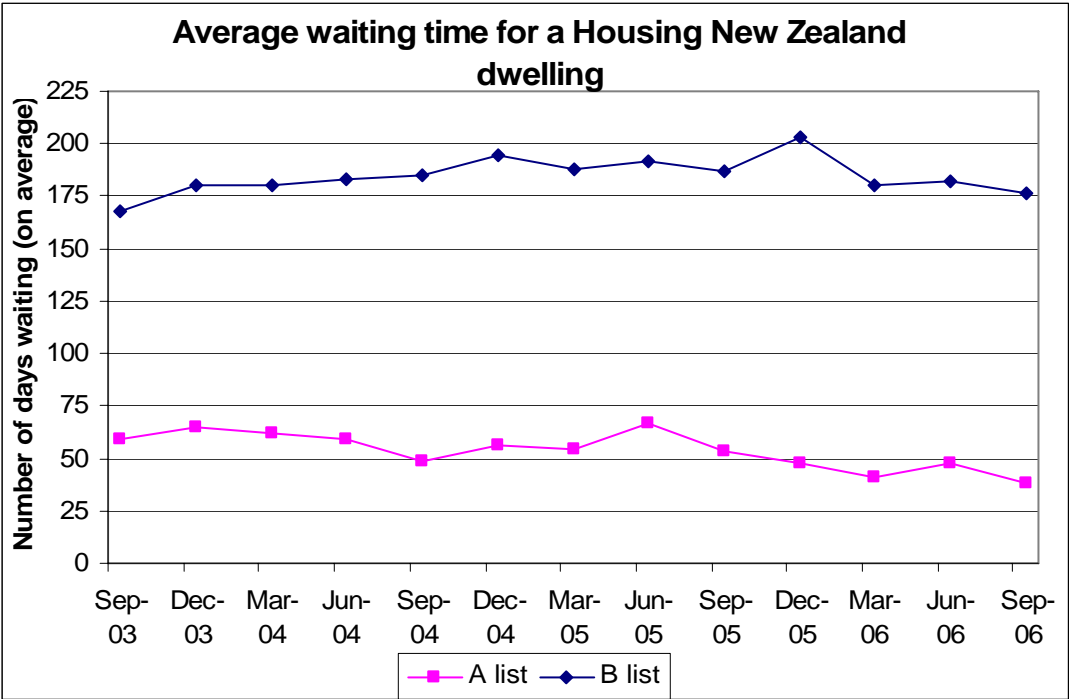
Figure 9: Number of households waiting for a Housing New Zealand dwelling (A- and B-priority applicants)



Source: Housing New Zealand Corporation

The average waiting time for a Housing New Zealand property (as shown in Figure 9) has remained largely constant for B-list applicants over the period while the waiting time for the A-list candidates has fallen from 59 days in September 2003 to 38 days in September 2006.

Figure 10: Average waiting time for a Housing New Zealand dwelling



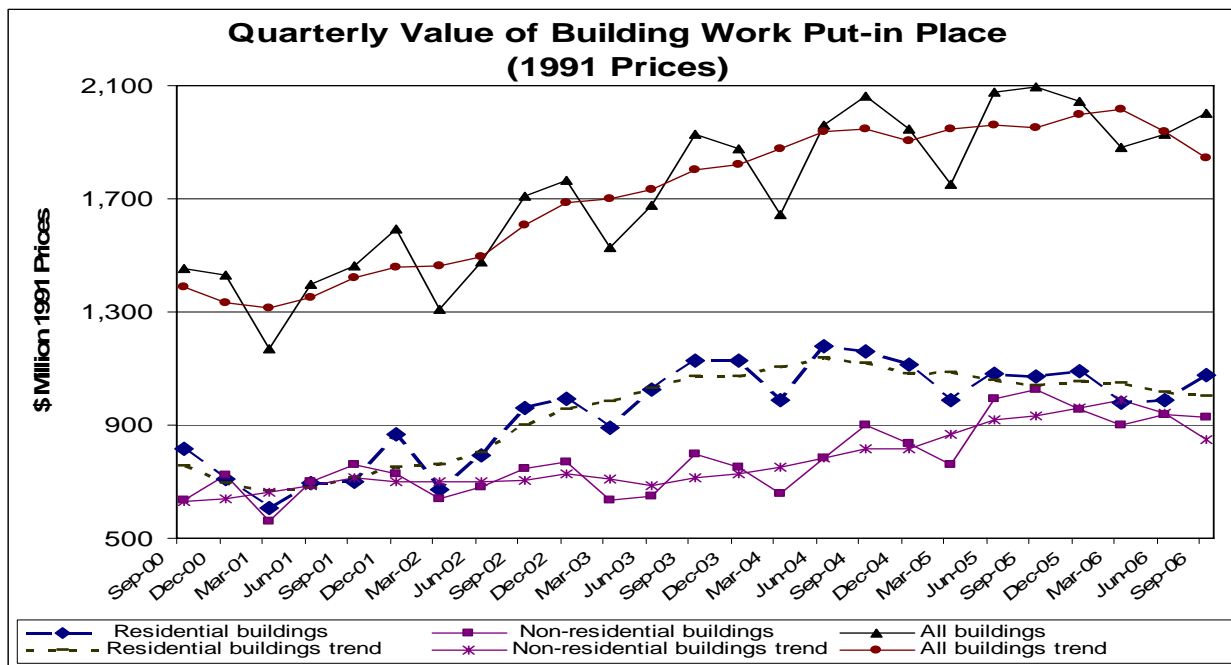
Source: Housing New Zealand Corporation

Sectoral analysis

All building activity

Although the value of consents authorised has trended up in recent months, the trend for the real value of all building work put-in-place shows a decline from the March 2006 quarter to the June 2006 quarter. The annual rate of decline for the real value of all surveyed building work put-in-place was 2.5 percent for the June 2006 quarter. It takes time for consents to be translated into work so the continued flat to downward trend in work put-in-place should be expected. However, the trend is expected to reverse in 2007 as higher values of total building consents authorised in the 4 months to October 2006 are translated into actual building work.

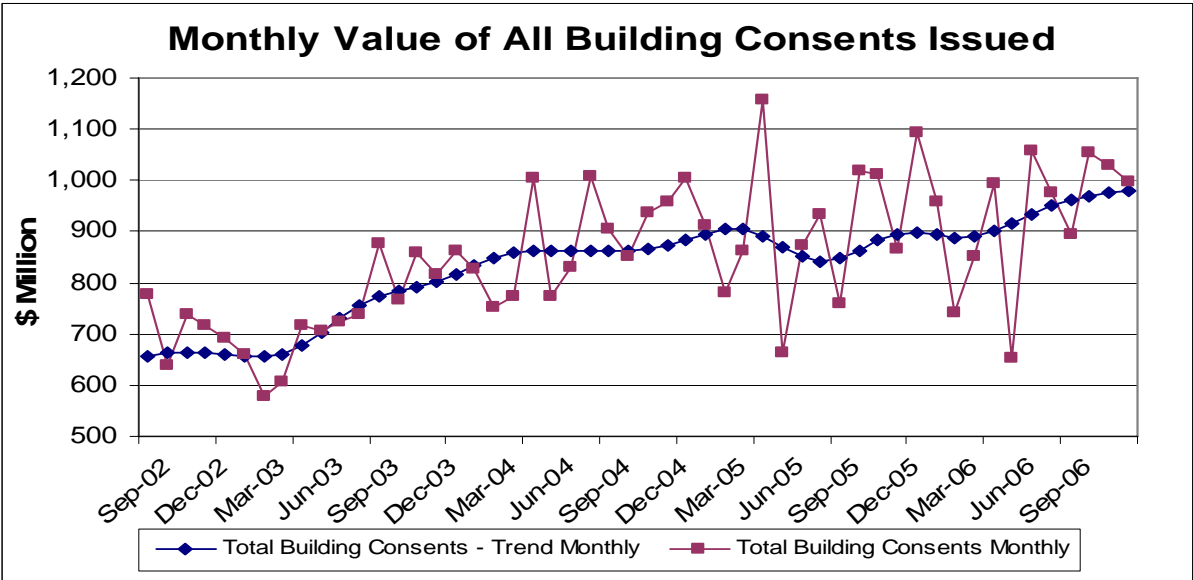
Figure 11: Quarterly value of building work put-in-place (1991 prices)



Source: Statistics New Zealand

The monthly value of all building consents issued continues to trend upwards, largely as a result of relatively higher residential consent values in the 4 months to October 2006. The annual increase in the value of all building consents was 3.5 percent in August, 1.8 percent in September and 15.5 percent in October 2006. Such increases in value are largely explained by the rise in building costs and, to some extent, higher numbers in both dwelling building consents and non-residential building consents issued in recent months.

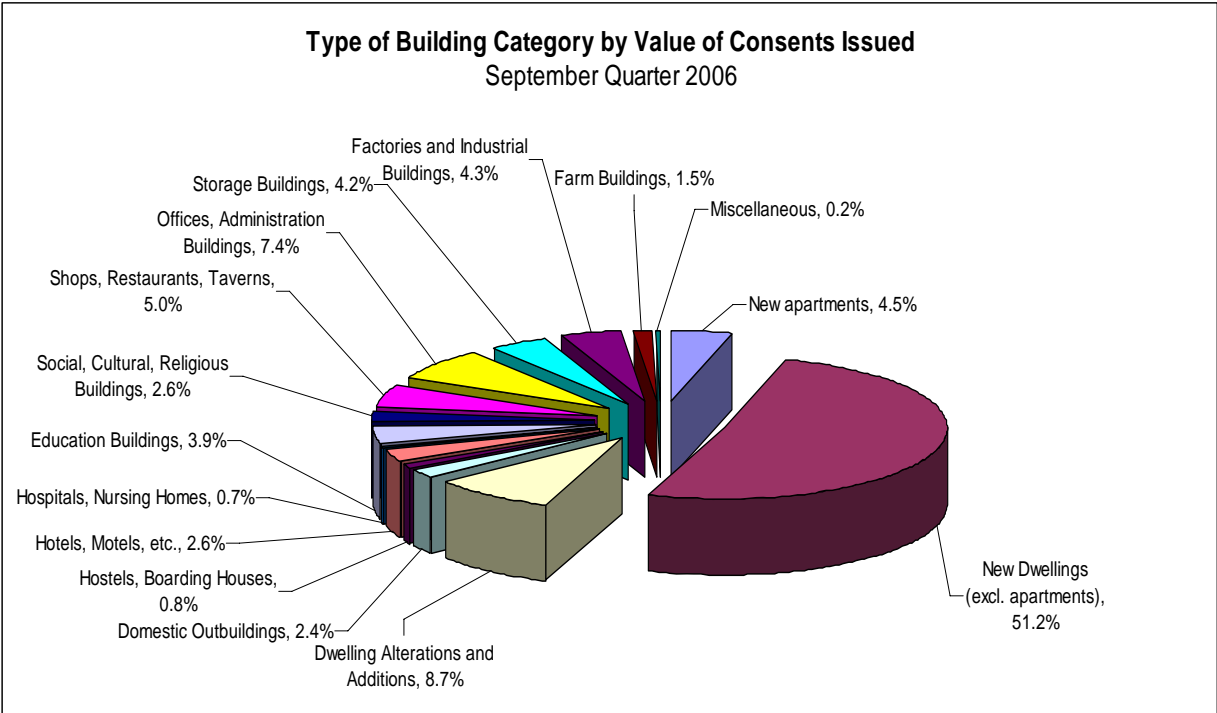
Figure 12: Trend in the monthly value of all building consents issued



Source: Statistics New Zealand

There was a considerable increase in the ratio of the value of new apartment and new dwelling consents to the value of total building consents issued in the September 2006 quarter. The value of new apartments as a percentage of the value of total building consents increased to 4.5 percent in the September 2006 quarter from 2 percent in the June 2006 quarter and from 3.8 percent in the September 2005 quarter. Similarly, the proportion of dwellings to total building consent value also increased to 55.7 percent in the September 2006 quarter. This proportion was 50.7 percent in the June 2006 quarter and 50.3 percent in the September 2005 quarter.

Figure 13: Type of building category by value of consents issued, September quarter 2006

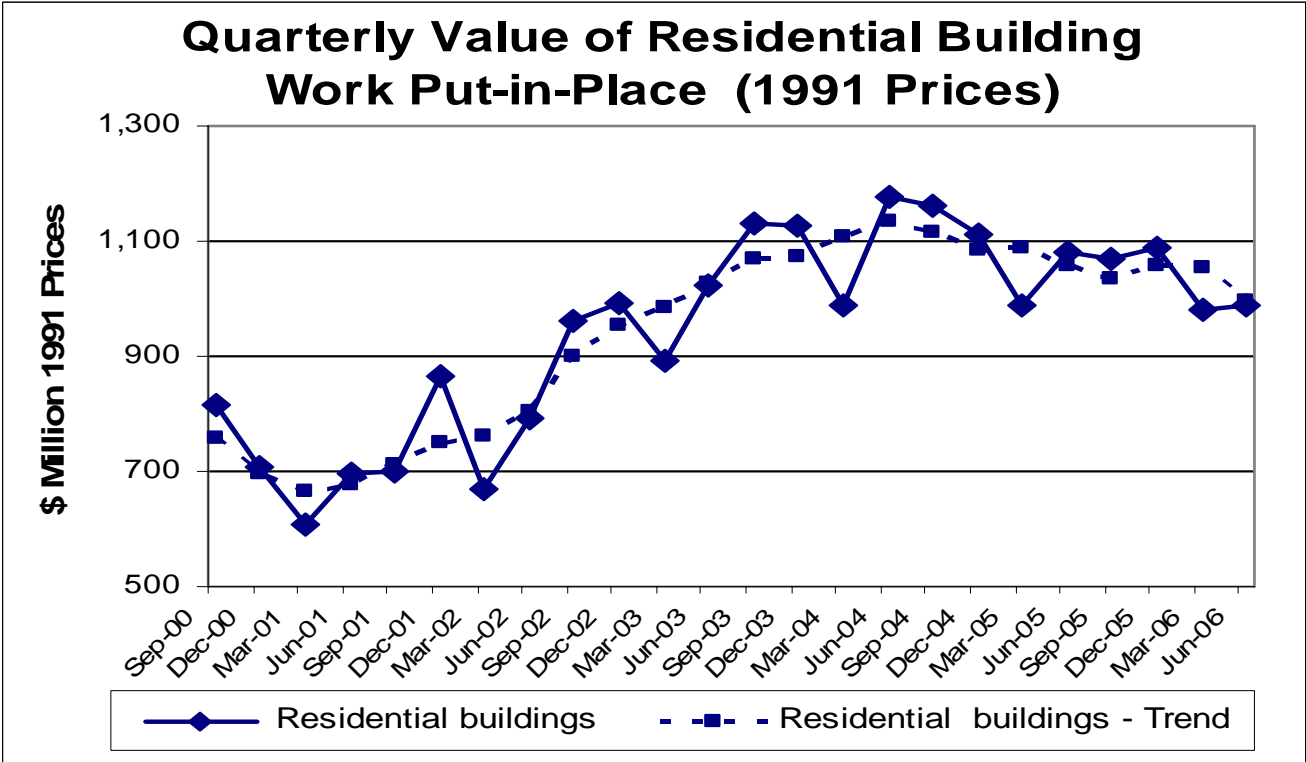


Source: Statistics New Zealand

Residential construction

The real value of residential building work put-in-place peaked in mid-2004 and has since been fluctuating around a declining trend (Figure 14). The real value of surveyed residential building work put-in-place in the June 2006 quarter was 8.5 percent lower than it was a year ago. However, based on the increase in value of building consents in the last few months, we expect to see the trend in the value of residential building work put-in-place to turn positive in 2007.

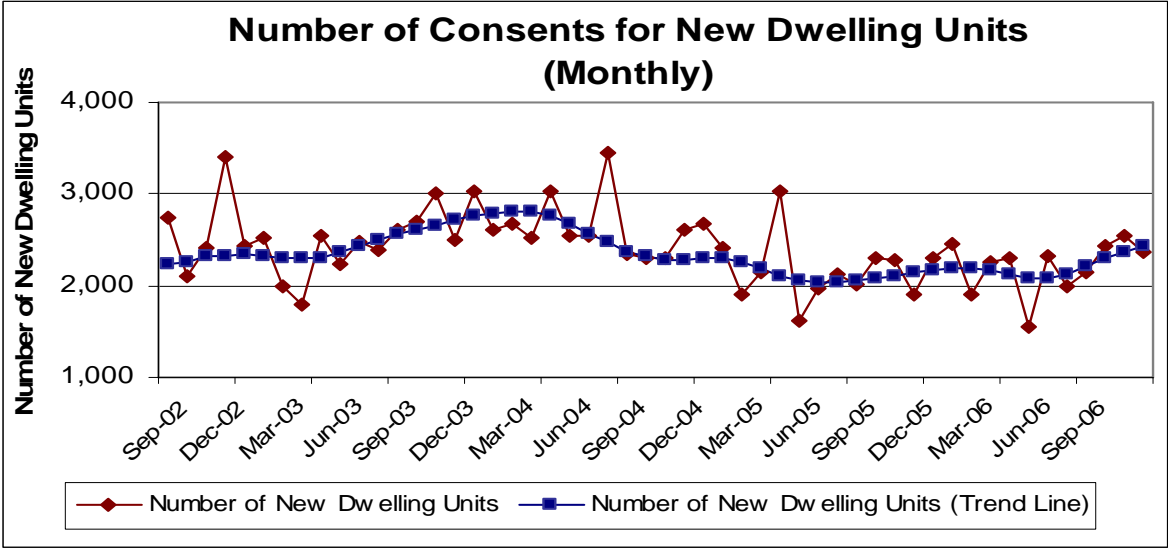
Figure 14: Quarterly value of residential building work put-in-place (1991 prices)



Source: Statistics New Zealand

The trend in the number of new dwelling consents has been rising since May 2006. The annual rate of increase was 5.9 percent in August, 11.5 percent in September, and 25 percent in October 2006.

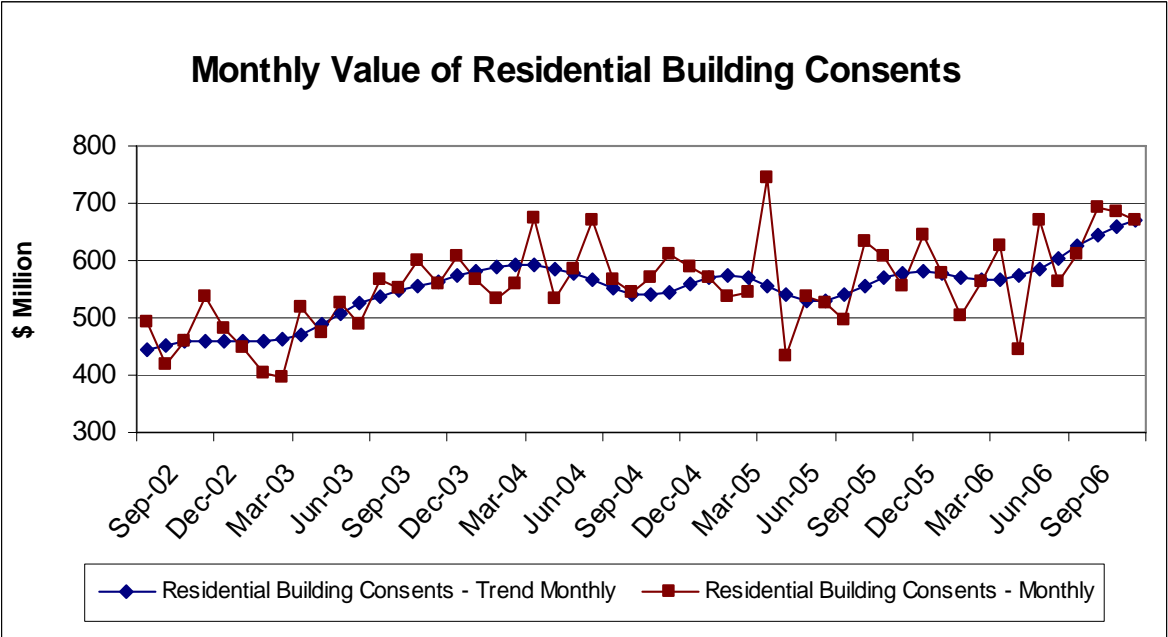
Figure 15: Monthly number of consents for new dwelling units



Source: Statistics New Zealand

Figure 16 shows the monthly value of residential building consents has been trending upwards since March 2006. This upward trend continued into the third quarter of 2006 and the growth in monthly value of residential building consents was relatively strong. The value of residential building consents grew at an annual rate of 9.6 percent in August, 12.5 percent in September and 20.1 percent in October 2006.

Figure 16: Monthly value of residential building consents

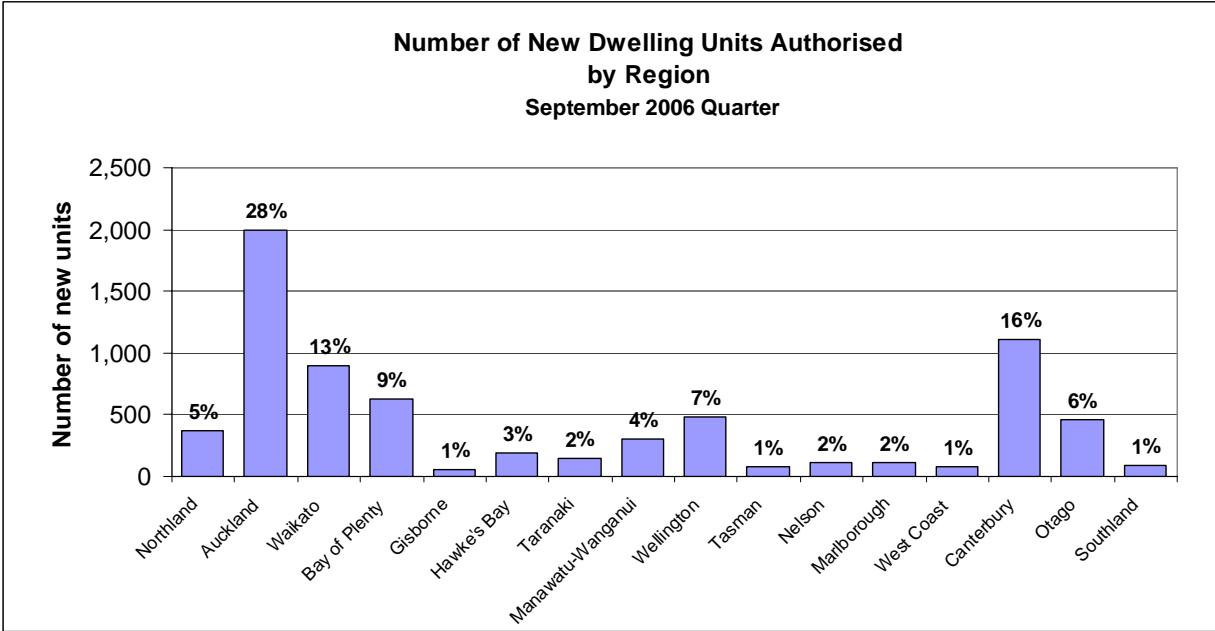


Source: Statistics New Zealand

New dwelling construction across regions

At a geographical level, 13 of the 16 regions showed an increase in the number of new dwelling units authorised in the September 2006 quarter compared with the same period a year ago. Some of the regions showing increases from the September 2005 quarter to the September 2006 quarter were Auckland (10.7 percent), Canterbury (12.1 percent), Bay of Plenty (13.6 percent) and Otago (18.8 percent). The regions that experienced decreases over this period were Wellington (11.3 percent), Hawke’s Bay (21.9 percent) and Northland (2.1 percent).

Figure 17: Number of new dwelling units authorised by region (September 2006 quarter)

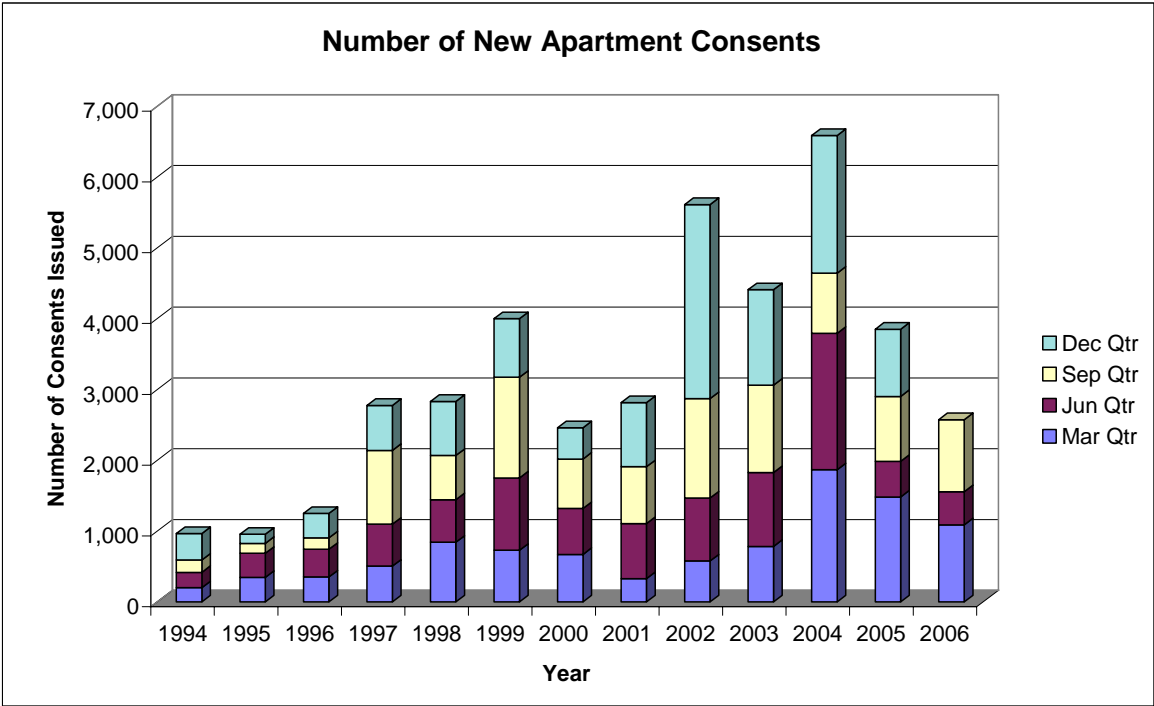


Source: Statistics New Zealand

Apartment consents

The number of apartment consents issued in the year to October 2006 was 3837 and this is 10.9 percent lower than the 4304 apartment consents issued in the same period last year. It is noted that the 1016 apartment consents issued in the September 2006 quarter is considerably higher than the 579 apartment consents issued in the June 2006 quarter. However, annual apartment consent numbers will be lower in the 2006 calendar year, unless there is a significant increase in the apartment consent numbers in the December 2006 quarter.

Figure 18: Number of new apartment consents

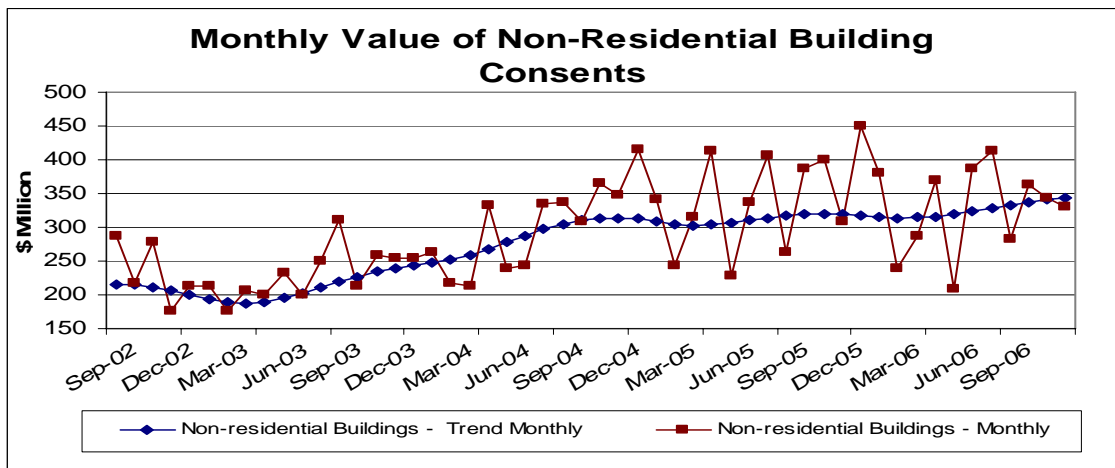


Source: Statistics New Zealand

Non-residential construction¹²

The value of non-residential building consents has been fluctuating along an upward trend since the beginning of 2006 (Figure 19). Consent values remain at relatively high levels, as explained by high consent numbers and increases in construction costs.

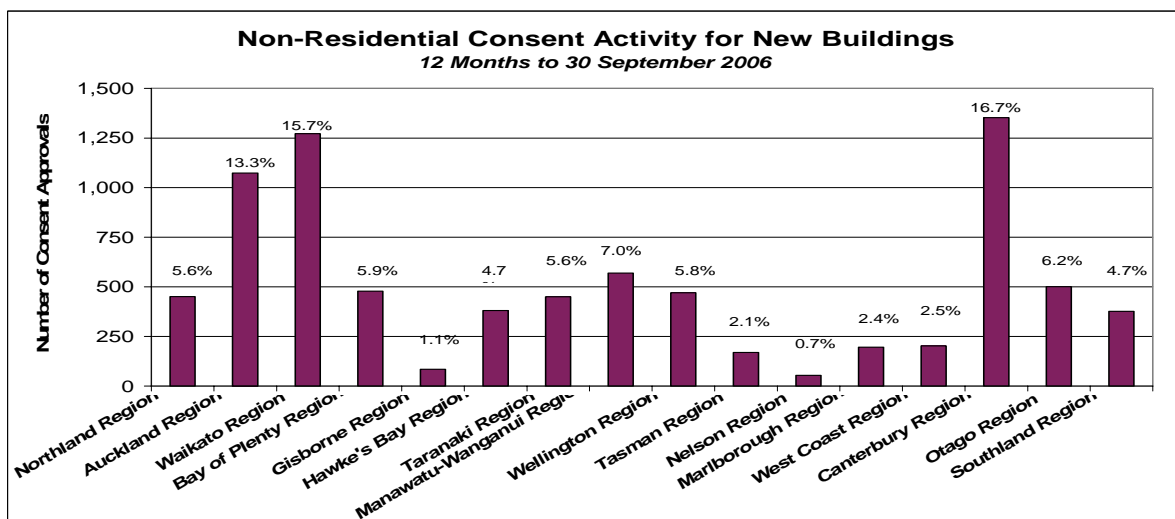
Figure 19: Monthly value of non-residential building consents



Source: Statistics New Zealand

Comparing the September 2006 quarter with the September 2005 quarter, 9 of the 16 regions recorded an increase in the number of non-residential consents authorised. Manawatu-Wanganui recorded a 1.9 percent decrease, while the Bay of Plenty recorded a 1.6 percent increase.

Figure 20: Non-residential consent activity for new buildings (to September 2006)



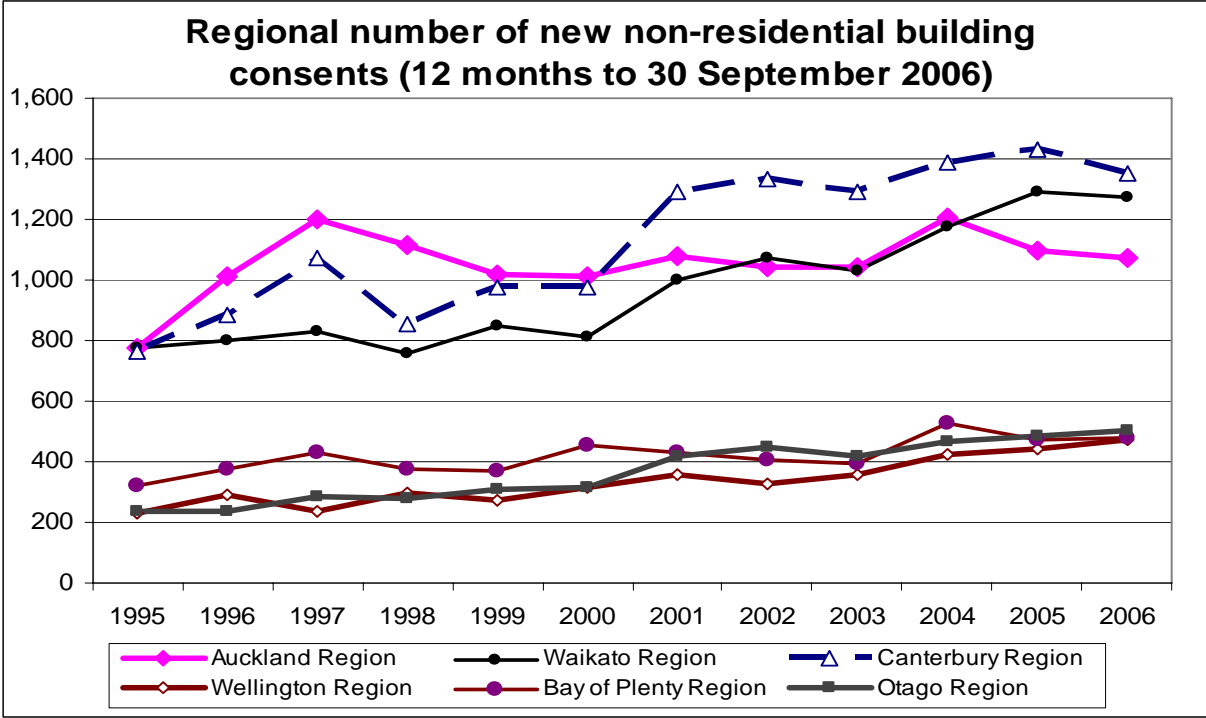
Source: Statistics New Zealand

¹² Non-residential construction refers to new buildings plus alterations and additions to existing buildings.

Over the last decade, consent numbers have been stable in the Auckland region even though the population has increased significantly. However, the number of new non-residential building consents declined in the years to September 2005 and September 2006.

Wellington has had steady growth in non-residential consent numbers since the year to September 2002.

Figure 21: Regional number of new non-residential building consents (12 months to September 2006)



Source: Statistics New Zealand

Labour market

The number of people employed in the construction industry continued to increase in the September 2006 quarter. There were 188,300 people employed in the construction industry as at September 2006. This was a 4 percent increase in employment numbers from the June 2006 quarter.

Figure 22: Number of people employed in the construction industry

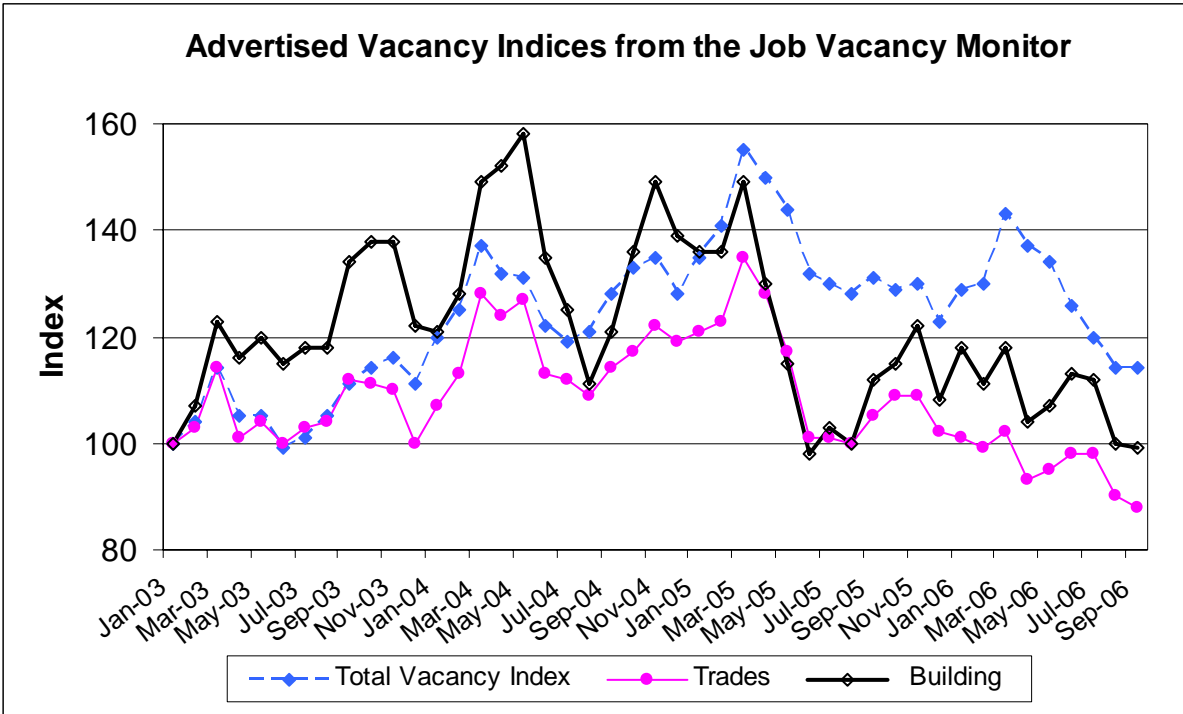


Source: Statistics New Zealand

The Job Vacancy Index from the Department of Labour measures the change in advertised vacancies over time. The total vacancies index continued to decline at an annual rate of 13 percent in September 2006. The Index, when measured yearly has been declining since October 2005.

The Building Trade Vacancy Index (which measures the change in advertised vacancies for building trade occupations over time) also decreased by 11.6 percent annually in September 2006. The Index at a value of 99 is at its lowest since it started in January 2003. This Index should be used as an indicative measure only, as it measures recruitment advertisements placed in newspapers and selected websites, and does not include other recruitment media (for example, informal or word-of-mouth methods). Furthermore, the data has only been prepared since 2003 – a period characterised by robust building and construction volumes.

Figure 23: Advertised Vacancy Indices from the Job Vacancy Monitor



Source: Department of Labour

Building costs

The Department of Building and Housing provides twice a year building cost estimates for various building types by region. The latest result indicates that, in July 2006, the cost of building a typical 145 square metre house in New Zealand was \$1,588 per square metre, while a typical 202 square metre house cost \$1,382 per square metre. The cost of building a typical 145 square metre house increased by 10.7 percent for the year ended July 2005. The cost of a 202 square metre house increased by 9.3 percent for the same period.

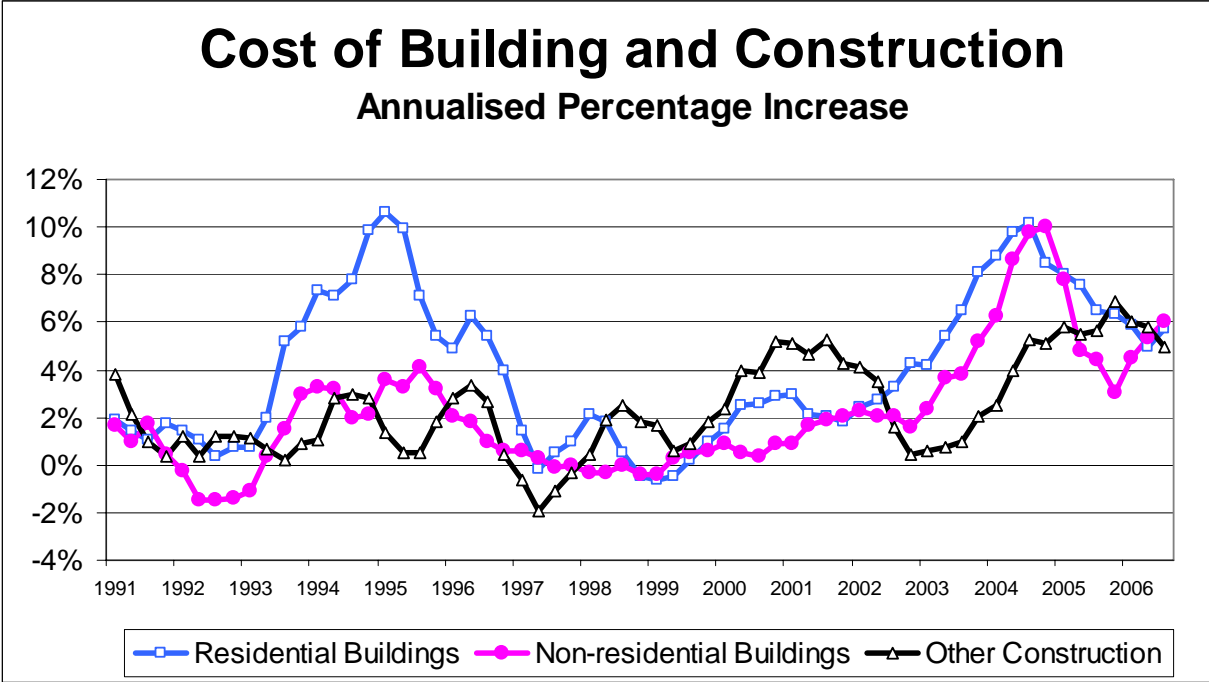
The Capital Goods Price Index (CGPI) measures the movements in the average levels of prices of various groups of fixed capital assets within the New Zealand economy. The annual rate of increase in costs was 5.7 percent for residential buildings, 6 percent for non-residential building and 5 percent for other construction (such as roads and infrastructure) in the September 2006 quarter. These rate increases are higher than the increase in the overall CGPI, which was 4 percent in the September 2006 quarter.

However, timing and quality changes between the definition of a ‘standard’ house and what is actually constructed may explain the difference between the rate of increase in the cost of a typical building and the increase in costs as measured by the Capital Goods Price Index.

The cost of inputs to the construction industry measured by the Producer Price Index from Statistics New Zealand rose at an annual rate of 12 percent in the September 2006 quarter. Ready-mixed concrete prices increased 3.4 percent, while framing timber prices fell 0.7 percent over the same period.

Wage and salary rates of people employed in the construction industry rose at an annual rate of 3.3 percent in the September 2006 quarter. This is higher than an annual rate of 3 percent measured by the Labour Cost Index for all industries in the economy.

Figure 24: Cost of building and construction (annualised percentage increase)



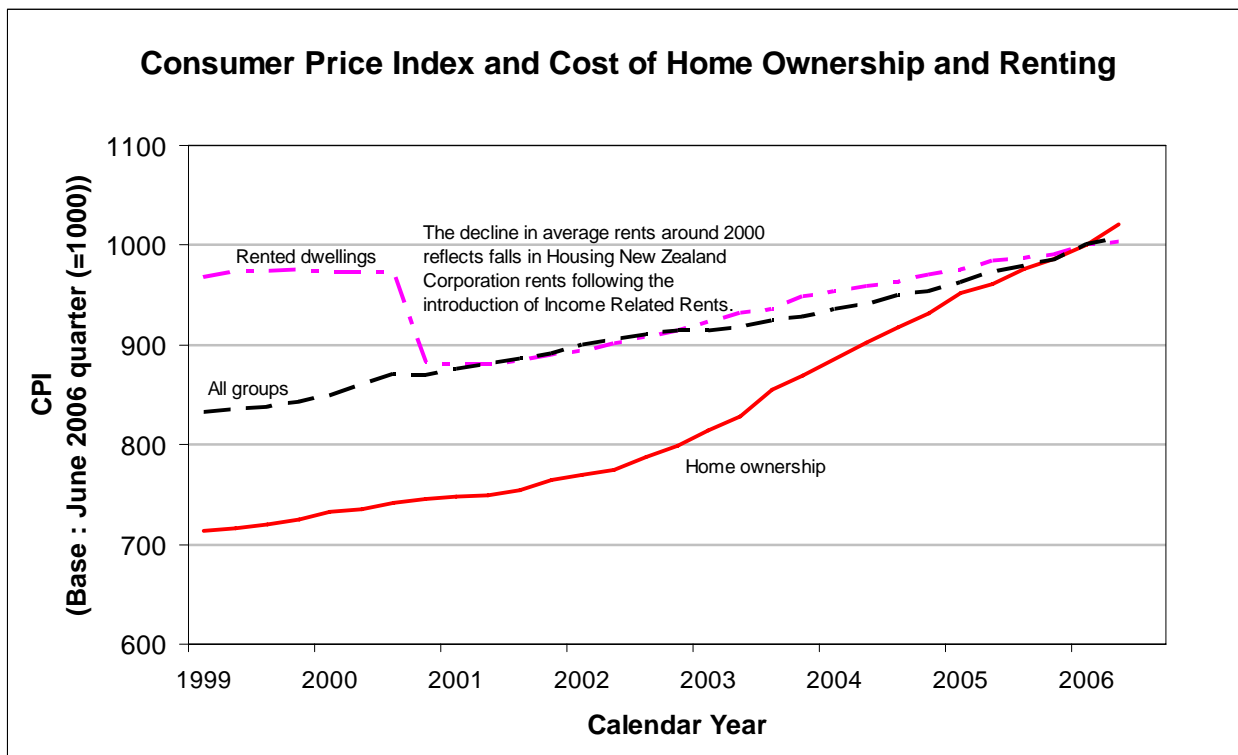
Source: Statistics New Zealand

Renting and homeownership costs

The September 2006 quarter consumer price index and its subgroups have been rebased to June 2006 and re-weighted. This has resulted in a larger weight assigned to rents¹³ and a reduction in a weight assigned to homeownership.¹⁴

The annual inflation rate for homeownership expenses in the September 2006 quarter was higher than it was in the June 2006 quarter. However, rent inflation in the September 2006 quarter was lower than it was in the June 2006 quarter. The annual inflation rate for homeownership expenses was 6.2 percent in the September 2006 quarter compared 5 percent in the June 2006 quarter. The annual inflation rate for rental was 1.9 percent in the September 2006 quarter compared to 2.6 percent in the last quarter.

Figure 25: Consumer Price Index and the cost of homeownership and renting



Source: Statistics New Zealand

¹³ The weight for rents was increased from 5.54 percent (June 2002 = 1000) to 6.87 percent (June 2006 = 100).

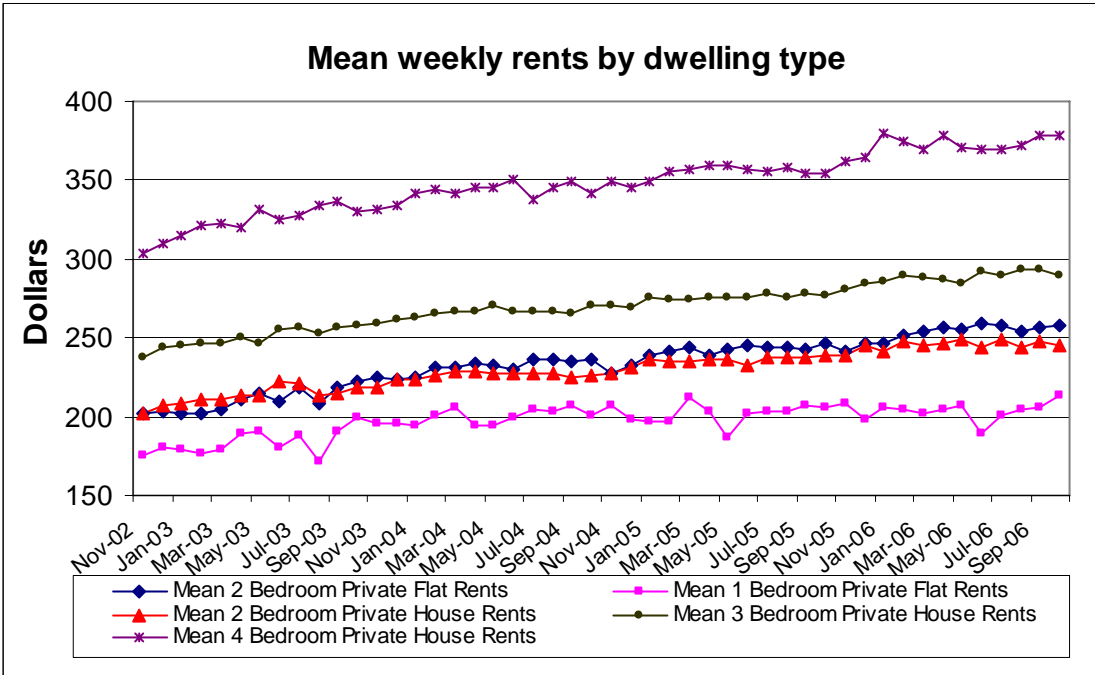
¹⁴ The weight for homeownership was reduced from 8.47 percent (June 2002 = 1000) to 4.66 percent (June 2006 = 1000).

Cost and volume of renting by dwelling type

The recent tenancy bond data from the Department of Building and Housing showed average rents in October 2006 for new tenancies provided by private landlords were \$214 for one-bedroom flats, \$258 for two-bedroom flats, \$245 for two-bedroom houses, \$289 for three-bedroom houses and \$378 for four-bedroom houses.

The bond data for these dwelling types suggests that private market rents for new tenancies are trending higher, but at a slower rate than previously. In recent years tenancy bond data indicates that rents are increasing at a slower rate for one-bedroom dwellings.

Figure 26: Mean weekly rents by dwelling types



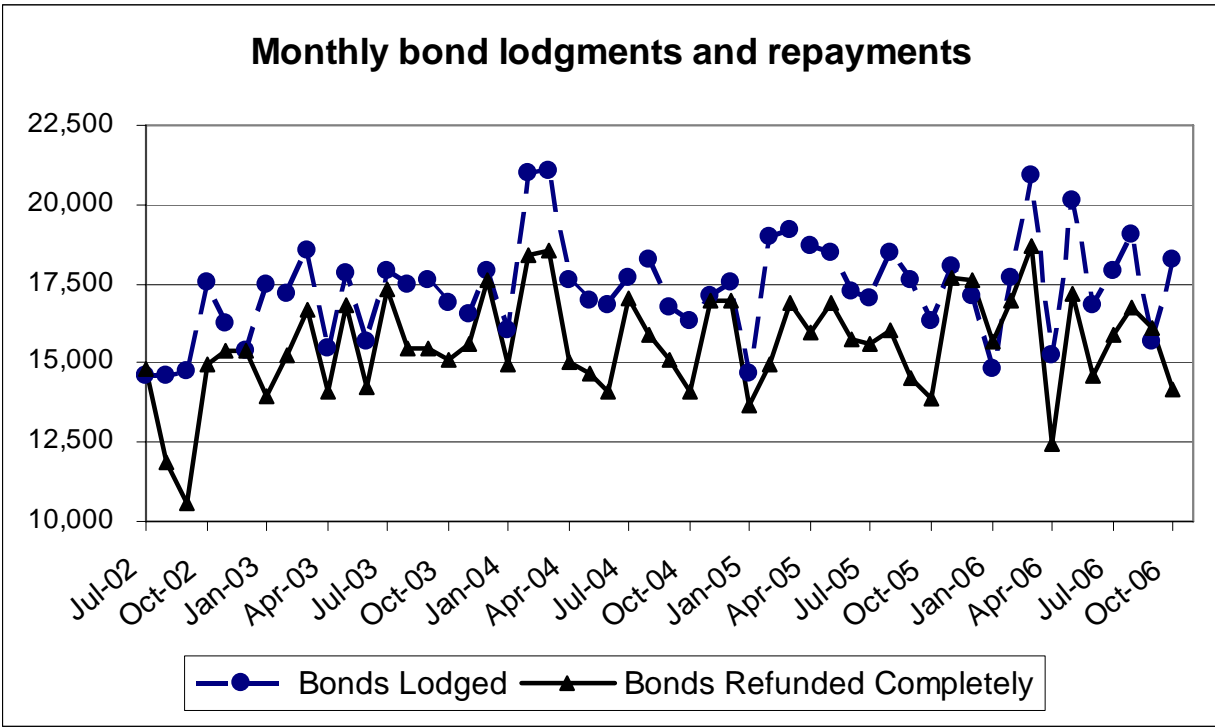
Source: Department of Building and Housing

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.

The number of bonds being lodged and repaid (Figure 29) might suggest that over the last 3 years, the trend towards renting has continued. It is important to note that the number of bonds lodged will not accurately indicate the number of tenanted dwellings, since some properties have no bond attached or lodged, and some properties have a number of bonds attached. Furthermore, the bond lodgement numbers reflect the number of transactions processed, while the refund numbers are for bonds reduced to a nil balance.

Figure 27: Monthly bond lodgements and repayments



Source: Department of Building and Housing

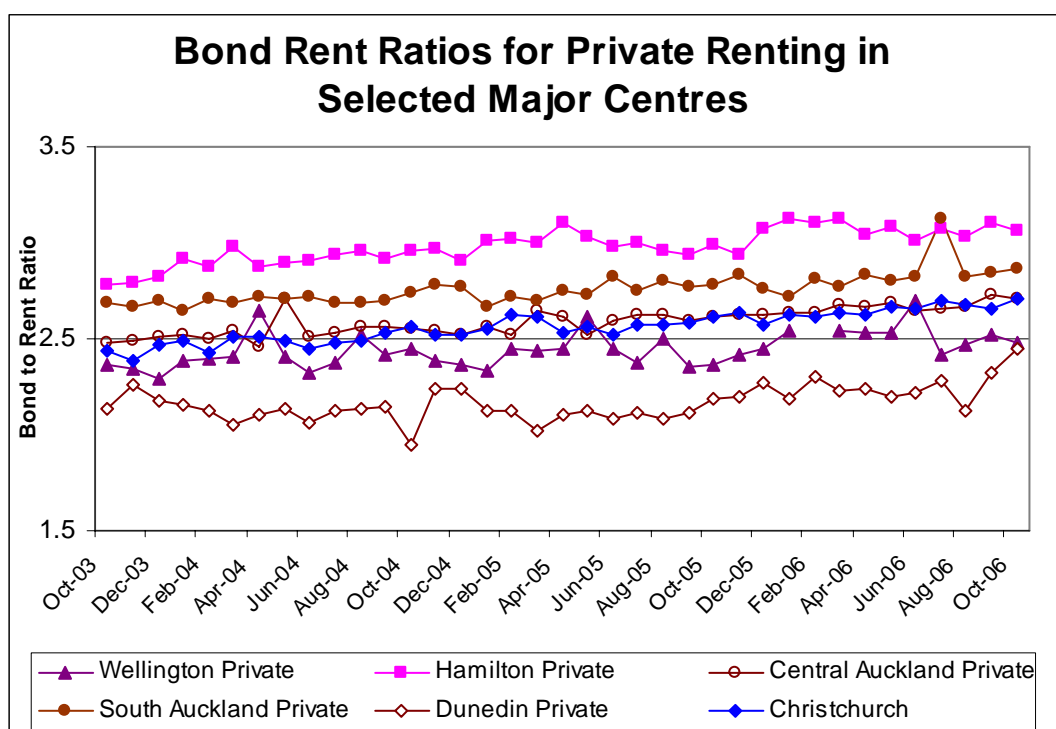
Bond–rent ratios for types of dwelling and selected major centres

Landlords can legally charge a bond of up to 4 weeks’ rent, which may be used if required to cover any unpaid rents, damages or claims. Bonds are held by the Department of Building and Housing for both the landlord and the tenant. The measure of bond–rent ratio provides relevant information on:

- the rental market
- underlying demand and supply of tenanted properties
- the level of risks landlords perceive exists on their rented properties.

The average bond–rent ratio in October 2006 was 2.71 across major centres (Figure 28). Although the bond–rent ratios are increasing over time, different centres have different bond–rent ratios. Hamilton registers the highest bond–rent ratio. Dunedin records the lowest bond–rent ratio over time, but its ratio has been increasing over recent months.

Figure 28: Bond–rent ratios for private renting in selected major centres



Source: Department of Building and Housing

Building quality and performance

Weathertightness issues

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

Through the WHRS process,¹⁵ 279 claims were accepted from July to September 2006. The number of accepted claims totalled 1155 in the year to 30 June 2005, and 1067 in the year to 30 June 2006.

¹⁵ The WHRS assigns an assessor to each application. The assessor submits a report on the dwelling involved in the claim to the claimant and an evaluation panel. Claimants may choose either mediation or adjudication (or both) if the evaluation panel decides the claim is eligible under section 12 of the Weathertight Homes Resolution Services Act 2002.

Profile of accepted WHRS claims

Accepted WHRS claims by territorial authority area

The largest proportion of WHRS claims was made on dwellings in the Auckland region.

Table 2: Accepted WHRS claims by territorial authority area and claim status

Territorial authority	Active claims	Claims not proceeding	WHRs resolutions complete	Total	Percentage of total
Auckland City Council	1420	286	130	1836	39%
North Shore City Council	378	190	79	647	14%
Wellington City Council	256	96	71	423	9%
Waitakere City Council	322	69	17	408	9%
Christchurch City Council	169	77	63	309	7%
Rodney District Council	96	56	16	168	4%
Tauranga District Council	76	38	44	158	3%
Manukau City Council	75	43	28	146	3%
Hamilton City Council	42	17	16	75	2%
Porirua City Council	15	16	19	50	1%
Others	198	145	146	489	10%
Total	3047	1033	629	4709	100%

NOTES:

1. Accepted WHRS claims – Applications that the WHRS considers under section 9(4) of the WHRS Act 2002 are capable of meeting eligibility criteria under section 7 of the Act.
2. Active WHRS claims – Accepted WHRS claims that may or may not have yet been decided eligible under section 12 of the WHRS Act 2002 and that have not been resolved or closed by the claimant.
3. Claims not proceeding – Accepted WHRS claims that have been closed by the claimant. The claim may or may not have been decided eligible by an evaluation panel. Reasons include that the claim has been decided ineligible by the WHRS evaluation panel, the property has been sold, the claimant has transferred to the courts, or the claimant has closed their WHRS claim.
4. WHRS claims within the territorial authority of the Banks Peninsula District Council are now captured by the Christchurch City Council in line with their merger in March 2006.
5. In previous publications we have summarised the data into an Auckland region, made up of Auckland City Council, Manukau City Council, North Shore City Council, Rodney District Council, and Waitakere City Council. 3205 or 68 percent of the total accepted WHRS applications originate from the defined Auckland region as at 30 September 2006.

Source: Department of Building and Housing

Accepted WHRS claims by Department of Building and Housing financial year and complex

Claims are restricted to private dwellings where the dwelling/alteration has been built and/or occupied within the 10 years of application to the WHRS. A multi building refers to a property with more than one WHRS claim.

Table 3: Accepted WHRS claims by Department of Building and Housing financial year of application and by complex

Property type	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	Total
Standalone	470	384	317	333	98	1602
From a multi with 1 claim	124	74	42	43	7	290
From a multi with 2–10 claims	139	195	118	191	47	690
From a multi with 11–20 claims	64	233	115	127	45	584
From a multi with > 20 claims	125	400	563	373	82	1543
Total	922	1286	1155	1067	279	4709

NOTES:

1. The Department of Building and Housing financial year is July to June.
2. For statistical purposes, the term 'multi' means a claim from a property or complex from which multiple claims may arise. For example, it may be a block of apartments or two or more townhouses built on the site with a common developer and/or builder, plumber, etc. The dwellings may or may not have common property and may or may not have a body corporate structure.
3. The split of multi claims into complex size indicates the volume of claims from large and small multi complexes.
4. Read the second to last row as: in the Department's financial year of 2002/03, the WHRS accepted 125 multi claims from complexes that had more than 20 accepted WHRS claims from that complex. Up to 30 September 2006, the WHRS had accepted 1543 claims or 33 percent of total accepted WHRS claims from complexes with more than 20 claims.
5. 80 percent of multi claims are within the Auckland region, as defined previously (see Table 2, Note 5).
6. 95 percent of multi claims from complexes with more than 20 claims are within the Auckland region, as defined previously.

Source: Department of Building and Housing

Building Code waivers

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

Thirty-six waivers were issued during the September quarter (Table 4) compared to the long-term average of 30 waivers per quarter.

C3 Spread of Fire waivers feature prominently in the September 2006 quarter figures, making up 31 percent of total waivers. This is slightly down on the June 2006 quarter average of 40 percent of total waivers. In the September 2006 quarter, 50 percent of the C3 waivers arose from a building being too close to a boundary.¹⁶ The remaining 50 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.

B1 Structure waivers also feature prominently in the September 2006 quarter figures, making up 28 percent of total waivers. This figure is a substantial increase from the long-term average of around 10 percent. A majority of the waivers involve modifying the B1 Clause to allow for the possibility of a natural hazard occurring. This is provided for under section 72 of the Building Act 2004.

The remaining fifteen waivers during the September quarter relate to Building Code Clauses B2, C2, D1, E1, E2, F4 and G7, with no trends emerging.

¹⁶ 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 besides 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 can be withdrawn.

Table 2: Building Code waivers

Territorial authority	B1 Structure	B2 Durability	C2 Means of Escape	C3 Spread of Fire	D1 Access Routes	E1 Surface Water	E2 External Moisture	F4 Safety from Falling	G7 Natural Light	Total
Ashburton	0	2	0	0	1	0	0	0	0	3
Auckland	0	0	1	2	0	0	0	0	0	3
Dunedin	0	2	0	0	0	0	0	0	0	2
Hastings	0	0	0	1	0	1	0	0	0	2
Invercargill	0	0	0	1	0	0	0	0	0	1
Masterton	0	1	0	0	0	0	0	0	0	1
Nelson	0	0	0	1	0	0	1	0	0	2
New Plymouth	0	0	0	3	0	0	0	0	0	3
North Shore	1	0	0	0	0	0	0	0	0	1
Rodney	5	0	0	0	0	0	0	0	0	5
Selwyn	2	2	0	0	0	0	0	1	0	5
Tauranga	2	0	0	2	0	0	0	0	0	4
Wellington	0	0	0	1	0	0	0	0	3	4
Total	10	7	1	11	1	1	1	1	3	36

Source: Department of Building and Housing

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

Building Act Determinations

The Building Regulations contain the New Zealand Building Code and the Building Act contains rules about building consents and inspections. The interpretation of the 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) concerning a particular situation.

There has been a marked increase in the number of determinations since 2003. As at 20 November 2006, there were a total of 417 determinations were processed by the Department and 80 percent of determinations were on cladding and weathertightness.

Table 3: Building Act Determinations 2003–2006

Building Act Determinations 2003–2006

Calendar year	2003	2004	2005	2006 to 20 November
Cladding/weathertightness	1	68	144	121
Access and facilities for people with disabilities	5	2	4	6
Fire safety	1	2	8	6
Surface water	2	2	0	5
Swimming pool fencing	1	0	2	6
Structure	0	1	1	5
Interior environment and facilities	0	1	2	4
Land subject to natural hazards	0	1	1	3
Barrier	1	0	3	3
Other (eg, refusal to issue a code compliance certificate)	0	0	1	4
Total	11	77	166	163

Notes:

- 1 'Cladding/weathertightness' refers to monolithic claddings and other related weathertightness matters.
- 2 'Access and facilities for people with disabilities' include 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, personal hygiene, 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 regulatory development

Building Code Review

On 27 May 2006, the Minister for Building Issues announced the release of the discussion document *Building for the 21st Century: Review of the Building Code*. The Building Act 2004 requires the Chief Executive of the Department of Building and Housing to review the Building Code and to report to the Minister for Building and Construction by 30 November 2007 with recommendations setting out amendments to the Building Code that are necessary or desirable. The review is required to consider whether the Building Code complies with the requirements of the Act, and whether the performance standards for buildings are stated clearly.

Public submissions closed on 31 August. Two hundred and sixty-five submissions were received from individuals, community and commercial organisations, builders, designers, architects, engineers and territorial authorities.

An initial analysis of submissions revealed a strong push for quality and a desire for energy-efficient buildings that last for generations. The analysis recognised the predicted effects of climate change and the need for sustainable development.

Support for change was also tempered with caution, with submitters recognising the need to balance costs and benefits with affordability and with what would give the best long-term benefits.

There was also a view among submitters that the Building Code should fit better with other laws, particularly the Resource Management Act.

A report summarising the submissions will be published in January 2007.

A second discussion document with detailed performance criteria will be published early next year, with the entire review scheduled for completion by November 2007.

Building Code Compliance Document development

In August 2006, the Department announced a consultation process on changes to 11 Compliance Documents, closing on 6 October. Compliance Documents lay out methods of building that ensure compliance with the Building Code. The revisions are intended to help designers, architects and builders to meet the Building Code. Compliance Documents are at the heart of our building process, and they need to be up to date and reflect latest practice.

These are essentially technical changes. Standards and reference documents that apply to each Compliance Document will be updated. Compliance Documents included in the consultation package are as follows.

- E2 External Moisture. Consulting on providing a new Acceptable Solution E2/AS2 for earth buildings by referencing NZS 4299: 1998 Earth Building Not Requiring Specific Design.
- F3 Hazardous Substances and Processes. Consulting on revoking the Acceptable Solution F3/AS1 dealing with storage buildings for hazardous substances and replacing it with a new Acceptable Solution that is compatible with the Hazardous Substances and New Organisms Act 1996 and regulations administered by the Environmental Risk Management Authority.

- F4 Safety from Falling. Consulting on revoking the current Compliance Document and the proposed timing for introducing the new version. (The new version has already undergone public consultation and was approved by the Building Industry Authority.) It concerns raising barrier heights in buildings other than housing.
- G1 Personal Hygiene. Consulting on updating definitions and on minor amendments to the Acceptable Solution G1/AS1 for the provision of toilet numbers and 'line of sight'.
- G4 Ventilation. Consulting on updating referenced publications and on amendments to the Acceptable Solution G4/AS1 provisions for natural and mechanical ventilation.
- G9 Electricity. Consulting on the proposal to delete the reference to New Zealand Electrical Codes of Practice and to replace them with AS/NZS 3000: 2000 Wiring Rules, and on updating definitions.
- G10 Piped Services. Consulting on updating the publications referenced, particularly NZS 5261: 2003 Gas Installation.
- G11 Gas as an Energy Source. Consulting on updating the publications referenced, particularly NZS 5261: 2003 'Gas Installation'.
- G12 Water Supplies. Consulting on updating the publications referenced, particularly AS/NZS 3500.1: 2003 Water Services, including the materials section for pipes and fittings for use with hot and cold potable water.
- G13 Foul Water. Consulting on updating the publications referenced, particularly AS/NZS 2500.2: 2003 Sanitary Plumbing and Drainage.
- H1 Energy Efficiency. Consulting on updating the publications referenced, particularly by referencing AS/NZS 4859.1: 2002 Materials for the Thermal Insulation of Buildings, the *BRANZ House Insulation Guide*, second edition, 2005, and deleting the modifications to section 5.0 of H1/AS1 relating to NZS 4305: 1996 Energy Efficiency – Domestic Type Hot Water Systems.

Analysis of submissions received is complete and recommendations for amendments to the Compliance Documents are being considered.

On 14 September, the Department announced amendments to the Compliance Document for Building Code Clause B1 Structure by referencing two amendments to New Zealand Standards that deal with timber grade verification and the use of timber for framing. The amendments to the Standards being cited are:

- Amendment 4 to NZS 3603: 1993 Timber Structures Standard
- Amendment 2 to NZS 3604: 1999 Timber Framed Buildings.

Amendment 4 to NZS 3603:

- introduces, and provides the engineering properties for new verified grades of timber, namely VSG and MSG grades
- down-rates the engineering properties of unverified, visually graded timber (No. 1 Framing)
- requires that VSG and MSG timber be verified in accordance with the provisions of NZS 3622:2004 Verification of Timber Properties.

Amendment 2 to NZS 3604 is a direct consequence of Amendment 4 to NZS 3603. It amends the tables and design information in NZS 3604 to account for the new VSG and MSG grades and the revised properties of No.1 Framing.

The amended Compliance Document will become effective on 1 April 2007, allowing further time for timber millers to implement the necessary systems should they wish to produce verified timber.

No. 1 Framing will remain approved for structural use.

The amended B1 Compliance Document is available on the Department's website (www.dbh.govt.nz).

Guidance

The Department published another guidance document in July entitled *External Moisture – An introduction to weathertightness design principles*. This supplements the suite of documents the Department has published on weathertightness. It explains the 'theory behind the practice', providing a background to the published solutions, helping with alternative solutions, capturing current weathertightness knowledge, and indicating weathertightness integrity in building construction. It is highly recommended for builders, building designers, building officials and surveyors, developers and installers. Manufacturers and suppliers, educators, researchers, insurers, owners and investors will also be interested. The guide is published as guidance information under section 175 of the Building Act. Copies can be downloaded free from the Department's website (www.dbh.govt.nz). Hard copies can be obtained from the Department by calling 0800 242 243.

In July, the New Zealand Society for Earthquake Engineering Recommendations (NZSEE) for *Assessment and Improvement of the Structural Performance of Buildings in Earthquake* were published. The Department has helped and supported the Society in developing this important document. The Building Act 2004 extends the previous definition of the range of buildings that could be earthquake-prone. All but small residential buildings are now covered by the new definition. Territorial authorities have been required to adopt policies on earthquake-prone buildings. Most of these require the evaluation of the likely structural performance of the buildings that could be earthquake-prone. Assessment of the structural performance of existing buildings is a challenging task. Each building has unique characteristics and it is often difficult to determine with confidence the extent and quality of structural components and materials. These NZSEE recommendations provide authoritative and timely information to help territorial authorities, owners and their engineers make assessments of the structural performance of existing buildings, and to determine whether or not they are earthquake-prone. Using the Recommendations will promote consistency of assessment and will contribute to reducing earthquake risk in New Zealand. The document is available from the New Zealand Society for Earthquake Engineering and can be downloaded from its website (www.nzsee.org.nz).