



Department of
Building and Housing
Te Tari Kaupapa Whare

Building and Housing Trends: April – June 2007



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Introduction

This *Building and Housing Trends* publication covers the period from 1 April to 30 June 2007. It is based on a combination of accessible information and forecasts from government agencies (Statistics New Zealand, Ministry of Social Development, and Department of Labour), the Real Estate Institute of New Zealand, Quotable Value Limited and Housing New Zealand Corporation, 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 economy

New Zealand's economic activity (when measured by real Gross Domestic Product (GDP)) increased in the March 2007 quarter (up 1 percent) compared to previous quarters in 2006, the strongest increase quarter on quarter since the June 2005 quarter (up 1.1 percent). However, economic growth was still below that of the 2002–2004 period. Real GDP grew by 1.7 percent in the year ended March 2007, down from 2 percent growth in the year ended March 2006.

Conversely, the construction industry continued to shrink in real terms, declining by 4 percent in real GDP in the year to March 2007. The construction industry grew by 2.9 percent in the year to March 2006.

The number of people employed in the construction industry rose in the June 2007 quarter. There were 187,900 people employed in the construction industry in the June 2007 quarter. This is an increase of 1 percent from the 186,100 employed in the March 2007 quarter, and a yearly increase of 3.8 percent from the 181,000 employed in the construction industry in the June 2006 quarter.

While 2006 appears to have been a period of unusually high employment in the industry, it would seem that employment is still rising overall on a trend that has persisted since 2001. However it is difficult to reconcile steadily increasing construction industry employment with a contraction in construction industry output since the June 2006 quarter, as evidenced by GDP data.

Inflation in the housing sector has continued to rise. The annual inflation rate was 6.1 percent for purchase of new housing in the June 2007 quarter, higher than the 5.8 percent measured in the March 2007 quarter. The annual inflation for actual rentals for housing was 2.6 percent in the June 2007 quarter, lower than the 3 percent measured in the March 2007 quarter.

The housing sector

The housing market slowed this quarter, though it is too early to determine whether this is the start of a trend. The median house price from the Real Estate Institute of New Zealand (REINZ) was 10.2 percent higher at \$345,000 in July 2007, compared to \$313,000 in July 2006. This is a substantially lower growth rate than in previous months. The last time annual price growth was lower was in January 2007.

By contrast, the number of days to sell a property suggests an active housing market. The median number of days to sell a house in July 2007 was 31 days, which is significantly lower than the 35 days it took in July 2006 and approximately the same as the 30 days it took in July 2005 (see Figure 6). This conflicts with the number of sales, which suggests that current market activity is due more to random fluctuations than any change in market fundamentals.

Recent tenancy bond data from the Department of Building and Housing shows that average weekly rents are on the rise for new tenancies of most dwelling types provided by private landlords. The rental for a one-bedroom flat grew most substantially at an annual rate of 13.8

percent followed by a four-bedroom house at 8.9 percent, a two-bedroom house at 7.8 percent, a three-bedroom house at 6.2 percent, and a two-bedroom flat at 4.2 percent.

Overall rents continue to rise, both in Auckland and in New Zealand as a whole. In the year to June 2007, mean New Zealand rents for new tenancies increased by 9.2 percent. In Auckland over the same period, rents for new tenancies increased by 5.2 percent in North Auckland, 6.6 percent in Central Auckland and 6.2 percent in South Auckland. This continues existing rental trends.

The building sector

The data for the value of building work put-in-place shows actual building work (after adjusting for inflation), remains on a rising trend in the March 2007 quarter but is a little below the level it was at during the 2005-06 peak period. The value of all building work put-in-place shows a 5 percent decline for the year ended December 2006, which was steeper than the 4 percent decline in both the December and September 2006 quarters. This decline is confirmed by the contraction of construction industry output since the June 2006 quarter.

The building sector comprises mostly residential building work, followed by non-residential building and non-building work. The proportion of residential building work put-in-place is usually 60-65 percent of all building work. In the March 2007 quarter, the value of residential building work put-in-place accounted for 59 percent of all building work.

Building consent data continues to show a rising trend for the number of new dwelling units from February 2007. Although apartment consent numbers fluctuate largely from month to month, the June 2007 apartment consent number was the highest monthly total since December 2005 and accounted for 22 percent of all new dwelling units authorised. This is compared to a monthly average of 11 percent over the last 12 months.

The number of new dwelling consents is expected to ease given the Reserve Bank's increase in the official cash rate in March, April and June 2007 and a recent downturn in immigration, all of which are likely to dampen demand.

The value of non-residential building consents remains at a high level. Although the trend for the value of non-residential building consents seems to be increasing, the actual values fluctuate from month to month and increased 42.3 percent in the year to April 2007, increased 0.9 percent in the year to May 2007, but decreased 7.5 percent in the year to June 2007.

On the production front, building costs for capital, production and labour have shown that considerable inflationary pressures exist in the construction industry. Price increases in the construction industry are higher than most other industries in the economy. For instance, production costs for construction (measured by the producer price index for inputs) increased 9.2 percent in the year ended March 2007, due to higher steel and raw material prices. This compares with an increase of 2.7 percent in production costs for all industries over the same period. Labour costs (as measured by the labour cost index) increased 3.1 percent for the construction industry in the year ended March 2007, compared to 3.2 percent for all industries.

The Economy

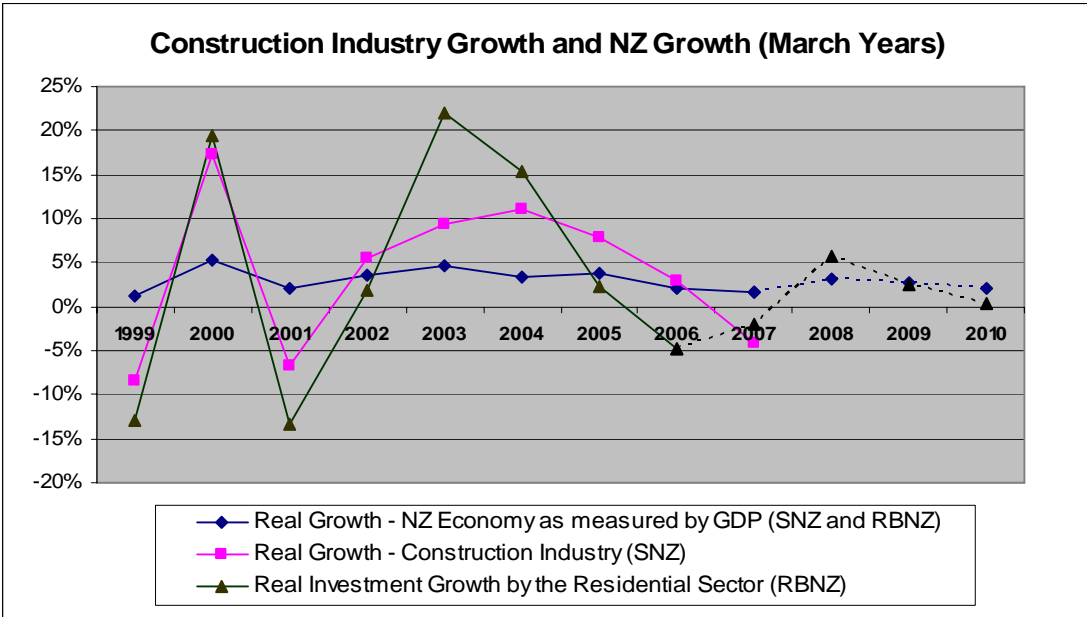
Economic growth and industry outputs

New Zealand’s economic activity (measured by real GDP) increased in the March 2007 quarter (up 1 percent) compared to previous quarters in 2006, the strongest increase quarter on quarter since the June 2005 quarter (up 1.1 percent). However, economic growth was still below that of the 2002–2004 period. Real GDP grew by 1.7 percent in the year ended March 2007, down from 2 percent growth in the year ended March 2006.

The construction industry continued to shrink in real terms, declining by 4 percent in real GDP in the year to March 2007. The construction industry grew by 2.9 percent in the year to March 2006.

In the June 2007 Monetary Policy Statement, the Reserve Bank forecasts real investment (as measured by Gross Fixed Capital Formation) to increase by 5.5 percent in the year to March 2008; over this period real fixed residential investment is expected to grow by 5.7 percent, real business investment is expected to grow by 5.6 percent and real non-market government sector investment (government spending on infrastructure which is an important component of other construction) is expected to grow by 3.4 percent.

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



Source: Reserve Bank and Statistics New Zealand

Labour market

The number of people employed in the construction industry rose in the June 2007 quarter. There were 187,900 people employed in the construction industry in the June 2007 quarter. This is an increase of 1 percent from the 186,100 employed in the March 2007 quarter and a yearly increase of 3.8 percent from the 181,000 employed in the construction industry in the June 2006 quarter.

While 2006 appears to have been a period of unusually high employment in the industry, it would seem that employment is still rising overall on a trend that has persisted since 2001. However it is difficult to reconcile steadily increasing construction industry employment with a contraction in construction industry output since the June 2006 quarter, as evidenced by GDP data.

Figure 2: Number of people employed in the construction industry



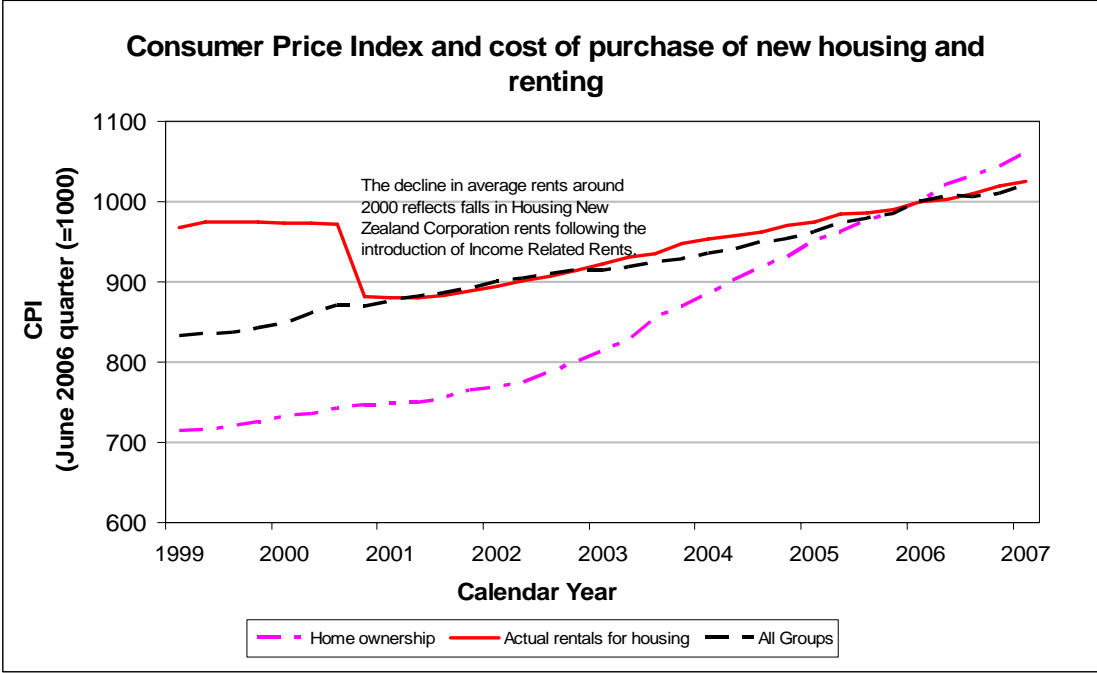
Source: Statistics New Zealand

Cost of purchase of new housing costs and renting

Inflation in the housing sector for home ownership continued to rise. The annual inflation rate was 6.1 percent for purchases of new housing in the June 2007 quarter, higher than the 5.8 percent measured in the March 2007 quarter. The annual inflation for actual rentals for housing was 2.6 percent in the June 2007 quarter, lower than the 3.0 percent measured in the March 2007 quarter.

In comparison, general price inflation (as measured by the consumer price index) was at 2.0 percent in the June 2007 quarter and 2.5 percent in the March 2007 quarter, indicating a clear downward trend in general price inflation. Since the March 2007 quarter, rent inflation has exceeded general price inflation, indicating that rents are starting to become more expensive relative to general prices.

Figure 3: Consumer Price Index and the cost of purchase of new housing and renting



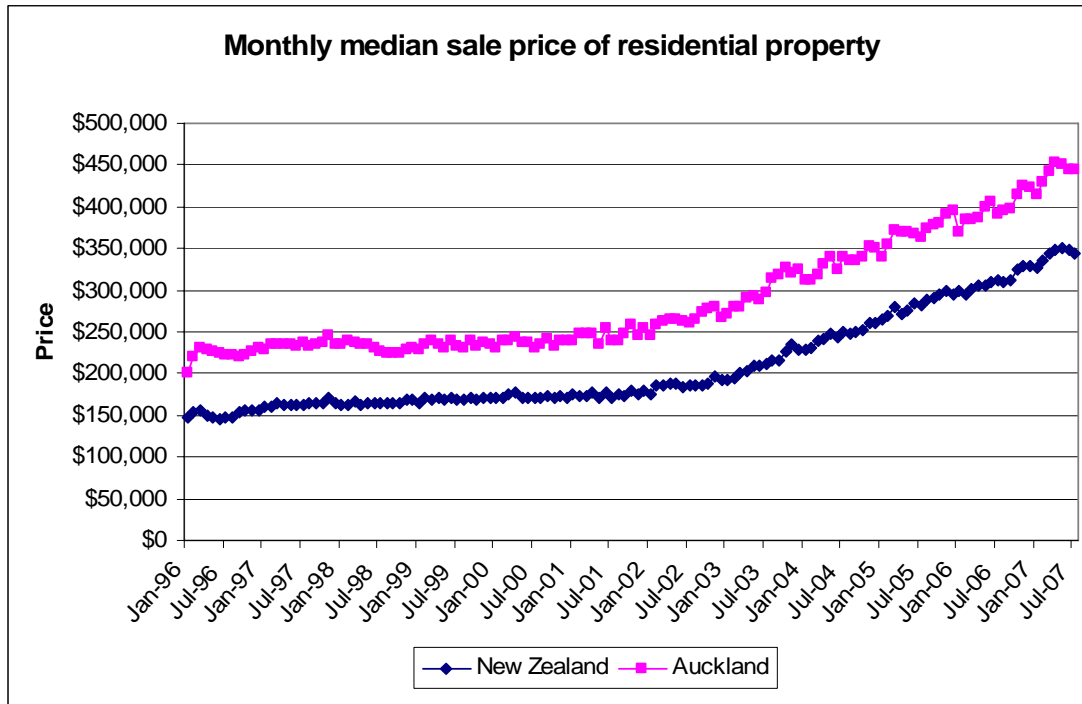
Source: Statistics New Zealand

The housing sector

Sales price

The housing market slowed this quarter, though it is too early to determine whether this is the start of a trend. The median house price from the Real Estate Institute of New Zealand (REINZ) was 10.2 percent higher at \$345,000 in July 2007, compared to \$313,000 in July 2006. This is a substantially lower growth rate than in previous months. The last time annual price growth was lower was in January 2007.

Figure 4: Monthly median sale price of residential property



Source: Real Estate Institute of New Zealand

The total value of New Zealand's housing stock increased to \$587 billion at the end of the March 2007 quarter, up from \$559 billion in the December 2006 quarter and \$520 billion in the March 2006 quarter.

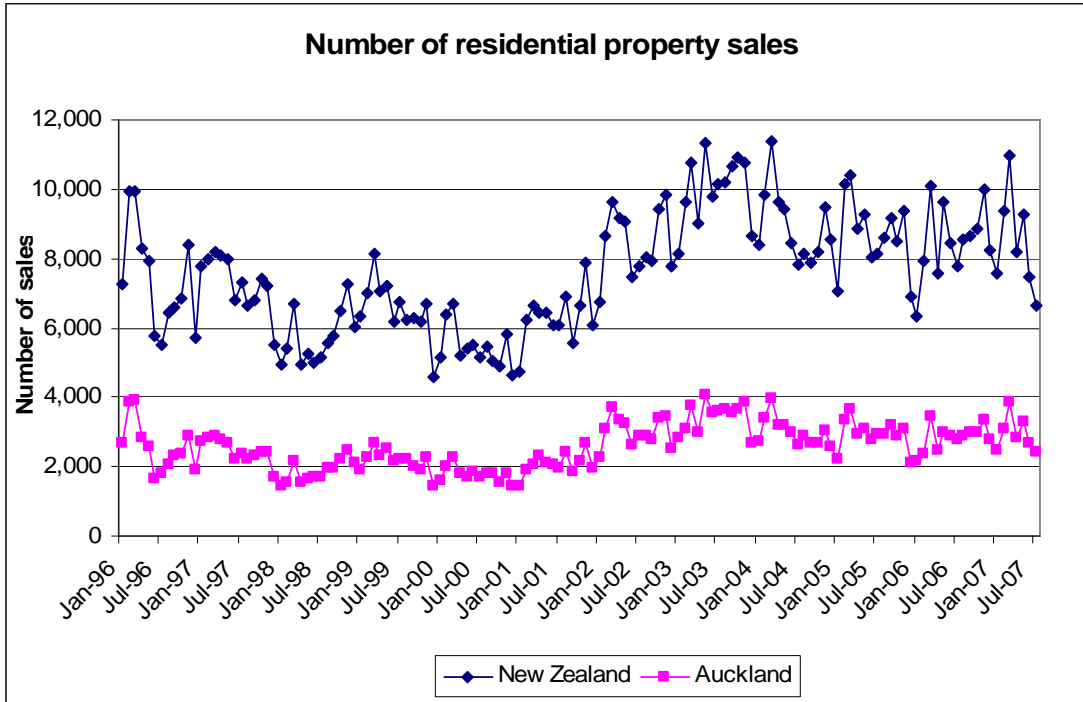
The annual growth rate in housing stock value for the March 2007 quarter was 12.9 percent. This was above the 10.5 percent growth rate in the December 2006 quarter but below the 15.0 percent growth rate in the March 2006 quarter.

Housing market activity

Sales activity declined this quarter. The monthly sales volume was 6,660 in July 2007 (Figure 5)¹. This is significantly lower than the 7,771 transactions in July 2006, and the 8,135 transactions in July 2005. However, this variation in sales is not large enough to be suggestive of a trend. Sales were not significantly lower than they were in January 2006, so this downward spike may simply be a cyclical effect or a random fluctuation.

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

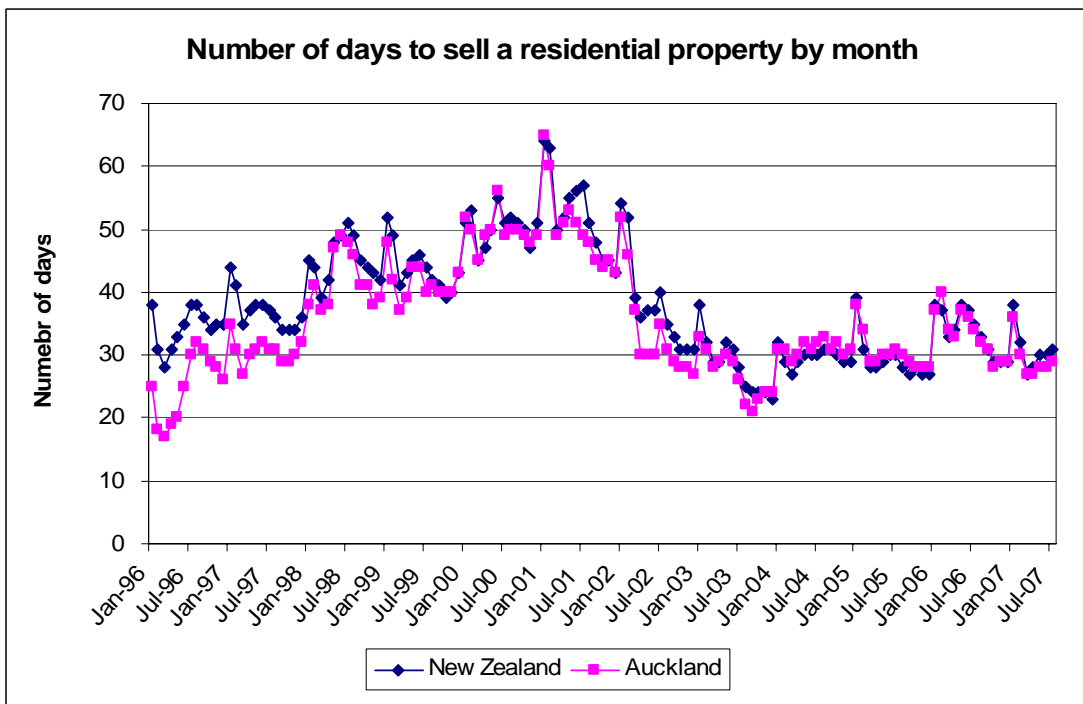
Figure 5: Number of residential property sales



Source: Real Estate Institute of New Zealand

By contrast, the number of days to sell a property suggests an active housing market. The median number of days to sell a property in July 2007 was 31 days, which is significantly lower than the 35 days it took in July 2006 and approximately the same as the 30 days it took in July 2005 (see Figure 6). This contrasts with the number of sales, which suggests the notion that current market activity is due more to random fluctuations than any change in market fundamentals.

Figure 6: Number of days to sell a residential property by month



Source: Real Estate Institute of New Zealand

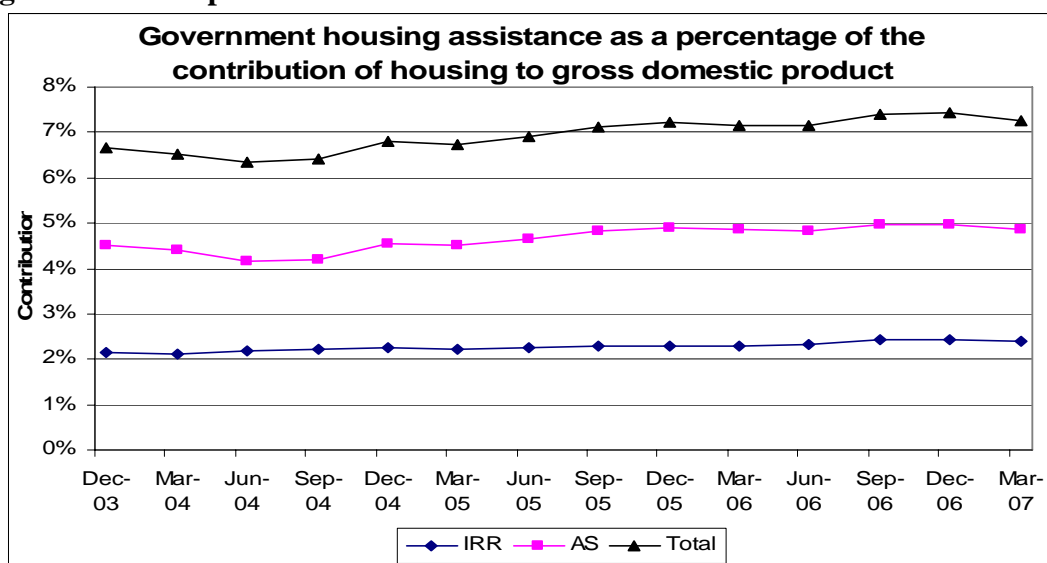
Social housing assistance

The two primary methods² by which the government assists low-income families with affordable housing are the Accommodation Supplement³ (AS) and Income-Related Rents⁴ (IRR). As of June 2007, there were 243,433 AS recipients and 59,479 IRR tenants.

Figure 7 shows government expenditure on social housing assistance as a percentage of the housing sector expenditure⁵ for the quarter to December 2003 to the quarter to March 2007.

The level of total government housing assistance relative to total housing contribution to GDP, decreased from 7.43 percent in the December 2006 quarter to 7.25 percent in the March 2007 quarter. IRR assistance relative to total housing contribution to GDP decreased from 2.44 percent to 2.39 percent. AS assistance relative to total housing contribution to GDP decreased from 4.99 percent to 4.85 percent over this period.

Figure 7: Government housing assistance as a percentage of the contribution of housing to gross domestic product⁶



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

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 are focused on homeownership rather than rent relief.

³ The Accommodation Supplement 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 The Income-Related Rent subsidy is paid to Housing New Zealand Corporation by the Government so that they can subsidise the rent of Housing New Zealand Corporation 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 Corporation home is not required to pay more than 25 percent of their income in rent. The IRR subsidy compensates Housing New Zealand Corporation for the difference in the rent paid and the market rent on the property. As such, IRR is an indirect subsidy of social housing.

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

⁶ 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.

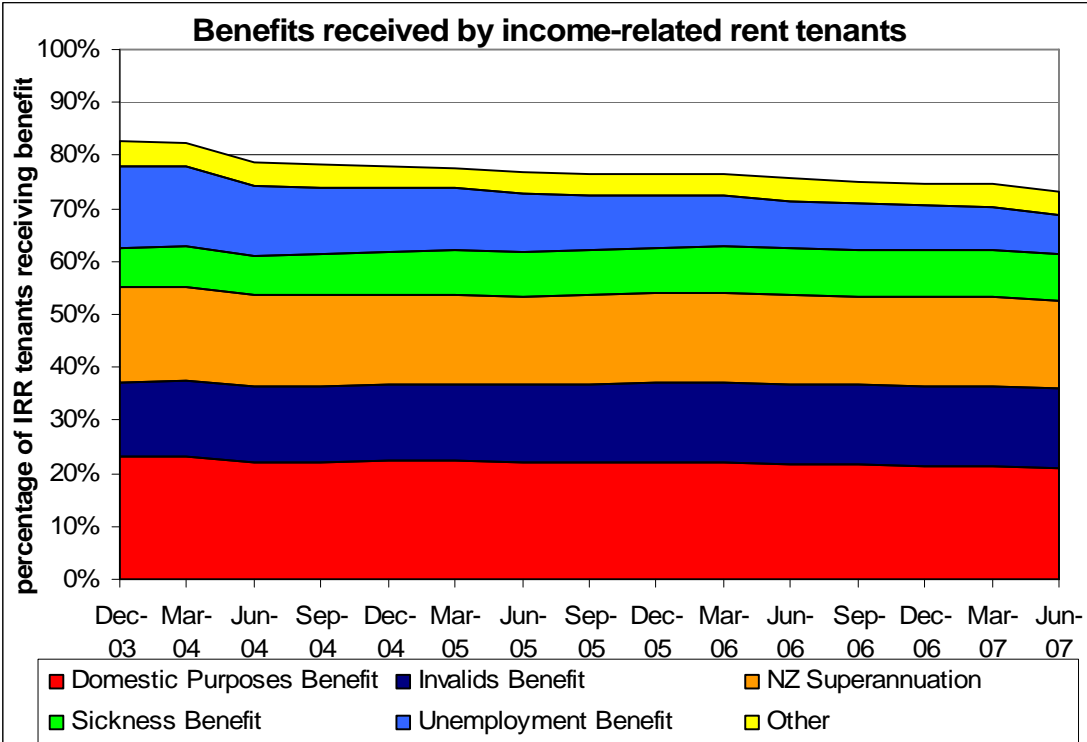
Total government housing assistance (as measured by IRR and AS) decreased in the March 2007 quarter to \$329 million, compared to \$332 million in December 2006. This was a 5.5 percent annual increase from the \$312 million in March 2006.

As shown in Figure 8, the largest changes in the composition of benefits received by IRR tenants in the June quarter (compared to the March quarter) were:

- a decrease in the proportion of unemployment beneficiaries, from 8.1 percent to 7.4 percent; and
- an increase in the proportion of tenants on no benefit, from 20.7 percent to 21.3 percent.

Note that this chart uses new data and is not comparable with previous trends reports.

Figure 8: Benefits received by income-related rent tenants



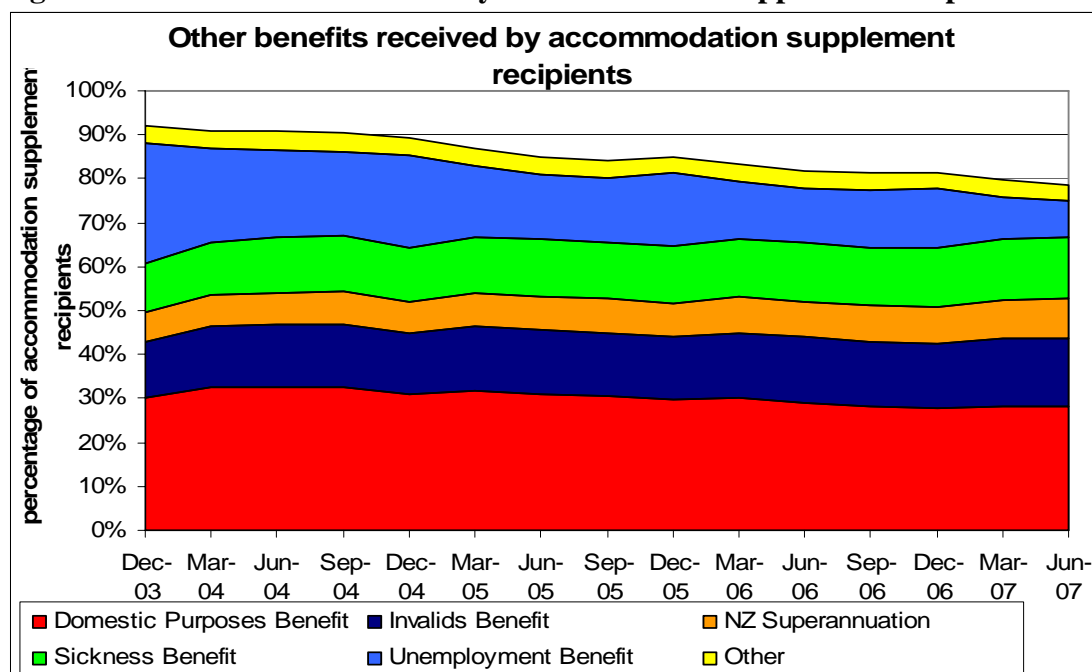
Source: Housing New Zealand Corporation

Figure 9 shows the distribution of benefits for all tenants receiving AS. Benefits received by AS recipients vary more than those received by IRR recipients over the period graphed.

The main changes in benefits received this quarter compared to the March 2007 quarter were:

- an increase from 20.4 percent to 21.2 percent of AS recipients receiving no other main benefit or pension; and
- a decrease from 9.7 percent to 8.3 percent of AS recipients receiving unemployment benefits and unemployment training benefits.

Figure 9: Other benefits received by accommodation supplement recipients



Source: Ministry of Social Development

Over the June quarter, there was a decline in the number of applicants for A and B priority waiting lists, from 3,706 to 3,529 (Figure 10). The increase in the A waiting list (from 109 to 133) is at variance with previous June quarters. The B list fell from 3,597 to 3,396. This continues the downward trend in waiting lists.

Waiting list priority for Corporation housing is determined by several factors⁷ and applicants are divided into four groups that reflect different levels of need. The groupings are referred to as:

- A priority⁸
- B priority⁹

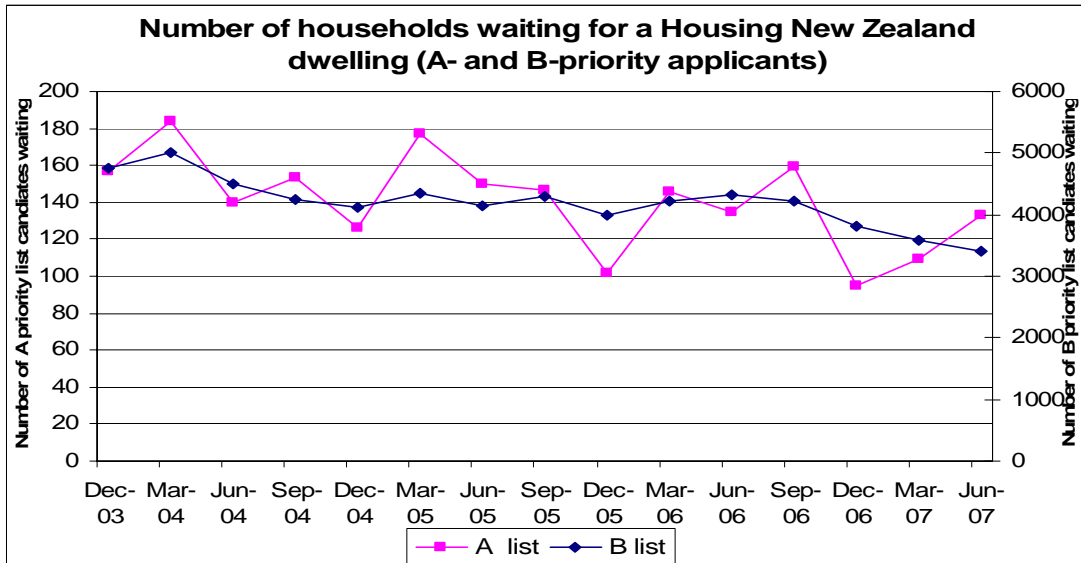
⁷ The following factors are used to determine housing needs.

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

- C and D priority¹⁰.

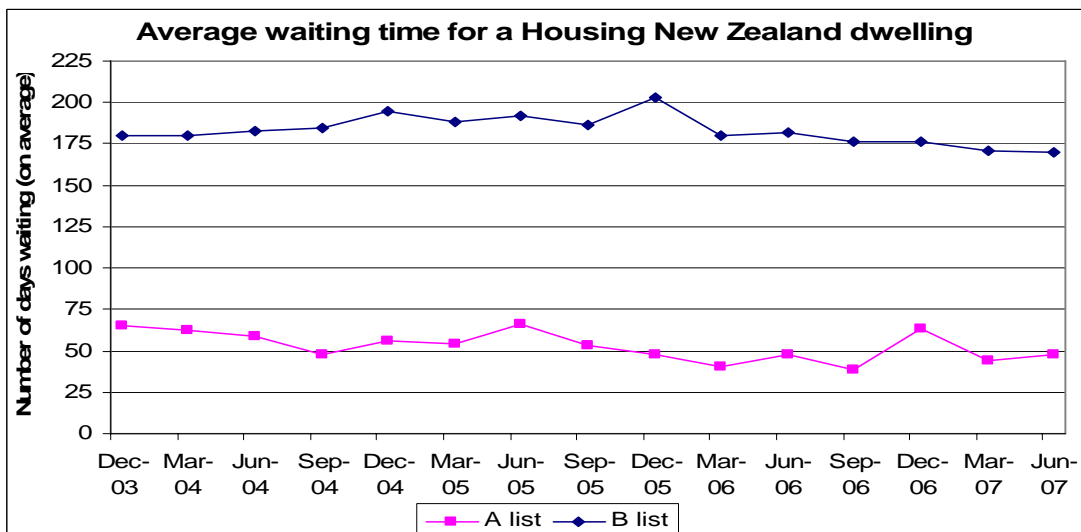
Figure 10: Number of households waiting for a Housing New Zealand Corporation dwelling (A and B priority applicants)



Source: Housing New Zealand Corporation

The average waiting time for a property for B priority applicants on the Housing New Zealand list (as shown in Figure 11) fell from 171 days in June 2007 to 170 days in March 2007. The waiting time for A priority candidates increased from 44 to 48 days in the same period.

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



Source: Housing New Zealand Corporation

⁹ 'B' priority households have a significant and persistent housing need. The household's wellbeing is affected in a significant and persistent way by housing circumstances that are unsuitable, inadequate or unsustainable. The household is unlikely, in the near future, to be able to access or afford suitable, adequate and sustainable housing without state intervention.

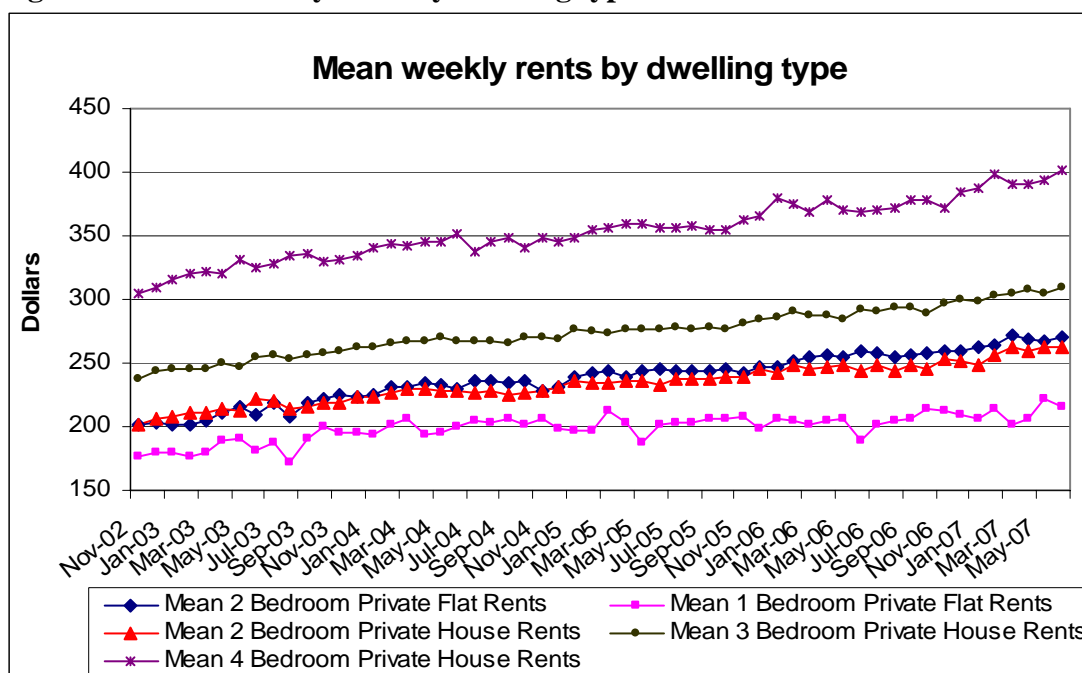
¹⁰ 'C' and 'D' priority waiting lists are for households with low to moderate housing need.

The number of tenancy bonds lodged and repaid

Tenancy bond data shows that average weekly rents are on the rise for new tenancies of most dwelling types provided by private landlords. This continues the long-running trend in rental growth. In June 2007, the average weekly rent was \$215 for one-bedroom flats, \$270 for two-bedroom flats, \$263 for two-bedroom houses, \$310 for three-bedroom houses and \$402 for four-bedroom houses.

The rental for a one-bedroom flat grew most substantially at an annual rate of 13.8 percent followed by a four-bedroom house at 8.9 percent, a two-bedroom house at 7.8 percent, a three-bedroom house at 6.2 percent, and a two-bedroom flat at 4.2 percent.

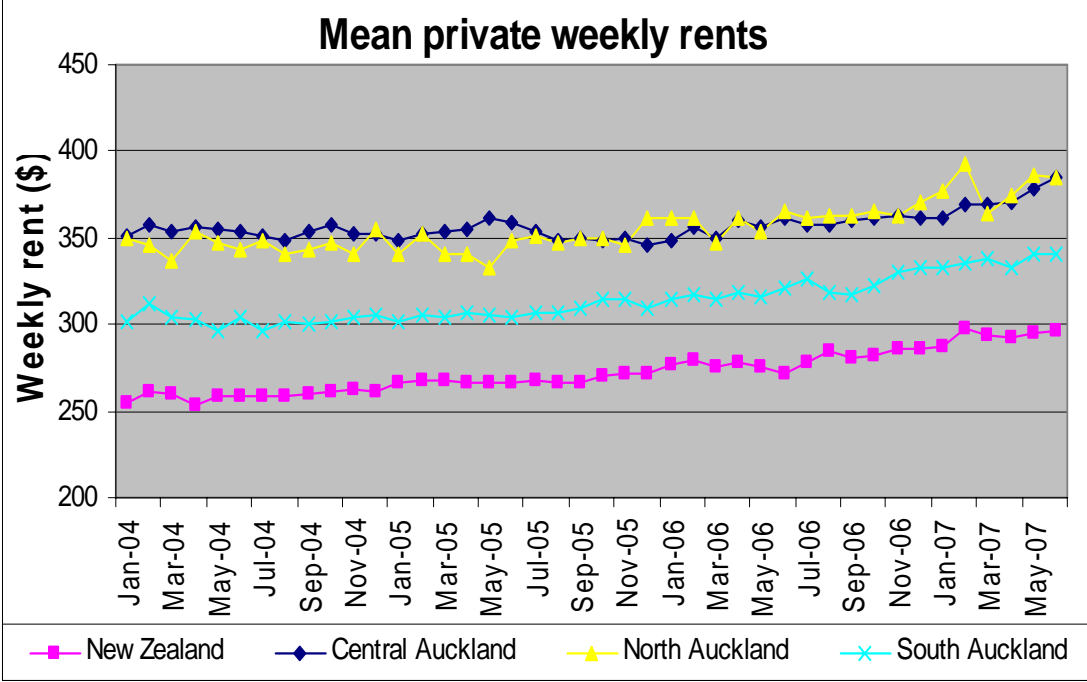
Figure 12: Mean weekly rents by dwelling types



Source: Department of Building and Housing

Overall rents continue to rise, both in Auckland and in New Zealand as a whole. In the year to June 2007, mean New Zealand rents for new tenancies increased by 9.2 percent. In Auckland over the same period, rents for new tenancies increased by 5.2 percent in North Auckland, 6.6 percent in Central Auckland and 6.2 percent in South Auckland. This continues existing rental trends.

Figure 13: Mean private weekly rents



Source: Department of Building and Housing

The building sector

All building activity

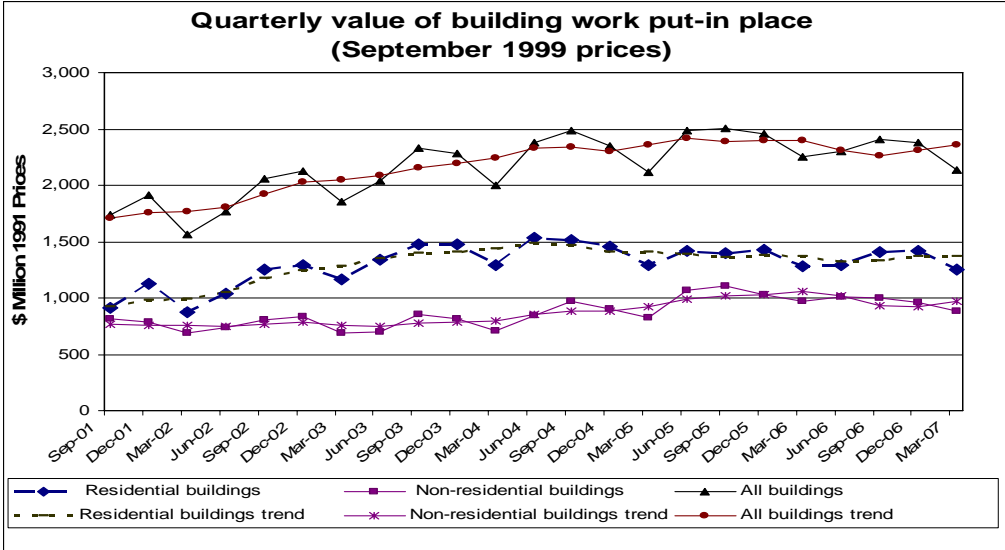
Data on building work put-in-place measures the approximate gross dollar value of actual building work done on residential and non-residential buildings. Figure 14 shows that after adjusting for price inflation, the trend for the value of all building work put-in-place is rising from the December 2006 quarter, but is a little below that of the 2005-06 peak period.

However, the latest data shows a 5 percent decline in the real value of all building work put-in-place¹¹ in the year to the March 2007 quarter. This decline is slightly steeper compared to the year-on-year decline of 4 percent in both the December and September 2006 quarters. The decline in the level of actual building work is confirmed by the decline in construction industry growth (see The Economy section).

The trends for both the value of residential and non-residential building work put-in-place, to some extent, depict the increases in the respective trends for building consents issued during the June and September quarters of 2006.

Building activity continues to be largely driven by residential building work, which accounted for 59 percent of all building work in the March 2007 quarter. This is lower than the peak of 65.6 percent in the June 2003 quarter.

Figure 14: Quarterly value of building work put-in-place (September 1999 prices)



Source: Statistics New Zealand

¹¹ The real value of building work put-in-place refers to values adjusted for price inflation. The value of building work put-in-place (constant price values at September 1999 quarter prices) data available in March 2007 is used in this instance.

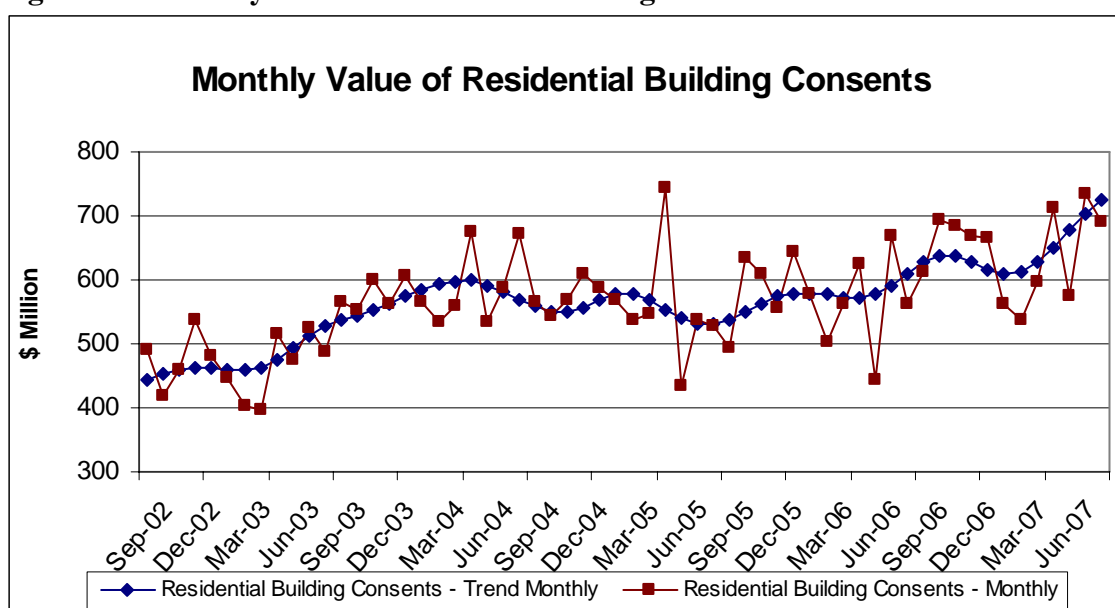
Residential building

The data on building consents granted by territorial authorities provides lead indicators for future building work. The building consents data obtained from Statistics New Zealand is for consents with values of \$5,000 or more. This building consent data is in current values (i.e., including price changes) and is the latest available as at the end of July 2007.

The value of all residential building consents issued increased by 29.5 percent in the year to April 2007, increased 9.6 percent in the year to May 2007 and increased 22.7 percent in the year to June 2007 (see Figure 15).

The value of all residential building consents has been at a relatively high level, largely reflecting the increase in building costs and the trend towards constructing bigger dwellings. The trend value of residential building consents issued has been increasing from January 2007.

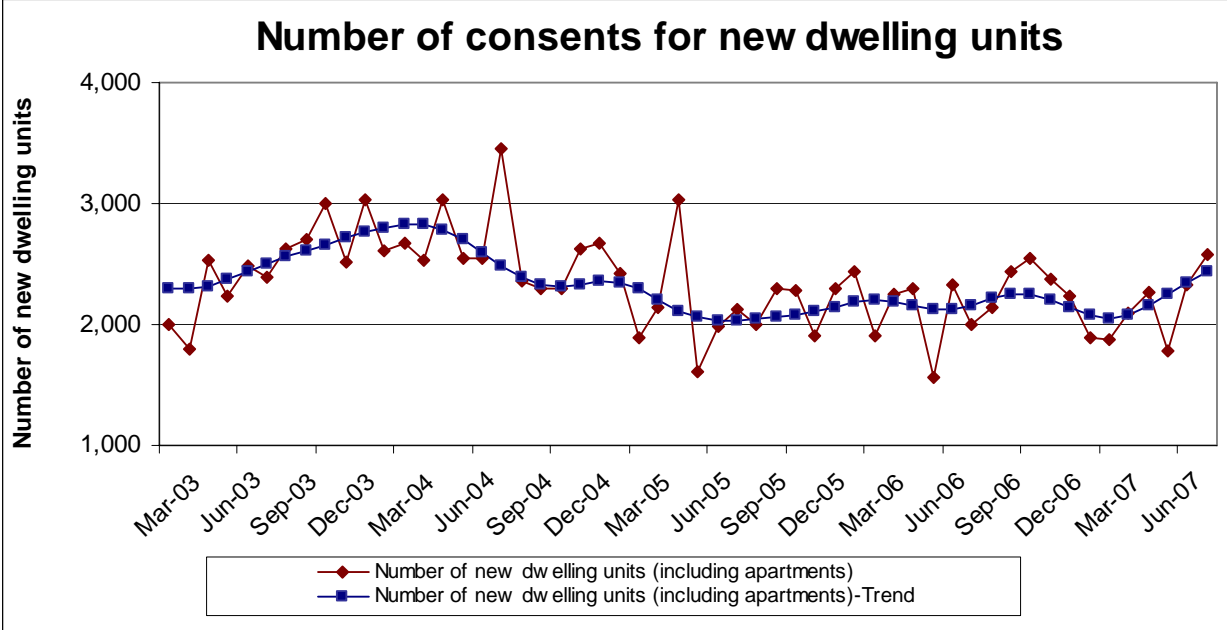
Figure 15: Monthly value of residential building consents



Source: Statistics New Zealand

The number of new dwelling consents issued went up in June 2007. The increase in new dwelling consent numbers is largely driven by building consents for apartments. The increase in the number of new dwelling consents issued was 29.1 percent or 580 new dwelling units in the year to June 2007, of which 369 were for apartment dwellings. Excluding apartments, the increase in the number of new dwelling consents issued was 11.7 percent in the year to June 2007.

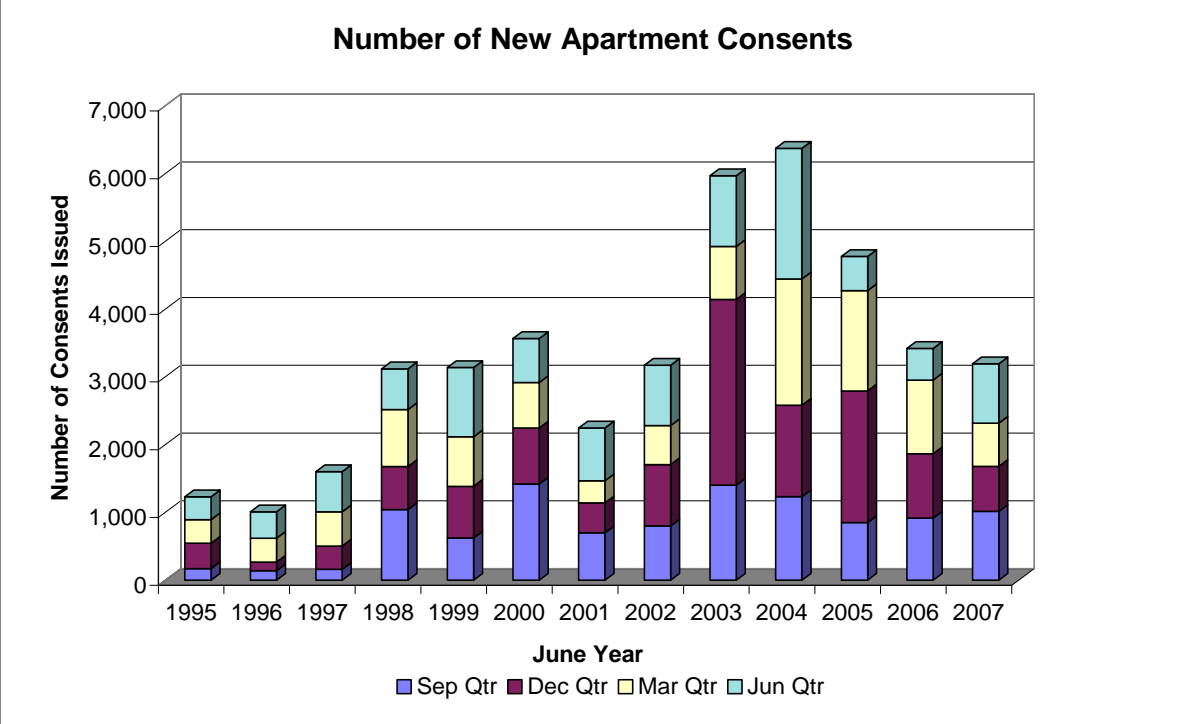
Figure 16: Number of consents for new dwelling units



Source: Statistics New Zealand

The number of apartment consents issued fluctuates widely each month. Figure 17 shows that the number of apartment consents issued has declined since 2004 (June year). The number of apartment consents issued was 3,914 in the year to June 2007, compared to 3,533 in the year to June 2006, 4,777 in the year to June 2005 and 6,374 in the year to June 2004.

Figure 17: Number of new apartment consents



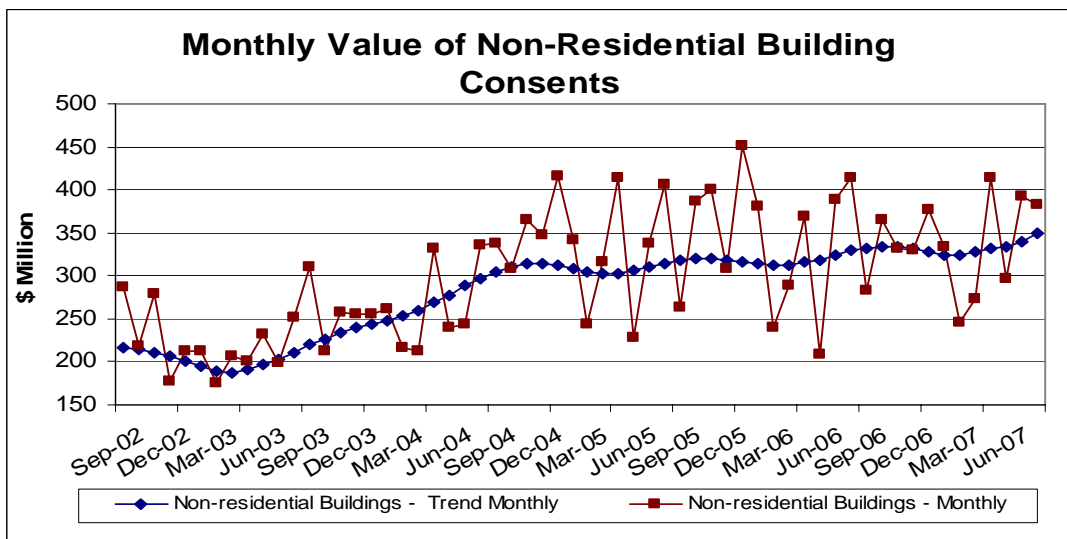
Source: Statistics New Zealand

Non-residential building

The value of non-residential building consents¹² remains at a high level (Figure 18). Statistics New Zealand estimates the trend series after removing consents with values of \$25 million or more. This trend does not provide a conclusion that the value of non-residential building consents is falling.

Although the trend for the value of non-residential building consents seems to be increasing, the actual values fluctuate from month to month and increased 42.3 percent in the year to April 2007, increased 0.9 percent in the year to May 2007, but decreased by 7.5 percent in the year to June 2007.

Figure 18: Monthly value of non-residential building consents



Source: Statistics New Zealand

The decline in June 2007 was largely recorded by hotels and other short-term accommodation (down \$28 million), and hospitals and nursing homes (down \$24 million). Some of the largest increases were for shops, restaurants and taverns (up \$30 million), social, cultural and religious buildings (up \$21 million), and factories and industrial buildings (up \$13 million).

Shops, restaurants and taverns made up 25 percent of the value of non-residential building consents, followed by 16 percent for factories and industrial buildings in June 2007.

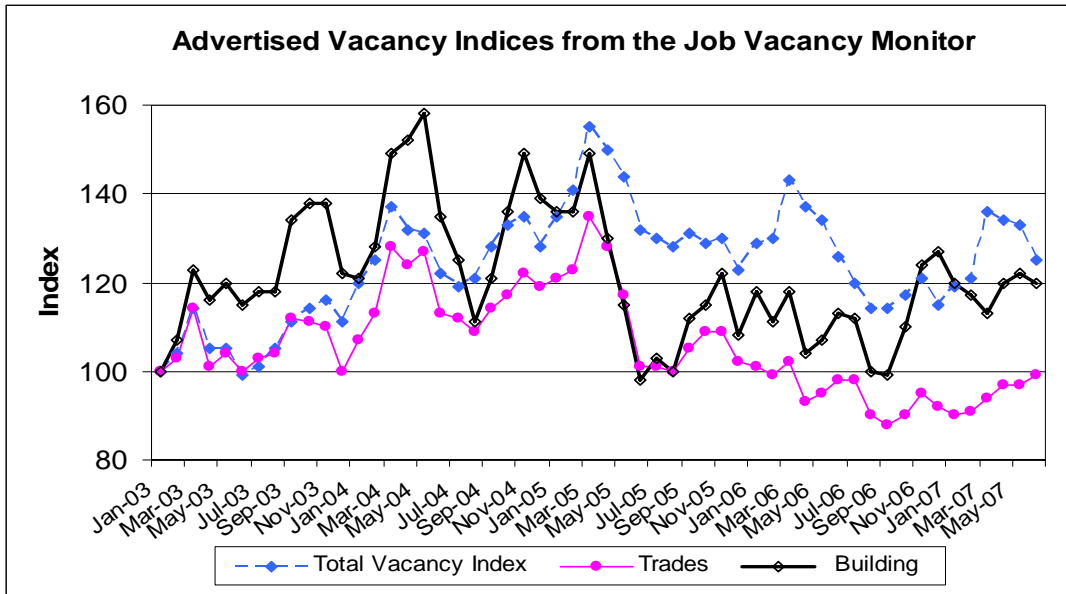
Labour market

The number of people employed in the construction industry increased to 187,900 in the June 2007 quarter, from 186,100 in the March 2007 quarter. When measured on a year-on-year basis, the number of people employed in the June 2007 quarter was 3.8 percent higher than in the June 2006 quarter (see The Economy section).

The Job Vacancy Index from the Department of Labour measures change in advertised vacancies over time. The vacancies index for building trades people has increased consecutively in April and May 2007. The index also measures a year-on-year increase over the same period.

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

Figure 19: Advertised Vacancy Indices from the Job Vacancy Monitor



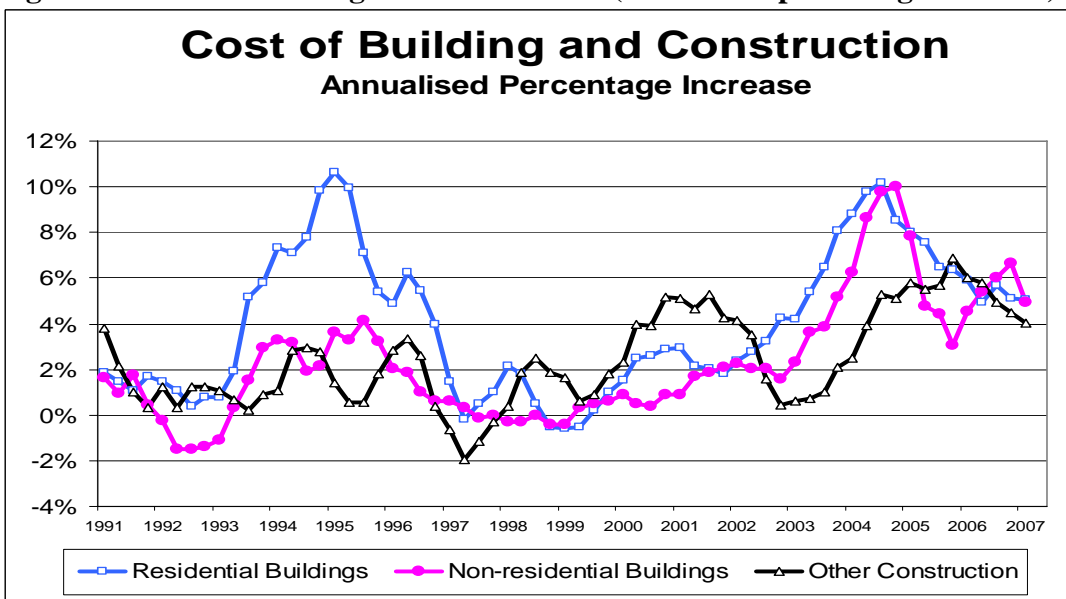
Source: Department of Labour

Building costs

The various building costs indicators for capital, production and labour show considerable inflationary pressures exist in the construction industry.

The Capital Goods Price Index (CGPI) measures movements in price levels of various fixed capital assets within the New Zealand economy. The latest data for the March 2007 quarter CGPI showed that price increases in the construction industry are generally higher than in other industries in the economy. The overall CGPI increased 3.7 percent in the year to the March 2007 quarter, of which the increase for residential building was 5.1 percent, the increase for non-residential building was 5 percent and the increase for other construction was 4.1 percent.

Figure 20: Cost of building and construction (annualised percentage increase)



Source: Statistics New Zealand

Another cost indicator, the Producers Price Index (PPI), measures change in the levels of prices for the production sector of the economy. The PPI comprises output indices¹³ (which measure change in prices received by producers) and input indices¹⁴ (which measure changes in the cost of production and excludes labour and capital costs).

The latest available data for the index measuring the production cost for construction (that is the PPI construction input index) rose 9.2 percent in the year to the March 2007 quarter. This increase is mainly due to higher steel prices and increased prices for other raw material (eg, 3.3 percent for ready-mixed concrete).

The PPI output index for the construction industry also rose by 5.3 percent in the year to the March 2007 quarter.

The increases in the PPI indices for the construction industry were higher than those for the overall PPI. The increase was 2.7 percent for PPI inputs and 3.1 percent for outputs, for all industries in the year to the March 2007 quarter.

The Labour Cost Index (LCI), which records changes in salary and wage rates, shows an increase of 3.1 percent for the construction industry and 3.3 percent for building trade workers in the year to the March 2007 quarter. The increase in the LCI for all industries and occupations was at 3.2 percent for the same period.

Other developments in the building and housing sector

Weathertightness issues

The Weathertight Homes Resolution Service (WHRS) was set up by the Government in November 2002 to help homeowners resolve disputes over leaky buildings. Responsibility for the WHRS was transferred to the Department of Building and Housing in July 2005. The Weathertight Homes Resolution Services Act 2006 was enacted in December 2006.

The WHRS assigns an assessor to each valid application. The assessor submits a report on the dwelling in the claim. If the claim is decided eligible, the claimants apply to the Weathertight Homes Tribunal. If the value of their claim is under \$20,000, claimants apply to a lower value claims process to resolve their claim. From April to June 2007, the WHRS accepted 163 claims. The number of accepted claims totalled 1155 in the year to 30 June 2005, 1067 in the year to 30 June 2006 and 749 for the year to 30 June 2007.

¹³ The PPI output indices cover the prices of primary products, manufactured goods, revenue from renting and leasing, the provision of services, capital work undertaken by own employees and margins on goods purchased for resale. The output indices exclude interest and dividends, royalties and patent fees, receipts from insurance claims, government cash grants and subsidies and GST and other indirect taxes.

¹⁴ The PPI input indices cover the prices of materials, fuels and electricity, transport and communication, commission and contract services, rent and lease of land, buildings, vehicles and plant, business services, insurance premiums less claims. The output indices exclude wages and salaries (measured in the Labour Cost Index), capital expenditure (measured in the Capital Goods Price Index), ACC levies, land tax, government licence fees, road user charges, rates, royalties, patent fees and bad debts and donations.

Profile of accepted WHRS claims

Accepted WHRS claims by territorial authority area

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

Table 1: Accepted WHRS claims by territorial authority area and claim status

Territorial authority	Active claim	Claim not proceeding	WHRs resolution complete	Total	Percentage of total
Auckland City Council	1462	335	173	2023	39%
North Shore City Council	390	220	83	694	13%
Wellington City Council	271	106	87	464	9%
Waitakere City Council	333	108	19	463	9%
Christchurch City Council	173	94	69	340	7%
Rodney District Council	108	63	16	187	4%
Tauranga District Council	95	44	45	187	4%
Manukau City Council	77	54	32	164	3%
Hamilton City Council	40	18	20	78	2%
Porirua City Council	13	20	20	53	1%
Others	206	168	164	539	10%
	3168	1230	728	5192	100%

NOTES:

1. Accepted WHRS claims – Applications that the Weathertight Services Group considers under section 13 of the WHRS Act 2006 are capable of meeting eligibility criteria.
2. Active WHRS claims – Accepted WHRS claims that may or may not as yet have been decided eligible under section 48 of the WHRS Act 2006 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. 3531 or 68 percent of the total accepted WHRS applications, originate from the defined Auckland region as at 30 June 2007.

Source: Department of Building and Housing

Building Code waivers¹⁵

Section 67(1) of the Building Act 2004 allows a building consent authority (who 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.

One hundred and forty-seven waivers were issued during the June 2007 quarter (Table 2), which was higher than the 59 waivers issued in the March 2007 quarter.

B2 waivers feature prominently in the June 2007 quarter figures, making up 83 percent of total waivers. This is more than double the amount of 32 B2 waivers issued in the March 2007 quarter.

C3 Spread of Fire waivers, usually a prominent waiver, made up 10 percent of total waivers. There were 14 C3 waivers issued in the June 2007 quarter, comparable to 13 C3 waivers issued in the March 2007 quarter.

The remaining 6 waivers during the June 2007 quarter relate to Building Code Clauses B1, E1, E2, D1 and F4 with no trends emerging.

Table 2: Building Code waivers

Territorial authority	B1 Structure	B2 Durability	C3 Spread of Fire	E1 Surface Water	E2 External Moisture	Others	Total
Ashburton	0	7	0	0	0	0	7
Auckland	0	102	5	0	0	0	107
Christchurch	0	2	5	1	0	0	8
Hastings	0	1	2	2	0	0	5
Hutt	0	0	0	0	1	0	1
Kapiti Coast	0	0	1	0	0	0	1
Nelson	0	8	0	0	0	0	8
North Shore	0	2	0	0	0	0	2
Rodney	3	0	0	0	0	0	3
Selwyn	0	0	0	0	0	2	2
Tauranga	2	0	0	0	0	0	2
Wellington	0	0	1	0	0	0	1
Total	5	122	14	3	1	2	147

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 performance issues.

¹⁵ Waivers and modifications are useful tools provided by the Act which allow territorial authorities some flexibility in applying the New Zealand Building Code to local conditions or particular building work. Granting a building consent subject to a waiver means allowing building work to be undertaken without meeting a certain clause(s) of the Building Code. Granting a building consent subject to a modification means allowing building work to be undertaken that meets the same objective of a particular Building Code clause(s) but through different performance requirements to that set out in the Code Clause.

Building Act determinations

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

There has been a marked increase in the number of determinations since 2003. As at 27 July 2007, a total of 466 determinations were processed by the Department. Approximately 76 percent of determinations were related to cladding and weathertightness issues.

Table 3: Building Act Determinations 2003–2007

Calendar year	2003	2004	2005	2006	Up to 27 July 2007
Cladding/weathertightness	1	68	144	89	50
Access and facilities for people with disabilities	5	2	4	4	2
Fire safety	1	2	8	5	1
Surface water	2	2	0	5	0
Swimming pool fencing	1	0	2	4	2
Structure	0	1	1	1	0
Interior environment and facilities	0	1	2	1	2
Land subject to natural hazards	0	1	1	3	0
Barrier	1	0	3	2	0
Other (eg, refusal to issue a code compliance certificate)	0	0	1	15	26
Total	11	77	166	129	83

Notes:

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

Source: Department of Building and Housing

Update on regulatory development

Building Code Review

The Department progressed its comprehensive review of the Building Code as required by Section 451 of the Building Act 2004, to ensure that the Code:

- meets the requirements of the Building Act 2004
- is stated in sufficient detail to provide clear guidance on the performance standards that buildings must meet to ensure compliance
- supports innovation in building systems that meet quality standards.

The Department prepared a second discussion document, that includes specific proposals for building performance requirements, with input from the sector and other government departments and agencies, and submitted it to the Minister prior to public consultation. The first discussion document, published in May 2006, was concerned with the scope of the Code - the features of building work the Code should address.

The second discussion document is planned for public consultation during August and September of 2007. The Department is on track to submit its Section 451 report to the Minister by the statutory deadline of 30 November 2007.

Building Code Compliance Document development

Several unrelated changes to Building Code Clauses came into effect on 21 June. These clauses were:

- **E2 External Moisture:**

The changes make weathertightness requirements clearer. It is now clear that building elements close to the ground, and not only those in contact with the ground, must not absorb water likely to cause damage or dampness. Wall cavities now need to be constructed to prevent fungal growth as well as condensation and degradation. The Clause also now requires designers to consider material variability and the way in which construction occurs so that weathertightness problems are prevented.

- **F4 Safety from Falling**

The Clause now bans safety barriers that can be readily used as seats, in public places.

- **F6, formerly Lighting for Emergency, now Visibility in Escape Routes**

The Clause has been completely re-written to make New Zealand building users safer in emergencies. It strengthens and clarifies the requirements for occupant safety in emergencies in line with international best practice. The Clause now allows the use of the latest way-finding systems – photoluminescent strips, directional markings and light emitting diode strips – as well as normal emergency lights. Way-finding systems have seen major technological advances in recent years and are increasingly being used overseas. For example, New York City now requires the use of mixed emergency lighting and way-finding systems because of the September 11 terrorist attacks. Under the new Clause, there must be enough visibility in the building when the main lights fail, to help evacuation and to avoid panic. The amendments mean building elements (stairs, doors, etc.) will need to be visible from 10 metres in an emergency.

- **G13 Foul Water and G14 Industrial Liquid Waste**

Several minor technical updates have been made to the Clauses, clarifying the performance requirements for onsite disposal of foul water (septic tank systems) and the storage, treatment and disposal of industrial liquid waste.

Energy Efficiency

On 4 May 2007, the Minister for Building and Construction announced the opening of the second public consultation on ways to lift the energy efficiency of New Zealand homes and workplaces. Public comment was invited on proposals to amend the New Zealand Building Code and Compliance Documents relating to:

- better energy performance from hot water systems in new homes
- energy efficiency requirements for heating, ventilation and air conditioning (HVAC) systems to encourage ongoing maintenance.

The proposed changes aim to lower power and gas bills and reduce the environmental impact of homes and workplaces. They are part of the Government's increased focus on improving energy efficiency and combating the effects of climate change.

These energy efficiency proposals are measures that can be taken in the short to medium term to improve the energy efficiency of buildings before implementing changes from the Building Code review process.

Special topic – 2006 Census on population and dwellings

The 2006 Census on population and dwellings were held in March 2006. The recent Census provides a picture of trends in New Zealand’s population and dwellings over the last 5 years. Our last report outlined the changing characteristics in the New Zealand dwelling stock and household profile. This report looks at more 2006 census data on housing across different ownership categories.

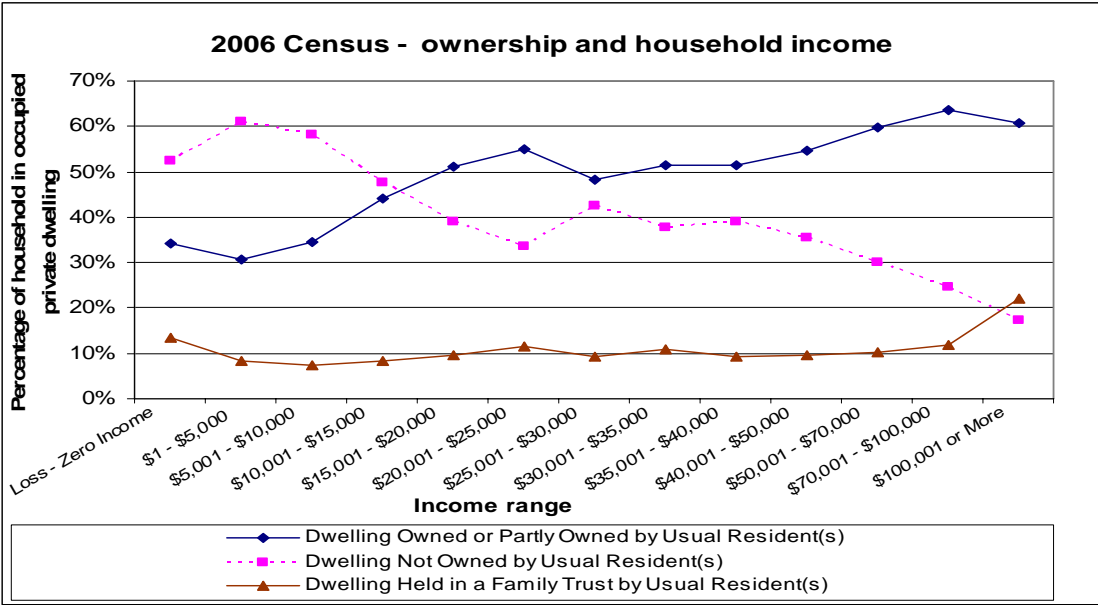
Profile of occupied private dwellings

In the 2006 Census, a total of 1,471,715 households were in occupied private dwellings in New Zealand, with 54.5 percent of dwellings owned or partly owned by usual residents, 12.3 percent of dwellings held in a family trust by usual residents, and 33.1 percent of dwellings not owned by usual residents.

Ownership and household income

The 2006 Census shows a close relationship between home ownership and household income. Generally, as household income rises, a larger proportion of households are owner-occupiers. Though there is an exception for the \$ 25,001 – \$ 30,000 household income group. The proportion of dwellings held in a family trust is fairly consistent across all household income groups though it is higher for the highest household income groups.

Figure 21: 2006 Census – ownership and household income

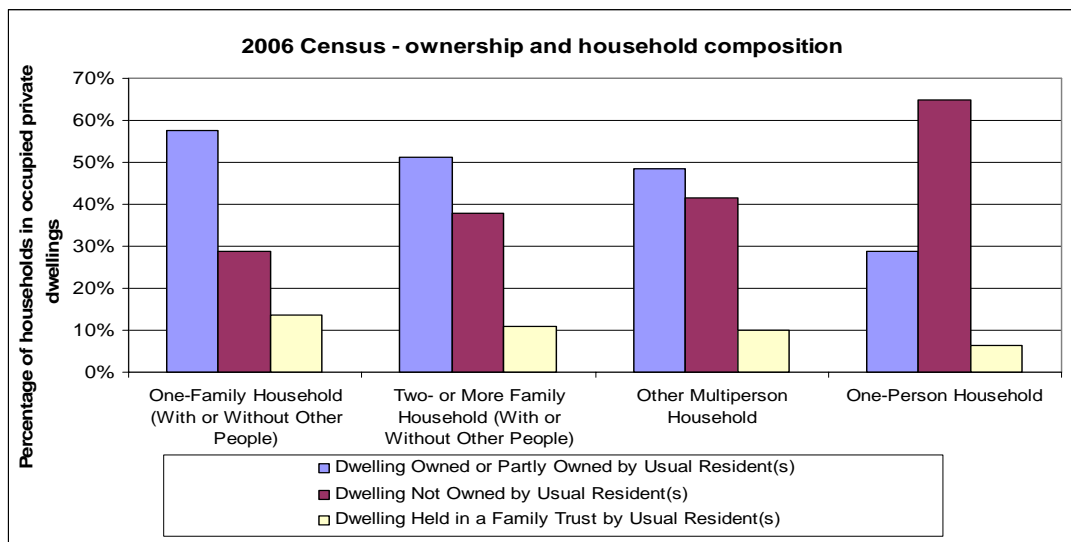


Source: Statistics New Zealand

Ownership and household composition

In the 2006 census, family households and other multi-person households in occupied private dwellings were most likely to own the dwelling they lived in. Dwellings occupied by one-person households were less likely to be owned by the usual residents.

Figure 22: 2006 Census – ownership and household composition

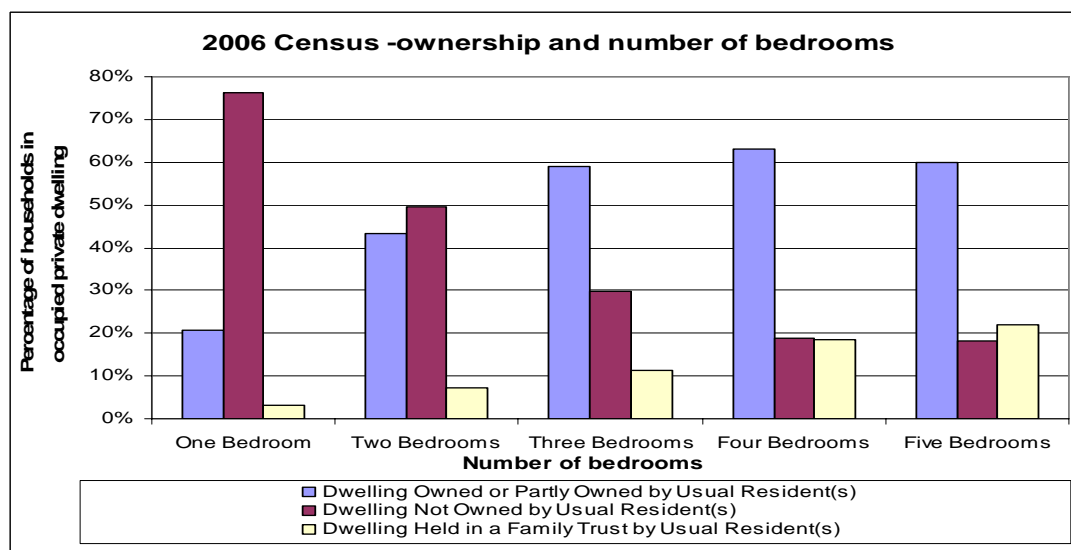


Source: Statistics New Zealand

Ownership and number of bedrooms

Most occupied private dwellings with one or 2 bedrooms are not owned by usual residents and correspondingly, larger dwellings with 3 or more bedrooms are more frequently occupied by usual residents who own or partially own them.

Figure 23: 2006 Census – ownership and number of bedrooms



Source: Statistics New Zealand

Ownership and years at usual residence

Usual residents, who lived in a dwelling for a year or less, were less likely to own the dwelling they lived in. However, the proportion of households in occupied private dwellings, owned or partially owned by usual residents, increases as the years at usual residence increase.

Figure 24: 2006 Census – ownership and years at usual residence



Source: Statistics New Zealand