



Department of
Building and Housing
Te Tari Kaupapa Whare

Building Industry Trends: April–June 2005



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Introduction

This is the sixth report about building industry trends produced by the Department of Building and Housing (the Department) and its predecessor the Building Industry Authority. It examines trends for the period 1 April 2005 to 30 June 2005, but may include later information if it was available before the end of August 2005.

The Building Industry Authority was subsumed into the new Department of Building and Housing (the Department) last year and, as a result, the *Building Industry Trends* publication is being extended to take into account the wider economic concerns of the new Department. In the March quarter publication an executive summary was added along with a wider economic commentary, reflecting more closely the Department's areas of interest. In this quarter a section has been added to cover renting and tenancy, as the Department provides mediation and other services to residential tenants and landlords.

The Department is charged with ensuring all New Zealanders have access to quality homes and buildings that meet their needs now and in the future.¹

This report is based on a combination of accessible information and forecasts from government agencies and industry organisations, as well as information and indicative statistics developed by the Department. It has been prepared in line with the Department's strategy to build and enable access to sector-related information and knowledge.

¹ *Statement of Intent 2005/2008*, Department of Building and Housing.

Executive summary

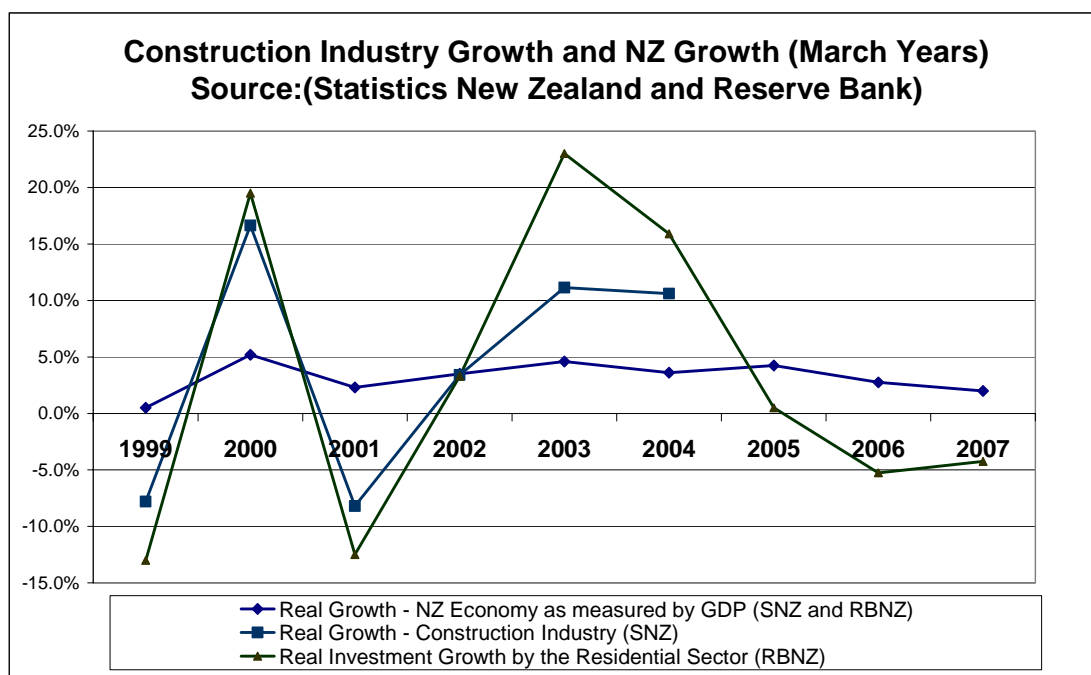
Building and construction activity

The New Zealand building and construction industry has experienced a period of rapid growth in recent years. Industry output is at high levels. However, growth is expected to slow and output drop in coming years.

Evidence for this slowdown includes:

- Reserve Bank forecasts from the June Quarter Monetary Policy Statement (Figure 1)
- the Department of Labour indicating that the number of advertisements for building tradespeople has fallen (Figures 28 and 29)
- that the *number* of building consents² peaked in 2004 (Figure 2)
- that the trend *value* of total building consents has declined for the 4 months ended June 2005, according to the June building consents statistics from Statistics New Zealand (Figure 16).

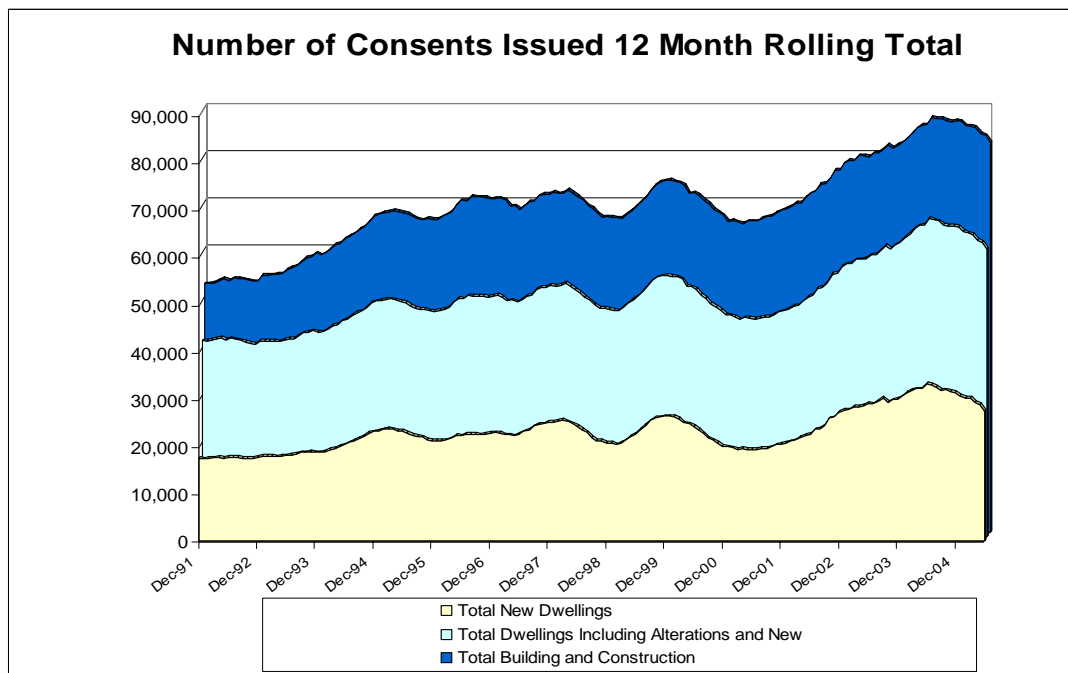
Figure 1: Economy and construction industry growth



Source: Reserve Bank and Statistics New Zealand

² In this publication for simplicity of expression, the number of consents refers to the number of dwelling units covered by consents. For example, one consent for an apartment building can result in a large number of consents for dwelling units. There may be less actual consents issued than indicated by these statistics.

Figure 2: Number of consents



Source: Statistics New Zealand

Consents are issued before construction begins and so changes in the value or quantity of actual building activity is lagged behind changes in consents. Figure 17 indicates that although the number of consents has declined recently (Figure 2) this decline has not yet been reflected strongly in the March 2005 quarter Value of Building Work put-in-place³. However, if the surveyed value of building activity is adjusted for both seasonality and the increasing cost of building, then it appears that the surveyed value of building activity has been flat since the later part of 2004.

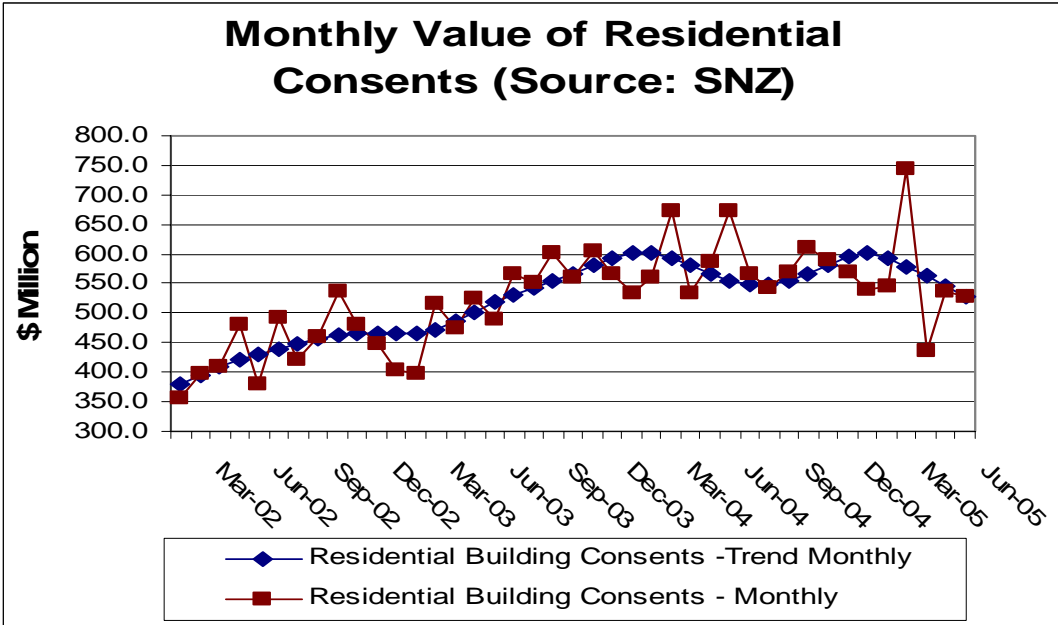
Residential building

The Reserve Bank is expecting real fixed residential investment to fall by 5.25 percent in the 2006 March year and 4.5 percent in the 2007 March year, before growing 0.25 percent in the 2008 March year. The trend in monthly *value* of consents⁴ had been oscillating around a stable level since late 2003 (Figure 3), but appears to be declining now.

³ The March quarter 2005 Value of Building Work put-in-place is the most recent statistic available at the end of August 2005.

⁴ In this publication for simplicity of expression, 'consents' refers to the number of dwelling units covered by consents. For example, one consent for an apartment building can result in a large number of consents for dwelling units. There may be less actual consents issued than indicated by these statistics.

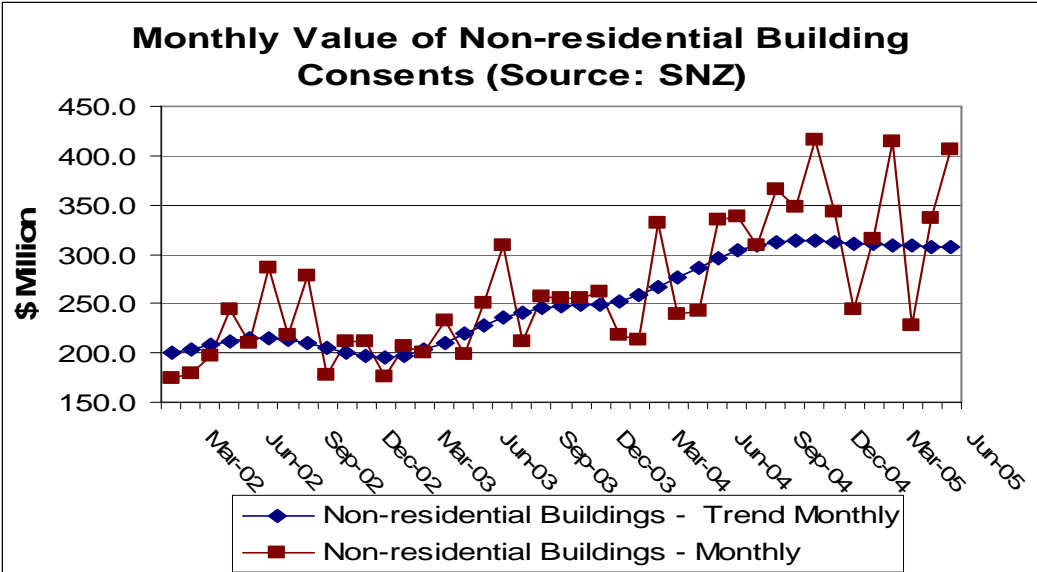
Figure 3: Value of residential consents



Non-residential building

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 (Figure 4). The Reserve Bank is expecting business investment in fixed assets such as buildings to increase 5.5 percent in the 2006 March year, decline 1 percent in the 2007 March year and increase 2.25 percent in the 2008 March year.

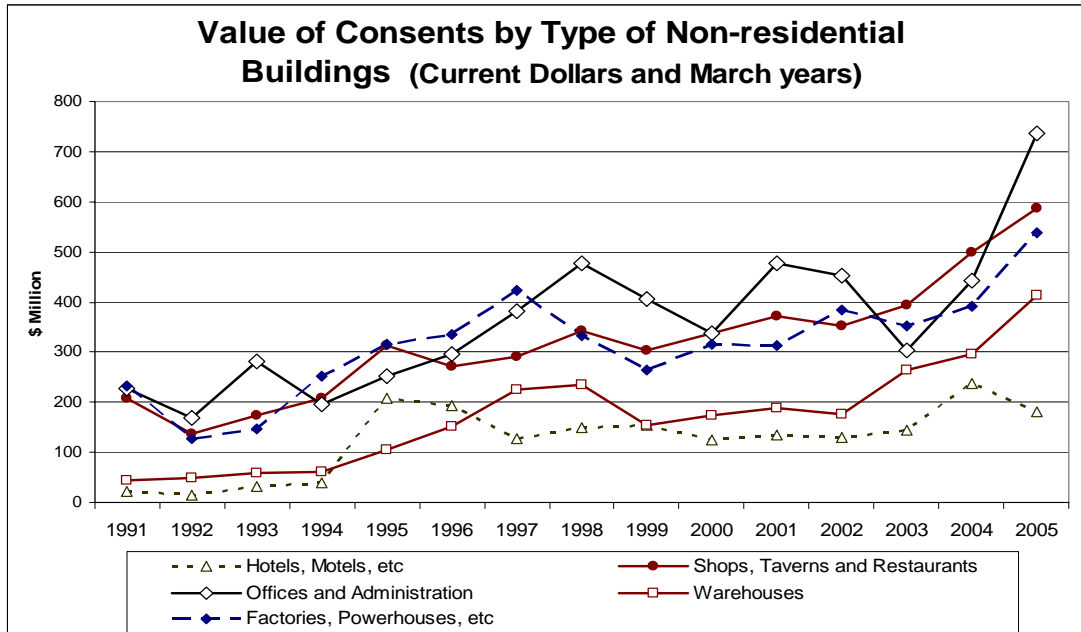
Figure 4: Value of non-residential consents



Source: Statistics New Zealand

Consents issued in recent years indicate strong growth in commercial, manufacturing and retail building (Figure 5).

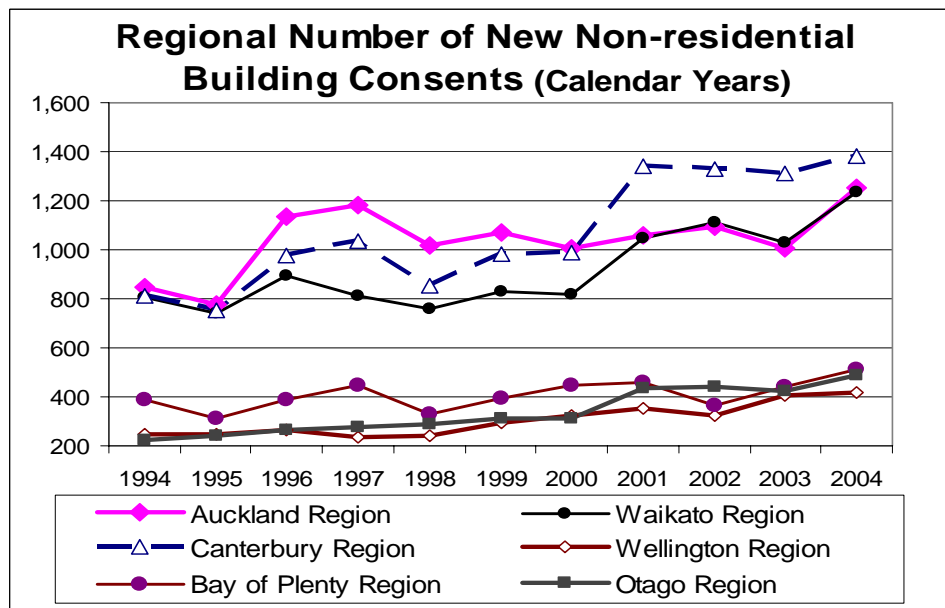
Figure 5: Value of various types of non-residential building



Source: Statistics New Zealand

In recent years construction has grown more rapidly in Canterbury and the Waikato than in Auckland (Figure 6).

Figure 6: Non-residential building by region



Source: Statistics New Zealand

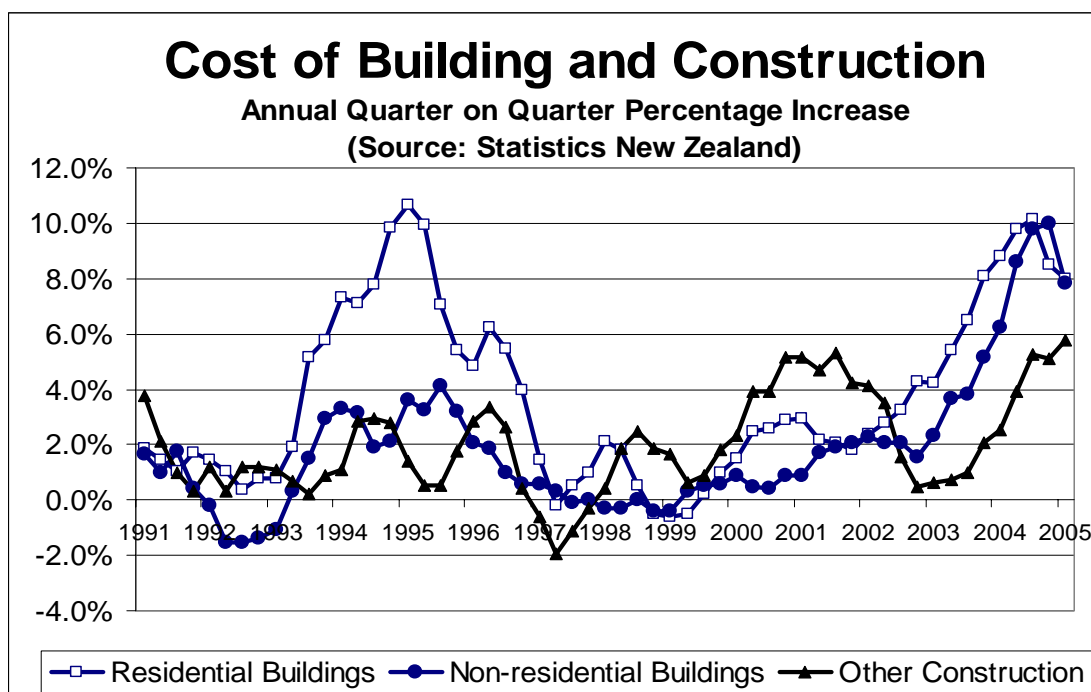
Other construction

Government spending on fixed assets is forecast by the Reserve Bank to increase by 2.75 percent in the 2006 March year, 4.25 percent in the 2007 March year and 7 percent in the 2008 March year.

Cost of building

The cost of building grew significantly faster than general inflation in recent years. The Statistics New Zealand Capital Goods Price Index for residential and non-residential building increased by around 8 percent from March 2004 to March 2005 while the cost of Other Construction increased more slowly by approximately 6 percent over the same period. Other Construction includes the cost of infrastructure such as roads (Figure 7).

Figure 7: Increase in cost of building and construction

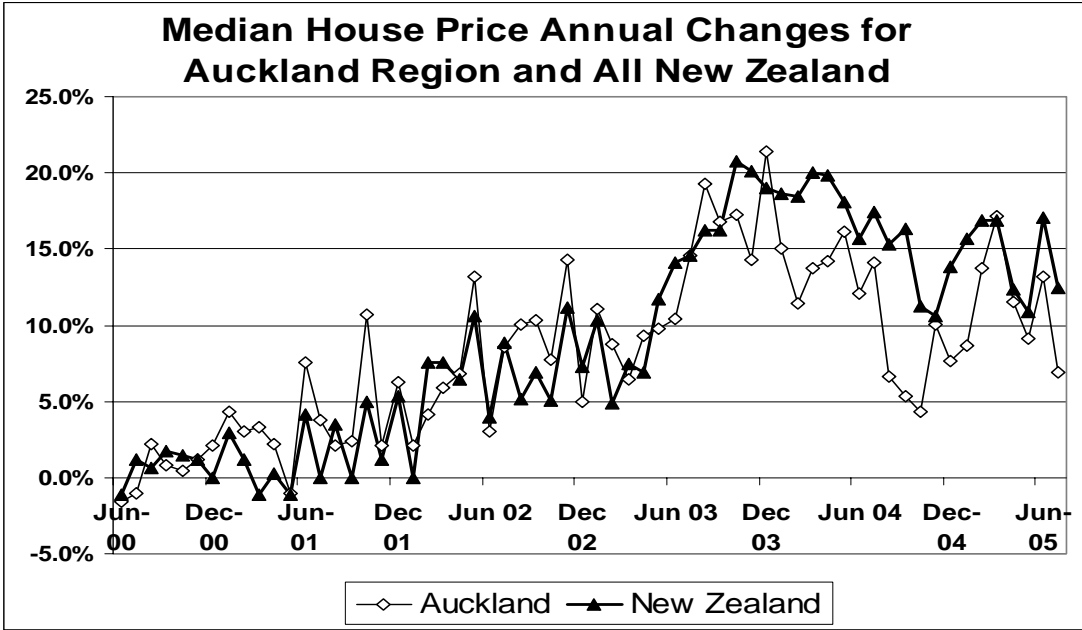


Source: Statistics New Zealand

Existing house prices

The market for existing housing cooled somewhat during 2004. Nearly all housing market indicators, such as house sales, house price inflation and residential investment, eased back from their peaks in late 2003/early 2004. However, recent housing trends have been more difficult to interpret. Low mortgage rates offered by banks towards the end of 2004 appear to have sustained house price inflation over the early months of 2005 (Figure 8).

Figure 8: Existing house price inflation



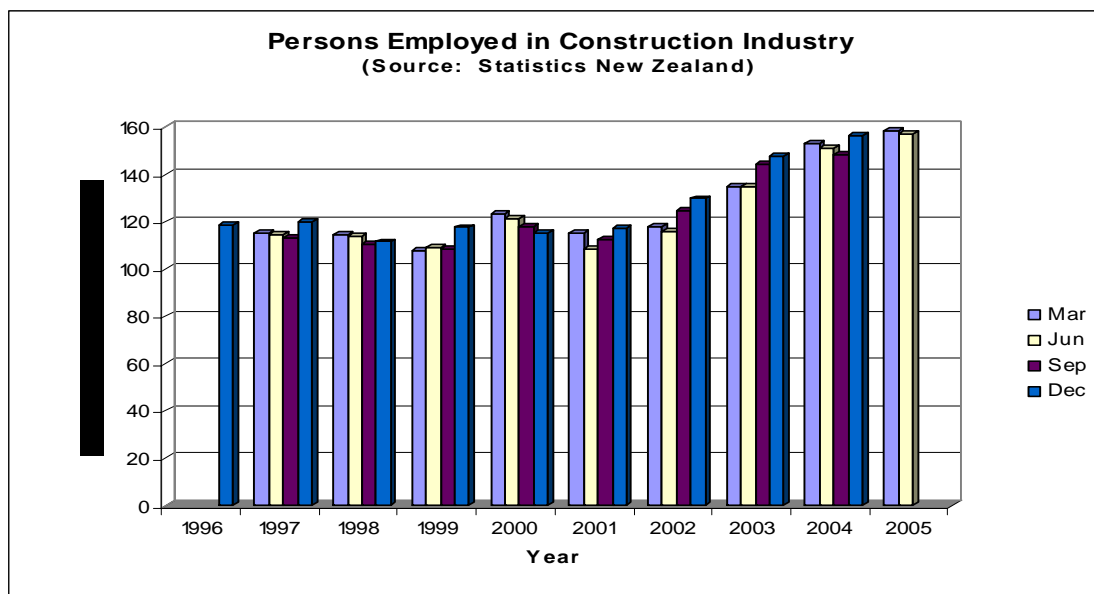
Source: REINZ

Employment

The increasing outputs of the construction industry resulted in rising employment from around 115,000 in the late 1990s to a little under 160,000 at present according to the Household Labour Force Survey (Figure 9). Annual employment growth declined from 12.2 percent for the March 2004 quarter to 4.1 percent for the year to June 2005.

Information on vacancies collected by the Department of Labour indicates a decline in advertised vacancies for building tradespeople. Vacancies advertised in the building trades declined 27 percent in the year to June 2005 indicating improvement in recruiting conditions for employers in a slowing construction sector.

Figure 9: Employment in the construction industry

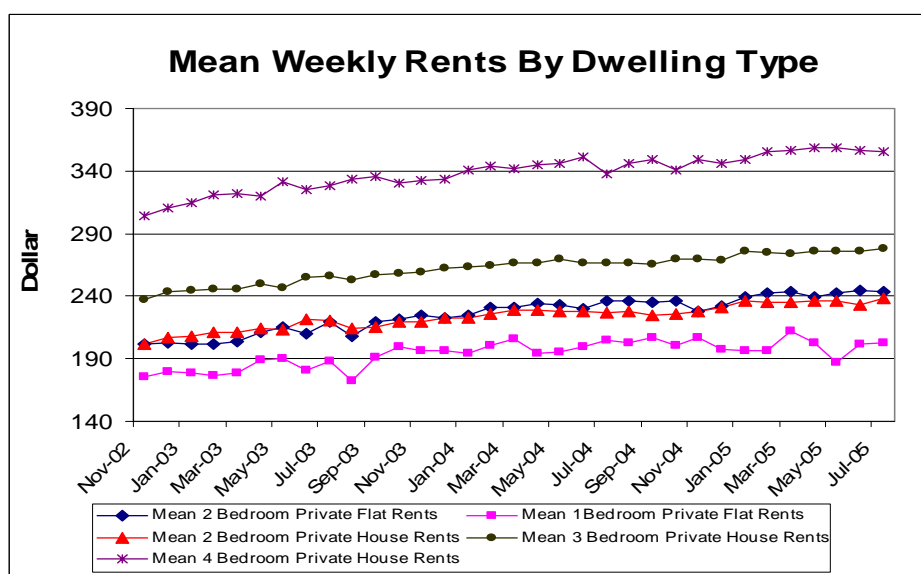


Source: Statistics New Zealand

Cost of renting, home ownership and operation

Rents have been stable to rising over the last 12 months according to information on rents reported at lodgement of tenancy bonds (Figure 10). The rented dwellings sub-group of the Consumer Price Index (CPI) increased 2.3 percent between June 2004 and June 2005. The home ownership sub-group of the CPI increased 6.9 percent for the same period.

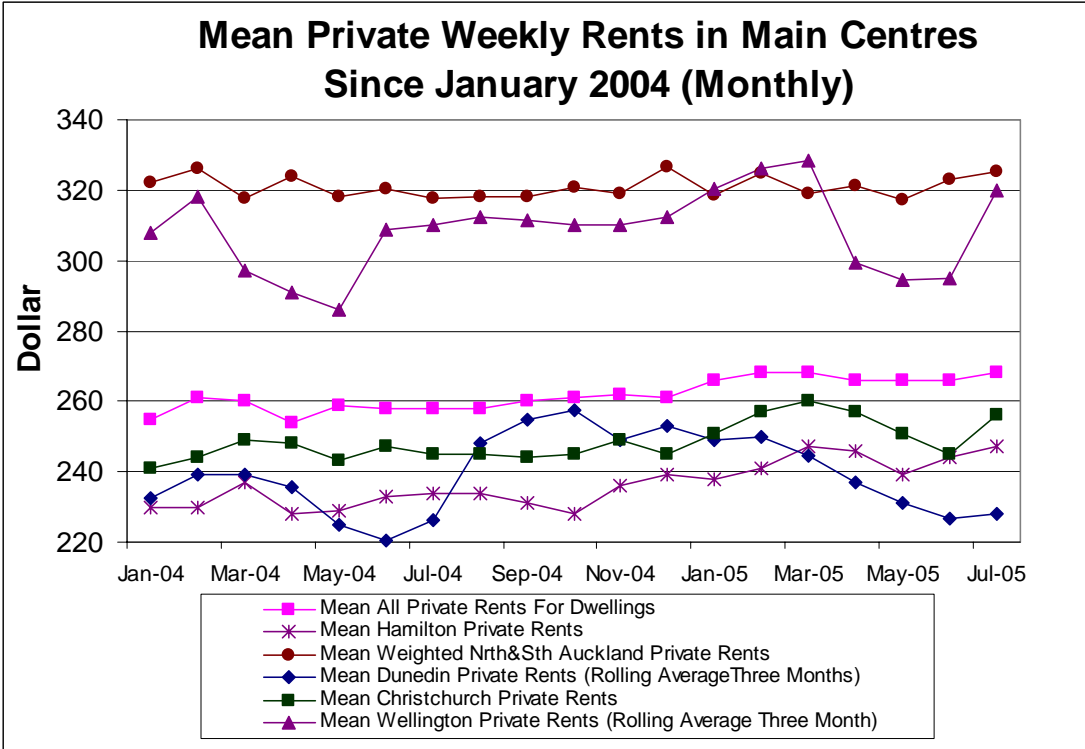
Figure 10: Comparative cost of renting various types of dwelling



Source: Department of Building and Housing

New rents in some major centres have increased slowly on average since the start of 2004 (Figure 11). Wellington and Dunedin average rentals exhibit seasonal patterns and so a trend is harder to uncover. North and South Auckland rents appear stable on average, while in Hamilton rents have increased by around 5 percent over the 12 months to June 2005 according to the tenancy bond data (Figure 11).

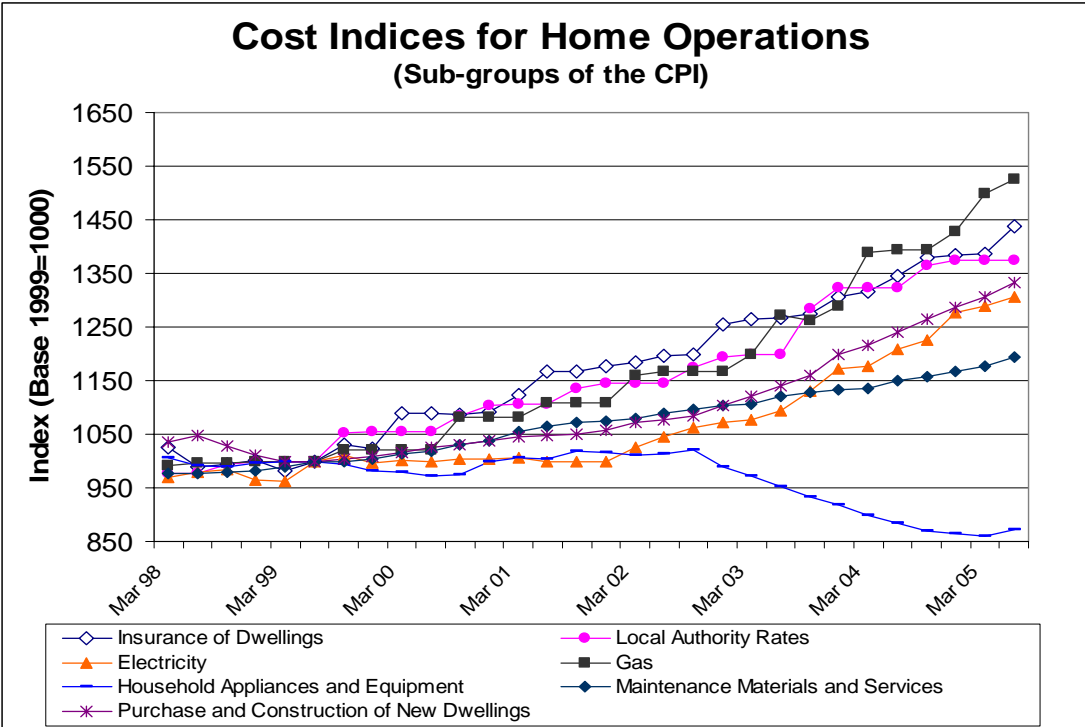
Figure 11: Average rents in various major centres



Source: Department of Building and Housing

The cost of operating a home has been driven upwards faster than general inflation or rents in recent years (Figure 32) reflecting a number of factors including rising costs of fuel. The cost of household appliances and equipment has declined markedly since the start of 2003 (Figure 12) at least partly due to the strong New Zealand dollar.

Figure 12: The rising cost of house operation



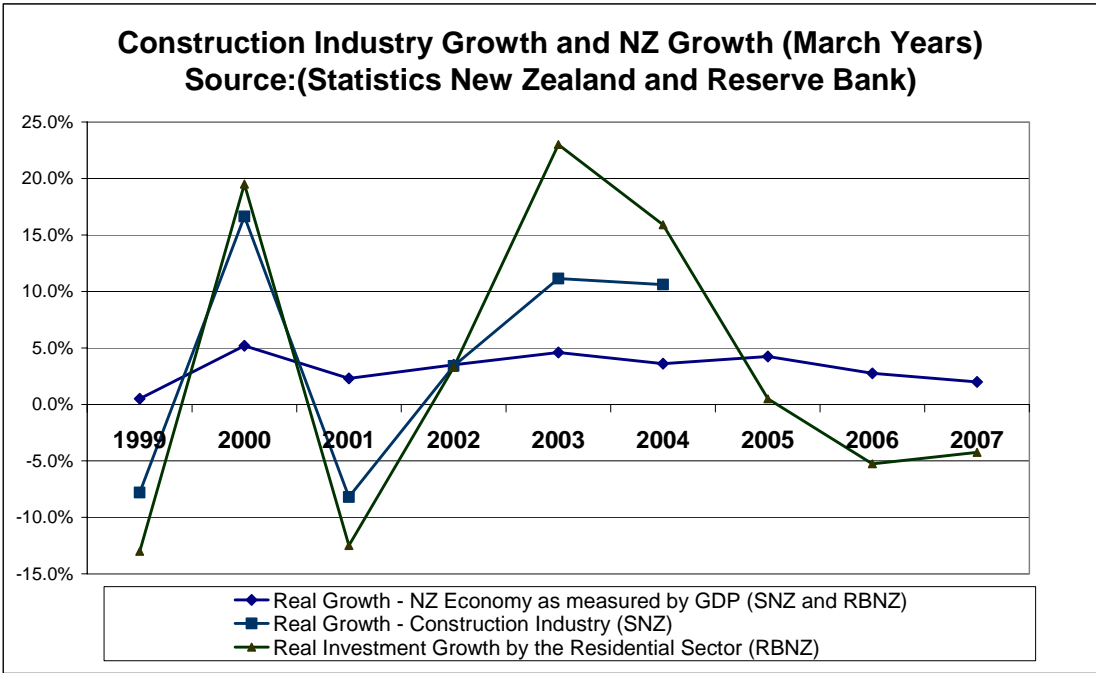
Source: Statistics New Zealand

The economy

Economic growth and industry outputs

In the June 2005 Monetary Policy Statement the Reserve Bank indicates that growth in gross domestic product in the second half of 2004 was weaker than expected, with much of this weakness reflecting less activity in the construction sector. However, they note that in their opinion most of this weaker activity is the result of labour and capacity constraints as well as timing factors rather than a lack of demand. Furthermore, they note that indicators of non-residential construction activity such as cement sales and non-residential building consents are suggesting a bounce-back in construction activity in early 2005. Overall, the Bank has not fundamentally changed its expectations of the economy's growth from that forecast in March. They are forecasting real growth of 2.75 percent in the March 2006 year, 2 percent in the March 2007 year and 2 percent in the March 2008 year.

Figure 13: Economic growth



Source: Reserve Bank and Statistics New Zealand

Residential building

The Reserve Bank forecasts household investment in fixed assets (mainly housing) to decline by 5.25 percent in the March 2006 year, 4.5 percent in the March 2007 year and then a small rise of 0.25 percent in the March 2008 year.

Non-residential buildings

Strong domestic demand over 2004 and difficulties attracting labour have encouraged many firms to increase their capacity by investing in plant and machinery, according to the Reserve Bank. Non-residential building also grew strongly. In the June Monetary Policy Statement the Reserve Bank is expecting business investment to remain strong over the first part of the March 2006 financial year. Business expenditure on fixed assets such as buildings is forecast to increase 5.5 percent in the 2006 March year, decline 1 percent in the 2007 March year and increase 2.25 percent in the 2008 March year.

Infrastructure investment

Investment (mainly infrastructure) by the government sector is forecast to increase by 2.75 percent in the March 2006 year, 4.25 percent in the March 2007 year and a further 7 percent in the March 2008 year according to the June Monetary Policy Statement.

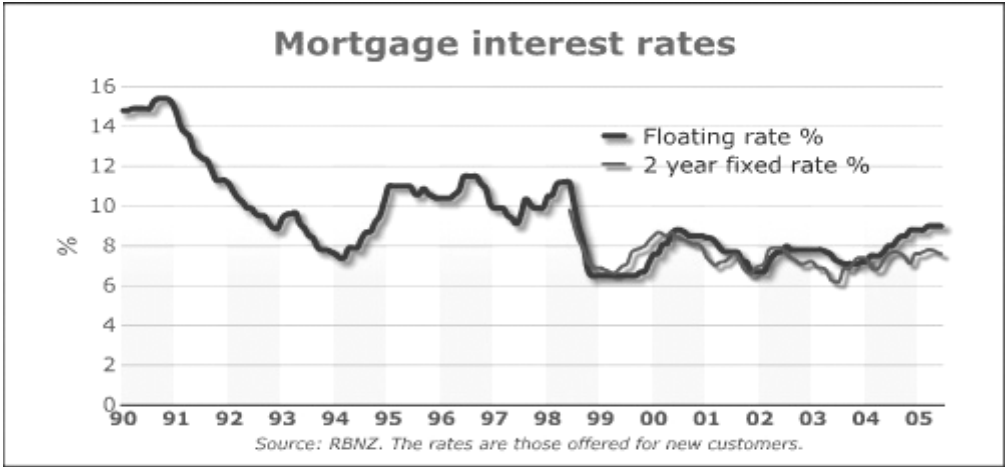
Prices and costs

According to median house price sale data from the Real Estate Institute of New Zealand (REINZ), house price monthly annual inflation for New Zealand as a whole peaked at around 20 percent at the end of 2003. Since then, the annual increase has oscillated in a downward direction to 12.4 percent for the year to July 2004. The Reserve Bank expects lower net immigration and higher interest rates will result in a sharp decline in annual house price inflation over coming years to zero and below.

Interest rates

The cost of funding capital for investment in buildings and construction continued to increase during the last quarter as mortgages entered into in the past rolled over and were replaced with higher rates. However, this upward trend is slowing as short-term wholesale interest rates have stabilised.

Figure 14: Mortgage interest rates



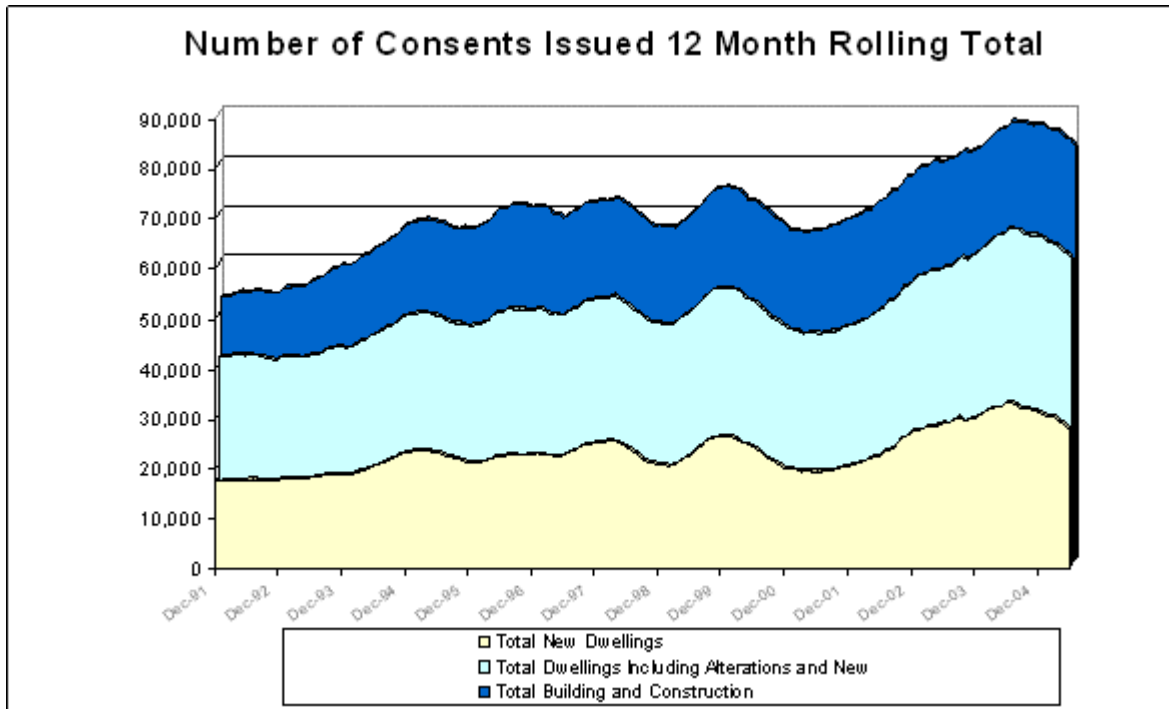
Source: Reserve Bank and Statistics New Zealand

Sectoral analysis

Growth in building activity slows

During 2004 the rolling total of the previous 12 months consent numbers⁵ peaked and began to fall back from high peaks reached early in the year (Figure 15).

Figure 15: Number of building consents

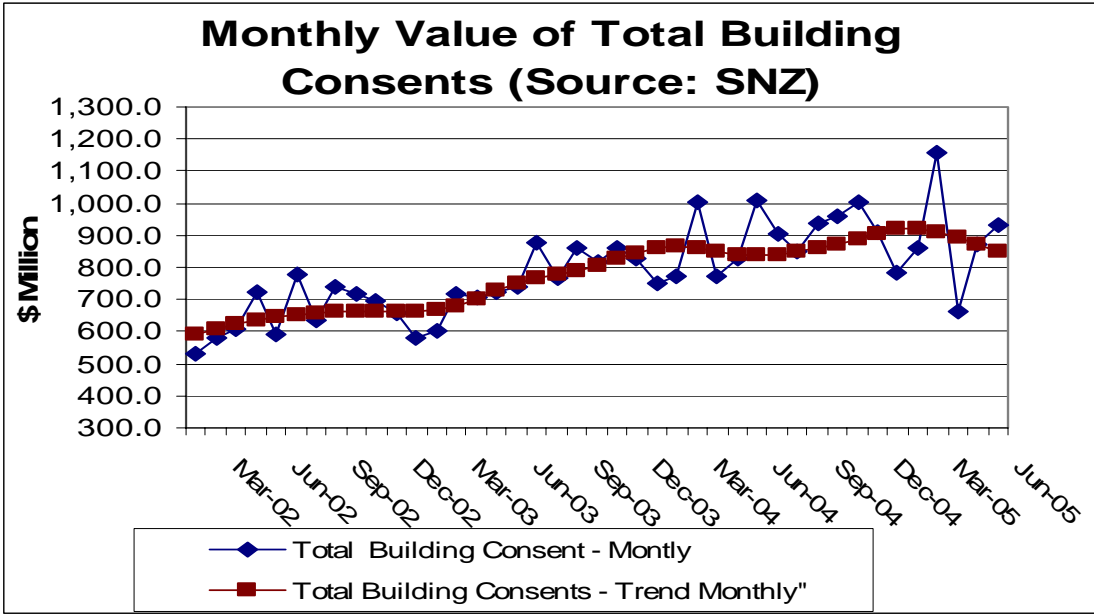


Source: Statistics New Zealand

In recent months not only the number but also the value of total building consents as measured by the monthly trend has declined (Figure 16).

⁵ In this publication for simplicity of expression, the number of consents refers to the number of dwelling units covered by consents. For example, one consent for an apartment building can result in a large number of consents for dwelling units. There may be less actual consents issued than indicated by these statistics.

Figure 16: Trend in the monthly value of building consents

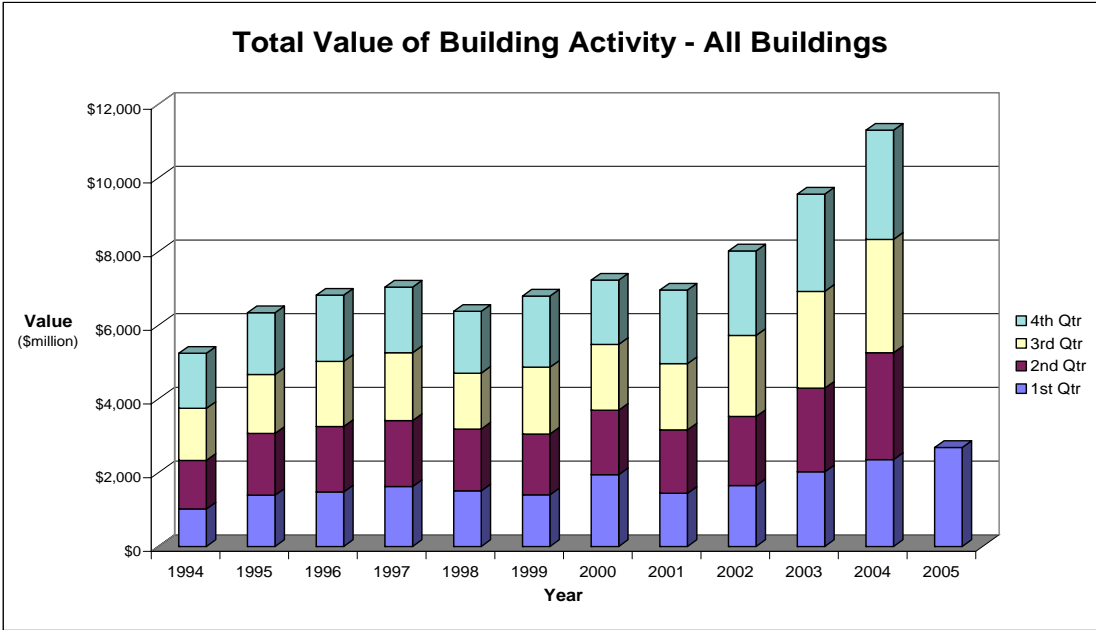


Source: Statistics New Zealand

Consent statistics are indicators of future building activity and so the downturn in consent numbers around the middle of 2004 (Figure 15) can be expected to translate into lower future building activity. The Survey of Building Activity⁶ (Figure 17) indicates that the slowdown was not strongly influencing values of building in the March quarter of 2005. However, the Reserve Bank is expecting an easing soon. The Reserve Bank forecast of a decline is supported by the decline in the trend value of consents in the March quarter (Figure 16).

⁶ The Building Activity Survey does not survey all building activity, but is designed to accurately represent all building work put-in-place.

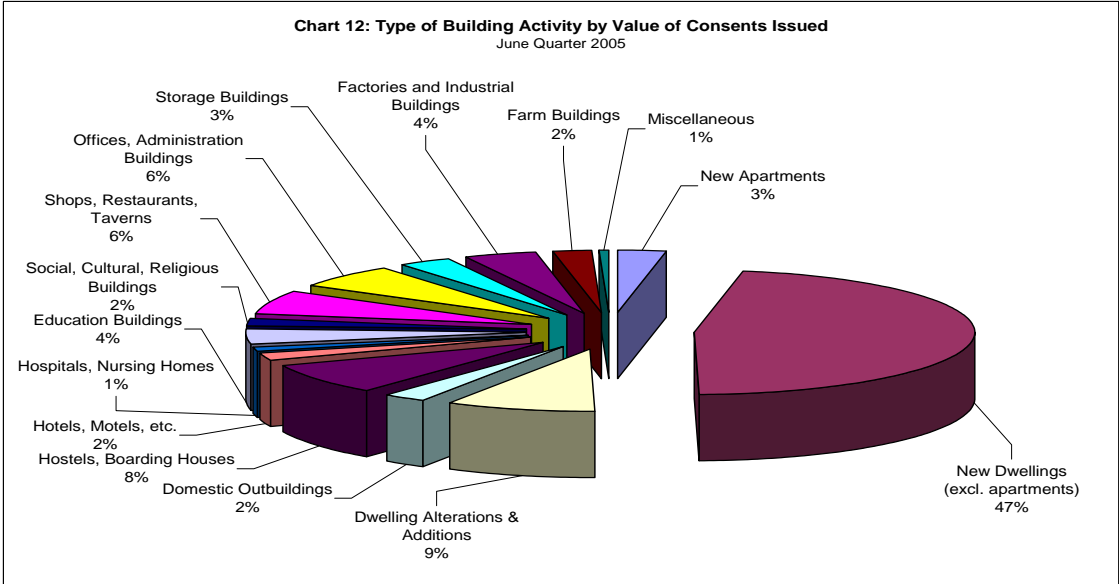
Figure 17: Total value of surveyed building activity



Source: Statistics New Zealand

In contrast to recent quarters the proportion of consent numbers for dwellings fell to 50 percent in the June quarter. Nine months earlier during the September 2004 quarter, 52 percent of consents were for dwellings. Twelve months earlier during the June quarter 2004, 58 percent of consents were for dwellings. During the June 2005 quarter the proportion of consents for each category of consents was as follows.

Figure 18: Consents by type of building

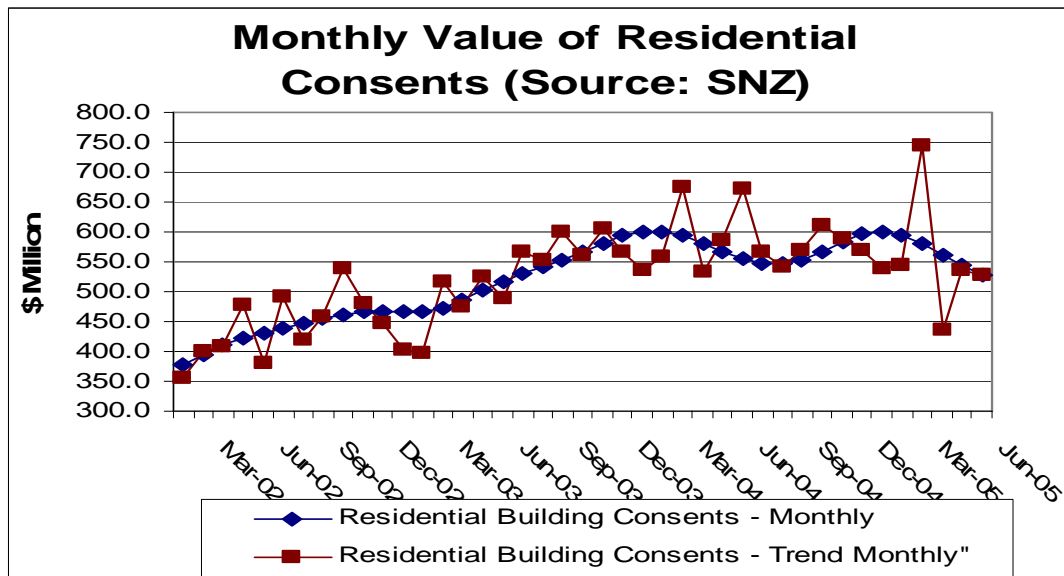


Source: Statistics New Zealand

Decreased residential construction

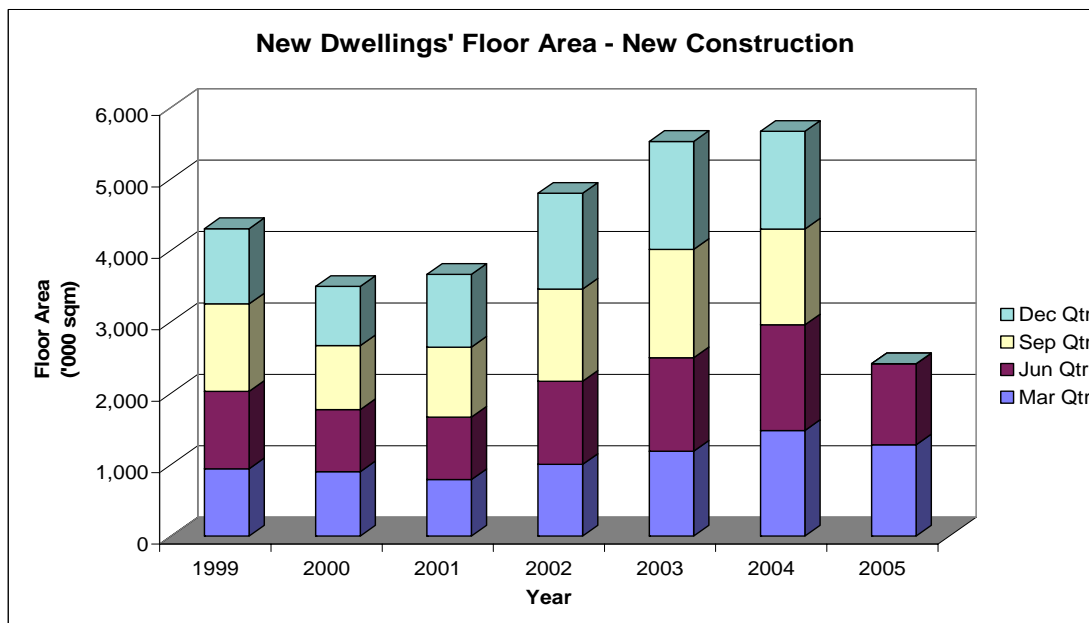
There is a strong expectation that residential building activity will decline during 2005 based on: Reserve Bank and other forecasts; the Department of Labour advertised vacancies survey; and the decline in trend consents in recent months (Figure 19).

Figure 19: Monthly trend and actual value of residential consents



Source: Statistics New Zealand

Figure 20: Floor area of new dwellings



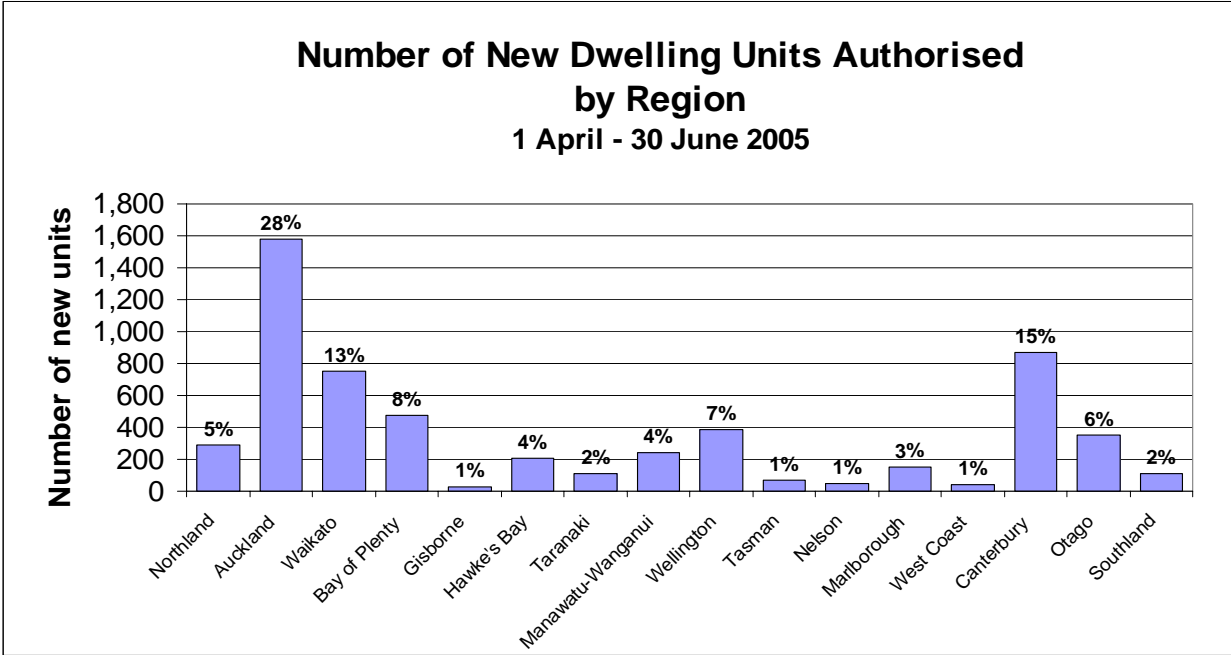
Source: Statistics New Zealand

The decline in dwelling consents since mid-2004 has been reflected in declines in the floor area of new dwellings for which consents were issued in both the March and June quarters of 2005. Floor area approved in the year ended June 2005 was 14 percent lower than the corresponding 2004 year, but about the same as for the March 2003 year. The June quarter showed a decline of 23.3 percent and the March quarter 13.5 percent relative to the same quarter a year earlier (Figure 20).

Decline in new dwelling construction across most regions

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

Figure 21: 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 2005. Overall, the country saw a 31 percent decline in the number of consents when compared to the number in the June 2004 quarter. Consents in Manawatu-Wanganui, Hawke’s Bay and Marlborough increased over the same period. Canterbury consents for new dwellings remained at relatively high levels, although they declined 26 percent relative to the June 2004 quarter.

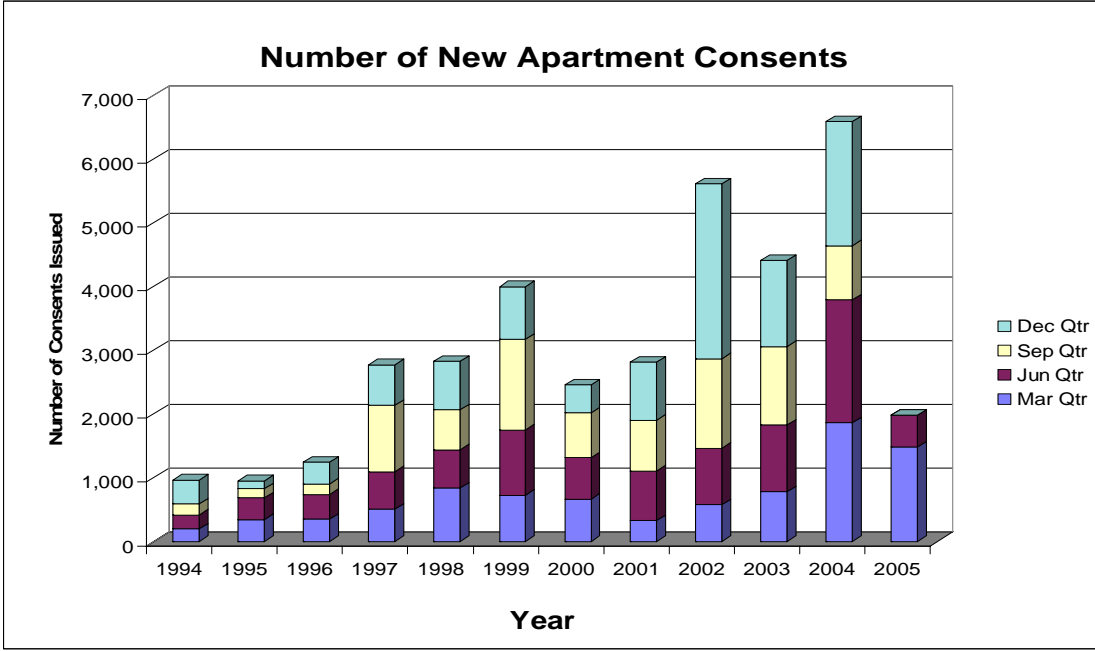
Apartment consents have fallen

During the June quarter apartment consent numbers fell to levels not seen since 1996/97.

Although the number of consents issued for new apartments is volatile from quarter to quarter, the very large drop in new apartment quarterly year-to-date consents data suggests that consents may have reached a local peak. How long this decline in consents takes to be translated into a decline in actual building is uncertain. Indeed the long-term trend to apartments⁷ in place for more than a decade may lead to a rapid rise in consents before too long.

⁷ Apartment consents are defined as all new dwelling consents that include 10 or more new dwelling units. Over the 4 years ended January 2005 the annual number of consents for apartments increased by 170 percent and, as a result, the proportion of apartment consents to all dwelling consents has increased rapidly too.

Figure 22: New apartment consents for the June quarter

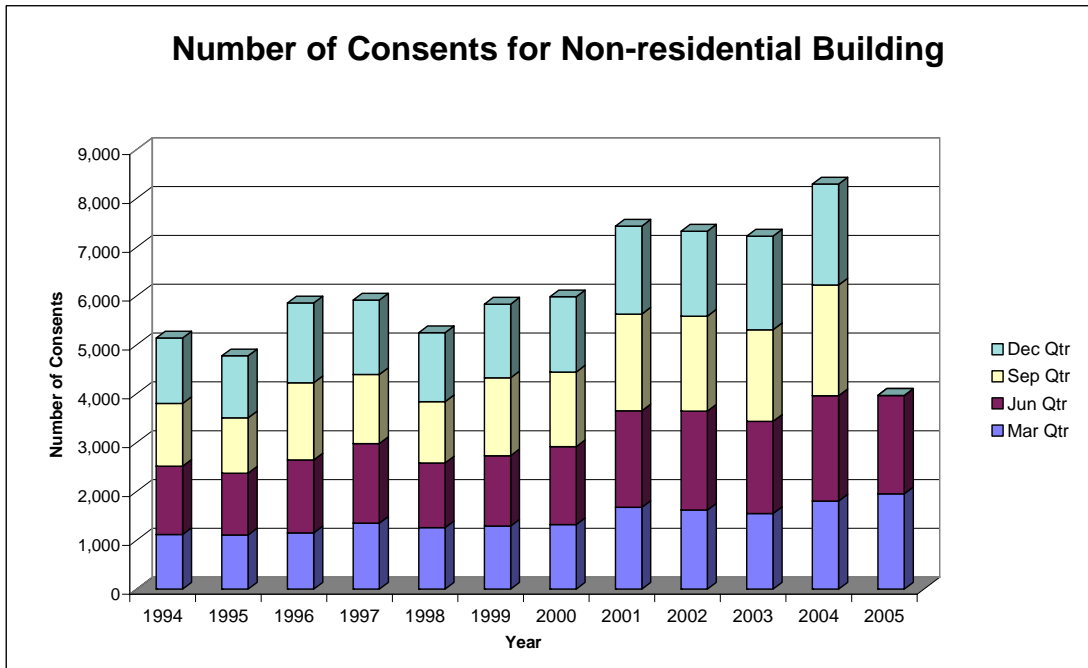


Source: Statistics New Zealand

Non-residential construction

The number of consents for non-residential building increased strongly during 2004, but this growth slowed in the March quarter of 2005. The number of consents was 7 percent higher for the year ended June 2005 relative to the same period a year earlier. In the June 2005 quarter consent numbers were 7 percent less than in the June 2004 quarter and 6 percent higher than in the June 2003 quarter. This decline in the June quarter resulted in a decline in the year-to-date figures from 8442 for the year ended March 2005 to 8299 in the year ended June 2005.

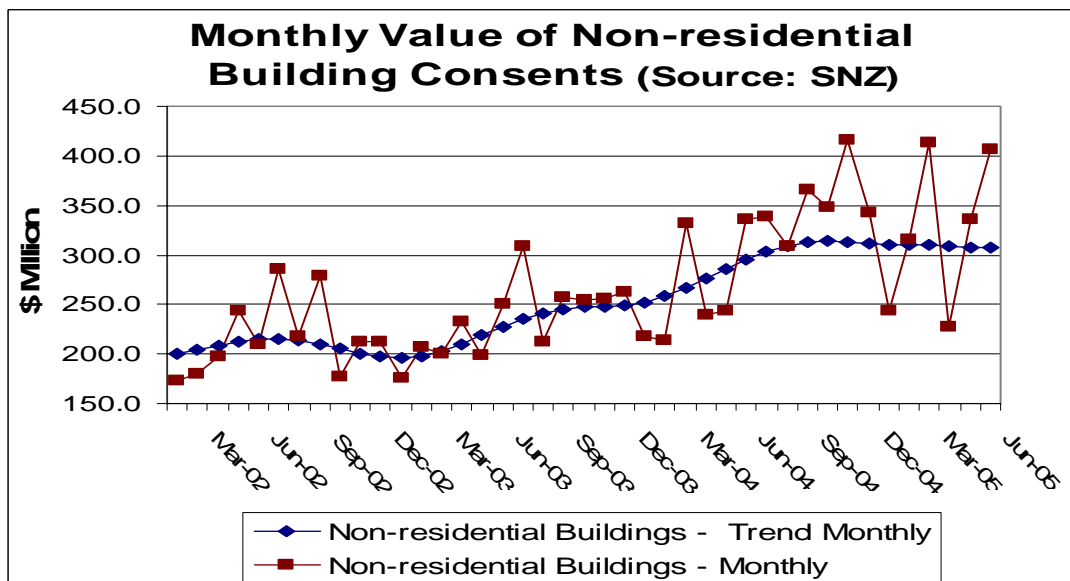
Figure 23: Number of non-residential consents



Source: Statistics New Zealand

The value of consents has been maintained by the increasing costs of building, but in recent months the trend value has been stable to easing somewhat. This situation would suggest that actual non-residential building activity will slow. The Reserve Bank is expecting this slowdown in the March 2007 year.

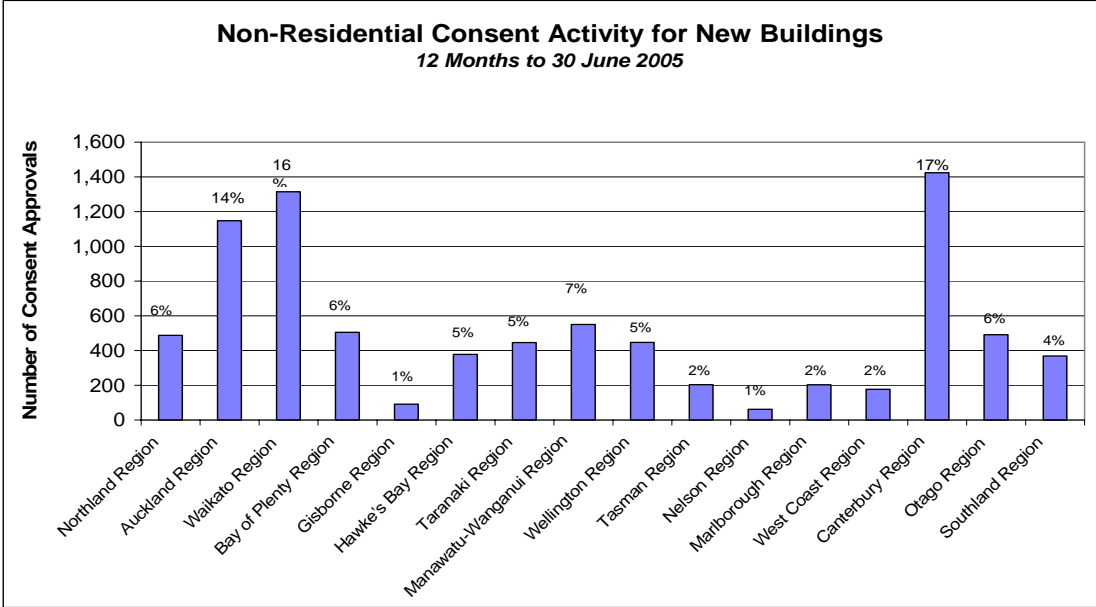
Figure 24: Value of non-residential building consents by type



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 and the share in the Waikato has increased further. Hawke’s Bay has also increased its share from 4 to 5 percent.

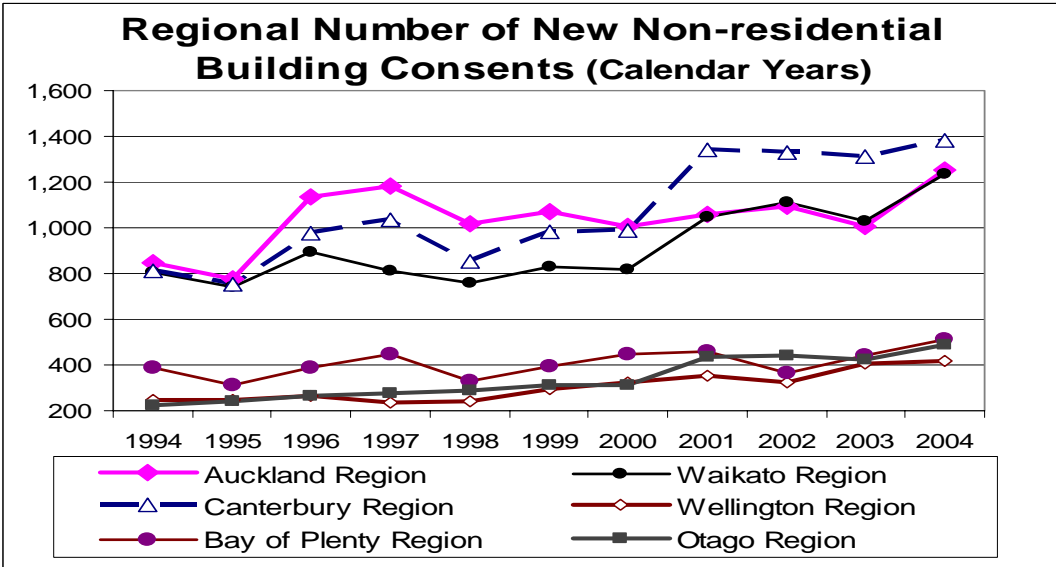
Figure 25: Non-residential consents for all regions in the year ended June 2005



Source: Statistics New Zealand

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

Figure 26: Non-residential consents for major regions since 1994

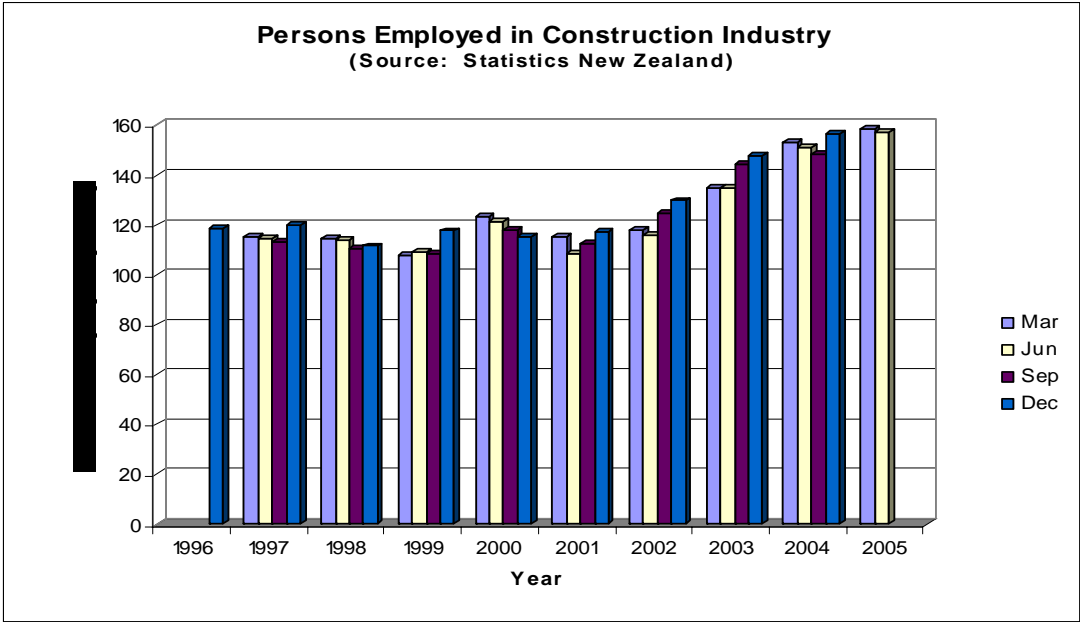


Source: Statistics New Zealand

Labour supply

The June 2005 quarter Household Labour Force Survey results published by Statistics New Zealand reveals a flattening in the rise in numbers of people employed in the construction industry in recent quarters (Figure 27). The employment numbers probably reflect the slowing in the growth of residential construction.

Figure 27: Numbers employed in the construction industry

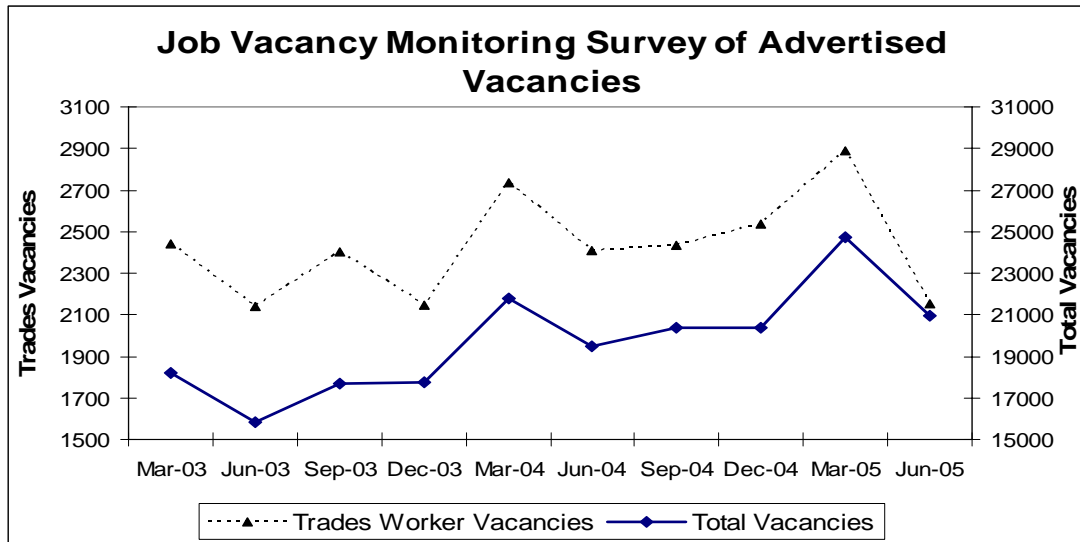


Source: Statistics New Zealand

Vacancies for tradespeople also slowed according to the Job Vacancy Monitor (JVM) monthly analysis of job advertisements undertaken by the Department of Labour.⁸ The quarterly advertised vacancies have been strong for tradespeople as for all workers (Figure 28). In the March 2005 quarter advertised vacancies fell away, partly reflecting: seasonal factors, as employment in construction often falls in the June quarter (Figure 27); a declining number of residential building consents; and possible improvements in the availability of tradespeople resulting from higher migration.

⁸ According to the Department of Labour, the JVM is an indicator of both supply and demand trends in the labour market for various occupations.

Figure 28: Advertised vacancies from the Job Vacancy Monitoring Survey

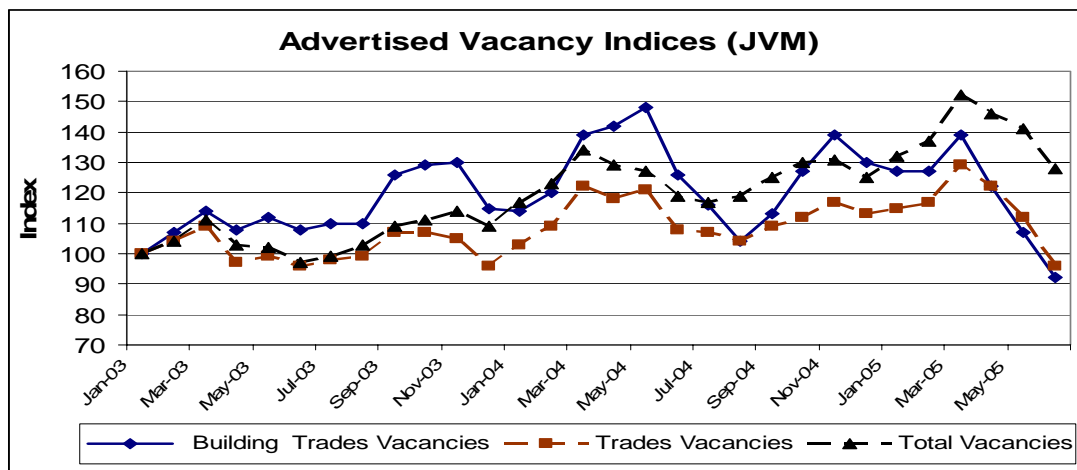


Source: Department of Labour

For the month of June 2005 building trades advertised vacancies were 27 percent lower than a year earlier.

The overall Job Vacancy Index increased 8 percent between June 2004 and June 2005. The Department of Labour notes that the labour market is still extremely strong and that the Department expects this strength to continue with an unemployment rate of 4 percent or slightly lower for the next 2 years.

Figure 29: Indices from the Job Vacancy Monitoring Survey



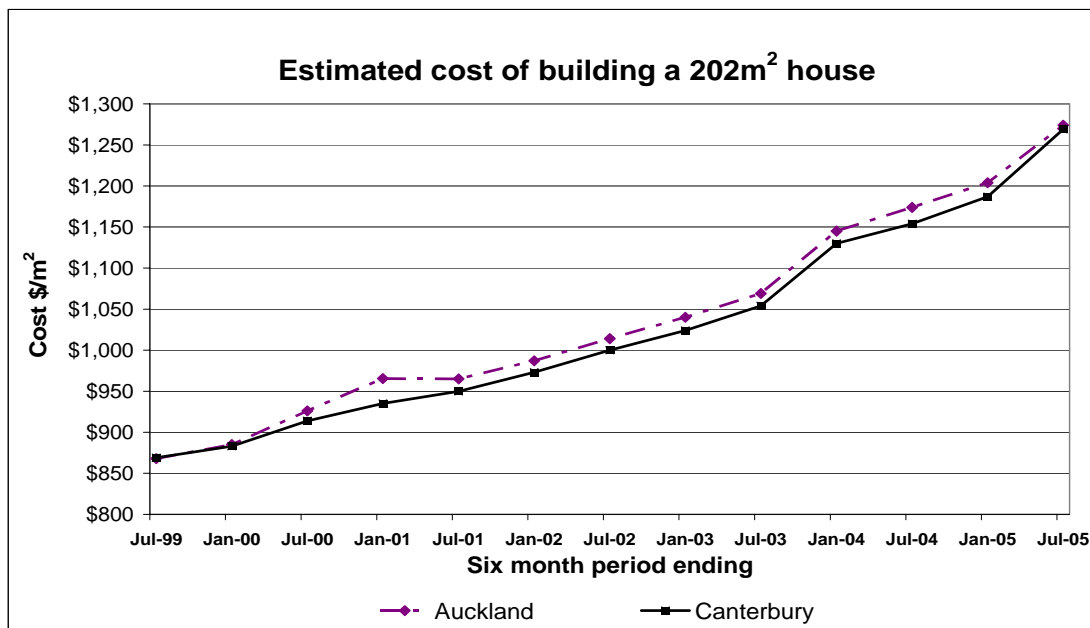
Source: Department of Labour

Increased building costs

Regular estimates of building costs assist territorial authorities in estimating realistic values when they review the job value provided with a consent application.

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.

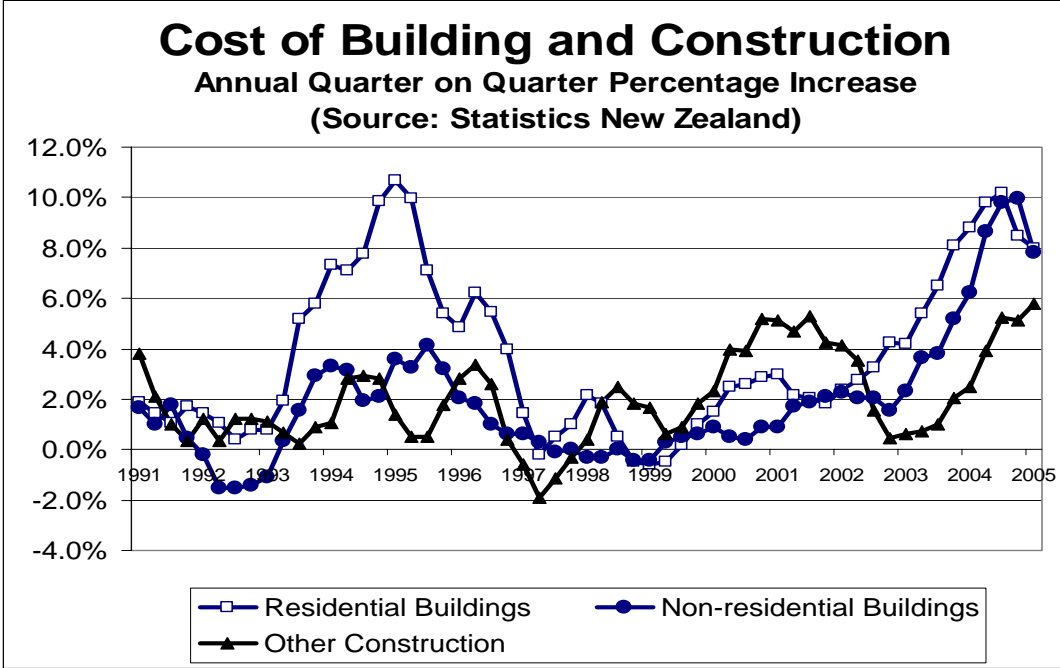
Figure 30: Cost of building a larger house



Source: Department of Building and Housing

Other measures of building and construction prices also indicate relatively rapid price increases. The Capital Goods Price Index from Statistics New Zealand shows that the cost of residential building increased 8 percent from the March quarter 2004 to the same quarter in 2005. For the same period the cost of non-residential buildings increased 7.8 percent and other construction increased 5.8 percent. Figure 31 suggests that inflation in the cost of building may have peaked at around 10 percent in 2004 and might now be declining. However, this conclusion might be a little premature as it appears from the survey of building costs (Figure 30) that house building costs increased at an annual rate of around 13 percent between January and July 2005.

Figure 31: Increase in the cost of building and construction

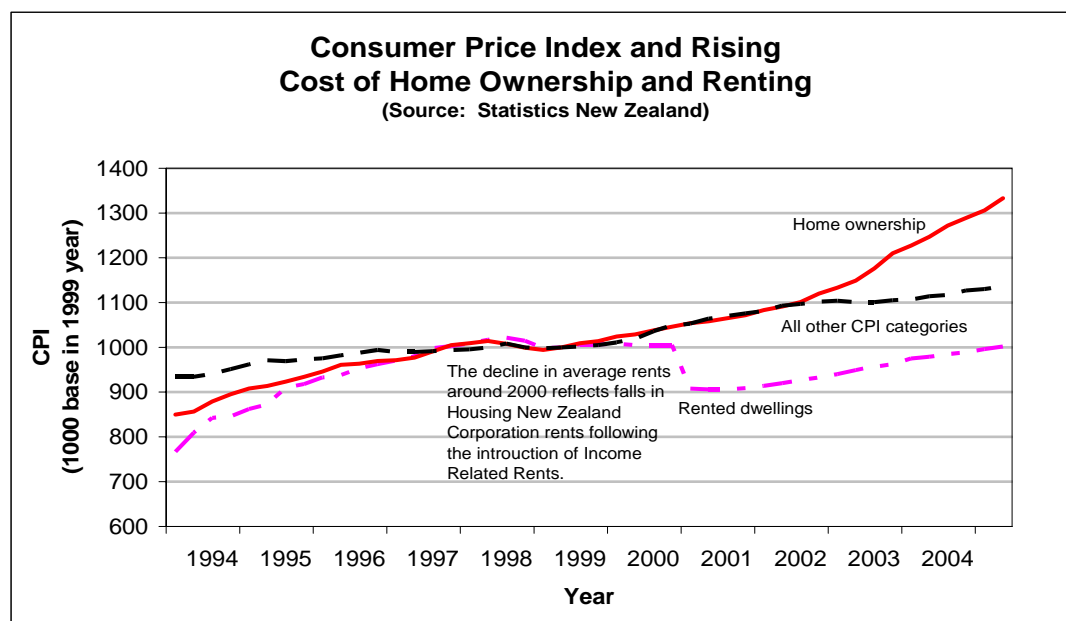


Source: Statistics New Zealand

Increased renting and house operation costs

The cost of accommodation has also increased. The CPI sub-group ‘Rents’ increased at an annual rate of 2.3 percent from the June 2004 quarter to the June 2005 quarter. Over the same period the cost of home ownership increased 6.9 percent (Figure 32). It is interesting to note that on average rents have increased somewhat more slowly than general inflation for the year to June 2005.

Figure 32: Indices of accommodation costs



Source: Statistics New Zealand

As well as the rapid rise in home ownership costs, homeowners and renters have faced rapidly rising costs of home operations. The annual percentage increase in various housing-related costs for the year to June reached: 9.4 percent for gas, 8.1 percent for electricity, 7.8 percent for solid fuels, 7 percent for insurance of dwellings, and 3.8 percent for maintenance and materials. Refer to Figure 12 for historical tracks for these indices.

Cost of renting by major centre

Nationwide new residential rents charged by private landlords (new private rents) have been increasing slowly on average over the last 2 years. However, according to rental information from the tenancy bond database⁹ rents have been increasing faster than the average in Hamilton. Average rents for new tenancies in Hamilton increased by approximately 5 percent during the year to the 3 months ended July 2005. For the same period rents for new tenancies were unchanged in Dunedin and slightly up (1 percent) in central Auckland.

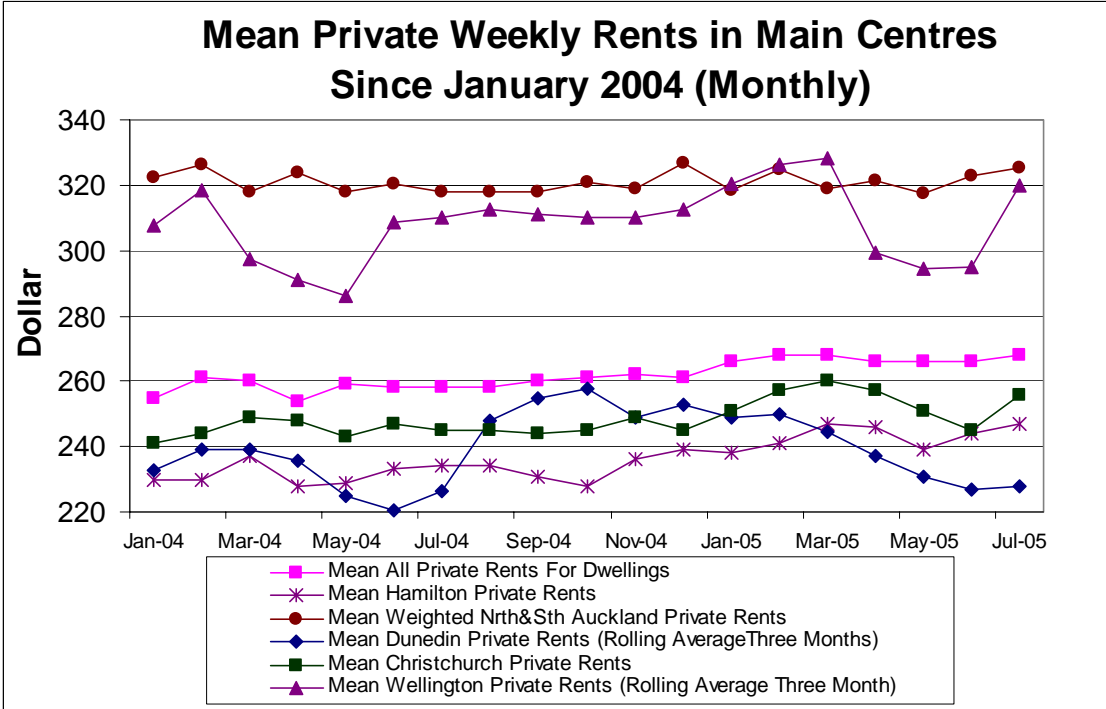
Weekly average new private rents for the 3 months ended July 2005 were \$227 in Dunedin, \$251 in Christchurch, \$243 in Hamilton and \$358 in central Auckland.

It is interesting to note that there is significant monthly variability in new private rents in Wellington and Dunedin. We have used rolling averages to obtain the monthly rents to smooth this impact in Figure 33. The monthly variability is thought to reflect seasonal factors perhaps

⁹ The tenancy bond database only contains information for properties that have bonds lodged. Thus, the information in this publication may be biased to the extent that the characteristics of the distribution of properties with bonds lodged is different from those without.

due to student rental needs, but a longer series of information will need to be developed to test this hypothesis.

Figure 33: Mean rents in the major centres

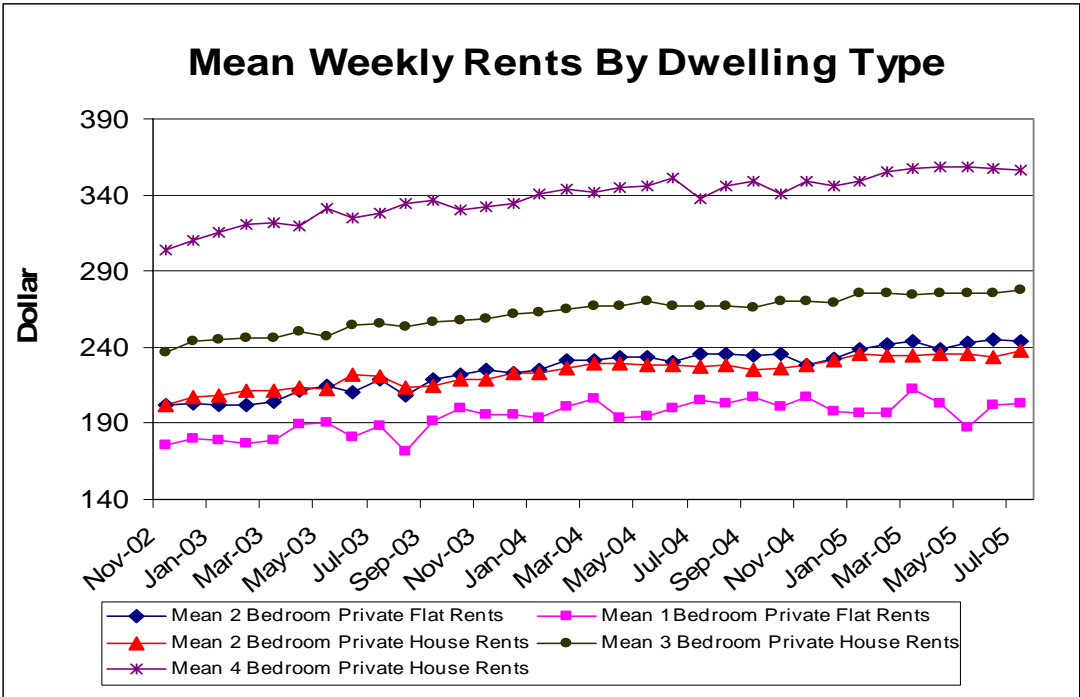


Source: Department of Building and Housing

Cost of renting by type of dwelling

The countrywide cost of renting a one-bedroom flat from a private landlord in July averaged around \$203, a two-bedroom flat around \$244, a two-bedroom house \$238, a three-bedroom house \$278 and a four-bedroom house \$356. The average margin for another bedroom is significantly larger between a three- and four-bedroom house than between a two- and three-bedroom house. The average margin is variable over the country. It is high in Auckland (in particular South Auckland) and lower in Christchurch and Dunedin.

Figure 34: Mean rents for various types of dwelling



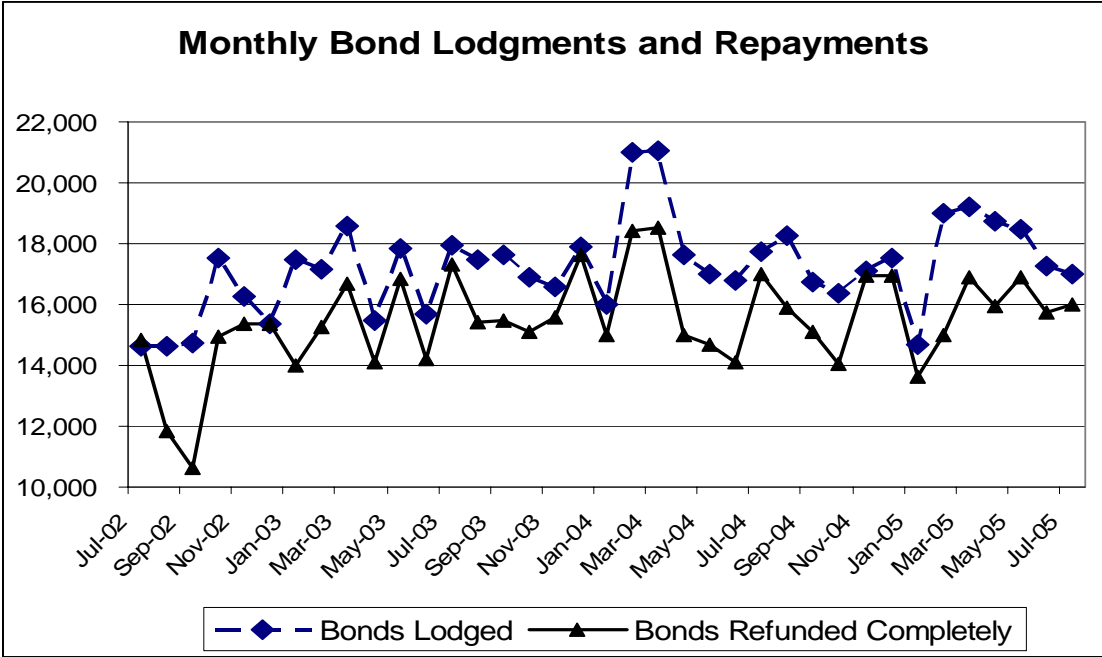
Source: Department of Building and Housing

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 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 35: Monthly bond lodgement and repayments



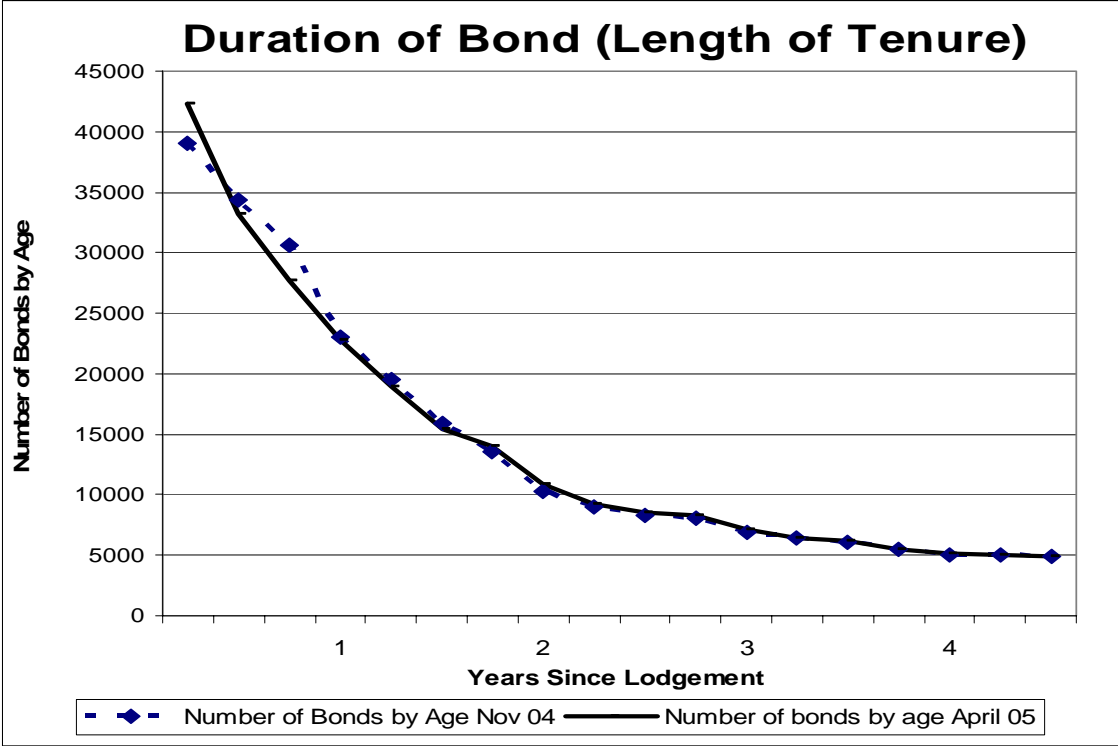
Source: Department of Building and Housing

Length of rental tenure

For many tenants security of tenure is important. Security of tenure is particularly important for those tenants with family members who are attending schools, have close family or strong social ties to an area in which they are renting, or need to be in an area for work or other reasons. The social cost of moving in some circumstances may be high.

Other tenants may want to rent for a short period, for example, for a short-term employment position, or for a year of tertiary education. Over time as the needs of the renting population changes, it would be reasonable to expect that the time a tenancy survives will change. The age of bonds is a good indicator of how long tenancies survive. The Department has collected information on the age of bonds at two points in time – November 2004 and April 2005. These are presented in Figure 36. Approximately half of bonds lodged have been refunded within 1 year, 70 percent within 2 years, and 80 percent within 3 years of lodgement.

Figure 36: Number of bonds by year since lodgement



Source: Department of Building and Housing

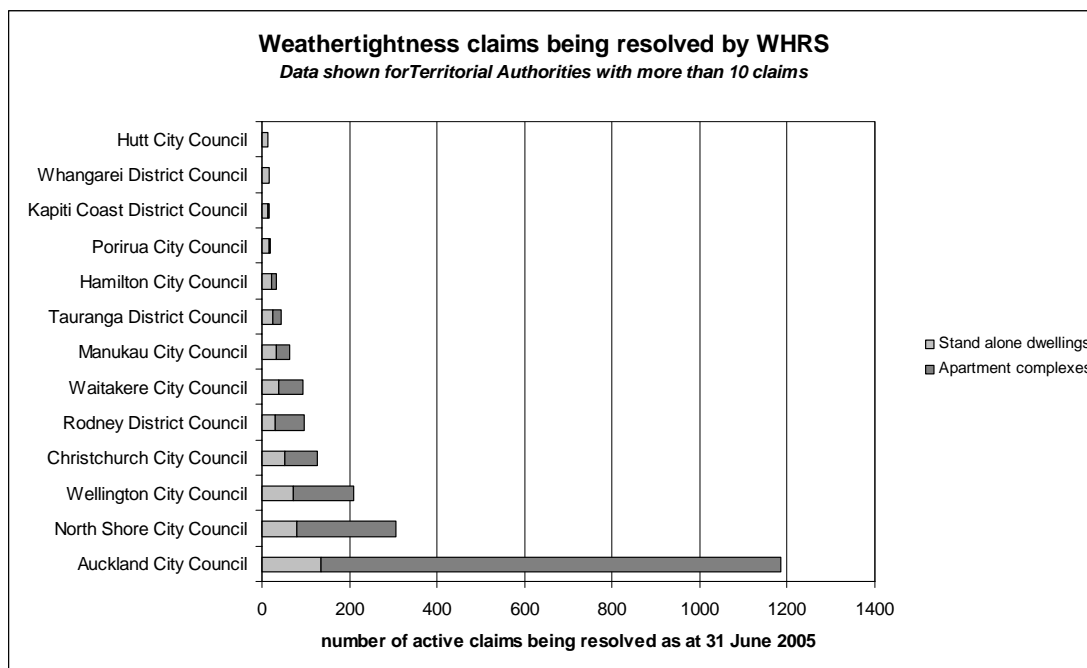
Building quality and performance

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 claims¹⁰ totalling 3456 at the end of July 2005. Of the claims for which exist the necessary details for a full analysis, around 70 percent have arisen in the general Auckland region¹¹ while the Wellington area contributed another 10 percent and Christchurch 5 percent. The majority of active claims involve apartment complexes (71 percent).

Figure 37: 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 July 2005, 2424 assessment reports had been prepared. 431 were prepared in the June 2005 quarter, 325 in the March 2005 quarter and 386 in the December 2004 quarter.

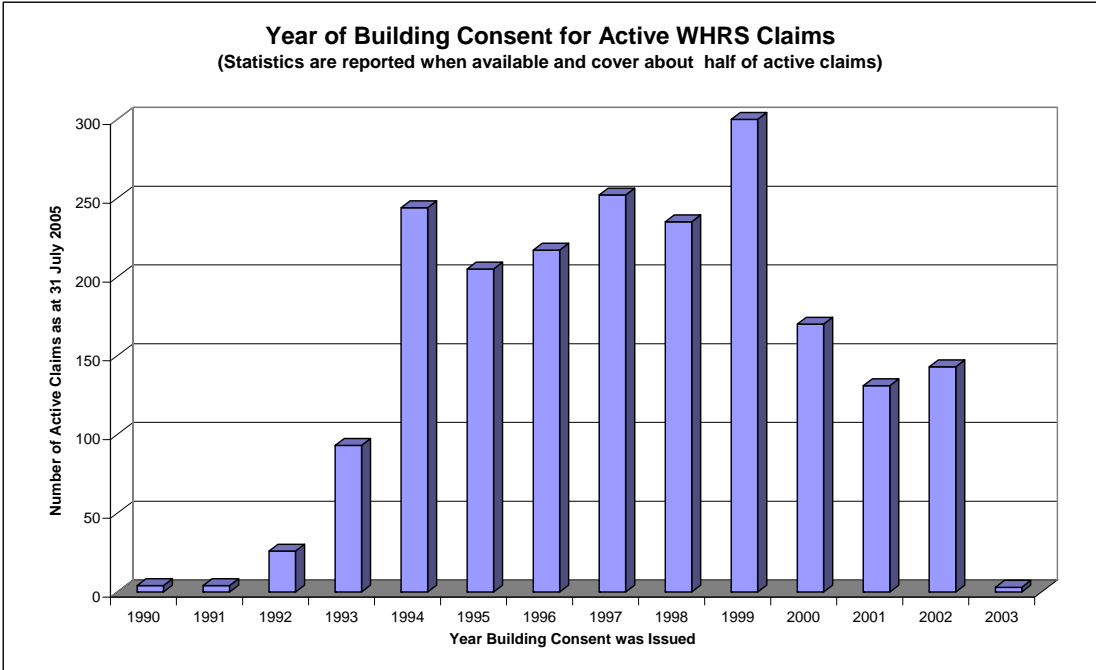
¹⁰ At the end of July 2005 382 claims that had been resolved and 650 claims that had been closed.

¹¹ For this statistic the Auckland region includes Auckland, North Shore, Waitakere and Manukau City Councils.

The Department continues to track the year of building consents issued for dwellings exhibiting weathertightness failure for which assessments have been made. Over the last three quarters the number of active claims related to dwellings with consents issued in 1994 increased by almost double from 117 at the end of September to 212 at the end of March 2005 and reached 244 by the end of July 2005. More recent years have tended to increase by larger proportions as weathertightness failures become obvious. Thus, the number of active claims for consents issued in 1999 (the year with the most active claims) increased from 69 at 30 September 2004 to 300 by the end of July 2005. More recent years have also increased, such as 2002 up from 4 to 143.

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.

Figure 38: Year the building consent was issued for active weathertightness claims

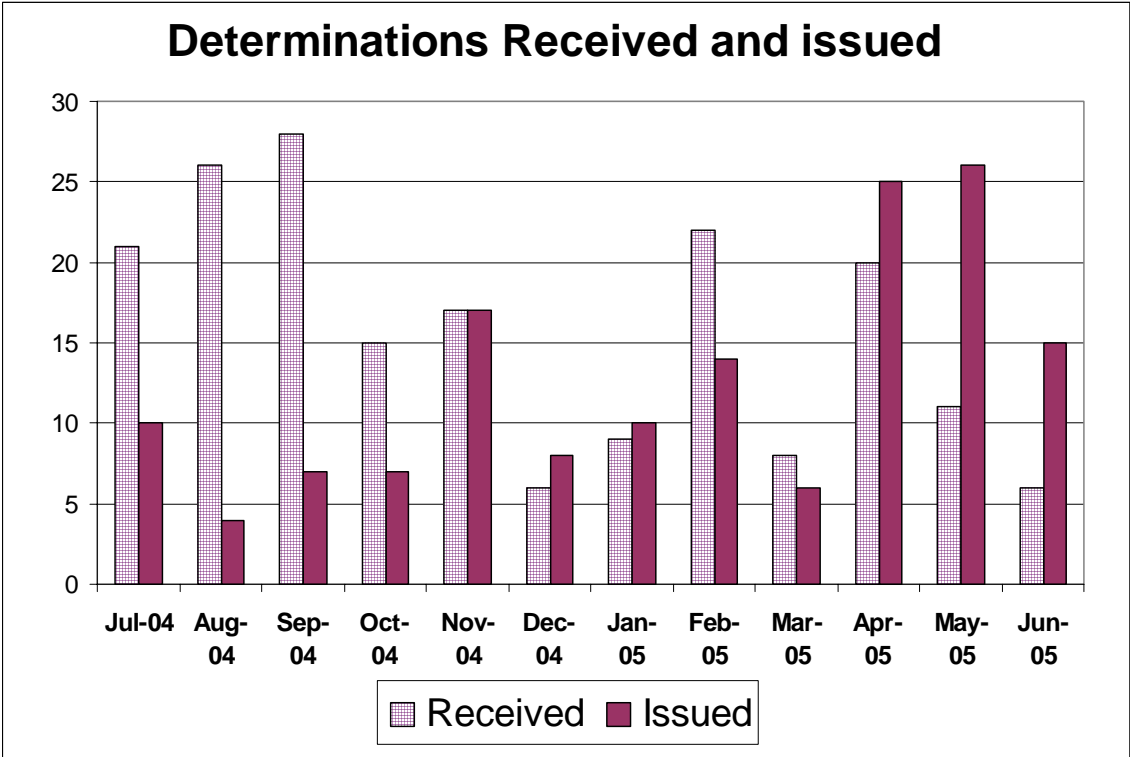


Source: Department of Building and Housing

Determinations

The Department of Building and Housing is still receiving a large number of applications for determinations, although there are some signs that the numbers may be reducing. The number of ‘active’ determinations at the end of the quarter was 100, down from 125 at the end of the previous quarter. The majority of determinations continue to relate to decisions by territorial authorities not to issue code compliance certificates for monolithic clad buildings built without drainage cavities.

Figure 39: Determinations received and issued



Source: Department of Building and Housing

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.

Nineteen waivers were issued during the June 2005 quarter (Table 1). While this figure is up on March quarter figures, it represents only two-thirds of the long-term average of 30 waivers per quarter.

Clause C3 Spread of Fire waivers feature prominently in the June 2005 quarter figures, making up approximately 50 percent of total waivers. This compares to a past quarter figure average of approximately 33 percent of total waivers. In the June quarter 44 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 56 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. Due to impracticality, territorial authorities may waive this requirement on the condition that nothing other than a vehicle is stored in the park.

The remaining 10 waivers during the June quarter relate to Building Code Clauses B1 Structure, F4 Safety from Falling, G1 Personal Hygiene, G3 Food Preparation and Prevention of Contamination and G7 Natural Light. No trends appear to be emerging.

Table 1: Building Code waivers

	B1 Structure	C3 Spread of Fire	F4 Safety from Falling	G1 Personal Hygiene	G3 Food Preparation and Prevention of Contamination	G7 Natural Light	Total
Selwyn DC	1	0	2	0	1	1	5
Auckland CC	0	4	0	0	0	0	4
Tauranga CC	2	0	0	0	0	0	2
Manukau CC	0	1	0	1	0	0	2
Invercargill CC	0	2	0	0	0	0	2
Napier CC	0	1	0	0	0	0	1
Wellington CC	0	1	0	0	0	0	1
Waimate	0	0	1	0	0	0	1
North Shore CC	1	0	0	0	0	0	1
Total	4	9	3	1	1	1	19

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

The Department released the International Fire Engineering Guidelines in May 2005 as guidance information. This was the result of a collaborative effort from regulators in Australia, the US, Canada and New Zealand. The guidelines describe the regulatory system in each jurisdiction, and the recommended process, methodologies and design data for developing a fire-engineered solution. They are designed as best practice guidance for anyone involved in the design or consent process, with a view to improving the quality and consistency of fire engineering designs. The Guidelines are available from Victoria University Book Centre.

Decisions were made in June to amend the Acceptable Solution for the C Fire Safety Clauses of the New Zealand Building Code, C/AS1. This amendment, for publication in early July 2005, includes changes in respect to minimum fire ratings, safety in early childcare centres and the citing of three amended New Zealand Standards. The amended Acceptable Solution is contained in the Clause C Compliance document, which is available from the Department of Building and Housing website (www.dbh.govt.nz).

In June 2005 the Department reissued structural Practice Advisories 1 to 6. These were initially published in December 2004 to address poor practice related to structural design and construction. These Advisories have been available on the Department's website and a limited number were issued in hard copy earlier this year. In response to concern that the message had not been received widely enough by the sector, a much larger distribution of hard copies is occurring. The reissue incorporates some minor improvements to the text and references. The Department will issue further Practice Advisories from time to time in response to emerging concerns on any aspect affecting the compliance of buildings with the New Zealand Building Code. Further information is available from the Department of Building and Housing website (www.dbh.govt.nz).

Guidance for territorial authorities on policy development for earthquake-prone buildings was published in June 2005, with copies distributed to all territorial authority chief executives and building control officers. This is based on the Building Act's definition for earthquake-prone buildings and will provide a framework that allows territorial authorities to manage the earthquake risk of buildings within their territory. More information can be found on the Building Act website (www.building.govt.nz).

The Department has provided increased information on protection against external moisture during the quarter. An amendment to the Acceptable Solution for external moisture, E2/AS1, was issued in June that incorporated a number of improvements addressing industry issues that have been raised since the third edition of this document was first published in June 2004. The new edition of the Acceptable Solution with amendments finally comes into effect on 1 July 2005, providing a more comprehensive range of solutions and details to ensure building weathertightness. In addition, a guidance document *External Moisture – A guide to using the risk matrix* was issued in June that supports the use of E2/AS1.