



Department of
Building and Housing
Te Tari Kaupapa Whare

Building and Housing Trends: July to September 2007



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Introduction

This *Building and Housing Trends* publication covers the period from 1 July to 30 September 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 inflation-adjusted or real gross domestic product (GDP)) increased by 2.2 percent in the year to June 2007, the same as the increase in the year to June 2006.

By contrast, the construction industry continued to decline in inflation-adjusted terms, falling by 2.3 percent in real GDP in the year to June 2007. The construction industry grew by 0.8 percent in the year to June 2006.

The number of people employed in the construction industry fell significantly to 176,200 in the September 2007 quarter. This is a decrease of 6.2 percent from the 187,900 employed in the June 2007 quarter and a yearly decrease of 6.4 percent from the 188,300 employed in the construction industry in the September 2006 quarter.

Inflation in the housing sector slowed slightly. The annual inflation rate was 5.8 percent for purchases of new housing in the September 2007 quarter, lower than the 6.1 percent measured in the June 2007 quarter. However, the annual inflation for actual rentals for housing was 3.1 percent in the September 2007 quarter, higher than the 2.6 percent measured in the June 2007 quarter.

The housing sector

The housing market showed mixed results this quarter, with price and sales volume data conflicting. The median house price from the Real Estate Institute of New Zealand (REINZ) of \$351,500 was 12.3 percent higher in September 2007, compared to \$313,000 in September 2006. The annual increase in the median house price was 10.2 percent in the year to July 2007 and 12.9 percent in the year to August 2007. The September 2007 growth rate is higher than the July 2007 rate. Future quarters' results are needed to indicate whether the low growth in July was a one-off or the start of a slowdown in the market.

The median number of days to sell a property in September 2007 was 32 days, on par with the 31 days it took in September 2006 but somewhat higher than the 27 days it took in September 2005. This contrasts with the lower sales volume, compared to the same month a year ago from May 2007 onwards, and makes any effort to draw conclusions about the state of the market difficult.

Tenancy bond data shows that average weekly rents are rising for new tenancies of most dwelling types provided by private landlords. The rent for a two-bedroom house grew most substantially at an annual rate of 8.9 percent followed by a four-bedroom house at 7.4 percent, a two-bedroom flat at 7.0 percent, a three-bedroom house at 6.8 percent, and a one-bedroom flat at 5.8 percent.

Overall rents continue to rise, both in Auckland and in New Zealand as a whole. In the year to September 2007, mean New Zealand rents for new tenancies increased by 6.8 percent. In Auckland over the same period, rents for new tenancies increased by 7.2 percent in North Auckland, 5.0 percent in Central Auckland and 10.1 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) continued to rise in the June 2007 quarter but was below the recent peak level in the 2005-06 period. The value of all building work put-in-place was 0.1 percent higher in the June 2007 quarter compared to a year ago. The value of building work put-in-place declined in each of the four quarters to March 2007 compared to the same time a year earlier. This decline is consistent with the recent contraction of the construction industry taken from the GDP data.

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 June 2007 quarter, the value of residential building work put-in-place accounted for 63 percent of all building work.

Building consent data began to show a downward trend for the number of new dwelling units from July 2007. The number of new dwelling consents authorised in September 2007 was 20.2 percent lower than in September 2006, largely attributed to the substantial fall in apartment consent numbers in September 2007 – 102 authorised compared to 493 in September 2006.

The number of new dwelling consents is expected to ease further, with lower annual immigration numbers and the Reserve Bank maintaining a higher official cash rate, both of which are likely to weaken housing demand.

The value of non-residential building consents is at a stable high level and does not provide any conclusive evidence to show the start of a decline. The actual value decreased by 8.8 percent in September 2007, compared to September 2006. The actual value was 24.6 percent higher in July 2007 compared to July 2006, and 8.5 percent higher in August 2007 compared to August 2006.

Inflationary pressures for capital, production and labour persist in the construction industry. For instance (all in the September 2007 quarter compared to the September 2006 quarter), the price increase measured by the Capital Goods Price Index (CGPI) was 4.8 percent for residential building, 1.7 percent for non-residential building and 3.6 for other construction; the Producer Price Index (PPI) for inputs measuring the production cost for construction rose 4.7 percent (as a result of increased raw material prices); and labour costs (as measured by the labour cost index (salary and wage rates)) increased 3.8 percent for building trade workers and 3.2 percent for the construction industry.

The economy

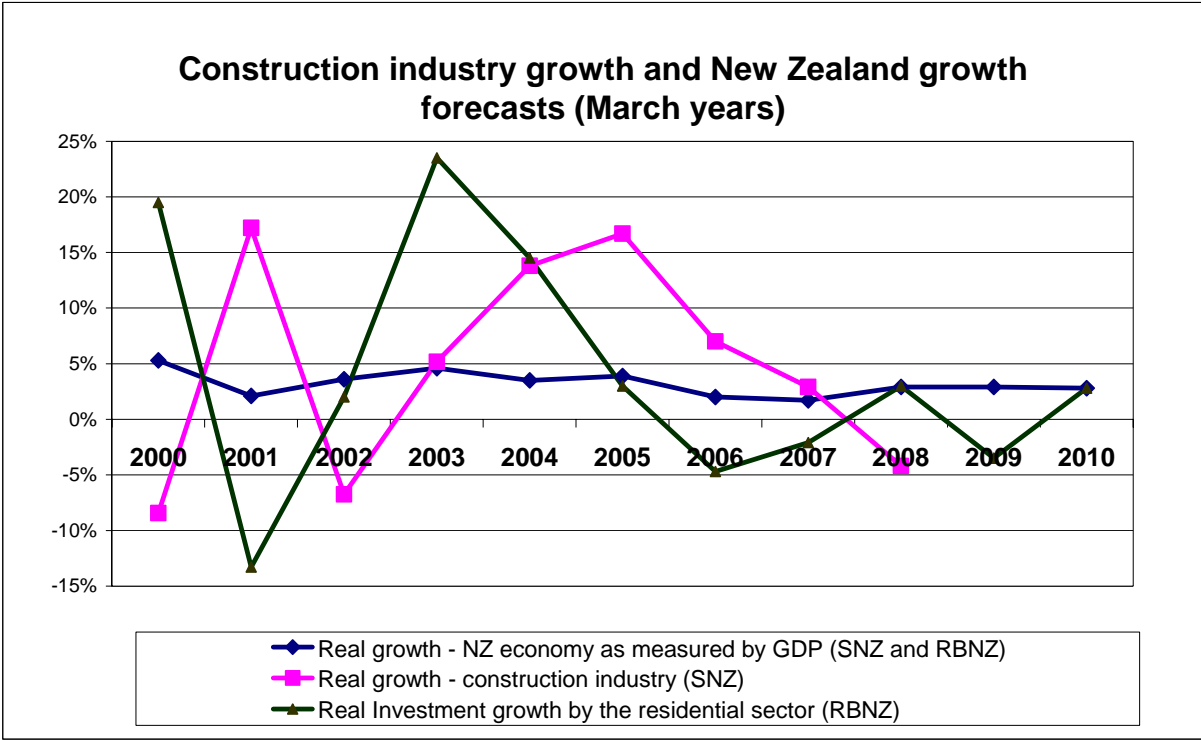
Economic growth and industry outputs

New Zealand’s economic activity (measured by inflation-adjusted or real GDP) increased by 2.2 percent in the year to June 2007, the same as the increase in the year to June 2006.

By contrast, the construction industry continued to decline in real terms, down by 2.3 percent in real GDP terms in the year to June 2007. The construction industry grew by 0.8 percent in the year to June 2006.

In the September 2007 Monetary Policy Statement, the Reserve Bank forecast real investment (as measured by Gross Fixed Capital Formation) to increase by 3.6 percent in the year to March 2008; over this period, real fixed residential investment is expected to grow by 3.0 percent, real business investment by 4.2 percent and real non-market government sector investment (government spending on infrastructure, which is an important component of other construction) by 0.4 percent.

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

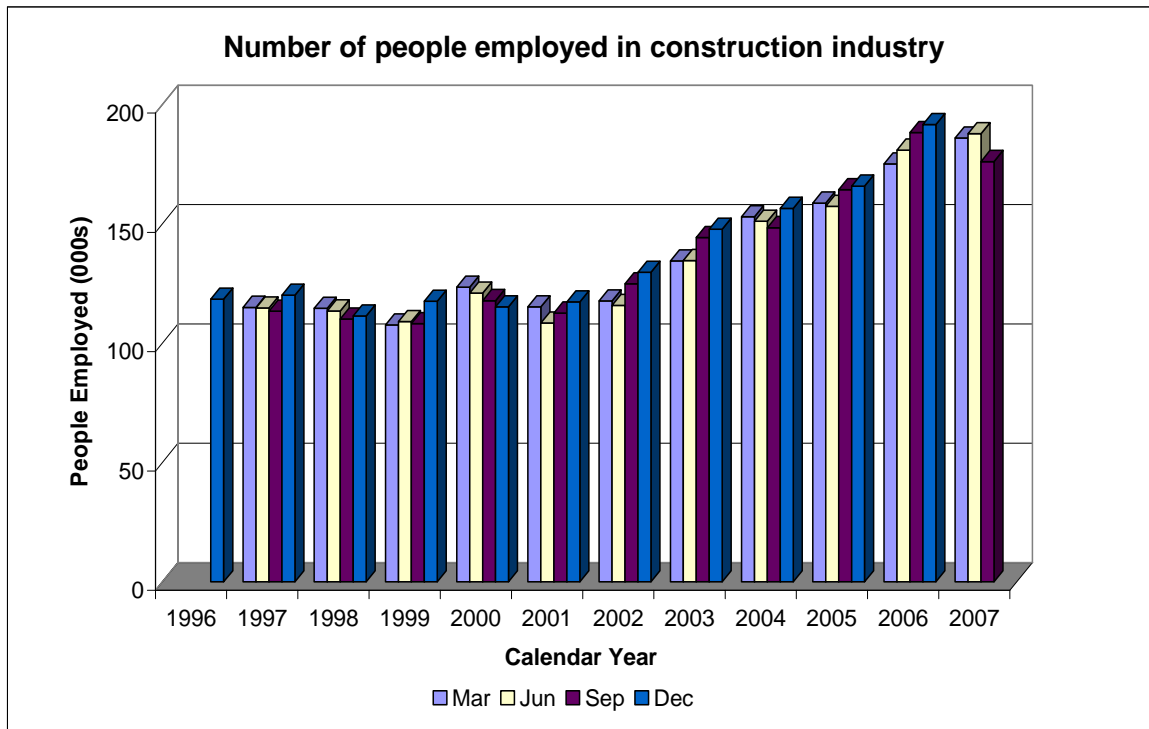


Source: Reserve Bank and Statistics New Zealand

Labour market

The number of people employed in the construction industry fell significantly to 176,200 in the September 2007 quarter. This is a decrease of 6.2 percent from the 187,900 employed in the June 2007 quarter and a decrease of 6.4 percent from the 188,300 employed in the September 2006 quarter.

Figure 2: Number of people employed in the construction industry



Source: Statistics New Zealand

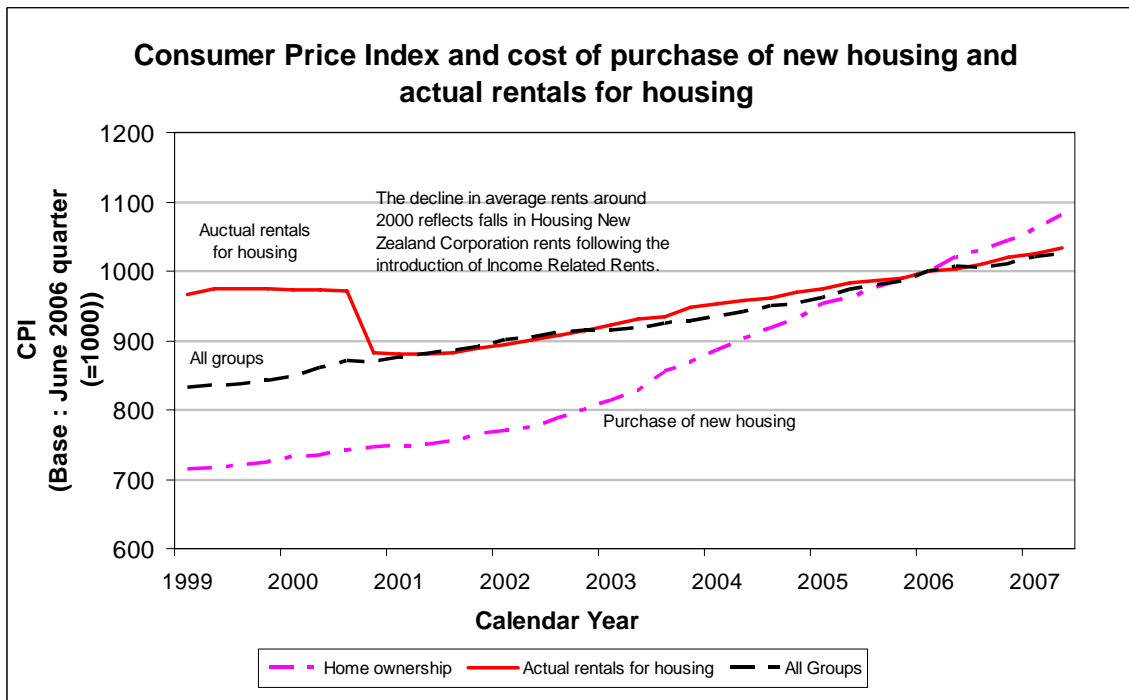
Cost of purchase of new housing and renting

Housing sector inflation is largely measured by movements in the ‘housing and household utilities’ subgroup of the Consumers Price Index. This subgroup includes the price movements of renting and the purchase of new houses.

Inflation in the housing sector slowed slightly accordingly to the ‘housing and household utilities’ group index, increasing 5.1 percent between the September 2006 and September 2007 quarters, compared to a 5.2 percent increase between the June 2006 and June 2007 quarters. Inflation for the purchase of new housing increased by 5.8 percent between the September 2006 and September 2007 quarters, compared to the 6.1 percent increase between the June 2006 and June 2007 quarters. Actual rentals for housing increased by 3.1 percent between the September 2006 and September 2007 quarters, compared to 2.6 percent between the June 2006 and June 2007 quarters.

In comparison, general price inflation (as measured by the consumer price index) was at 1.8 percent in the September 2007 quarter, 2.0 percent in the June 2007 quarter and 3.5 percent in the September 2006 quarter, indicating a lower inflation rate in recent quarters. However, 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 actual rentals for housing



Source: Statistics New Zealand

The housing sector

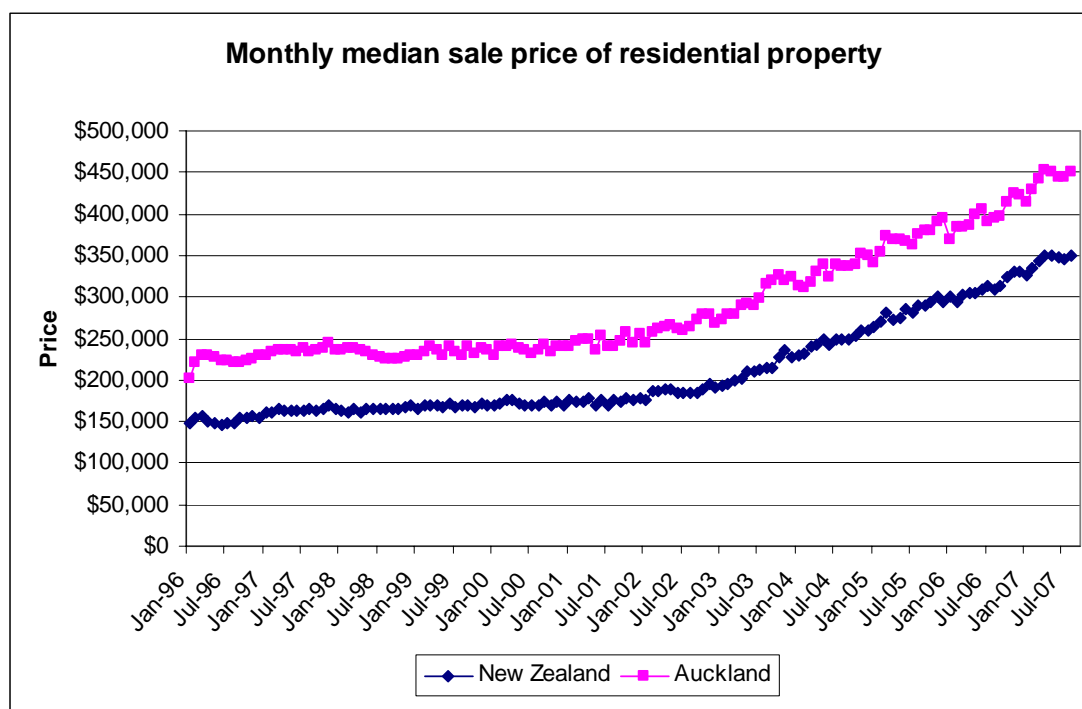
Sales price

The housing market showed mixed results this quarter, with price and sales volume data conflicting. In September 2007, the median house price from the Real Estate Institute of New Zealand (REINZ) at \$351,500 was 12.3 percent up on \$313,000 in September 2006. The annual increase in the median house price was 10.2 percent in the year to July 2007 and 12.9 percent in the year to August 2007.

The September 2007 growth rate was higher than the July 2007 rate, suggesting that the lower growth in July was a one-off, rather than the start of a slowdown in the market.

Overall the trend in price growth has been flat for the past six months.

Figure 4: Monthly median sale price of residential property



Source: Real Estate Institute of New Zealand

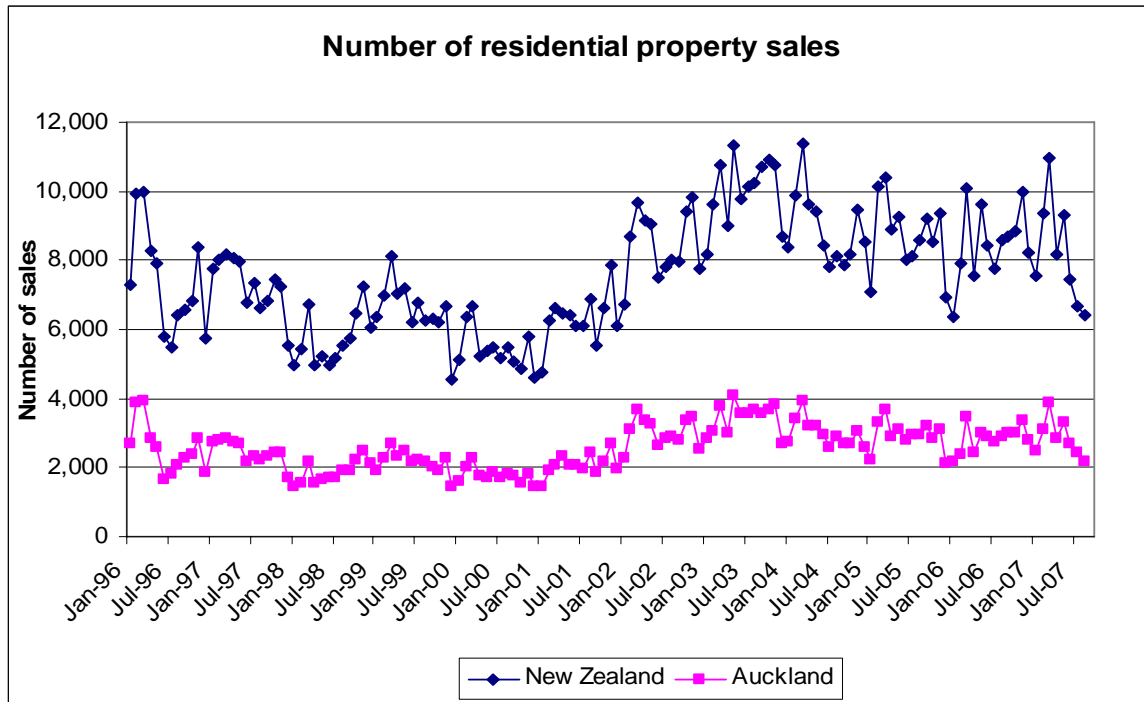
The total value of New Zealand's housing stock increased to \$605 billion at the end of the June 2007 quarter, up from \$587 billion in the March 2007 quarter and \$525 billion in the June 2006 quarter.

The growth rate in housing stock value for the June 2007 quarter compared to the June 2006 quarter was 15.2 percent. This was above the 12.9 percent growth rate in the March 2007 quarter and the 12.2 percent growth rate in the June 2006 quarter.

Housing market activity

Sales activity continued to decline this quarter. The monthly sales volume was 5,894 in September 2007 (Figure 5)¹. This is significantly lower than the 8,658 transactions in September 2006, and the 9,186 transactions in September 2005. However, this variation in sales is not large enough to suggest a trend. In particular, sales were not significantly lower than in January 2006 (7,566).

Figure 5: Number of residential property sales

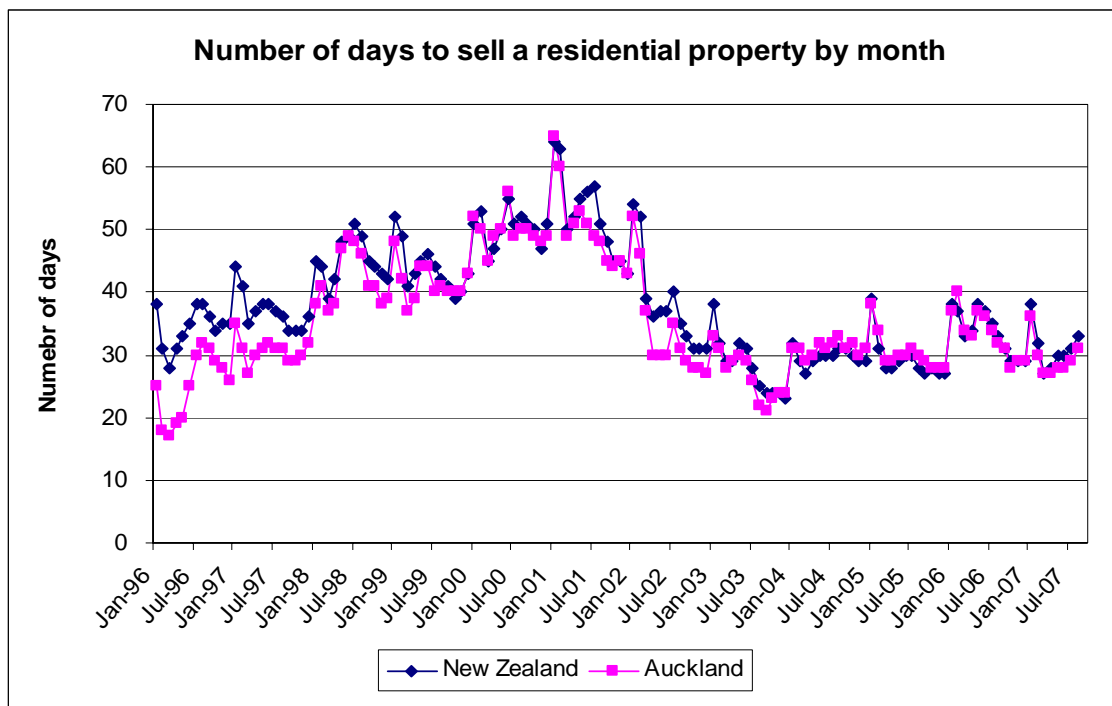


Source: Real Estate Institute of New Zealand

The median number of days to sell a property in September 2007 was 32 days, on par with the 31 days it took in September 2006 but somewhat higher than the 27 days it took in September 2005 (see Figure 6). This contrasts with the lower number of sales, and makes any effort to draw conclusion about the state of the market difficult.

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 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 helps low-income families into affordable housing are the Accommodation Supplement³ (AS) and Income-Related Rents⁴ (IRR). As of September 2007, there were 246,424 AS recipients and 59,405 IRR tenants.

Figure 7 shows government expenditure on social housing assistance as a percentage of the housing sector expenditure⁵ for the quarter to March 2004 to the quarter to June 2007.

The level of total government housing assistance relative to total housing contribution to GDP fell from 7.24 percent in the March 2007 quarter to 7.14 percent in the June 2007 quarter. IRR assistance relative to total housing contribution to GDP increased from 2.39 percent to 2.45 percent. AS assistance relative to total housing contribution to GDP fell from 4.85 percent to 4.69 percent over this period.

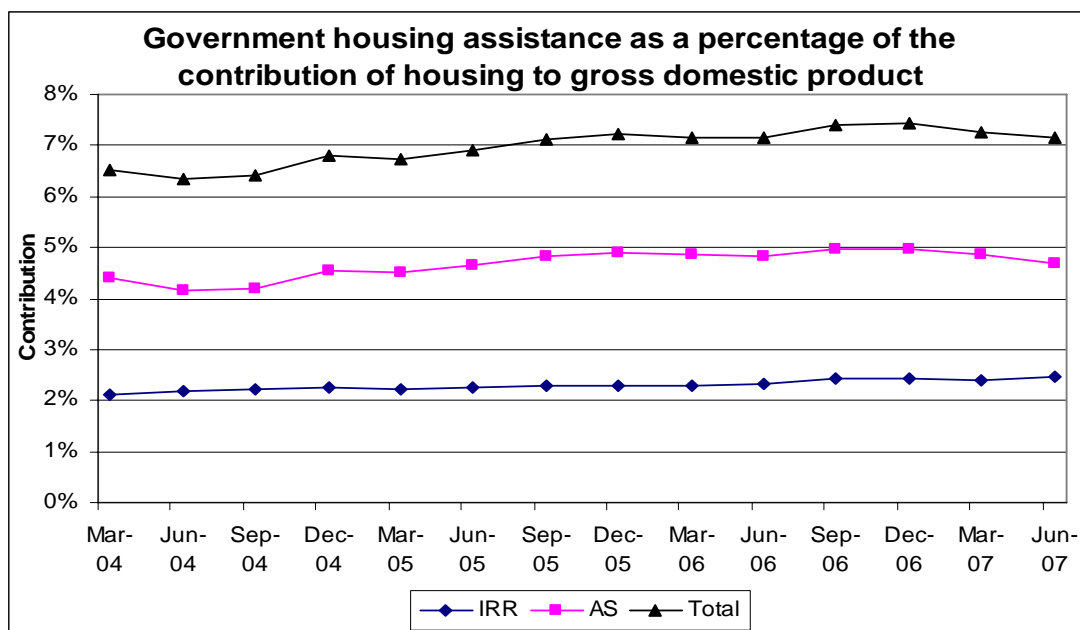
² Note that a variety of homeownership assistance programmes such as Welcome Home Loans are not considered as part of these statistics, because they are relatively small compared to the IRR and the AS and focus on homeownership rather than rent relief.

³ The Accommodation Supplement is available through the Ministry of Social Development for people in private accommodation who meet the income criteria. 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 to 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). Tenants in Housing New Zealand Corporation homes are not required to pay more than 25 percent of their income in rent. The marginal proportion rises to 50% for incremental amounts beyond the relevant rate of New Zealand Superannuation. 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 SNCQ.30CZE). Source: Statistics New Zealand.

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



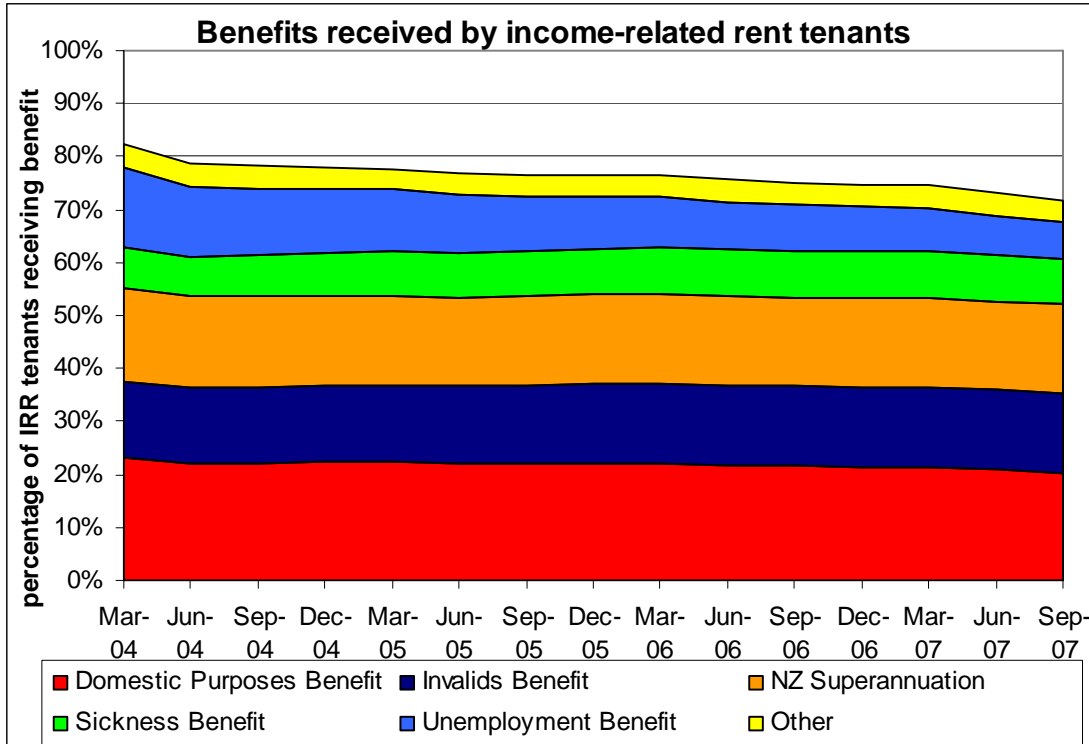
Source: Department of Building and Housing, Housing New Zealand Corporation, Ministry of Social Development and Statistics New Zealand

Total government housing assistance (as measured by IRR and AS) increased in the September 2007 quarter to \$336 million, from \$327 million in June 2007. This is a 2.7 percent annual increase from the \$326 million in the September 2006 quarter.

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

- a decrease in the proportion of unemployment beneficiaries, from 7.4 percent to 6.8 percent; and
- a decrease in the proportion of domestic purposes beneficiaries, from 20.8 percent to 20.3 percent.

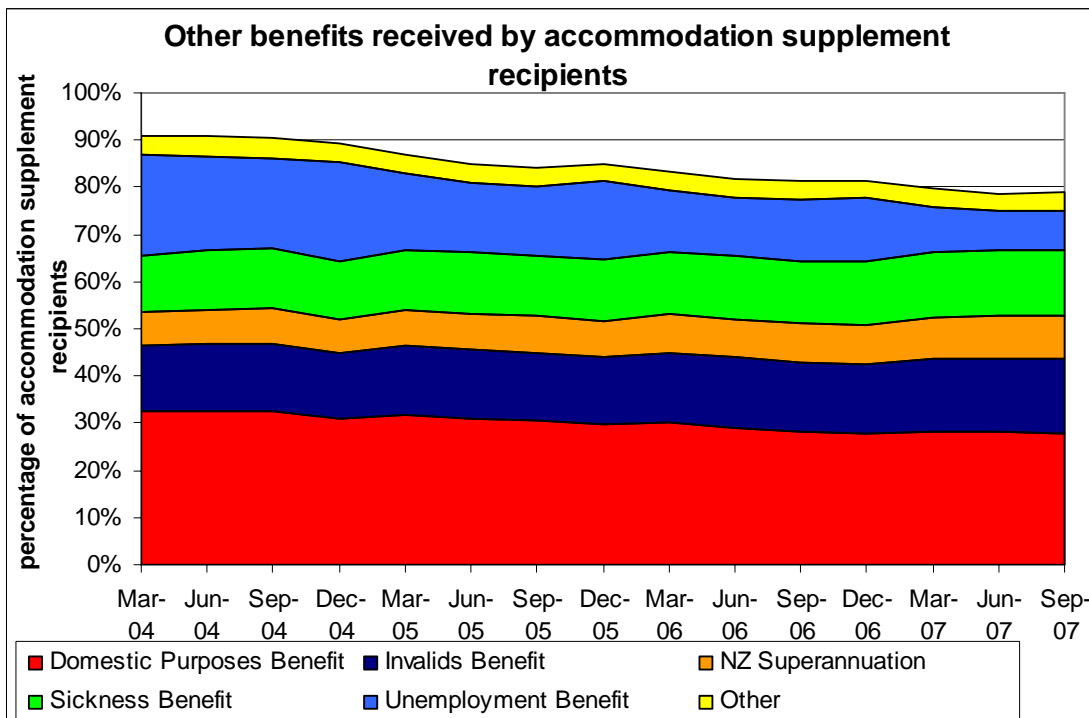
Figure 8: Benefits received by income-related rent tenants



Source: Housing New Zealand Corporation

Figure 9 shows the distribution of benefits for all tenants receiving AS. The distribution of recipients by the type of benefits they received did not change significantly this quarter. Nor was there a significant change in the proportion of AS recipients on other benefits.

Figure 9: Other benefits received by accommodation supplement recipients



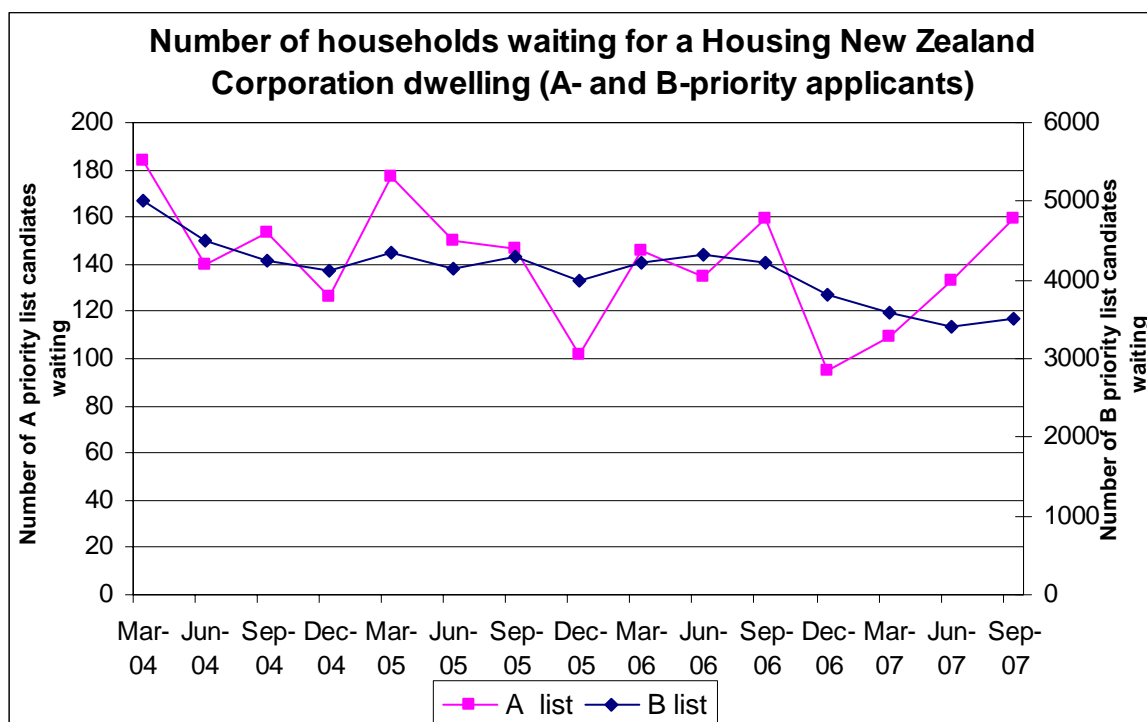
Source: Ministry of Social Development

The total number of applicants for A and B priority waiting lists increased from 3,529 to 3,657 over the September quarter (Figure 10). The increase in the A waiting list (from 133 to 159) is consistent with the September quarter last year. The B list increased from 3,396 to 3,498, in a reversal of a downward trend that has continued since June 2006.

Waiting list priority for Corporation housing is determined by several factors⁶ and applicants are divided into four groups that reflect different levels of need. The groupings are referred to as:

- A priority⁷
- B priority⁸
- C and D priority⁹.

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



Source: Housing New Zealand Corporation

⁶ 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.

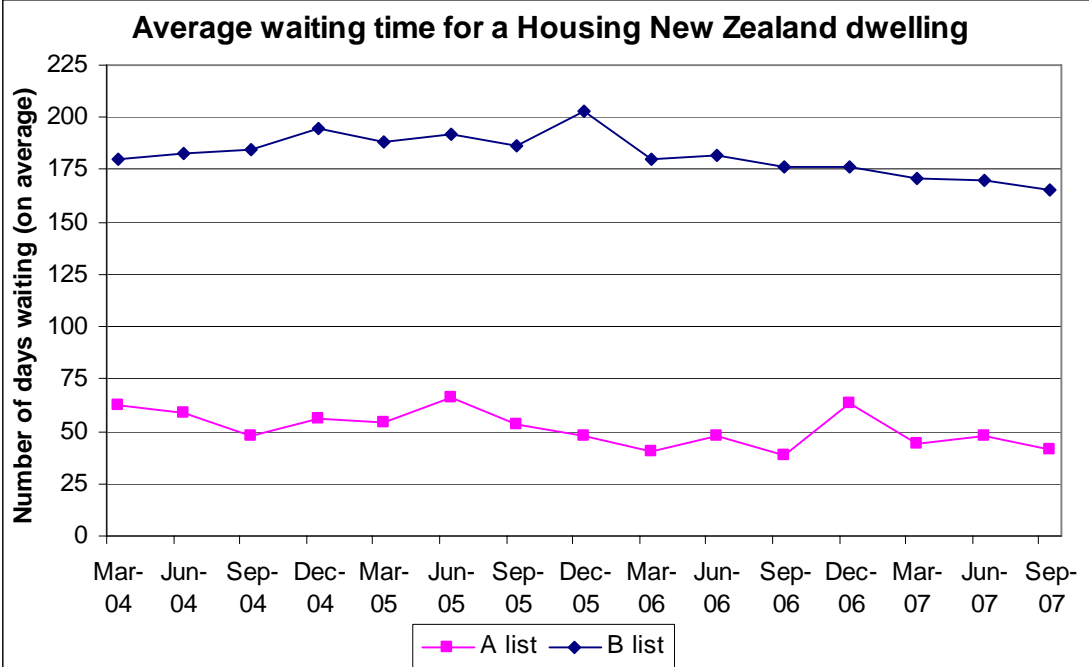
⁷ ‘A’ priority households have severe and persistent housing needs that must be addressed immediately. The household’s wellbeing is severely affected or seriously at risk by housing circumstances that are unsuitable, inadequate or unsustainable, and there is an immediate need for action. The household is unable to access or afford suitable, adequate and sustainable housing without state intervention.

⁸ ‘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.

⁹ ‘C’ and ‘D’ priority waiting lists are for households with low to moderate housing need.

The average waiting time for a property for B priority applicants on the Housing New Zealand list fell from 170 days in June 2007 to 165 days in September 2007 (as shown in Figure 11), continuing the downward trend in waiting times since June 2006. The waiting time for A priority candidates decreased from 48 to 41 days in the same period.

Figure 11: Average wait for a Housing New Zealand dwelling



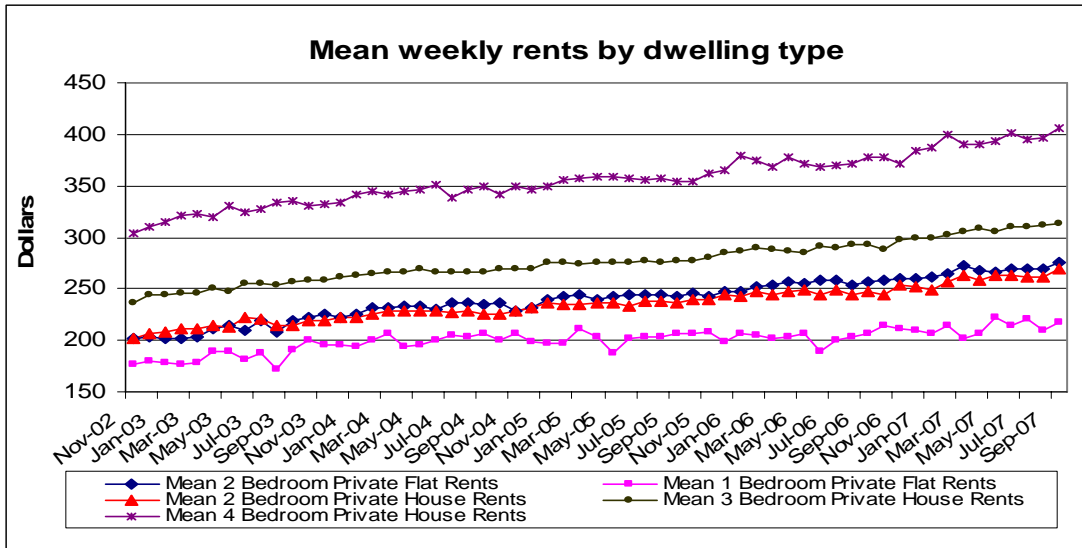
Source: Housing New Zealand Corporation

Market rent analysis

Tenancy bond data shows that average weekly rents for new tenancies of most dwelling types provided by private landlords are rising. This continues the long-running trend in rental growth. In September 2007, the average weekly rent was \$218 for one-bedroom flats, \$275 for two-bedroom flats, \$270 for two-bedroom houses, \$313 for three-bedroom houses and \$406 for four-bedroom houses.

The rental for a two-bedroom house grew most substantially at an annual rate of 8.9 percent, followed by a four-bedroom house at 7.4 percent, a two-bedroom flat at 7.0 percent, a three-bedroom house at 6.8 percent, and a one-bedroom flat at 5.8 percent.

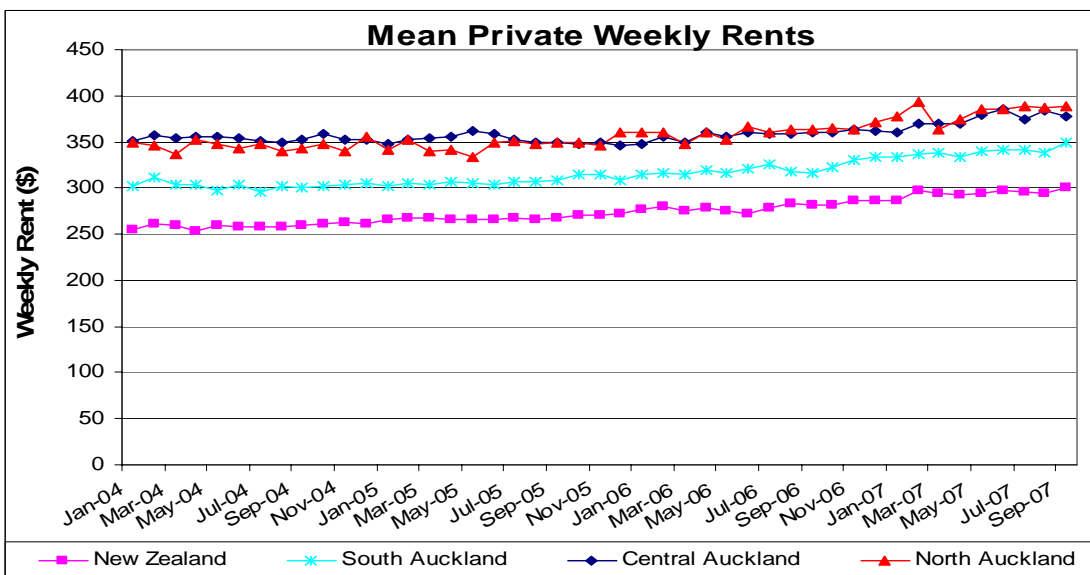
Figure 12: Mean weekly rents by dwelling types



Source: Department of Building and Housing

Overall rents continue to rise, both in Auckland and in New Zealand. In the year to September 2007, mean New Zealand rents for new tenancies rose by 6.8 percent. In Auckland over the same period, rents for new tenancies increased by 7.2 percent in North Auckland, 5.0 percent in Central Auckland and 10.1 percent in South Auckland, continuing existing rental trends.

Figure 13: Mean private weekly rents



Source: Department of Building and Housing

The building sector

All building activity

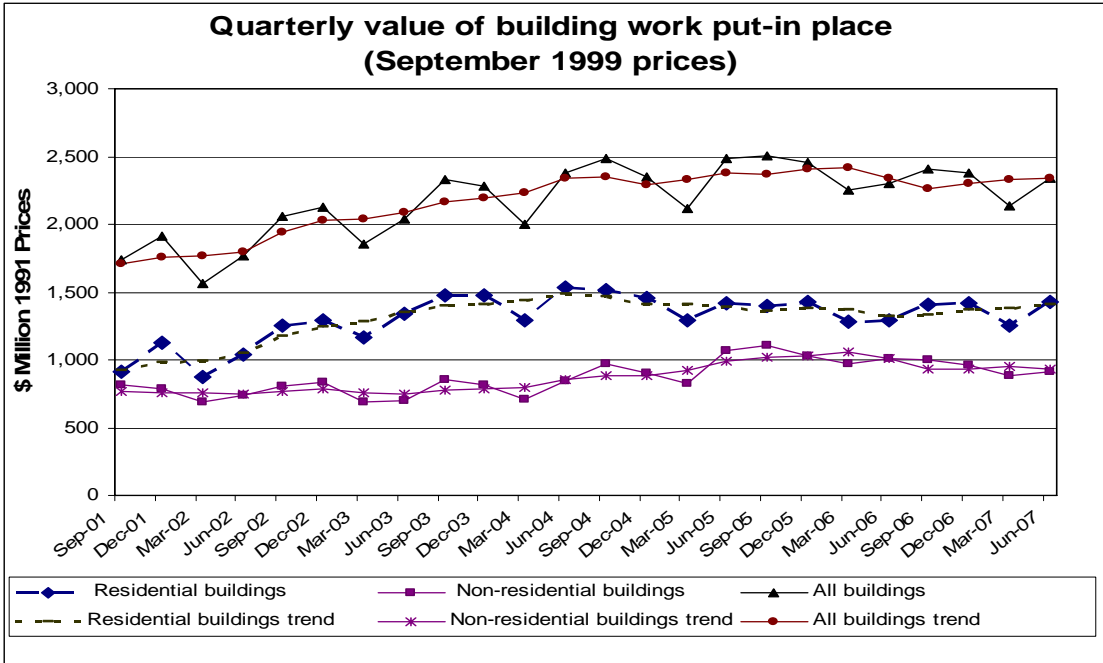
Data on building work put-in-place measures the approximate gross dollar value of actual building work done on residential and non-residential buildings. The trend for the value of all building work put-in-place continued to rise in the June 2007 quarter but was slightly below the recent peak level in the 2005-06 period.

The latest data shows that the real value of all building work put-in-place¹⁰ rose marginally by 0.1 percent in the year to the June 2007 quarter. However, the year-on-year total value of all building work put-in-place declined in the previous four quarters. These earlier falls in the level of actual building work are confirmed by the decline in construction industry growth in the GDP data.

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

Building activity continues to be largely driven by residential building work, which accounted for 63 percent of all building work in the June 2007 quarter. This is higher than the 61 percent of residential building work in all building work for the March 2007 quarter but below the peak of 67 percent in the June 2003 quarter.

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



Source: Statistics New Zealand

¹⁰ 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 up to the June 2007 quarter is used in this instance.

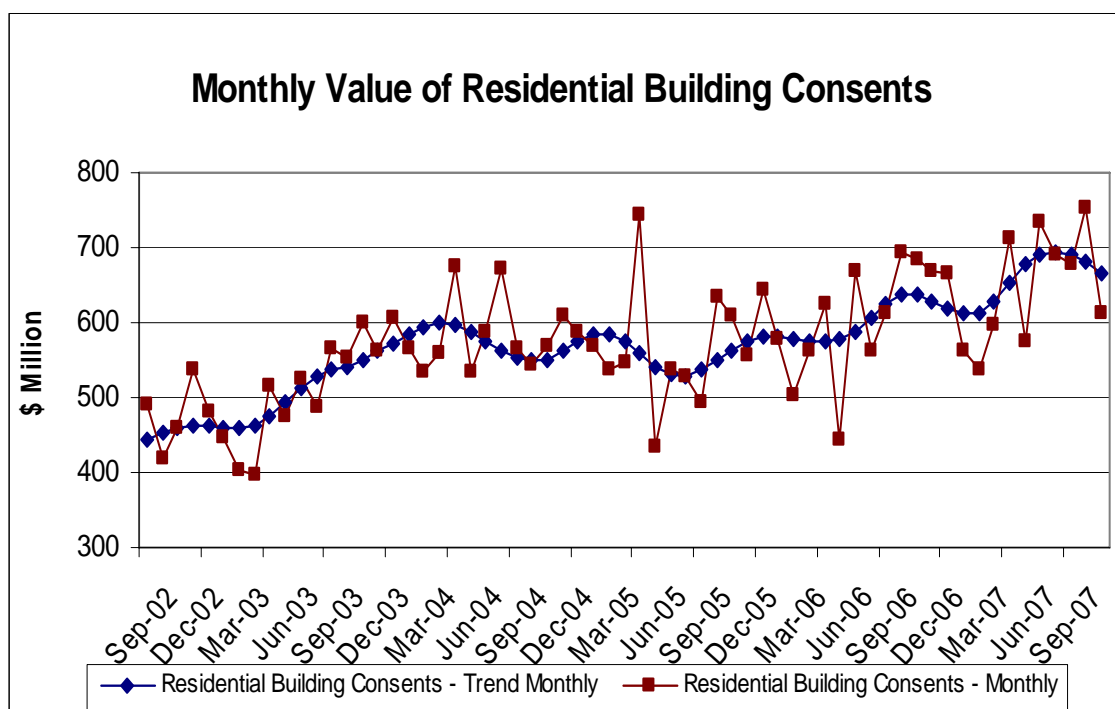
Residential building

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 (ie, includes price changes) and is the latest available (at the end of October 2007).

The value of all residential building consents issued in September 2007 was 10.5 percent lower than in September 2006. The value of residential building consents has been increasing and the last decline recorded was a 2.4 percent fall in December 2006, compared to December 2005.

The value of all residential building consents was relatively high over the last five months. However, the latest trend for the value of residential building consents has declined from its peak in July 2007.

Figure 15: Monthly value of residential building consents

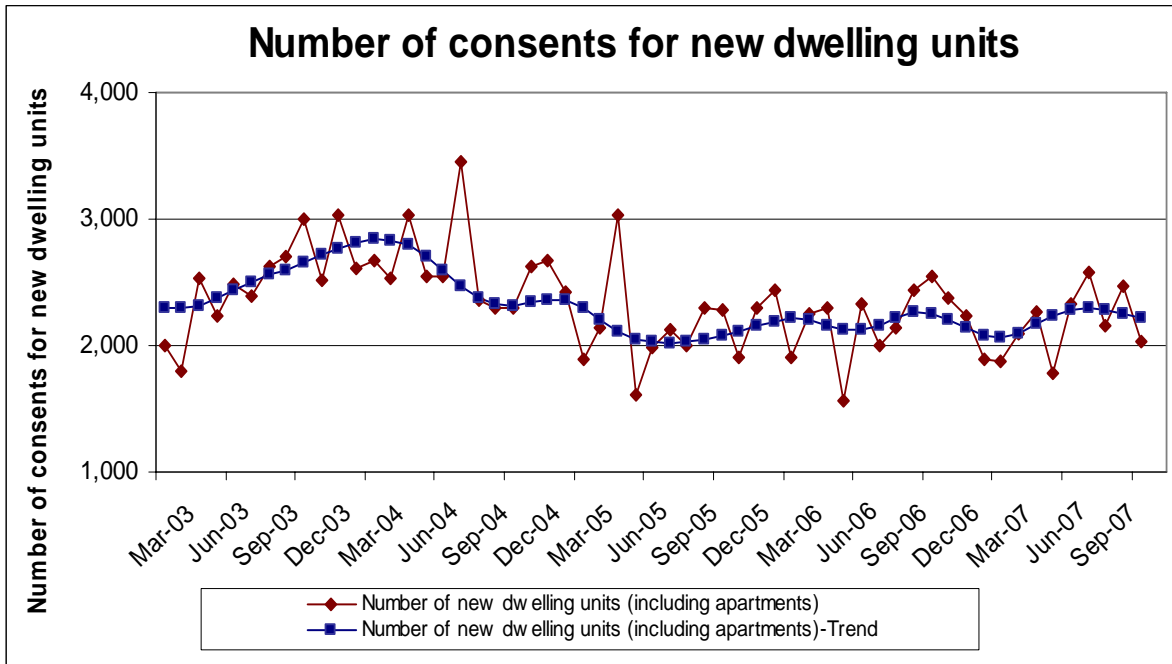


Source: Statistics New Zealand

The number of new dwelling consents¹¹ (including apartments) issued in September 2007 was 20.2 percent lower than in September 2006. This decrease is largely explained by a substantial fall in building consents for apartments. Excluding apartments, the decrease in the number of new dwelling consents issued was 5.9 percent in the year to September 2007.

¹¹ The number of new dwelling consents measures the number of consents and not the number of dwellings and some consents are for more than one dwelling.

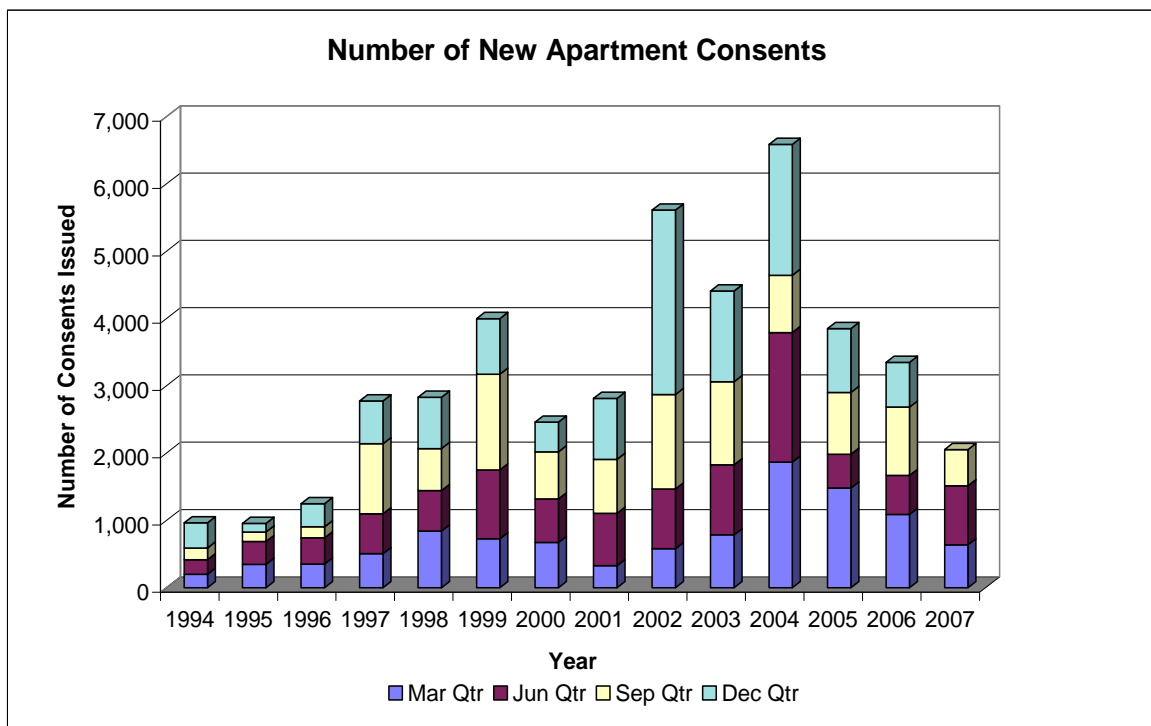
Figure 16: Number of consents for new dwelling units



Source: Statistics New Zealand

The number of apartment building consents issued fluctuates widely each month, with 102 apartment building consents authorised in September 2007, compared to 493 (or 79.3 percent lower) in September 2006, and 253 (or 59.7 percent lower) in August 2007. Figure 17 shows the number of apartment consents issued since 1994. If the number of apartment building consents in the December 2007 quarter remains the same as in the December 2006 quarter, the yearly number of apartment consents issued in 2007 will continue its decline from the peak in 2004.

Figure 17: Number of new apartment consents



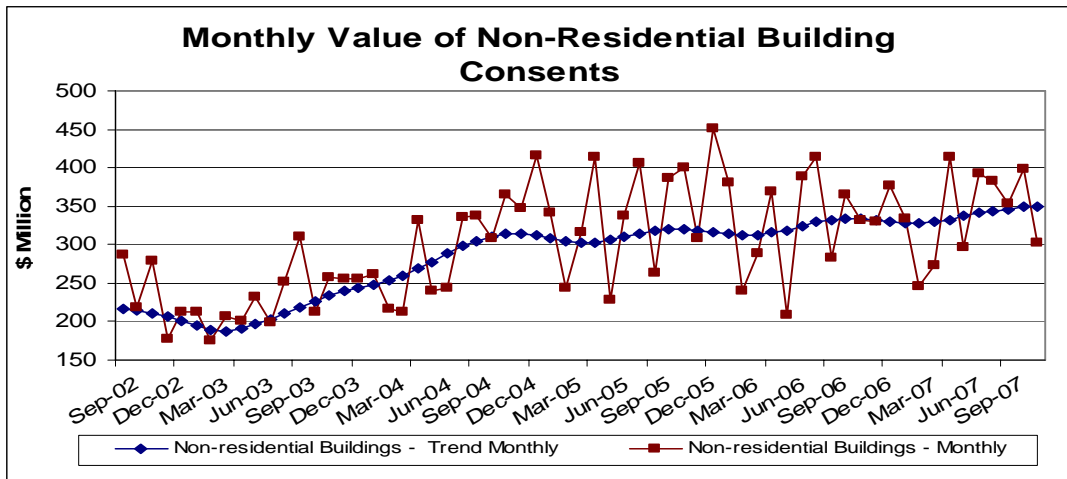
Source: Statistics New Zealand

Non-residential building

The value of non-residential building consents¹² is at a high level (Figure 18). Statistics New Zealand estimates the trend series after removing consents with values of \$25 million or more. The trend remains stable.

The actual values fluctuate from month to month and fell by 8.8 percent in September 2007 compared to September 2006. The actual value was 24.6 percent higher in July 2007 than in July 2006 and 8.5 percent higher in August 2007 than in August 2006.

Figure 18: Monthly value of non-residential building consents



Source: Statistics New Zealand

The decline recorded in September 2007 was largely for office and administration buildings (down \$44 million), and hotels and other short-term accommodation (down \$22 million). Some of the largest increases were recorded for hospitals and nursing homes (up \$31 million), and storage buildings (up \$16 million).

Offices and administration buildings made up 15 percent of the value of non-residential building consents, and storage buildings made up another 15 percent, followed by 14 percent for shops, restaurants and taverns, and another 14 percent for factories and industrial buildings in September 2007.

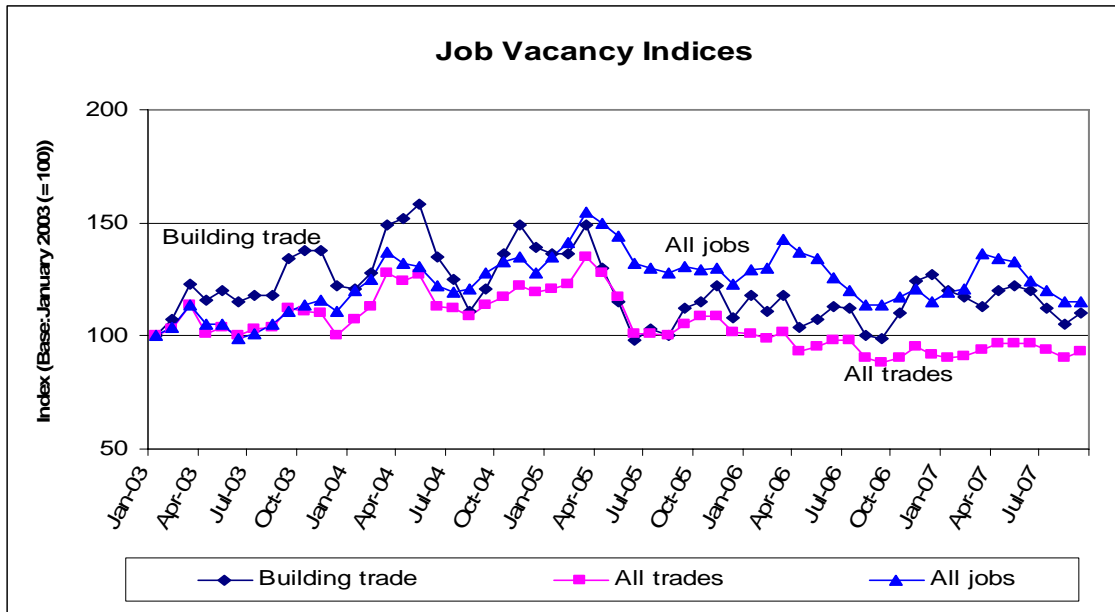
Labour market

The number of people employed in the construction industry fell to 176,200 in the September 2007 quarter (187,900 in the June 2007 quarter and 188,300 in the September 2006 quarter) (see the economy section).

The Job Vacancy Indices from the Department of Labour measure changes in advertised vacancies over time. The vacancies index for building trades people fluctuates from month to month but measured an increase of 5 percent in the year to August 2007 and an increase of 11.1 percent in the year to September 2007.

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

Figure 19: Job vacancy indices



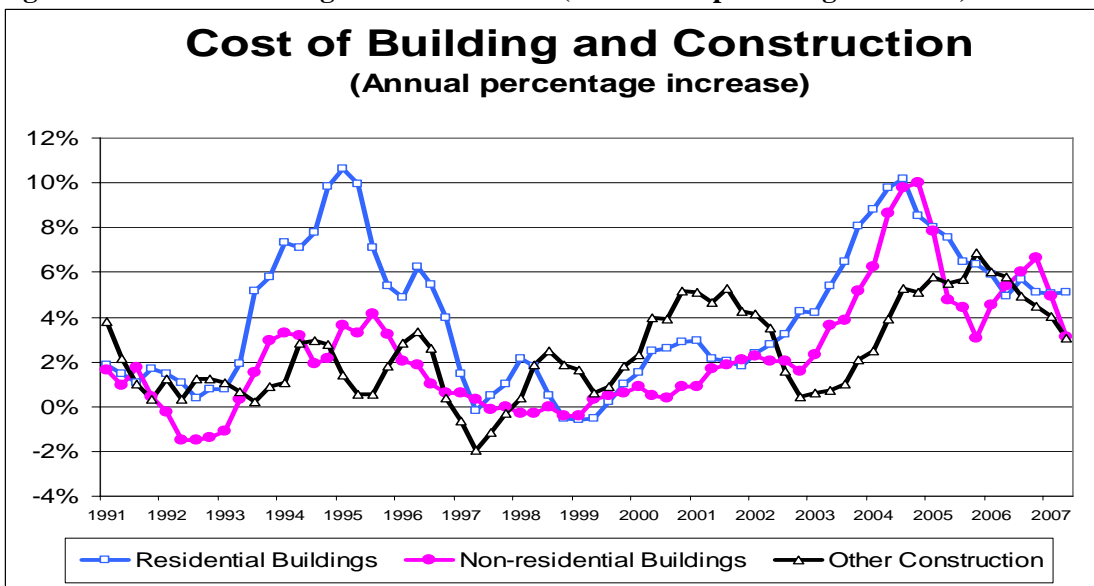
Source: Department of Labour

Building costs

The various building costs indicators for capital, production and labour show that 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 September 2007 quarter CGPI showed that price increases for residential building was high compared to other industries in the economy. The overall CGPI increased 2.3 percent in the September 2007 quarter, compared to the September 2006 quarter, of which the increase for residential building was 4.8 percent, the increase for non-residential building 1.7 percent, and the increase for other construction 3.6 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 PPI input index measuring the production cost for construction was up 4.7 percent in the September 2007 quarter on the September 2006 quarter. Increased prices for raw material in the residential building sector (eg, 9.6 percent increase in timber frames prices and 2.5 percent increase in ready-mixed concrete in the September 2007 quarter on September 2006 quarter) and the construction trade services (mainly due to higher prices for painting and decorating services) largely accounted for the increase in the PPI input index for construction in the September 2007 quarter.

The PPI output index for the construction industry also rose by 4.4 percent in the September 2007 quarter from the September 2006 quarter.

The increases in the PPI indices for the construction industry were higher than those for the overall PPI. The increase was 1.7 percent for PPI inputs and 2.1 percent for outputs, for all industries in the September 2007 quarter compared to the September 2006 quarter.

The Labour Cost Index (LCI), which records changes in salary and wage rates, shows an increase of 3.2 percent for the construction industry and 3.8 percent for building trade workers in the year to the September 2007 quarter. The increase in the LCI for all industries and occupations was 3.2 percent for the same period.

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.

Other developments in the building and housing sector

Weathertightness issues

The Weathertight Homes Resolution Services Act 2006 (the WHRS Act) was enacted in December 2006, giving leaky home owners access to speedy, flexible procedures for assessing and resolving their claims. It came into effect on 1 April 2007.

The WHRS (Remedies) Amendment Act, passed in August 2007, clarified that the Weathertight Homes Tribunal and WHRS adjudicators are able to award general damages, including those for mental distress or anxiety, to leaky homes claimants.

Claimants bring a claim under the WHRS Act by making an application to Weathertight Services, Department of Building and Housing, for an assessor's report. If the claim is found to be eligible under section 13 of the WHRS Act, then the claimant can proceed to the resolution process.

The lower-value WHRS claims process offers access to negotiation or mediation for claims where estimated or actual repair costs total \$20,000 or less. All other standard WHRS claims can apply to the Weathertight Homes Tribunal for adjudication, which includes a mediation opportunity.

From July to September 2007, Weathertight Services accepted claims on 222 dwellings. The number of accepted claims was 749 in the year to 30 June 2007, 1067 in the year to 30 June 2006, and 1155 in the year to 30 June 2005. At the end of September 2007, 68 percent of all WHRS claims were in the Auckland region.

In past reports, we have presented WHRS claims by the number of dwellings, for consistency with the previous year's reporting. That means each unit in a multi-unit complex is counted as a 'claim'. However, we have discontinued this format as the requirement under the WHRS Act is to count a multi-unit complex as a single claim, regardless of the number of units in it.

Building Code waivers¹⁵

Section 67(1) of the Building Act 2004 allows a building consent authority (which 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, with 106 waivers issued during the September 2007 quarter (Table 1), fewer than the 147 waivers issued in the June 2007 quarter.

B2 waivers feature prominently in the June 2007 quarter figures, making up 83 percent of total waivers. This is fewer than the 122 B2 waivers issued in the June 2007 quarter.

¹⁵ Waivers and modifications are useful tools provided by the Act that 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 those set out in the Code Clause.

C3 Spread of Fire waivers, usually a prominent waiver, made up 9.4 percent of total waivers. There were 10 C3 waivers issued in the September 2007 quarter, compared to 14 C3 waivers issued in the June 2007 quarter.

The remaining eight waivers during the September 2007 quarter relate to Building Code Clauses B1, E1, D1 and G7 with no trends emerging.

Table 1: Building Code waivers

Territorial authority	B1 Structure	B2 Durability	C3 Spread of Fire	E1 Surface Water	Others	Total
Ashburton	0	6	0	0	0	6
Auckland	0	78	3	0	0	81
Buller	1	0	0	0	0	1
Christchurch	0	0	0	0	1	1
Hastings	0	0	2	3	0	5
Hutt	0	0	1	0	0	1
Lake Districts	0	1	0	0	0	1
Masterton	0	1	0	0	0	1
Napier	0	0	3	0	0	3
Nelson	0	1	0	0	0	1
North Shore	0	1	0	0	0	1
Rodney	1	0	0	0	0	1
Wellington	0	0	1	0	2	3
Total	2	88	10	3	3	106

Source: Department of Building and Housing

The Department continues to monitor building consent authorities' use of Code waivers to see if 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 26 October 2007, a total of 489 determinations had been processed by the Department. Approximately 74 percent of determinations were related to cladding and weathertightness issues.

Table 2: Building Act Determinations 2003–2007

Calendar year	2003	2004	2005	2006	Up to 26 Oct 2007
Cladding/weathertightness	1	68	144	89	62
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	4
Structure	0	1	1	1	3
Interior environment and facilities	0	1	2	1	3
Land subject to natural hazards	0	1	1	3	0
Barrier	1	0	3	2	1
Other (eg, refusal to issue a code compliance certificate)	0	0	1	15	30
Total	11	77	166	129	106

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.

An initial discussion document, published in May 2006, was concerned with the scope of the Code – the features of building work the Code should address. In August 2007, the Department released for public consultation a second discussion document, which included specific proposals for building performance requirements.

Building Code Compliance Document development

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

Visibility in Escape Routes

A new Compliance Document for Building Code Clause F6 (formerly Lighting for Emergency, now Visibility in Escape Routes) was published in July to reflect the changes made recently to Building Clause F6. The Clause now allows the use of way-finding systems, such as photo-luminescent strips, directional markings and light emitting diode strips, as well as normal emergency lights. The new Compliance Document came into effect on 18 October 2007.

Energy efficiency

The Department has published a new edition of the Building Code Clause H1 Compliance Document in August. It reflects the energy efficiency improvements to the Building Code announced by the government in May.

New houses and major extensions to existing houses will need to use 30% less heating energy to achieve healthy indoor temperatures. The required R-values for thermal insulation in all types of houses will increase.

The changes will be phased in gradually to allow the industry to adapt. In the South Island and the Central Plateau of the North Island, the new Compliance Document (and the corresponding Building Code Clause change) became effective on 31 October 2007. Lower North Island will follow on 30 June 2008, and Auckland and areas further north on 30 September 2008.

Commercial lighting in new and refitted buildings will also need to be more energy efficient. These changes became effective on 31 October 2007.

A re-consultation occurred during the period on the proposal to introduce a new Acceptable Solution for solar water heating systems (G12/AS2) and consequential changes to the current Water Supplies Acceptable Solution (G12/AS1). The amended Compliance Document will clarify the necessary features solar water heaters need to comply with the Building Code and

address structural, weathertightness and durability aspects. It is designed to make it easier to get a building consent when installing solar water heating systems in New Zealand.

During this period, public submissions received from the May/June consultation on further proposals to lift the energy efficiency of New Zealand homes and workplaces were analysed. These proposals related 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.

All proposed energy efficiency 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.

Boron-treated solid timber cladding

Following a review of concerns about Amendment 3 to timber treatment Standard NZS 3640, the Department issued a Building Controls Update in September. The Department advised it was satisfied that, as long as certain conditions were met, boron-treated timber cladding such as weatherboard, facings and joinery treated to hazard class H3.1, incorporating a pigmented paint coating applied at the treatment plant, complied with the Building Code. This support does not extend to boron-treated timber framing to H3.1.