



Department of  
Building and Housing  
*Te Tari Kaupapa Whare*

## **Building and Housing Trends: January – March 2007**



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## Introduction

This *Building and Housing Trends* publication covers the period from 1 January to 31 March 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 (measured by the real gross domestic product<sup>1</sup> (GDP)) increased in the December 2006 quarter compared to earlier quarters in the year. However, economic growth is still well below that of the 2002–2004 period. Real GDP grew by 2.1 percent in the year ended December 2006, up from the 1.5 percent growth in the year ended December 2005.

The growth in the December 2006 quarter breaks the trend of slowing economic growth that has persisted since June 2004. However, it is too soon to know whether this latest increase can be sustained.

By contrast, real GDP of the construction industry declined 2.2 percent in the year to December 2006, after growing by 2.4 percent in the year to December 2005. This may be the result of stronger cycles in the construction industry than in the wider economy.

The recent decline in construction industry activity may have adversely impacted employment for the March 2007 quarter. The number of people employed in the construction industry fell in the March 2007 quarter from its peak in the December 2006 quarter. There were 186,100 people employed in the construction industry in the March 2007 quarter. This is a decrease of 2.9 percent from the 191,700 employed in the December 2006 quarter. However, when measured on a year-on-year basis, there was an increase of 6.2 percent from the 175,200 persons employed in the construction industry in the March 2006 quarter.

## The housing sector

The housing market continued to strengthen this quarter, following trends that began in late 2002. The median house price as reported by the Real Estate Institute of New Zealand (REINZ) was 14.4 percent higher at \$349,000 in April 2007, compared to \$305,000 in April 2006. This exceeds the annual increase in median prices in earlier months: 9 percent in January 2007, 11.9 percent in December and 10 percent in November 2006.

The high growth in house prices was also supported by high house sales activity. The monthly sales volume for houses in April 2007 was 8,194 (Figure 3)<sup>2</sup>. This is significantly higher than the 7,576 transactions in April 2006, though not as high as the 8,875 transactions in April 2005.

The number of days to sell a property also suggests an active housing market. The median number of days to sell a house in April 2007 was 28 days, which is significantly lower than the 34 days it took in April 2006 and the same as the 28 days it took in April 2005.

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<sup>1</sup> Real gross domestic product refers to gross domestic product adjusted for inflation. Statistics New Zealand's December 2006 quarter data for gross domestic product by industry (Actual chain-volume series expressed in 1995/96 prices) is used in this instance.

<sup>2</sup> REINZ sales volume figures used here are based on actual sales reported by sales agent and are taken as of the date when a transaction becomes unconditional.

These statistics suggest that the housing market has regained strength from the September 2006 quarter onwards, and remained strong. Effects of the recent increase in mortgage interest rates were not yet apparent in the March 2007 housing market data.

The Consumer Price Index data for March 2007 shows a similar picture. The increase in purchase of new housing was 5.8 percent and 3.0 percent for rent in the year ended March 2007. General price inflation was at a comparatively lower 2.5 percent for the same period.

## **The building sector**

The data for building work put-in-place shows actual building work (after adjusting for inflation) remains at a relatively high level since late 2003. However, the value of all building work put in place shows a 3 percent decline for the year ended December 2006. The year-on-year decline was 4 percent in the June 2006 quarter and 7.2 percent in the March 2006 quarter, which is consistent with the decline in the growth of the construction industry in the later part of 2006.

The building sector comprises mainly residential building work, followed by non-residential building work. The proportion of residential building work put in place accounts for 60-65 percent of all building work.

Despite a short period of higher actual number of residential building consents issued during August–November 2006, the number of new dwelling consents is currently trending downwards. The number of new dwelling consents is also expected to ease given the Reserve Bank's increase in the official cash rate in March and April 2007 and a recent downturn in immigration.

Although there was no obvious trend in apartment consent numbers, the current number of apartment consents issued has declined significantly. There were 2,898 apartment consents issued in the year ended March 2007 compared to a peak of 6,586 in the year ended December 2004.

When these consent numbers are translated into building activity, we can expect to see a decline in the amount of residential building work put in place.

The value of non-residential building consents remains at a high level, and there is no conclusive trend that points to a decline. The latest data shows a 12.1 percent increase in the value of non-residential building consents for the year ended March 2007, and this was largely driven by a significant jump in the value of office and administration buildings.

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 this industry are higher than most other industries in the economy. For instance, production cost for construction (measured by the producer price index for input) 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 cost for all industries over the same period. Similarly, labour costs (as measured by the labour cost index) increased by 3.3 percent for the construction industry in the year ended March 2007, compared to 3.1 percent for all industries.

# The Economy

## Economic growth and industry outputs

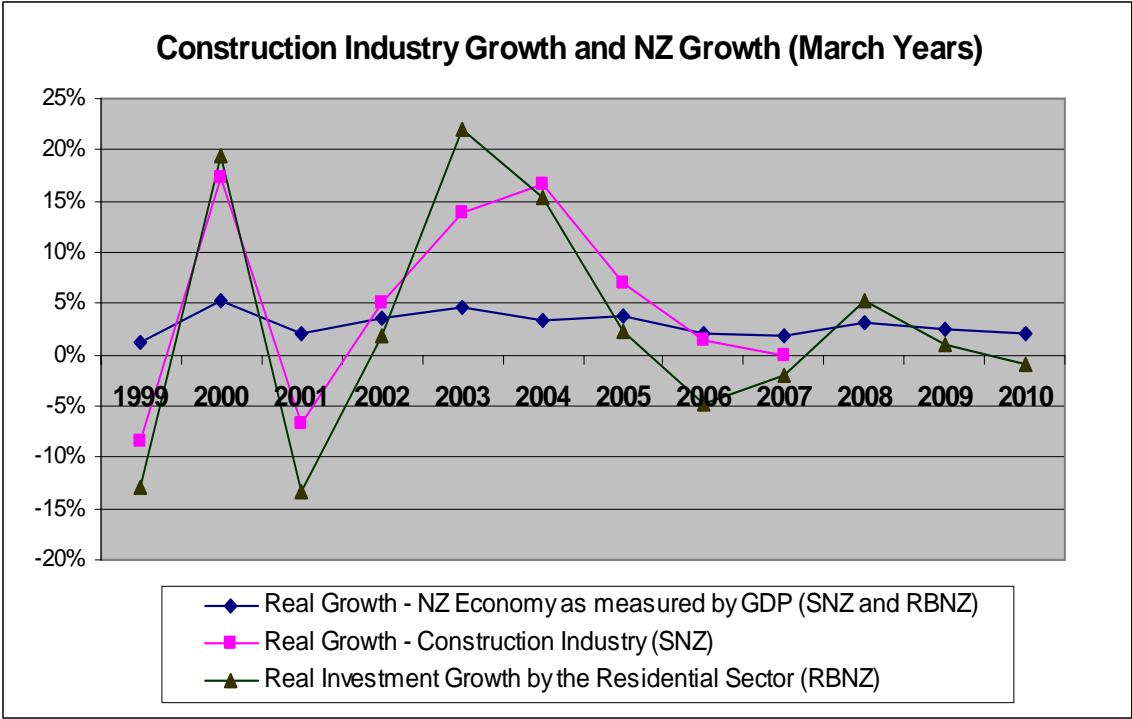
New Zealand’s economic activity (when measured by real GDP) increased in the December 2006 quarter compared to earlier quarters in 2006. However, economic growth was still well below that of the 2002–2004 period. Real GDP grew by 2.1 percent in the year ended December 2006, up from 1.5 percent growth in the year ended December 2005.

The latest growth in the December 2006 quarter breaks a trend of slowing economic growth that has persisted since June 2004. However, it is too soon to know whether this latest increase is sustainable.

In contrast, the construction industry experienced a decline of 2.2 percent in real GDP in the year to December 2006. The construction industry grew by 2.4 percent in the year to December 2005.

In the March 2007 Monetary Policy Statement, the Reserve Bank forecasts real investment (as measured by Gross Fixed Capital Formation) to decline by 3.4 percent. Real fixed residential investment is expected to fall by 2 percent and real business investment is expected to fall by 5.4 percent. The Bank forecasts real non-market government sector investment (government spending on infrastructure which is an important component of other construction) to grow by 9.1 percent during the March 2007 year, mitigating the effects of these declines.

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



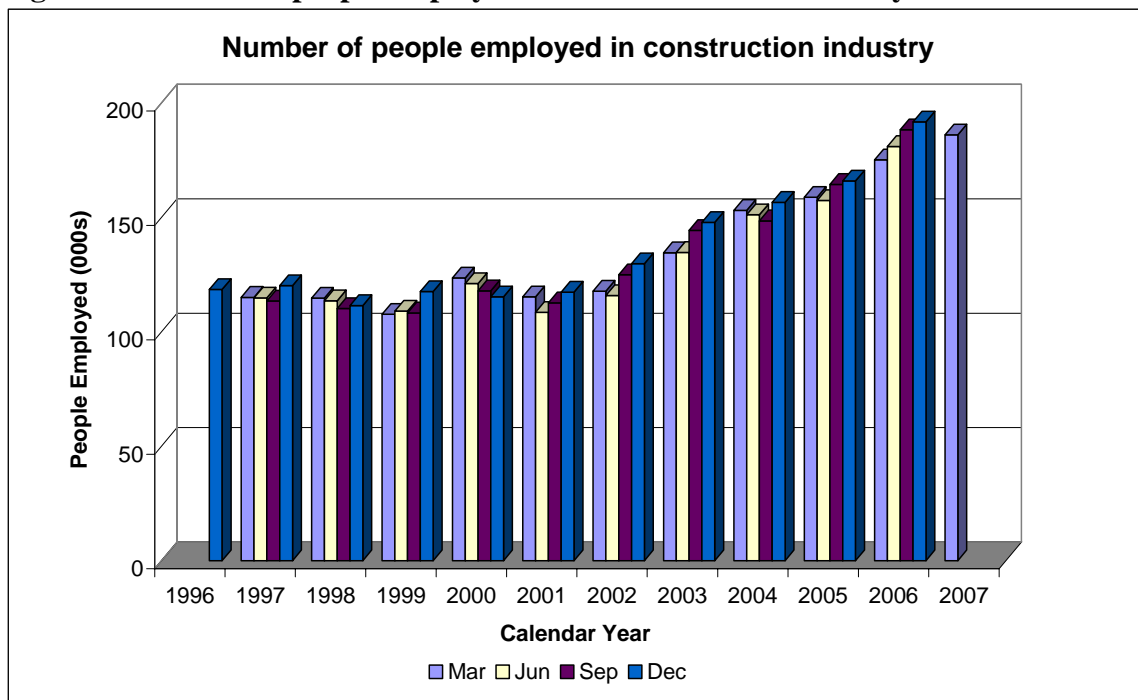
Source: Reserve Bank and Statistics New Zealand

## Labour market

The number of people employed in the construction industry fell in the March 2007 quarter from its peak in the December 2006 quarter. There were 186,100 people employed in the construction industry in the March 2007 quarter. This is a decrease of 2.9 percent from the 191,700 employed in the December 2006 quarter and a yearly increase of 6.2 percent from the 175,200 employed in the construction industry in the March 2006 quarter.

2006 appears to have been a period of unusually high employment in the industry, given the sharp increases over the year relative to previous years. While it is too soon to draw any conclusions, the drop in construction industry employment in March 2007 may signal a return to the long-term trend in place since late 2001. It is also possible that the reduced employment in the March 2007 quarter is a result of shrinking economic output in the construction industry.

**Figure 2: Number of people employed in the construction industry**



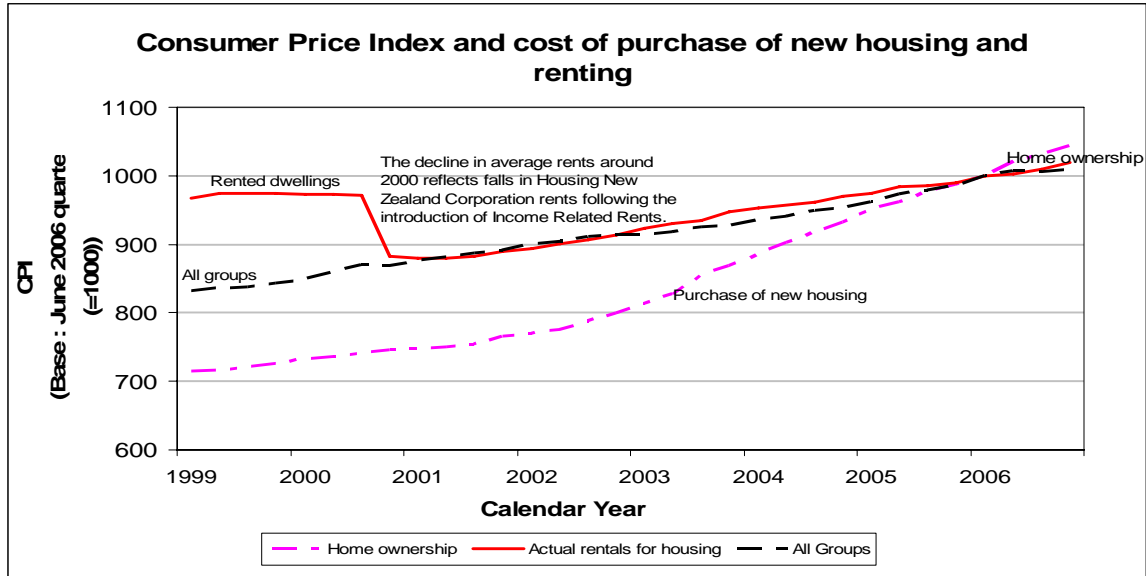
Source: Statistics New Zealand

## Renting and purchase of new housing costs

Inflation in the housing sector has continued to rise. The annual inflation rate was 5.8 percent for purchase of new housing in the March 2007 quarter, higher than the 5.6 percent measured in the December 2006 quarter. The annual rent inflation rate was 3.0 percent in the March 2006 quarter, higher than the 2.4 percent measured in the December 2006 quarter.

In comparison, general price inflation (as measured by the consumer price index) was at 2.5 percent in the March 2006 quarter and 2.6 percent in the December 2006 quarter. In the March 2007 quarter rent inflation exceeded general price inflation, indicating that rents are starting to become more expensive relative to general prices. This is a distinct change from previous quarters in 2006, where rent growth was slower than general price inflation.

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



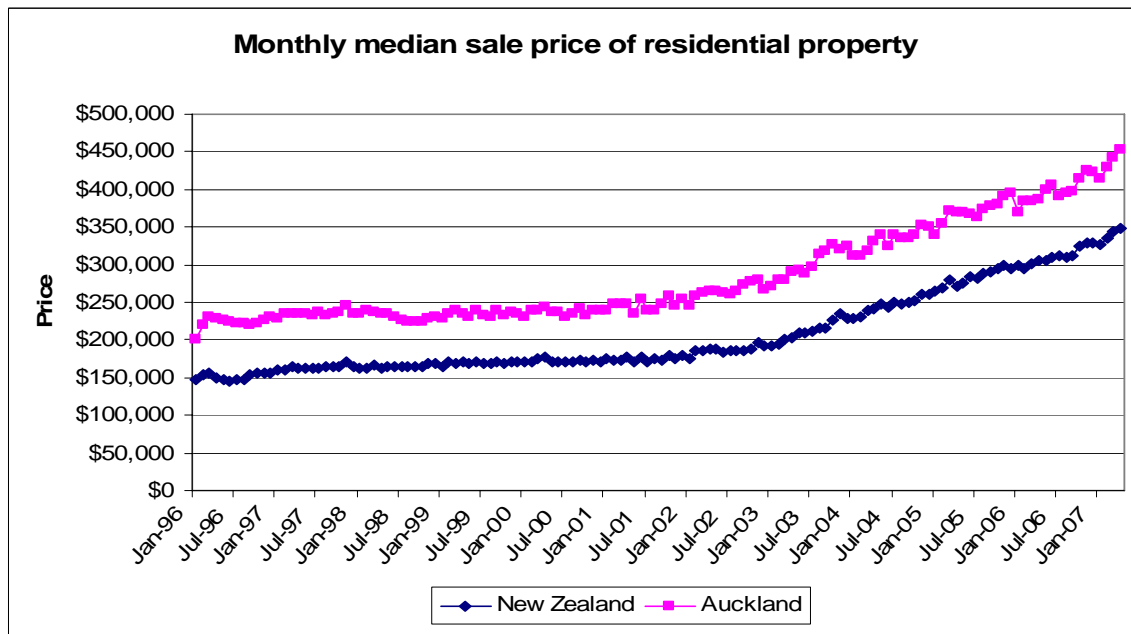
Source: Statistics New Zealand

## The housing sector

### Sales price

The housing market continued to strengthen this quarter, following the trend that began in late 2002. The median house price from the Real Estate Institute of New Zealand (REINZ) was 14.4 percent higher at \$349,000 in April 2007, compared to \$305,000 in April 2006. This exceeds the annual increase in median prices in earlier months: 9 percent in January 2007, 11.9 percent in December and 10 percent in November 2006.

**Figure 4: Monthly median sale price of residential property**



Source: Real Estate Institute of New Zealand

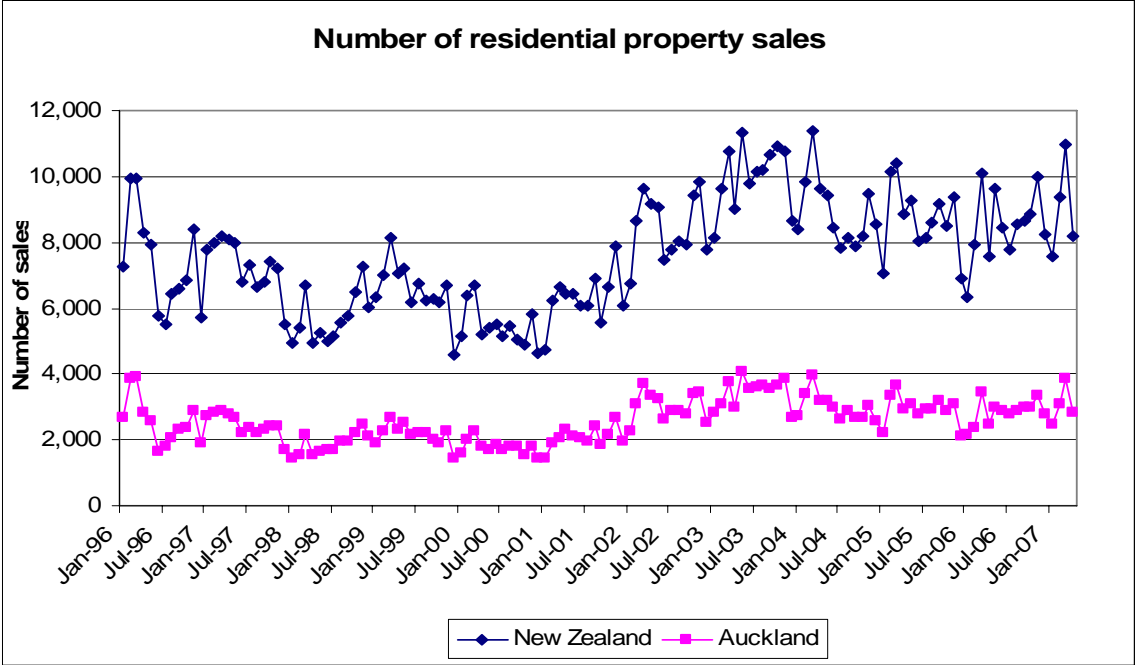
The total value of New Zealand’s housing stock increased to \$559 billion at the end of the December 2006 quarter up from \$538 billion in the September 2006 quarter and \$506 billion in December 2005.

The annual growth rate in housing stock value for the December 2006 quarter was 10.5 percent. This was below the 11.1 percent growth rate in the September quarter and the 17.9 percent growth rate in the December 2005 quarter.

**Housing market activity**

There may be signs of resurgence in sales activity this quarter. The monthly sales volume was 8,194 in April 2007 (Figure 5)<sup>3</sup>. This is significantly higher than the 7,576 transactions in April 2006, though not as high as the 8,875 transactions in April 2005. This suggests that the current housing market is still strong.

**Figure 5: Number of residential property sales**

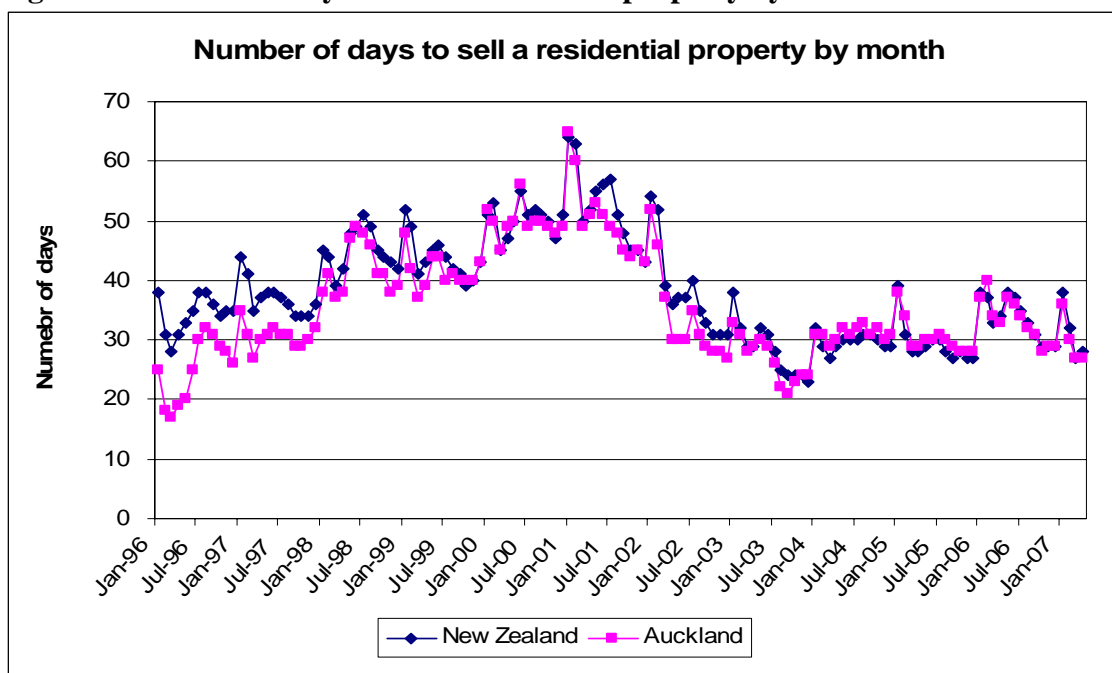


Source: Real Estate Institute of New Zealand

The number of days to sell a property also suggests an active housing market. The median number of days to sell a house in April 2007 was 28 days, which is significantly lower than the 34 days it took in April 2006 and the same as the 28 days it took in April 2005 (see Figure 6).

<sup>3</sup> REINZ sales volume figures used here are based on actual sales reported by sales agent and are taken as of the date when a transaction becomes unconditional.

**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 methods<sup>4</sup> by which the government assists low-income families with affordable housing are the Accommodation Supplement<sup>5</sup> (AS) and Income-Related Rents<sup>6</sup> (IRR). As of March 2007, there were 245,371 AS recipients and 58,989 IRR tenants.

Figure 7 shows government expenditure on social housing assistance as a percentage of the housing sector expenditure<sup>7</sup> for the quarter to December 2002 to the quarter to December 2006.

The level of total government housing assistance relative to total housing contribution to GDP, increased from 7.39 percent in the September 2006 quarter to 7.43 percent in the December 2006 quarter. IRR assistance relative to total housing contribution to GDP increased from 2.42 percent to 2.44 percent. AS assistance relative to total housing contribution to GDP, increased from 4.97 percent to 4.99 percent.

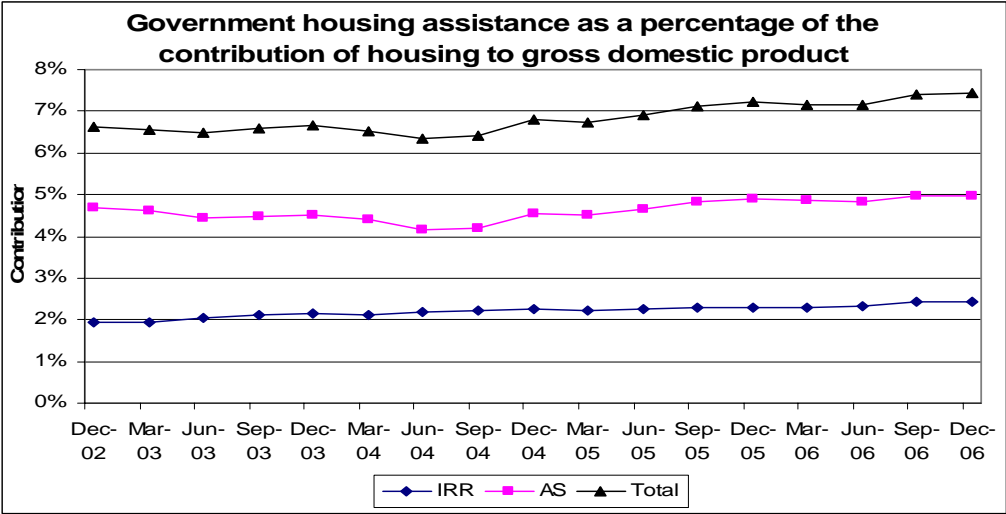
<sup>4</sup> Note that there are a variety of homeownership assistance programmes such as Welcome Home Loans that are not considered as part of these statistics. This is because they are relatively small compared to the IRR and the AS and are focused on homeownership rather than rent relief.

<sup>5</sup> 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.

<sup>6</sup> 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 tenants on low incomes (that is up to the single living-alone rate of New Zealand Superannuation, after tax, for single tenants and up to the married couple rate of New Zealand Superannuation, after tax, for all other tenants). A tenant in a Housing New Zealand home is not required to pay more than 25 percent of their income in rent. The IRR subsidy compensates Housing New Zealand for the difference in the rent paid and the market rent on the property. As such, IRR is an indirect subsidy of social housing.

<sup>7</sup> Gross Domestic Product: Household consumption expenditure by purpose in actual current prices - Housing (series S2NP30CZE). Source: Statistics New Zealand.

**Figure 7: Government housing assistance as a percentage of the contribution of housing to gross domestic product<sup>8</sup>**



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

Government contribution to social housing assistance for the quarter ending December 2002 to the quarter ending December 2006 is outlined in Table 1. The December quarter saw an increase of approximately \$2.3 million in income-related rent payments, and \$3 million in accommodation supplement payments.

<sup>8</sup> 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.

**Table 1 Government Housing Assistance<sup>9</sup>**

Quarter	\$ millions			Annual percentage change
	Income-Related Rent	Accommodation Supplement	Total	
Dec-02	\$73	\$178	\$252	-
Mar-03	\$74	\$177	\$251	-
Jun-03	\$79	\$173	\$252	-
Sep-03	\$83	\$177	\$259	-
Dec-03	\$85	\$178	\$263	4.63%
Mar-04	\$86	\$177	\$263	4.70%
Jun-04	\$89	\$170	\$258	2.60%
Sep-04	\$92	\$174	\$265	2.17%
Dec-04	\$93	\$190	\$283	7.55%
Mar-05	\$93	\$189	\$282	7.03%
Jun-05	\$95	\$198	\$293	13.45%
Sep-05	\$98	\$207	\$305	15.03%
Dec-05	\$99	\$212	\$311	9.87%
Mar-06	\$99	\$212	\$312	10.60%
Jun-06	\$103	\$212	\$315	7.40%
Sep-06	\$107	\$220	\$326	7.00%
Dec-06	\$109	\$223	\$332	6.62%

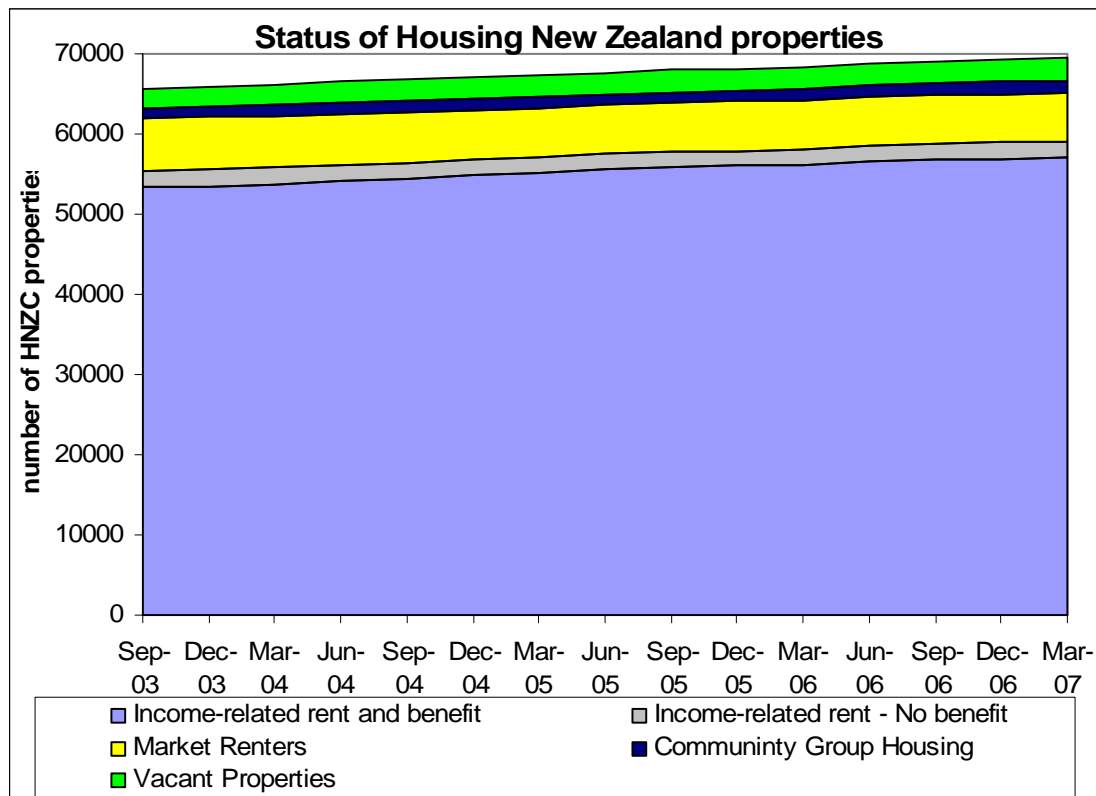
Source: Housing New Zealand Corporation and Ministry of Social Development

Figure 8 graphs the number of Housing New Zealand Corporation properties since September 2003. Key trends remain unchanged. The total number of Housing New Zealand Corporation properties increased to 67,927 in the December 2006 quarter, up from 67,730 in the earlier quarter. Trends indicate a:

- net increase of 128 vacancies
- net increase of 17 Community Group Houses
- net decrease of 3 market renters
- net increase of 55 tenants on Income Related Rents, representing a decrease of 35 Income Related Rent tenants not receiving a benefit and an increase of 90 Income Related Rent tenants who were receiving some other benefits as well.

<sup>9</sup> The figures used are rounded to the nearest whole number and annual percentage change is calculated using the original figures before rounding. This may result in annual percentage changes differing slightly with calculations using rounded figures in this table.

**Figure 8: Status of Housing New Zealand Properties<sup>10</sup>**



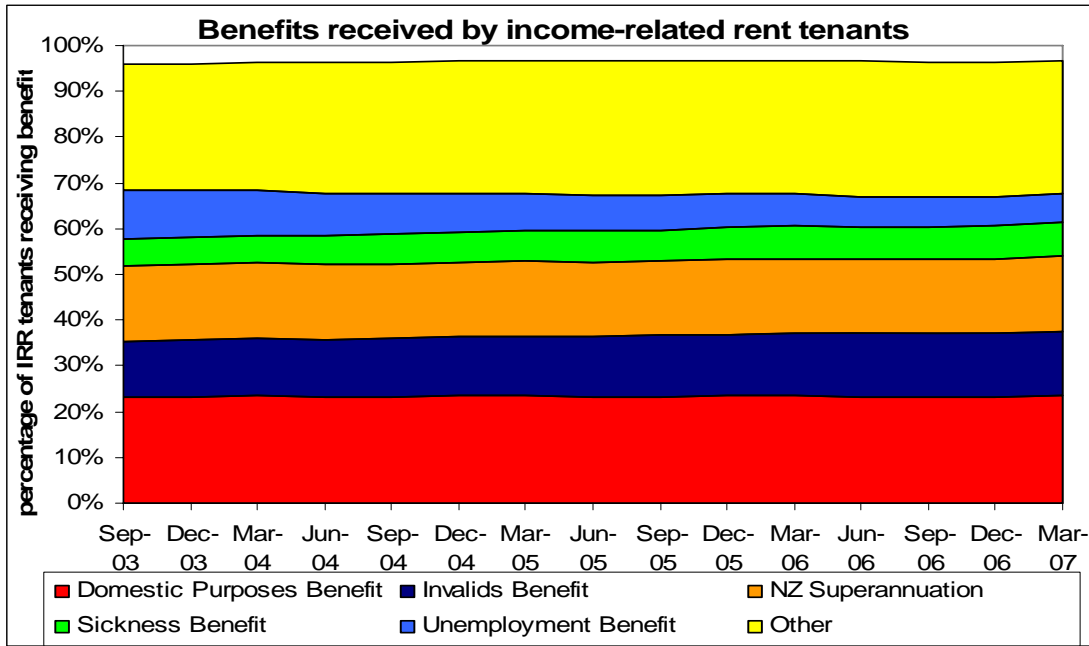
Source: Housing New Zealand Corporation

As shown in Figure 9, the largest changes in the composition of benefits received by IRR tenants in the March quarter were:

- an increase in the proportion of Superannuation beneficiaries, from 16.2 percent to 16.5 percent
- a decline in the proportion of tenants on other benefits, from 29.7 percent to 29.1 percent

<sup>10</sup> Due to a change in data categorisation this table is not comparable with the equivalent table in last quarter's report.

**Figure 9: Benefits received by income-related rent tenants**



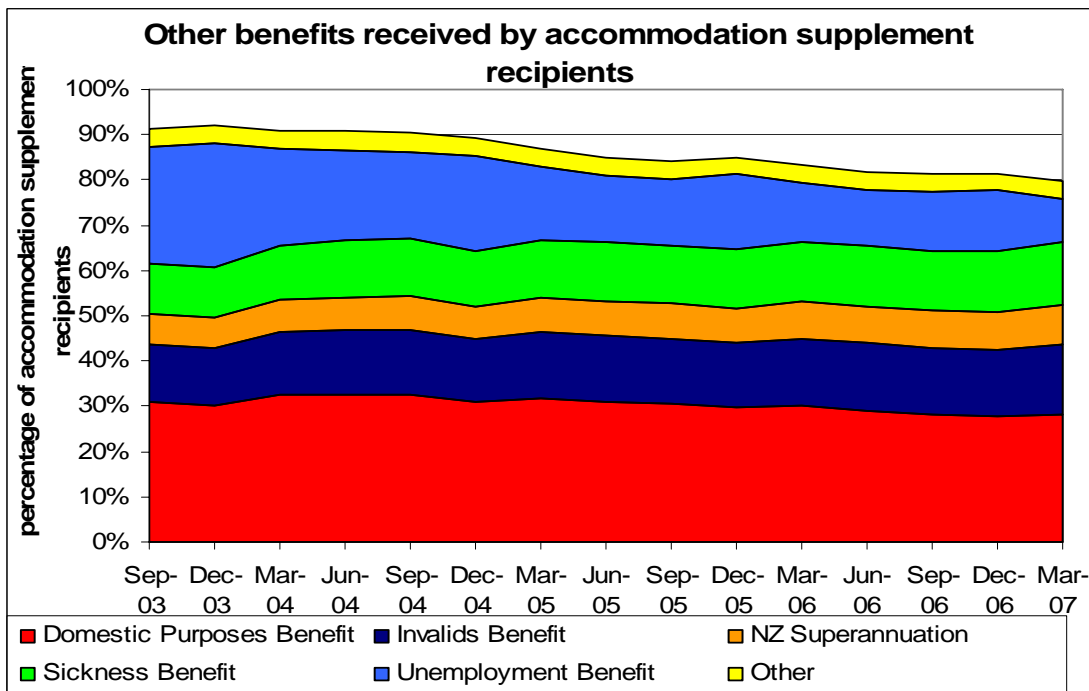
Source: Housing New Zealand Corporation

Figure 10 shows the distribution of benefits for all tenants receiving ASs. 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 December 2006 quarter were:

- an increase from 18.6 percent to 20.4 percent of AS recipients receiving no other benefit
- a decrease from 13.7 percent to 9.7 percent of AS recipients receiving unemployment benefits.

**Figure 10: Other benefits received by recipients of accommodation supplement**



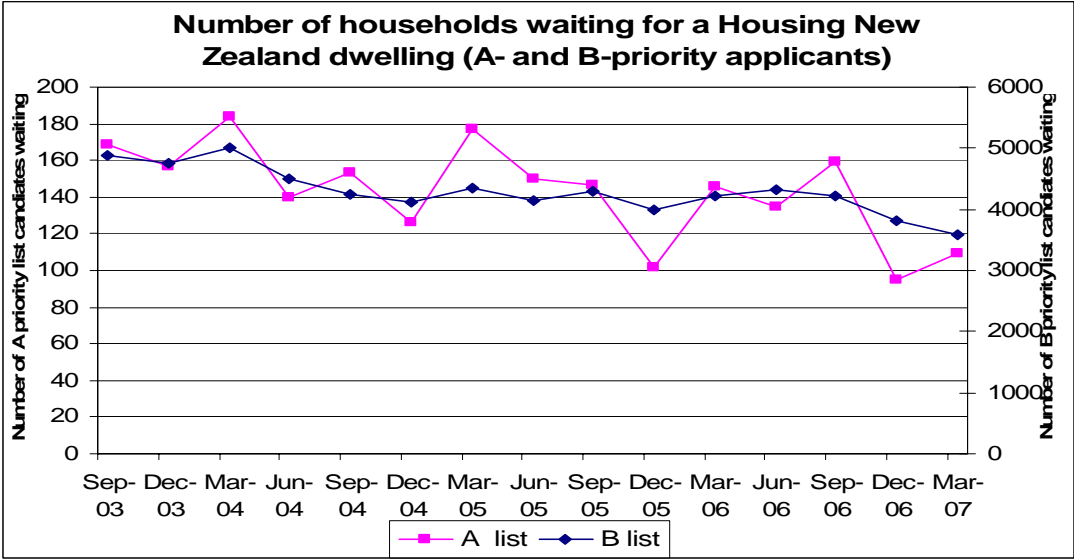
Source: Ministry of Social Development

Over the March quarter, there was a decline in the number of applicants for A and B priority waiting lists, from 3,913 to 3,706 (Figure 11). The increase in the A waiting list (from 95 to 109) is consistent with previous March quarters. The B list fell from 3,818 to 3,597 where as in previous March quarters, the B waiting list has increased. This continues the downward trend in waiting lists.

Waiting list priority for Corporation housing is determined by several factors<sup>11</sup> and applicants are divided into four groups that reflect different levels of need<sup>12</sup>. The groupings are referred to as:

- A priority<sup>13</sup>
- B priority<sup>14</sup>
- C and D priority<sup>15</sup>.

**Figure 11: Number of households waiting for a Housing New Zealand Corporation dwelling (A and B priority applicants)**



Source: Housing New Zealand Corporation

<sup>11</sup> 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.

<sup>12</sup> Source: Housing New Zealand Corporation.

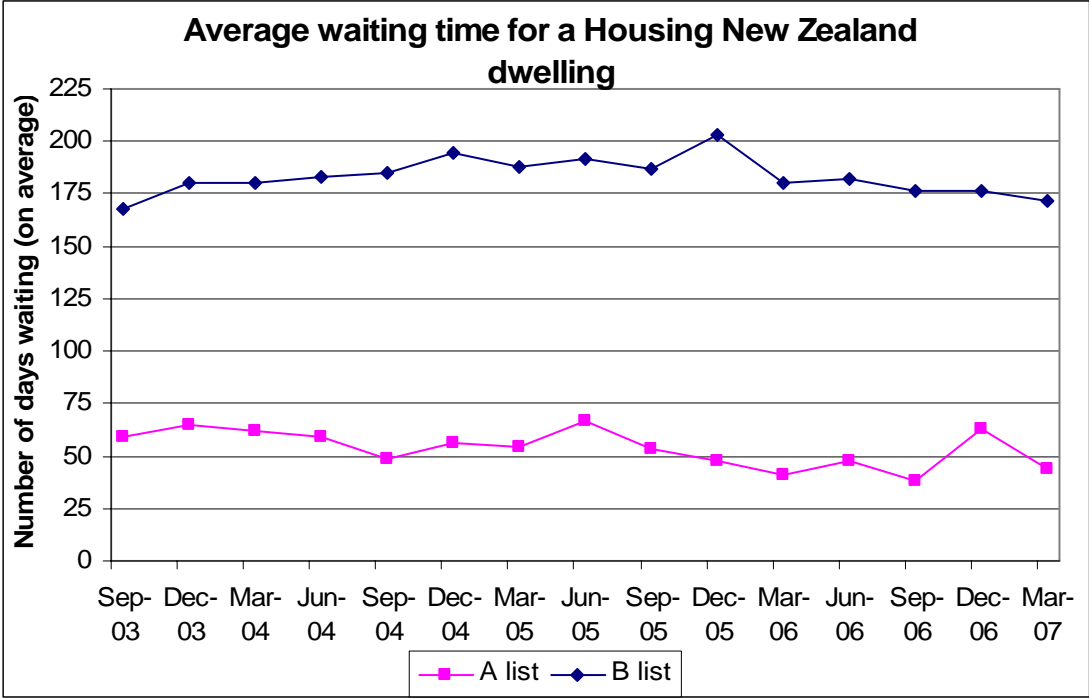
<sup>13</sup> ‘A’ priority households have severe and persistent housing needs that must be addressed immediately. The household’s wellbeing is severely affected or seriously at risk by housing circumstances that are unsuitable, inadequate or unsustainable, and there is an immediate need for action. The household is unable to access or afford suitable, adequate and sustainable housing without state intervention.

<sup>14</sup> ‘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.

<sup>15</sup> ‘C’ and ‘D’ priority waiting lists are for households with low to moderate housing need.

The average waiting time for applicants on the Housing New Zealand list for a property (as shown in Figure 12) fell from 176 to 171 days for B list applicants in the March quarter. The waiting time for A list candidates decreased from 63 to 44 days in the same period.

**Figure 12: Average wait for a Housing New Zealand Corporation dwelling**



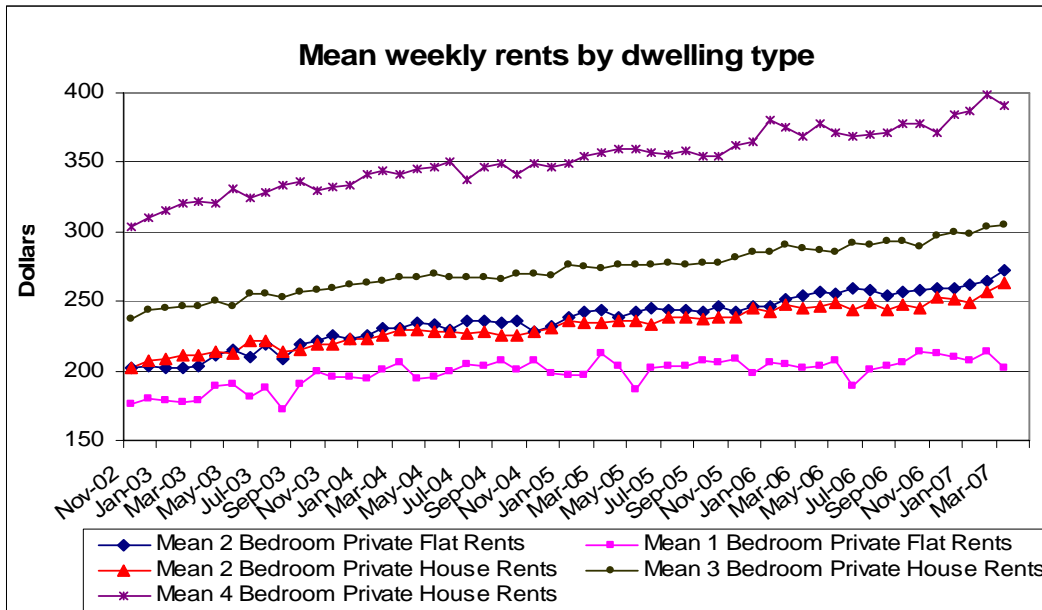
Source: Housing New Zealand Corporation

**Cost and volume of renting by dwelling type**

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. This continues the long-running trend in rental growth. In March 2007, the weekly rent was \$202 for one-bedroom flats, \$272 for two-bedroom flats, \$263 for two-bedroom houses, \$305 for three-bedroom houses and \$391 for four-bedroom houses.

The rental for a two-bedroom house grew most substantially at an annual rate of 7.3 percent followed by a two-bedroom flat at 7.1 percent, a four-bedroom house at 6 percent, a three-bedroom house at 5.9 percent, and rentals for one-bedroom flats which remained the same.

**Figure 13: Mean weekly rents by dwelling types**

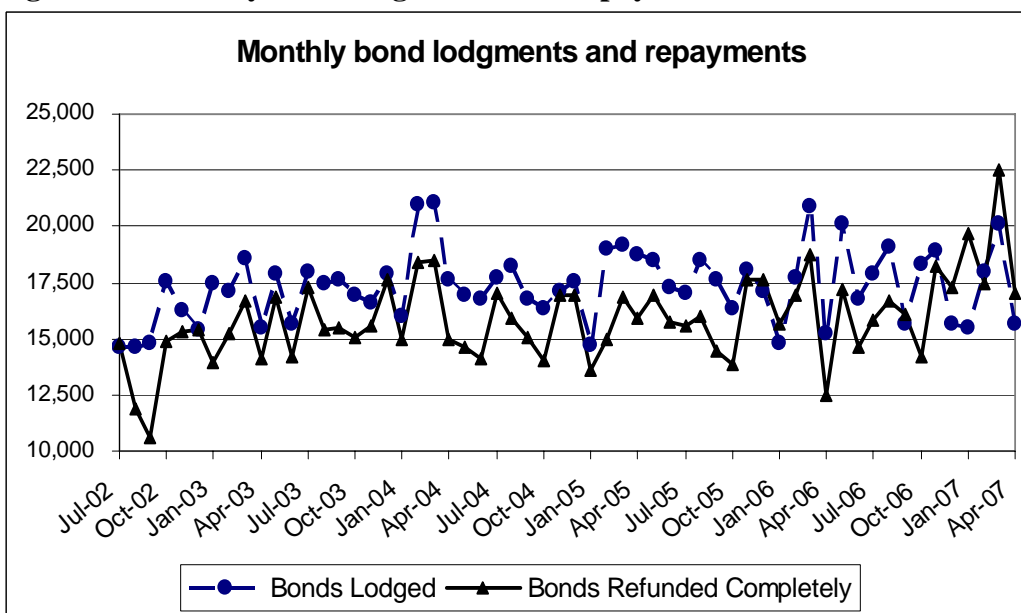


Source: Department of Building and Housing

### The number of tenancy bonds lodged and repaid

The number of bonds being lodged and repaid (Figure 14) suggests that the trend towards renting has continued over the last 3 years and the most recent data supports this trend. This is consistent with falling home ownership rates in recent census data. It is important to note that the number of bonds lodged will not accurately indicate the number of tenanted dwellings as some properties have no bond attached or lodged and some properties have a number of bonds attached. The bond lodgement numbers reflect the number of transactions processed, while the refund numbers are for bonds reduced to a nil balance.

**Figure 14: Monthly bond lodgements and repayments**



Source: Department of Building and Housing

# The building sector

## All building activity

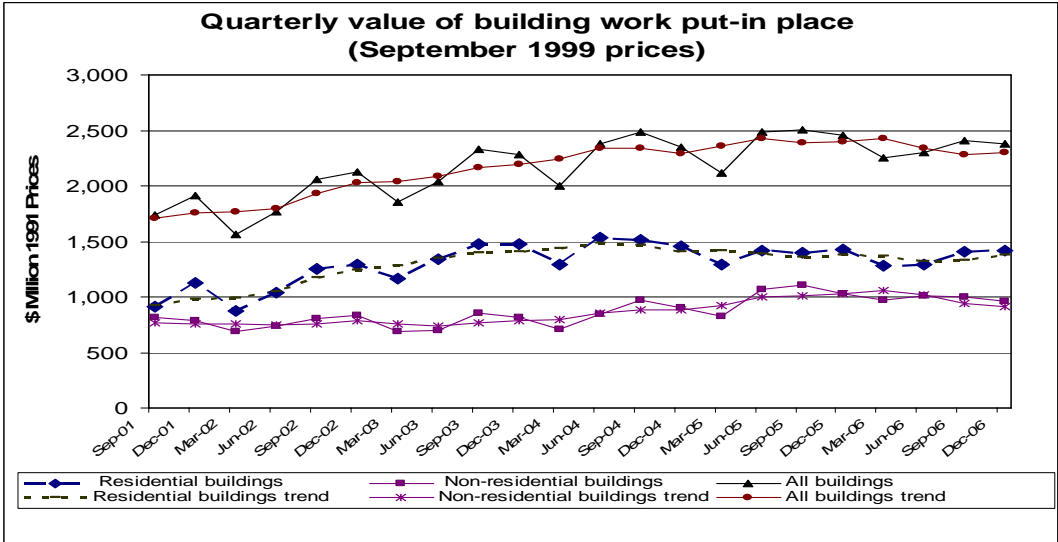
Data on building work put-in-place measures the approximate gross dollar value of actual building work done on residential and non-residential buildings. Figure 15 shows that after adjusting for price inflation, the value of all building work put-in-place remains at a high level and the level of building activity has not changed significantly since late 2003.

However, the latest data shows a 3 percent decline in the real value of all building work put-in-place<sup>16</sup> in the year to the December 2006 quarter. This decline is less than the year-on-year decline of 4 percent seen in the September 2006 quarter and a year-on-year decline of 7.5 percent seen in the June 2006 quarter. The decline in the level of actual building work is consistent with the decline in construction industry growth seen in the later part of 2006 (see economic section).

The higher total value of residential building consents issued during the August–November 2006 period has translated into actual building work. As a result, Figure 15 reflects that there were consecutive increases in the value of residential building work put-in-place in the September and December 2006 quarters. However, such increases in the residential building work put-in-place were not high enough to offset the steeper decline in non-residential building work put-in-place in the same period. Therefore, the overall trend for all building work put-in-place remains at a flat but relatively high level.

Building activity is largely driven by residential building work, which accounted for as much as 65.6 percent of the all building work put-in-place in the June 2004 quarter. However, the proportion of residential building work has fallen to around 60 percent (a more normal level) since the June 2005 quarter.

**Figure 15: Quarterly value of building work put-in-place (September 1999 prices)**



Source: Statistics New Zealand

<sup>16</sup> 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.

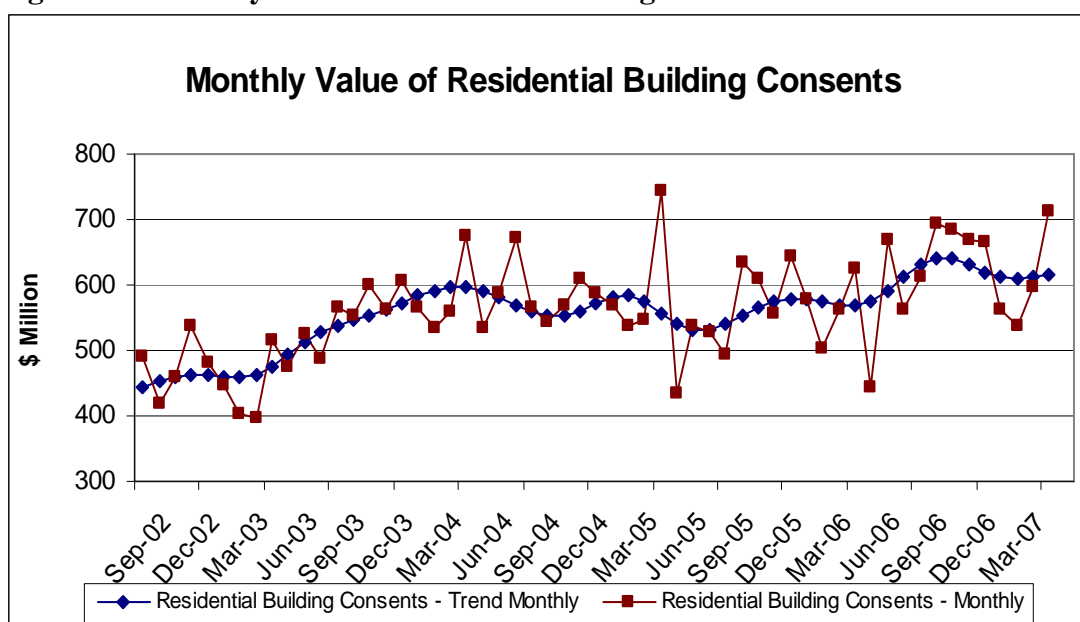
## Residential building

The data on building consents granted by territorial authorities provides lead indicators of building work for the future. The building consents data provided by Statistics New Zealand is for consents with values of \$5,000 or more. The building consent data is in current values (that is including price changes) using the latest data available at the end of April 2007.

The value of all residential building consents issued increased in February and March 2007. However, the trend for the value of residential buildings, which appears to be increasing, does not provide any conclusive evidence that this trend will continue. The possibility of a further increase is not supported by the declining trend in the number of new dwelling consents issued since September 2006. (see Figure 16)

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.

**Figure 16: Monthly value of residential building consents**

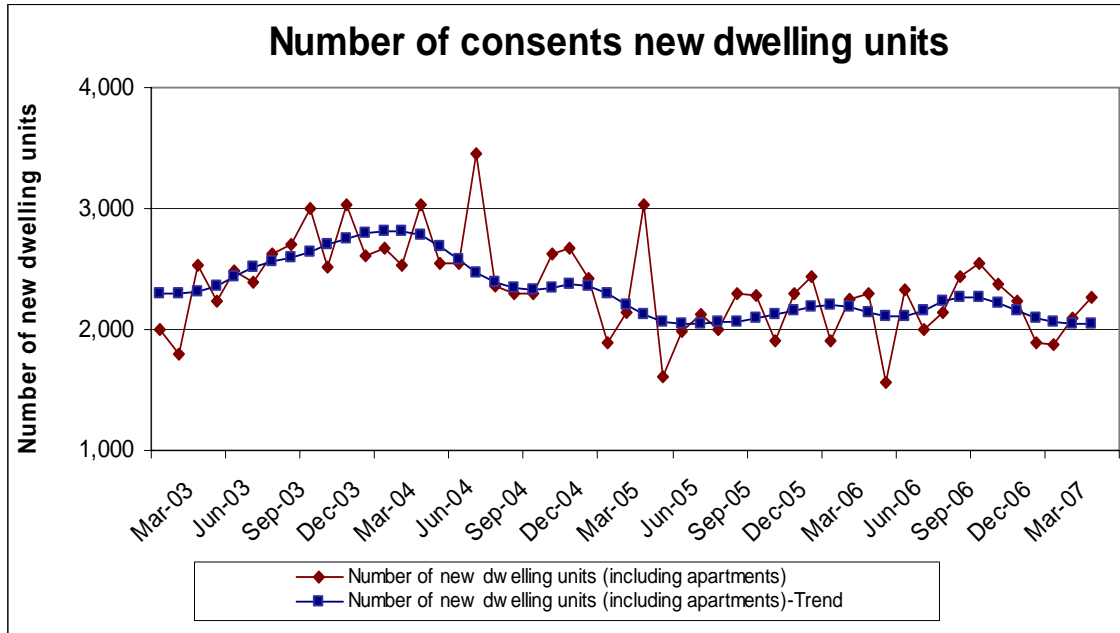


Source: Statistics New Zealand

The number of new dwelling consents is expected to ease given the Reserve Bank's increase in the official cash rate in March and April 2007 and a downturn in immigration<sup>17</sup>.

<sup>17</sup> The latest migration statistics shows the net permanent and long term migration gain in the year ended April 2007 is below the annual average of 12,200 recorded for the December years 1990–2006. See <http://www.stats.govt.nz/products-and-services/media-releases/external-migration/> for details.

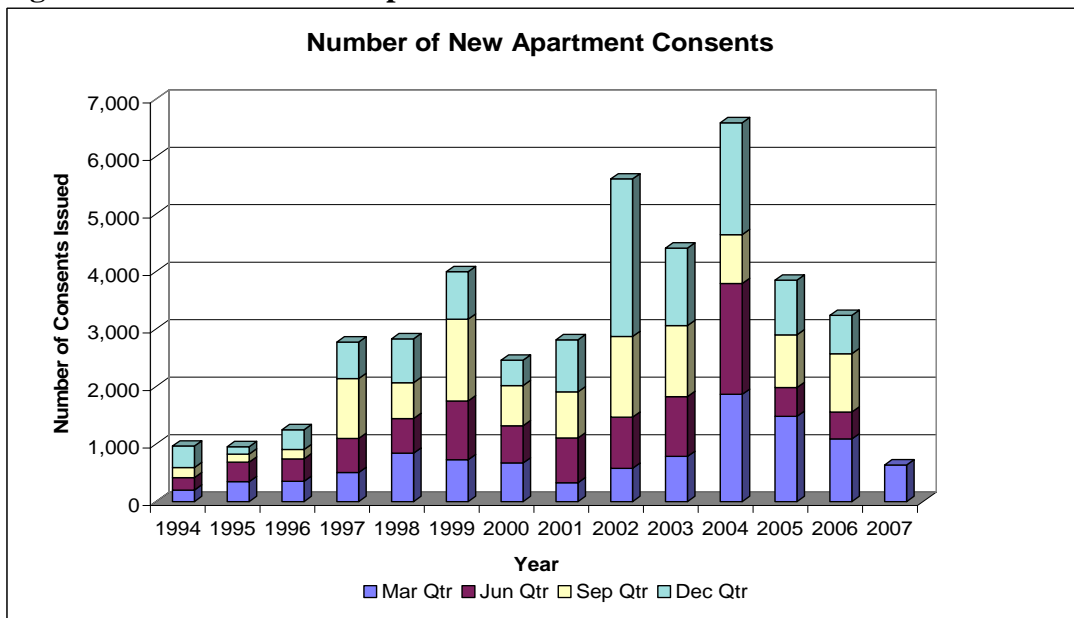
**Figure 17: Number of consents new dwelling units**



Source: Statistics New Zealand

Although there is no obvious trend in the number of apartment consents issued over time, Figure 18 shows that the number of apartment consents issued in the March 2007 quarter was the lowest for the last four March quarters. The number of apartment consents issued has declined substantially from the peak of 6,586 in the year ended December 2004, to a current level of 2,898 in the year ended March 2007.

**Figure 18: Number of new apartment consents**



Source: Statistics New Zealand

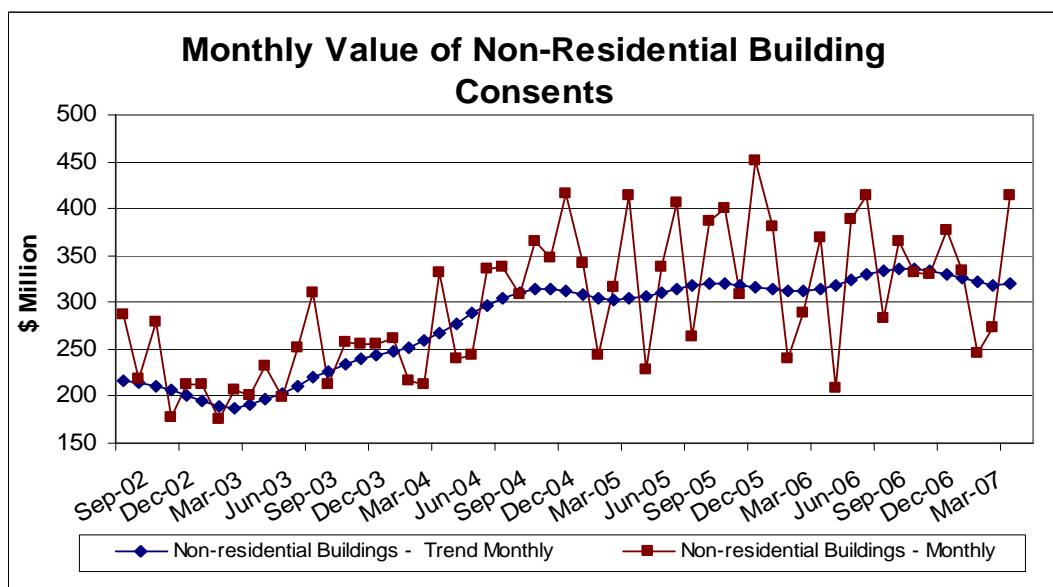
## Non-residential building

The value of non-residential building consents<sup>18</sup> remains at a high level (Figure 19). Statistics New Zealand estimates the trend series after removing consents with values of \$25 million or more. It does not provide a conclusion that the value of non-residential building consents is falling.

There was a 12.1 percent increase in the value of non-residential building consents in the year ended March 2007, the largest increase recorded since May 2006. The high value of non-residential building consents in March 2007 was largely driven by a significant increase in the office and administration buildings category which registered a 106.4 percent increase (or \$68 million) compared to March 2006.

However, the value contribution of the non-residential building category varies according to different implementation phases of building projects from both the public and private sector.

**Figure 19: Monthly value of non-residential building**



Source: Statistics New Zealand

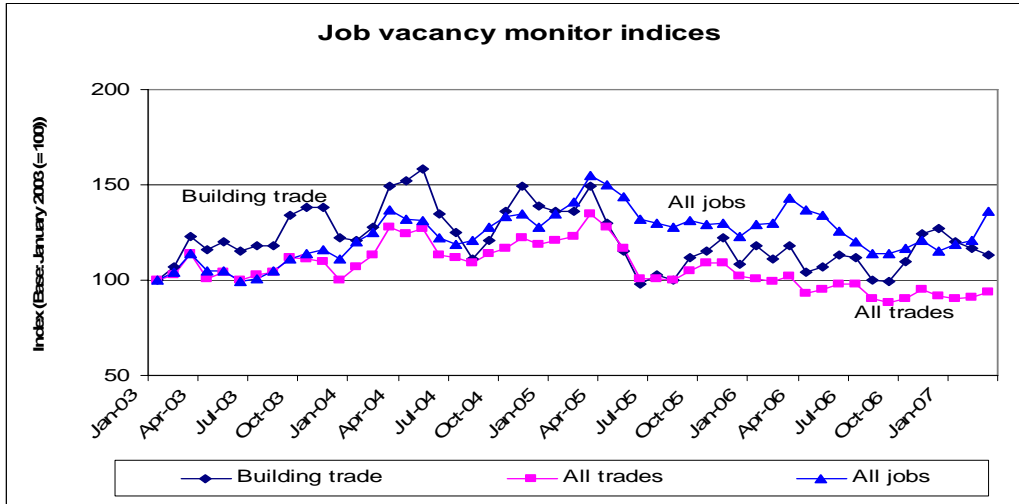
## Labour market

The number of people employed in the construction industry fell to 186,100 in the March 2007 quarter, from a peak of 191,700 in the December 2006 quarter. However, when measured on a year-on-year basis, the number of people employed in the March 2007 quarter was 6.2 percent higher than in the March 2006 quarter (see economic section).

The Job Vacancy Index from the Department of Labour measures change in advertised vacancies over time. The vacancies index for building trades people fell consecutively in February and March 2007, further suggesting an easing of the previously tight labour market in the construction industry.

<sup>18</sup> Non-residential construction refers to new non-residential buildings plus alterations and additions to existing buildings.

**Figure 20: Advertised Vacancy Indices from the Job Vacancy Monitor**



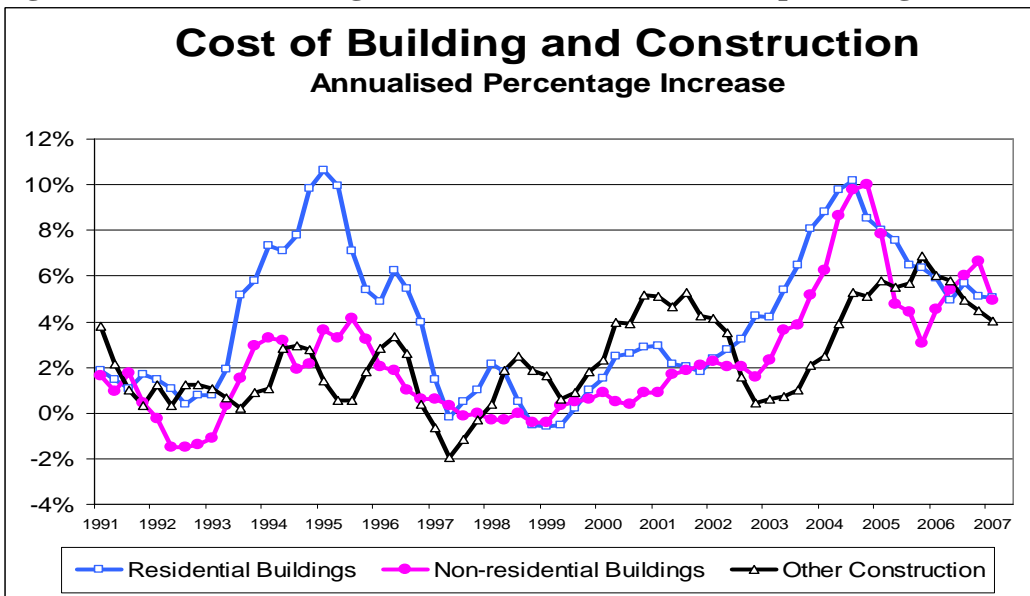
Source: Department of Labour

### Building costs

The various building costs indicators for capital, production and labour show considerable inflationary pressures exist in the construction industry. The price increases are generally higher than in other industries in the economy.

The Capital Goods Price Index (CGPI) measures movements in price levels of various fixed capital assets within the New Zealand 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, all pointing to an easing of building cost growth.

**Figure 21: 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 indices<sup>19</sup> (which measures change in prices received by producers) and input indices<sup>20</sup> (which measures change in the cost of production and excludes labour and capital costs).

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

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

The increase in the PPI indices for the construction industry were higher than the overall PPI indices for all industries. Both the PPI input and output indices for all industries rose by 2.7 percent 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 3.3 percent for the construction industry and 3.4 percent for building trades workers in the year to the March 2007 quarter. The increase in the LCI for all industries and occupations was at 3.1 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. The WHRS was transferred into the Department of Building and Housing in July 2005.

The WHRS assigns an assessor to each application. The assessor submits a report on the dwelling in the claim to both the claimant and an evaluation panel. Claimants may choose either mediation or adjudication (or both) if the evaluation panel decides the claim is eligible under section 12 of the Weathertight Homes Resolution Services Act 2002. From January to March 2007, the WHRS accepted 162 claims. The number of accepted claims totalled 1155 in the year to 30 June 2005, and 1067 in the year to 30 June 2006.

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<sup>19</sup> The PPI output indexes 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 indexes exclude interest and dividends, royalties and patent fees, receipts from insurance claims, government cash grants and subsidies and GST and other indirect taxes.

<sup>20</sup> The PPI input indexes 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 indexes 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 was made on dwellings in the Auckland region.

**Table 2: 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	1476	313	136	1925	39%
North Shore City Council	385	209	82	676	14%
Wellington City Council	263	100	85	448	9%
Waitakere City Council	339	89	19	447	9%
Christchurch City Council	173	89	68	330	7%
Rodney District Council	110	59	16	185	4%
Tauranga District Council	91	43	44	178	4%
Manukau City Council	77	50	32	159	3%
Hamilton City Council	40	17	19	76	2%
Porirua City Council	16	17	19	52	1%
Others	197	162	163	522	10%
	<b>3167</b>	<b>1148</b>	<b>683</b>	<b>4998</b>	<b>100%</b>

#### NOTES:

1. Accepted WHRS claims – Applications that the WHRS considers under section 9(4) of the WHRS Act 2002 are capable of meeting eligibility criteria under section 7 of the Act.
2. Active WHRS claims – Accepted WHRS claims that may or may not as yet been decided eligible under section 12 of the WHRS Act 2002 and that have not been resolved or closed by the claimant.
3. Claims not proceeding – Accepted WHRS claims that have been closed by the claimant. The claim may or may not have been decided eligible by an evaluation panel. Reasons include that the claim has been decided ineligible by the WHRS evaluation panel, the property has been sold, the claimant has transferred to the courts, or the claimant has closed their WHRS claim.
4. WHRS claims within the territorial authority of the Banks Peninsula District Council are now captured by the Christchurch City Council in line with their merger in March 2006.
5. In previous publications we have summarised the data into an Auckland region, made up of Auckland City Council, Manukau City Council, North Shore City Council, Rodney District Council, and Waitakere City Council. 3392 or 68 percent of the total accepted WHRS applications, originate from the defined Auckland region as at 31 March 2007.

Source: Department of Building and Housing

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

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

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

Property type	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	Total
Standalone	460	381	299	299	190	<b>1436</b>
From a multi with 1 claim	132	78	58	70	66	<b>579</b>
From a Multi with 2–10 claims	140	190	114	176	134	<b>776</b>
From a Multi with 11–20 claims	65	237	121	146	65	<b>590</b>
From a Multi with > 20 claims	126	400	563	373	134	<b>1617</b>
<b>Total</b>	<b>923</b>	<b>1286</b>	<b>1155</b>	<b>1064</b>	<b>589</b>	<b>4998</b>

### NOTES:

1. The Department of Building and Housing financial year is from July to June.
2. For statistical purposes, the term 'multi' means a claim from a property or complex from which multiple claims may arise. For example, it may be a block of apartments or two or more townhouses built on the site with a common developer and/or builder, plumber, etc. The dwellings may or may not have common property and may or may not have a body corporate structure.
3. The split of multi claims into complex size indicates the volume of claims from large and small multi complexes.
4. Read the second to last row as: in the Department's financial year of 2002/03, the WHRS accepted 126 multi claims from complexes that had more than 20 accepted WHRS claims from that complex. Up to 31 March 2007, the WHRS had accepted 1617 claims or 32 percent of total accepted WHRS claims from complexes with more than 20 claims.
5. 80 percent of multi-type claims are within the Auckland region, as defined previously (see Table 2, Note 5).
6. 95 percent of multi claims from complexes with more than 20 claims are within the Auckland region, as defined previously.

Source: Department of Building and Housing

## Building Code waivers<sup>21</sup>

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.

Fifty-nine waivers were issued during the March 2007 quarter (Table 4), almost double the long-term average of 30 waivers per quarter.

B2 waivers feature prominently in the March 2007 quarter figures, making up 56 percent of total waivers. This is over double the amount of B2 waivers issued in the December 2006 quarter. The figure is much higher than the long term average. Eighty one percent of the B2 waivers were issued to modify clause B2.3.1 to adjust the durability time frame to apply from time of practical completion of the building work, as opposed to applying from the issue of the code compliance certificate. The remaining 18 percent of B2 waivers were to modify the B2 Clause to allow for the possibility of a natural hazard occurring. This is provided for under section 72 of the Building Act 2004.

C3 Spread of Fire waivers, usually a prominent waiver, made up 22 percent of total waivers. This is significantly less than previous quarters and its long term average of 31 percent of total waivers. However, the actual number of C3 waivers was 13, which accurately reflects the average number of this type of waiver per quarter.

The remaining thirteen waivers during the March quarter relate to Building Code Clauses B1, E1 and E2 with no trends emerging.

**Table 4: Building Code waivers**

Territorial authority	B1 Structure	B2 Durability	C3 Spread of Fire	E1 Surface Water	E2 External Moisture	Total
Ashburton	0	3	0	0	0	3
Auckland	0	18	2	0	0	20
Hastings	0	0	4	2	0	6
Manukau	0	0	3	0	0	1
Masterton	0	4	0	0	0	4
Nelson	0	4	0	0	0	4
New Plymouth	0	0	1	0	0	1
North Shore	0	2	2	0	0	4
Rodney	6	0	0	4	0	10
Selwyn	1	1	0	0	1	3
Wellington	0	0	3	0	0	3
<b>Total</b>	<b>7</b>	<b>32</b>	<b>13</b>	<b>6</b>	<b>1</b>	<b>59</b>

Source: Department of Building and Housing

<sup>21</sup> Waivers and modifications are useful tools provided by the Act which allow TAs some flexibility in applying the NZBC 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.

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.

## 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 14 May 2007, a total of 433 determinations were processed by the Department. Approximately 78 percent of determinations were related to cladding and weathertightness issues.

**Table 5: Building Act Determinations 2003–2007**

Calendar year	2003	2004	2005	2006	Up to 14 May 2007
Cladding/weathertightness	1	68	144	89	37
Access and facilities for people with disabilities	5	2	4	4	0
Fire safety	1	2	8	5	0
Surface water	2	2	0	5	0
Swimming pool fencing	1	0	2	4	0
Structure	0	1	1	1	0
Interior environment and facilities	0	1	2	1	1
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	12
Total	11	77	166	129	50

### 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 Building Act 2004 requires the Chief Executive of the Department of Building and Housing to review the Building Code and report to the Minister for Building and Construction by 30 November 2007, with recommendations setting out amendments to the Building Code that are necessary or desirable. The review must consider whether the Building Code complies with the requirements of the Act, and whether the performance standards for buildings are stated clearly.

The Department released a synopsis of submissions on the discussion document *Building for the 21st Century: Review of the Building Code* in January. The synopsis summarises the themes identified by submitters about the future of the Building Code and has provided invaluable feedback for ensuring the review's success.

The Department received 265 submissions from individuals, community organisations and industry professionals and wishes to thank all submitters for their input and feedback.

The submissions have helped guide the direction for a second discussion document which will seek comment on detailed performance criteria for the Building Code. Technical development of performance criteria proposed for regulating building aspects is underway. The second public discussion document is planned for release in July 2007. The entire review is scheduled for completion by November 2007.

### Building Code Compliance Document development

#### Compliance Document Amendments

Following public consultation in the previous quarter, the Department of Building and Housing announced the publication of amendments to nine Building Code Compliance Documents in March. The amendments are part of the Department's regular maintenance of Compliance Documents. Amendments included the updating of documents incorporated by reference, alignment with other legislation and minor technical changes. The following Compliance Documents have been amended.

- F3 Hazardous substances and processes. Revoking the Acceptable Solution F3/AS1 dealing with storage buildings for hazardous substances and replacing it with a new Verification Method that is compatible with the Hazardous Substances and New Organisms Act and regulations.
- F4 Safety from Falling. Revoking the current Compliance Document and replacing it with a new version of F4/AS1. Amongst other changes, it requires higher barriers than the current version in buildings other than housing.
- G1 Personal Hygiene. Updating definitions and minor amendments to the Acceptable Solution G1/AS1 for toilet numbers and privacy.
- G4 Ventilation. Updating publications referenced and amendments to the Acceptable Solution G4/AS1 provisions for natural and mechanical ventilation.
- G9 Electricity. Updating the publications referenced by deleting NZ Electrical Codes of Practice and replacing them with AS/NZS 3000: 2000 *Wiring rules* and updating definitions.
- G10 Piped services. Updating the publications referenced, particularly for NZS 5261: 2003 *Gas Installation*.

- G11 Gas as an energy source. Updating the publications referenced, particularly for NZS 5261: 2003 *Gas Installation*.
- G12 Water supplies. Updating the publications referenced, particularly AS/NZS 3500.1: 2003 *Water services*, including the materials section for pipes and fittings for use with hot and cold potable water.
- G13 Foul Water. Updating the publications referenced, particularly AS/NZS 3500.2: 2003 *Sanitary plumbing and drainage*.

The Department released a public consultation document in March proposing minor changes to Compliance Documents for Building Code Clauses C Fire Safety, F7 Warning Systems, and G4 Ventilation. Proposed amendments include:

- Type 5 fire alarms (instead of Type 4) are installed in certain new buildings with sleeping accommodation, such as residential apartments and hotels.
- Type 5 fire alarms sound in a single area first, without triggering an immediate evacuation of the entire building. This would make false evacuations less common by allowing residents of individual units to remove the cause of the alarms (for example, burnt toast). If the cause were not dealt with in a certain period, the alarm would sound throughout the building.
- Such buildings to have ‘analogue addressable’ alarm systems. These systems are wired in a different way from current practice. Firefighters and maintenance personnel would find it easier to monitor such systems from control panels.
- Smoke stop door improvements and making several other minor technical amendments to fire-related Compliance Documents.
- Changes to Compliance Document for Clause G4 Ventilation to improve natural and mechanical ventilation in apartments with only one external wall. The proposal would make such apartments healthier and better ventilated.

As a further phase of an ongoing update of the structural Compliance Documents, the Department released a proposal to cite NZS 4230: 2004 Design of Reinforced Concrete Masonry Structures in the Verification Method B1/VM1 for public consultation in February. The new Standard:

- contains updated design information on the currently available types and grades of steel reinforcement
- allows the use of masonry compressive strengths that are 50 percent greater than was permitted by the 1990 edition
- no longer covers burnt clay masonry (fired brick) as this is no longer a significant structural building material
- has been developed specifically for use in conjunction with the new joint New Zealand/Australian Structural Design Actions Standards, which are also proposed for citation.

## **Guidance**

In February, the Department of Building and Housing and Barrier Free New Zealand Trust jointly published new guidance documents on access for people with disabilities. The two guidance booklets are entitled:

- The international symbol of access
- Accessible reception and service counters.

The booklets are intended to guide designers, builders, building users and officials on the correct use of the international symbol of access, and to help with the design and installation of accessible reception and service counters. They provide extensive illustrations and practical examples.

Section 120 of the Building Act 2004 requires the international symbol of access to be displayed on buildings that provide access and facilities for persons with disabilities. The Department's booklet offers guidance on the appropriate use of the symbol to satisfy this legal requirement.

Building Code Clause G5 (Interior Environment) requires that people with disabilities be able to carry out their normal activities and processes within buildings. The Clause also requires that buildings be constructed to provide accessible spaces and facilities, and that, where reception counters and desks are provided for public use, at least one counter or desk has to be accessible.

The Department gets many enquiries from designers, builders, building users and BCAs on how to satisfy this requirement. The new booklet offers advice on how to comply with the Clause and the relevant New Zealand Standard, NZS 4121:2001.

## Special topic – 2006 Census on population and dwellings

The 2006 Census on population and dwellings was held in March 2006. The recent Census provides a snapshot of trends in New Zealand's population and dwellings over the last 5 years. In this report, we look at some of the census data currently available relating to physical housing stock and household profile.

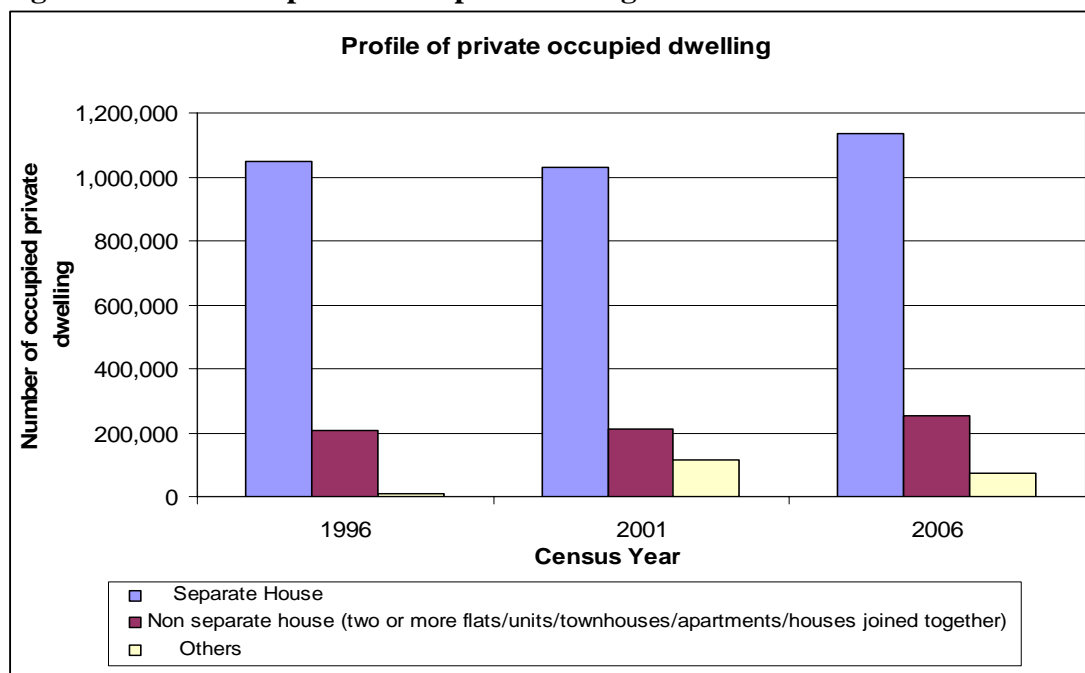
### Profile of private occupied dwellings

The 2006 Census recorded a total of 1,471,749 occupied private dwellings in New Zealand. This was an increase of 111,909 dwellings (8.2 percent) from 1,359,840 dwellings recorded in the 2001 Census.

### Dwelling type

There are 1,134,369 (81.2 percent) separate houses, 252,963 (18.1 percent) non-separate houses (that is two or more flats/units/townhouses/apartments/houses joined together) and 10,083 (0.7 percent) other types of housing (e.g. dwelling in a motor camp, mobile dwelling not in a motor camp, improvised dwelling or shelter, roofless or 'rough sleeper' abode).

Figure 22: Profile of private occupied dwelling



Source: Statistics New Zealand

Although the number of private occupied dwellings increased from 2001 to 2006 across all dwelling types, the proportion of non-separate houses increased from 16.9 percent in 2001 to 18.1 percent in 2006. Correspondingly, the proportion of separate houses decreased from 82.7 percent in 2001 to 81.2 percent in 2006.

According to the 2006 Census, the proportion of non-separate houses was highest in the Wellington region (24.6 percent), followed by Auckland region (23.9 percent) and the Canterbury region (18.3 percent). Regions which recorded the highest proportion of separate

houses were Southland (91.3 percent), followed by the West Coast and Tasman (both 89.1 percent).

**Dwelling size**

There is an increase in the number of dwellings in across all dwelling types by number of bedrooms from 2001 to 2006. During the 2001-2006 period, the largest increase was 39,048 four-bedroom dwellings, followed by 33,354 three bedroom dwellings and 12,114 five-bedroom dwellings. The mix of dwellings with different numbers of bedrooms has changed correspondingly. The proportion of four-bedroom dwellings grew from 20.4 percent in 2001 to 21.6 percent in 2006. Similarly, the proportion of 5-bedroom dwellings went up from 4.5 percent in 2001 to 5 percent in 2006. Despite the increase in number, the proportion of three-bedroom dwellings fell from 47.5 percent in 2001 to 46.3 percent in 2006. The change in the profiles of different dwelling sizes is consistent with the upward trend of residential building consent values seen in the 2001-2006 period. This provides evidence suggesting that bigger houses were added to the dwelling stock during this period.

**Figure 23: Private occupied dwellings and number of bedrooms**



Source: Statistics New Zealand

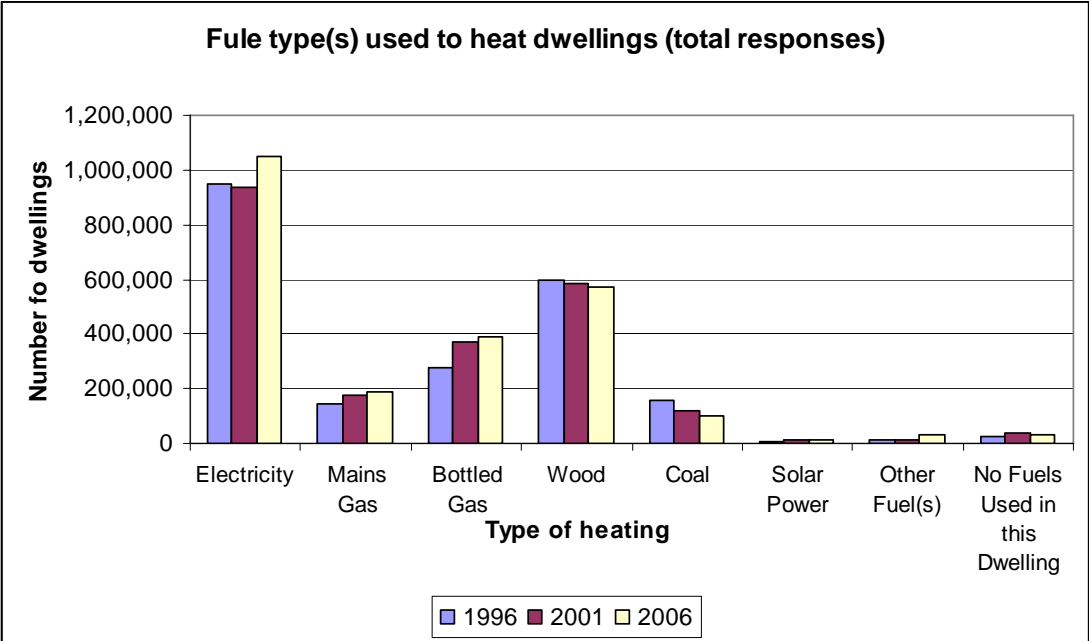
**Type of fuels used for heating**

Over time, electricity continues to be the dominant source of heating in New Zealand dwellings.<sup>22</sup> Using electricity for heating residential housing increased from 937,719 dwellings in 2001 to 1,051,095 dwellings in 2006. Wood is the next popular fuel type for heating, but its usage has declined from 582,267 dwellings in 2001 to 574,485 dwellings in 2006. It is interesting to note that there were fewer dwellings which did not use any fuels for heating in

<sup>22</sup> Some occupied private dwellings use more than one source of heating and therefore the numbers in each heating source type do not add up to the total number of occupied private dwellings in a given census period.

2006 than in 2001. The number of dwellings which did not use any fuel for heating has declined from 36,207 (2.8 percent of all private occupied dwellings) to 33,177 (2.4 percent of all private occupied dwellings).

**Figure 24: Fuel type(s) used to heat dwellings (total responses)**

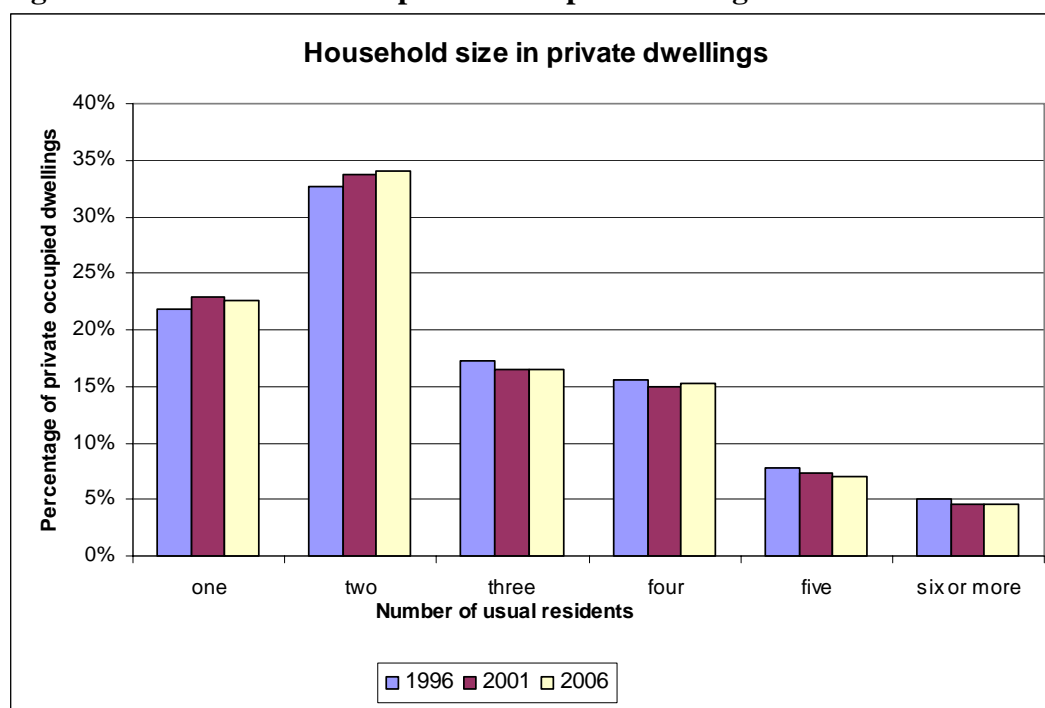


Source : Statistics New Zealand

## Dwelling household profile

The total number of households in private dwellings grew from 1,344,267 in 2001 to 1,454,175 in 2006. This increase in dwelling numbers has not affected the household size profile in New Zealand across census periods. Occupied private dwellings in New Zealand largely comprise households of one and two usual residents. However, the 2006 census recorded an increase in the percentage of households with two and four usual residents, and a decrease in the percentage of households with one, five and six usual residents. The percentage of households with two usual residents was up from 33.7 percent (452,580) in 2001 to 34 percent (494,043 households) in 2006. The percentage of households with four usual residents also went up from 15 percent (200,994 households) in 2001 to 15.2 percent (221,667 households) in 2006. The percentage of households with one usual resident fell from 22.9 percent (307,935) in 2001 to 22.6 percent (328,314) in 2006. The percentage of households with three or less, and six or more, usual residents has remained the same at 16.5 percent and 4.6 percent respectively between 2001 and 2006.

**Figure 25: Household size in private occupied dwellings**



Source : Statistics New Zealand