Department of
Building and Housing
Te Tari Kaupapa Whare

Building and Housing Trends:
April – June 2006

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Contents

Introduction	**2**
Executive summary	**3**
Economic growth and industry outputs	5
The housing market	6
Social housing assistance	8
Sectoral analysis	**12**
All building activity	12
Residential construction	15
New dwelling construction across regions	18
Apartment consents	19
Non-residential construction	20
Labour market	23
Building costs	24
Renting and homeownership costs	26
Cost and volume of renting by dwelling type	27
The number of tenancy bonds lodged and repaid	28
Bond/rent ratios for types of dwelling and selected major centres	29
Building quality and performance	**30**
Weathertightness issues	30
Building Code waivers	33
Building Act Determinations	34
Update on regulatory development	35

Introduction

This is the tenth report on building and housing developments, and covers the period from 1 April 2006 to 30 June 2006. This publication was originally known as *Building Industry Trends* and was renamed to *Building and Housing Trends* in the September 2005 quarter to recognise the increased coverage of the publication.

Building and Housing Trends is based on a combination of accessible information and forecasts from government agencies (Statistics New Zealand, Housing New Zealand Corporation, Ministry of Social Development and Department of Labour), and Quotable Value Limited, as well as information and indicative statistics developed by the Department of Building and Housing (the Department) from administrative databases and other internal information. It has been prepared in line with the Department's strategy to build and enable access to sector-related information and knowledge.

Executive summary

The New Zealand economy is experiencing subdued growth after recording strong increases in the last few years. The annual average real gross domestic product (real GDP) growth was 1.9 percent in the year to the June 2006 quarter, compared to a higher 3.1 percent increase in the year to the June 2005 quarter.

In its September 2006 Monetary Policy Statement the Reserve Bank forecast a further decline in real GDP growth in the March 2007 year. The building and construction industry is expected to enter a consolidation stage.

Some of the recent developments in the building and housing sector are as follows.

Building and construction activity

The construction industry experienced a decline in growth. The annual growth rate of the construction industry declined by 0.9 percent in the year to the March 2006 quarter, down from a 4.1 percent increase in the year to the June 2005 quarter.

Residential building trends

- The trend in the number of new dwelling consents has declined since February 2006, but the number of new dwelling consents went up in July 2006.
- The value of residential building consents oscillated on an increasing trend, reflecting increases in building costs and the recent increase in new dwelling consent numbers.
- The number of apartment consents issued has been declining since its peak of 6586 in the 2004 calendar year. Although the number of apartment consents issued can be volatile from month to month, the annual rate of decline was 32.1 percent for the year ended July 2006, compared to a decline of 23.5 percent for the same period a year ago.
- The Reserve Bank in its September 2006 Monetary Policy Statement expects a decline in real fixed residential investment of 6 percent in the 2007 March year.

Non-residential building trends

- The trend value of non-residential building consents has increased since January 2006. Current consent values are increasing as a result of higher building costs.
- This trend in the value of non-residential building consents in recent months is not yet visible in statistics for real non-residential work put-in-place, but is expected to become evident towards the end of the year.

Other construction (eg, roads and infrastructure)

- There was an annual decline in value of 2.3 percent for other construction consents issued through the building consent process for the year ended July 2006.
- Government spending on infrastructure is an important component of other construction. Based on the latest September Monetary Policy Statement, the Reserve Bank expects government spending on fixed assets to decrease by 7.5 percent in the 2007 March year.

Employment in the construction industry

- The Quarterly Household Labour Force Survey shows the number of people employed in the construction industry increased by 3.3 percent from the March 2006 quarter to 181,000 people in the June 2006 quarter.
- The monthly Building Trade Vacancy Index from the Department of Labour increased by 8.7 percent for the year ended July 2006.

The housing market

The housing market has entered a more mature phase of the property cycle, as it responds to lower GDP growth and higher mortgage rates. House price inflation has slowed. It now takes longer to sell a house. The median time to sell a property increased from 28 days in August 2005 to 33 days in August 2006. The number of properties sold in August 2006 was 8562 and this was marginally lower compared to 8591 sales in August 2005.

Social housing assistance

Government contributions to social housing assistance have increased from $251 million in the March 2003 quarter to $312 million in the March 2006 quarter. The annual quarter-on-quarter increase in social housing assistance was 7 percent in the March 2005 quarter and 10.6 percent in the March 2006 quarter.

Building and construction costs

- In the year to the June 2006 quarter, the cost of residential building increased by 4.9 percent, for non-residential building by 5.4 percent and other construction such as roads and infrastructure by 5.8 percent. These increases were higher than the annual increase in the Capital Goods Price Index, which increased 3.4 percent in the year to June 2006.
- Wage and salary rates of people employed in the construction industry increased by 3.9 percent from the June 2005 quarter to the June 2006 quarter, according to the Labour Cost Index. In comparison, the wage and salary rates for the whole economy increased by 3.0 percent for the same period.

Costs of renting and homeownership

The rents sub-group of the Consumer Price Index indicates that on average rents increased by 2.6 percent and the cost of homeownership increased by 5.7 percent in the year to the June 2006 quarter.

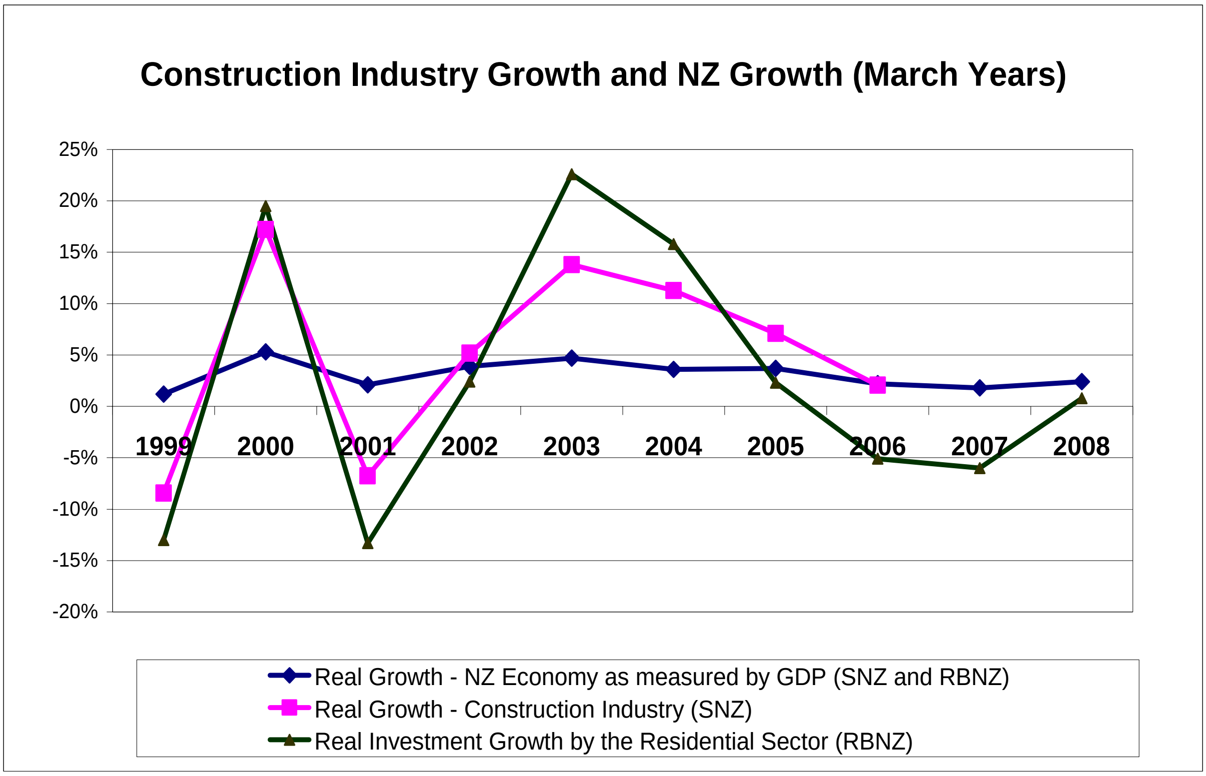
Economic growth and industry outputs

The New Zealand economy is experiencing slower growth after recording strong increases in the last few years. The annual average real gross domestic product (real GDP) growth was 1.9 percent in the year ended June 2006, compared to a higher 3.1 percent increase in the year ended June 2005. In the September 2006 Monetary Policy Statement, the Reserve Bank forecast a slowing in real GDP growth in the March 2007 year.

The construction industry, which contributed approximately 5 percent to New Zealand's GDP in the March 2006 year, experienced a similar slowdown in growth. The annual growth of the construction industry declined by 0.9 percent in the June 2006 year, down from a 4.1 percent increase in the June 2005 year.

The Bank foresees a 6 percent decline in residential investment, a 2.2 percent decline in business investment in the March 2007 year (which includes non-residential buildings), and a 7.5 percent decline in non-market government spending (which includes spending on building infrastructure). Overall, according to Reserve Bank forecasts, March 2007 will be a year of consolidation for much of the building and construction industry.

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



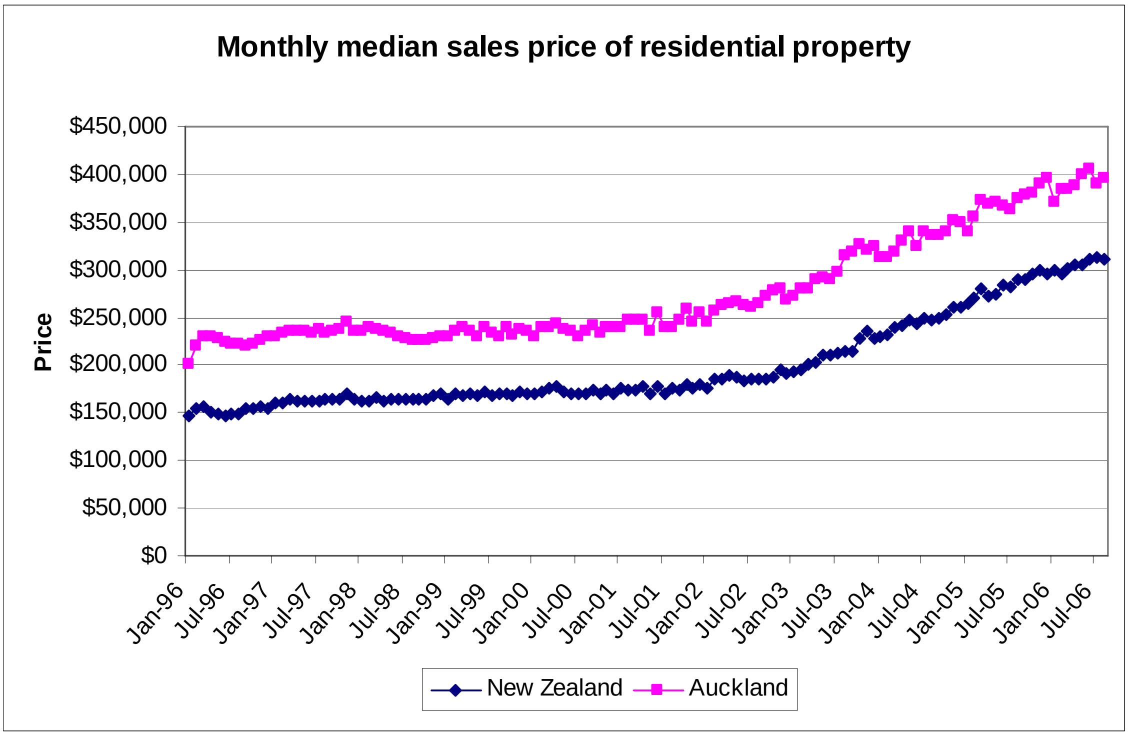
Source: Reserve Bank and Statistics New Zealand

The housing market

Sales price

The housing market is still strong compared to past levels. Median house prices from the Real Estate Institute of New Zealand (REINZ) show growth in the monthly sales price eased, but continue to be positive. The median house price in August 2006 was $310,000 or 7.3 percent higher than a year earlier.

Figure 2: Monthly median sales price of residential property

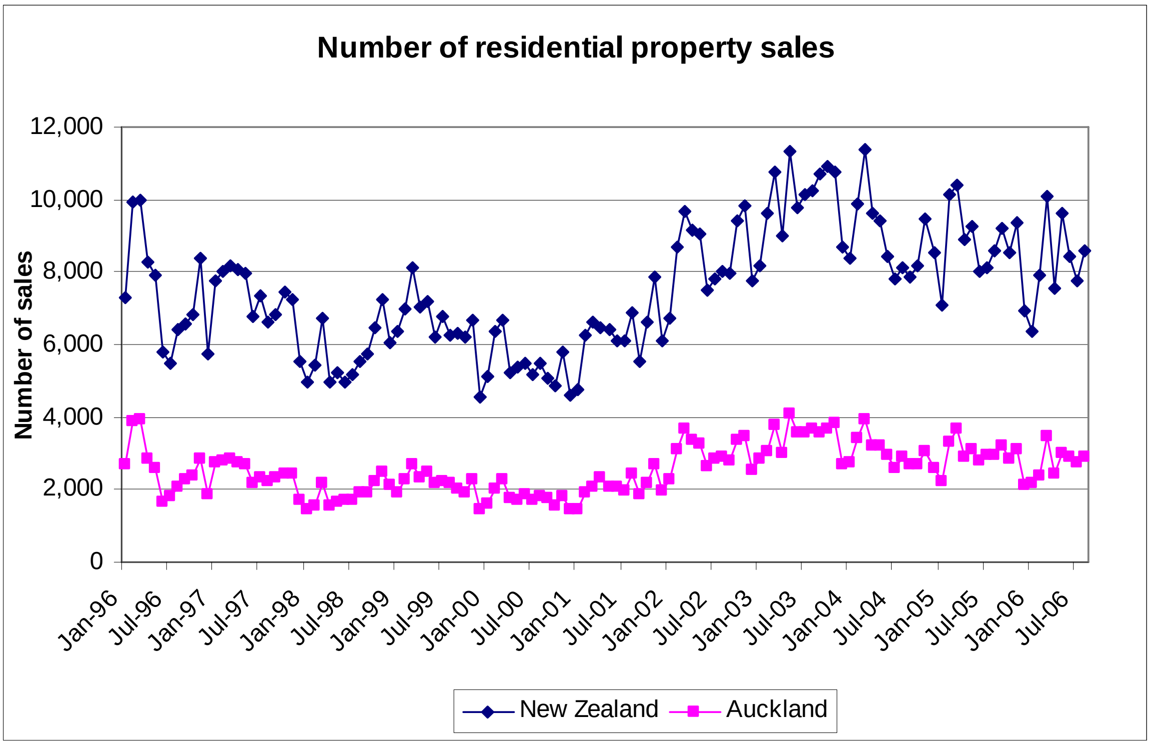


Source: Real Estate Institute of New Zealand

Sales volume

Residential sales volumes in New Zealand have reduced from 10,094 transactions in March 2006 to 8562 in August 2006 (REINZ) (Figure 3). [1] This is comparable to 8591 transactions in August 2005. However the current levels are still relatively high and are comparable to volumes experienced in the second half of 2002, immediately before the boom phase of the current property cycle.

Figure 3: Number of residential property sales



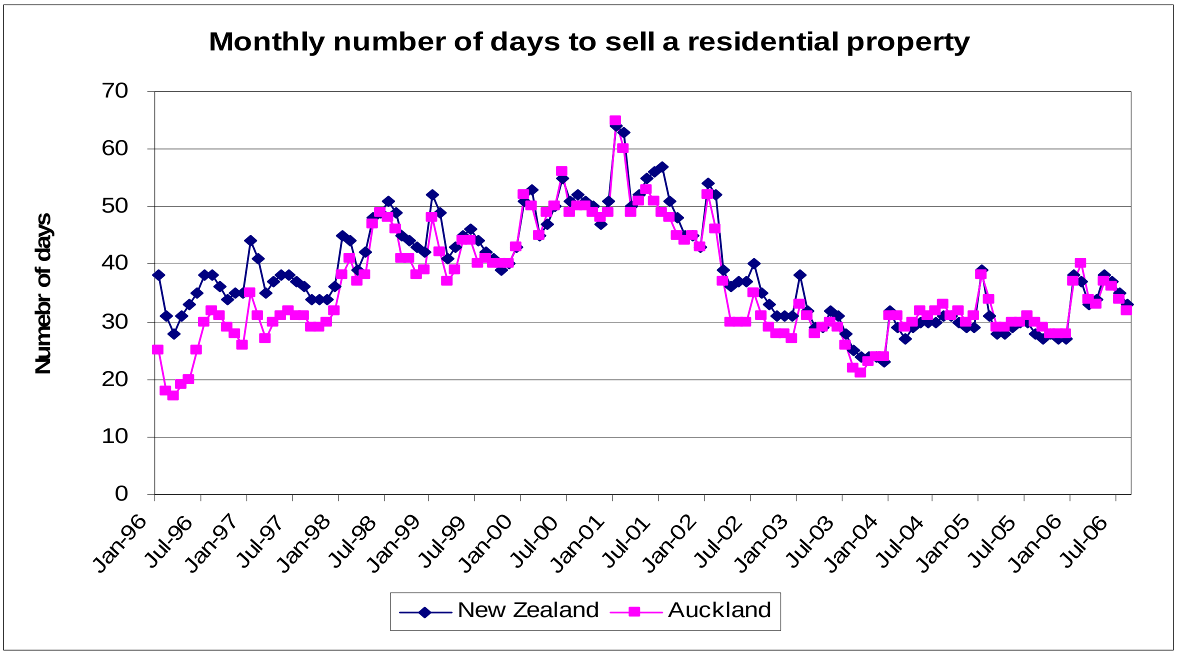
Source : Real Estate Institute of New Zealand

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

Days to sell

It took 33 days to sell a house in August 2006, which is 5 days longer than in August last year (Figure 4).

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



Source: Real Estate Institute of New Zealand

Social housing assistance

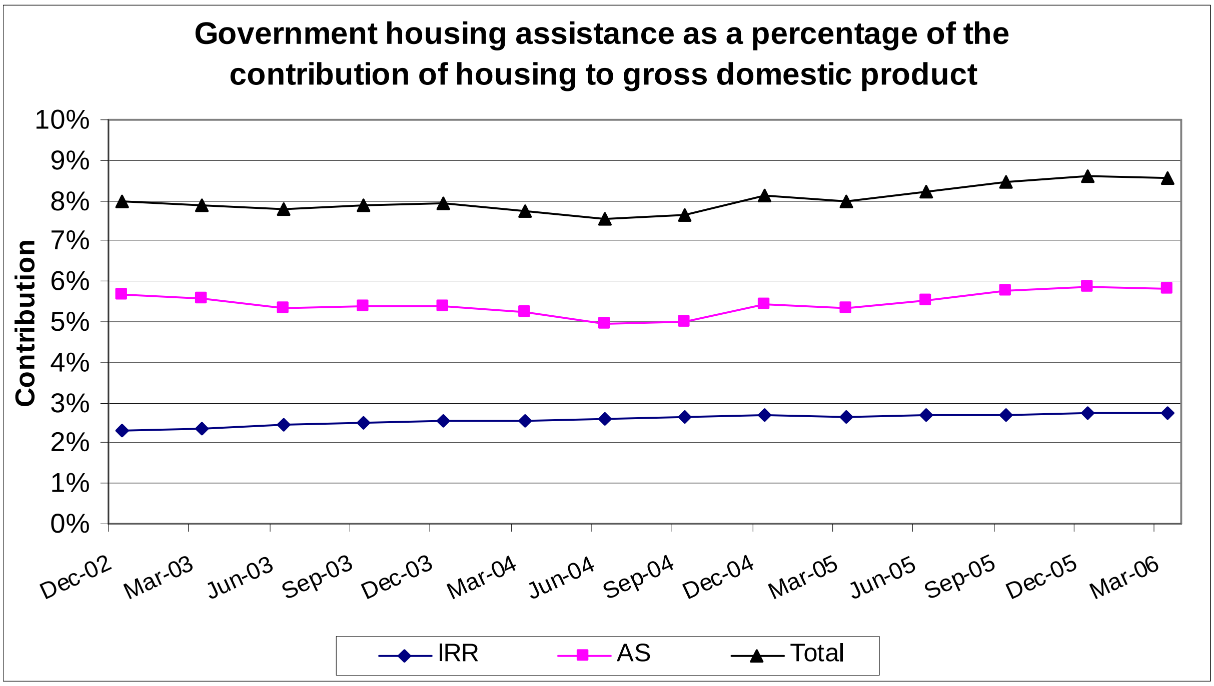
There are two primary methods[2] by which government helps low-income families into affordable housing.

- The first is the Accommodation Supplement (AS), which 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.
- The second is the Income-Related Rent subsidy (IRR), which is paid to Housing New Zealand by the Government so that they can subsidise the rent of Housing New Zealand tenants on low incomes.[3] 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.

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

Figure 5 shows government expenditure on social housing assistance as a percentage of the housing sector expenditure from the quarter ending December 2002 to the quarter ending March 2006. The levels of assistance have fallen slightly over the last quarter from 8.6 percent in December 2005 to 8.5 percent in March 2006, primarily due to a 0.9 percent increase in the amount of housing sector expenditure over the last quarter.

Figure 5: Government housing assistance as a percentage of the contribution of housing to gross domestic product



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

The government contribution to social housing assistance from the quarter ending December 2002 to the quarter ending March 2006 is outlined in Table 1. The change in government housing assistance over the March quarter was slight, with a small decrease in the Income-Related Rent subsidy, which was accompanied by a larger increase in the Accommodation Supplement (these effects are hardly visible in the rounded figures in Table 1). The net result was an increase in total social housing assistance of slightly less than $1 million.

Table 1: Government housing assistance[4]

	$ millions			
Quarter	**Income-Related Rent**	**Accommodation Supplement**	**Total**	**Annual percentage change**
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%

Source: Housing New Zealand Corporation and Ministry of Social Development

The number of households with higher levels of need waiting for Housing New Zealand dwellings has declined gradually since early 2004 (Figure 6). Priority on the waiting list for Corporation housing is divided into four groups that reflect different levels of need[5]:

- An A-priority household has severe and persistent housing needs that must be addressed immediately. The household's wellbeing is severely affected or seriously at risk by housing circumstances that are unsuitable, inadequate or unsustainable and there is an immediate need for action. The household is unable to access or afford suitable, adequate and sustainable housing without state intervention.
- A B-priority household has a significant and persistent housing need. The household's wellbeing is affected in a significant and persistent way by housing circumstances that are unsuitable, inadequate or unsustainable. The household is unlikely, in the near future, to be able to access or afford suitable, adequate and sustainable housing without state intervention.
- C- and D-priority waiting lists are for households with low to moderate housing need.

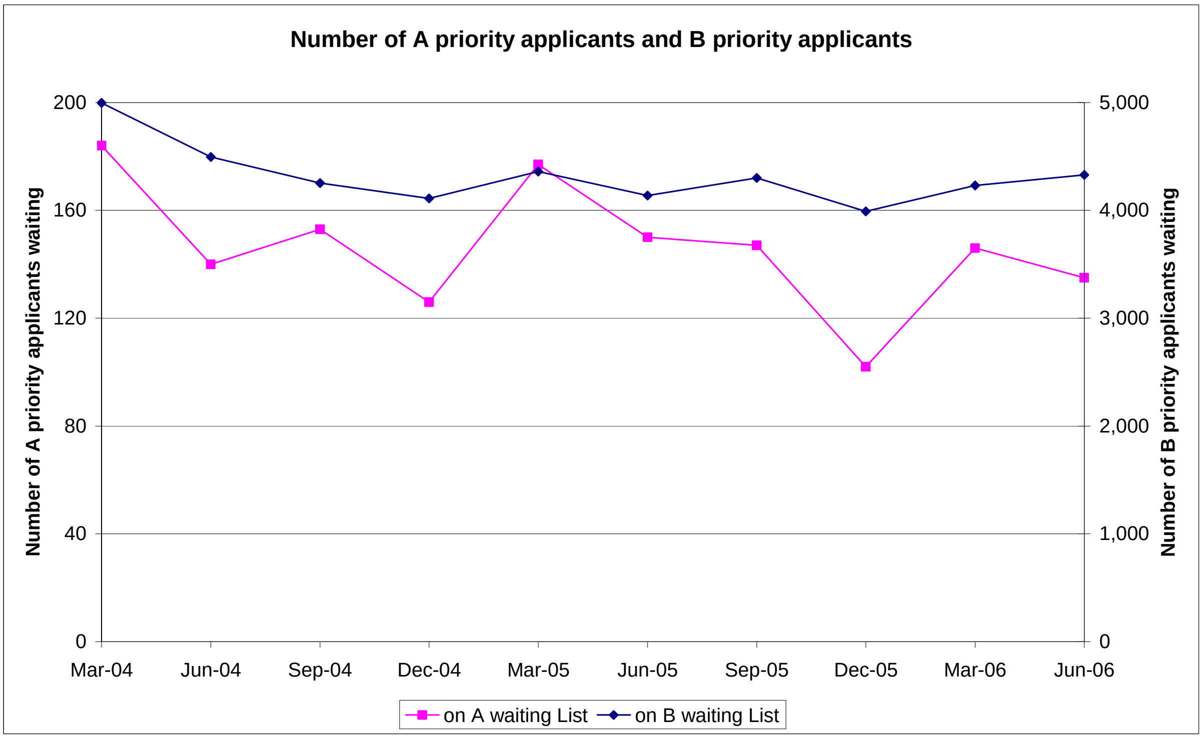
The following factors are used to determine housing needs:

- 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.

[4] The figures used are rounded to the nearest whole number and annual percentage change is calculated using the original figures before rounding. This may result in the annual percentage changes differing slightly with the calculations using rounded figures in this table.
[5] Source: Housing New Zealand Corporation.

- 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.

Figure 6: Number of households waiting for a Housing New Zealand dwelling (A- and B-priority applicants)



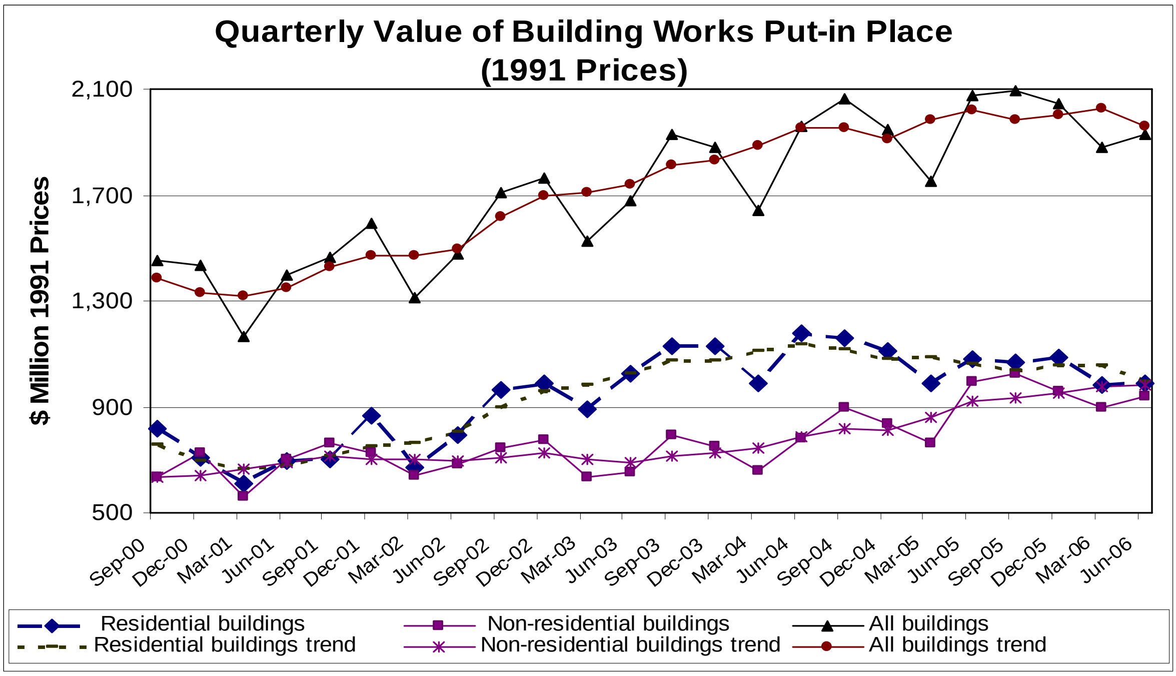
Source: Housing New Zealand Corporation

Sectoral analysis

All building activity

The real value of all surveyed building work put-in-place fell by 7.1 percent for the year to the June 2006 quarter. The trend for real value of all building work put-in-place also shows a decline from the March 2006 quarter to the June 2006 quarter.

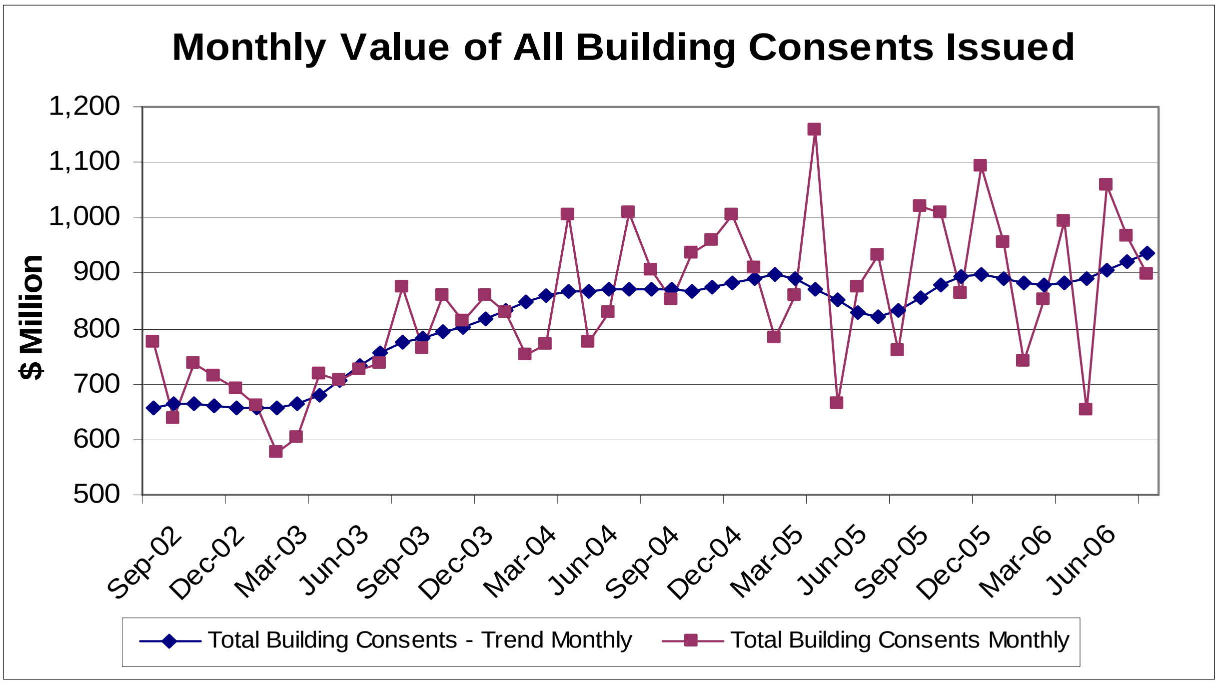
Figure 7: Quarterly value of building work put-in-place



Source: Statistics New Zealand

The monthly value of all building consents has fluctuated on an upward trend as a result of increases in both residential and non-residential consent values. The July 2006 value of all building consents hit the second-highest record for a July month since the series started in 1990, and the highest value was recorded in July 2004.

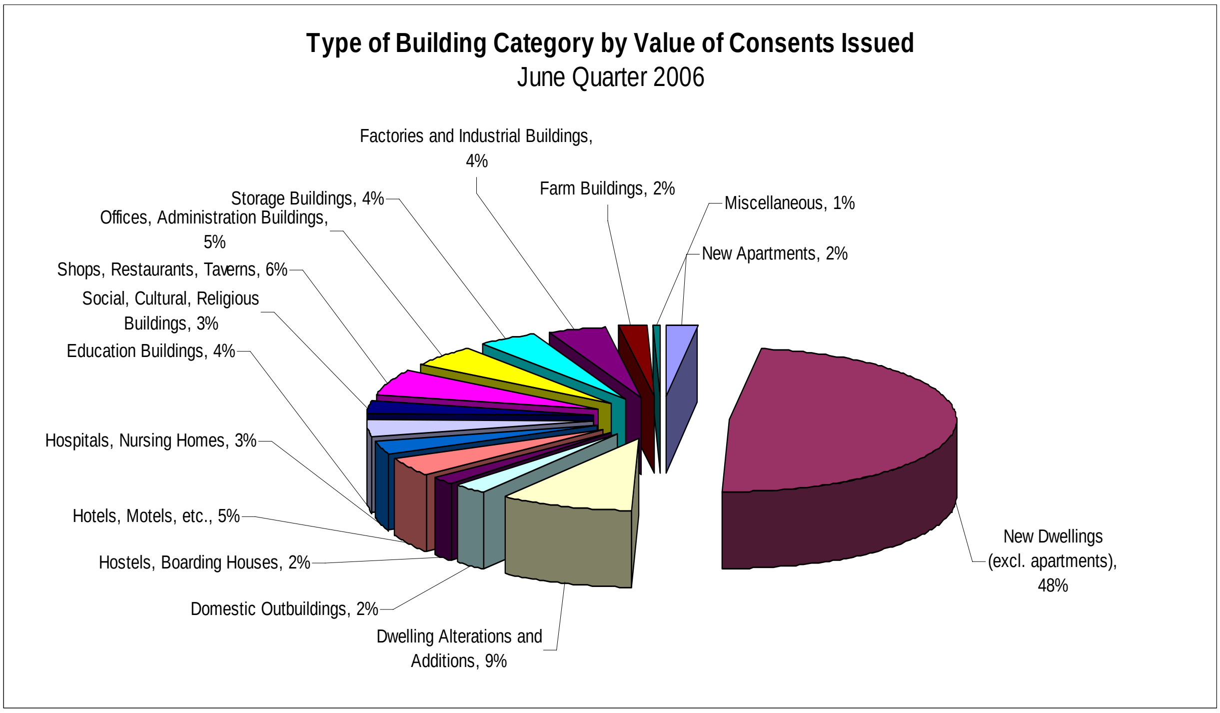
Figure 8: Trend in the monthly value of all building consents issued



Source: Statistics New Zealand

The value of new apartments as a proportion of the value of total building consents has declined to 2 percent in the June 2006 quarter.   This decline compares with a 3 percent proportion in the June 2005 quarter and 7 percent proportion in the June 2004 quarter. In contrast, the ratio of dwellings to total building consent value maintains at about 50 percent in the June 2006 quarter. The same ratio was 50 percent in the June 2005 quarter and 58 percent in the June 2004 quarter.

Figure 9: Type of building category by value of consents issued, June quarter 2006

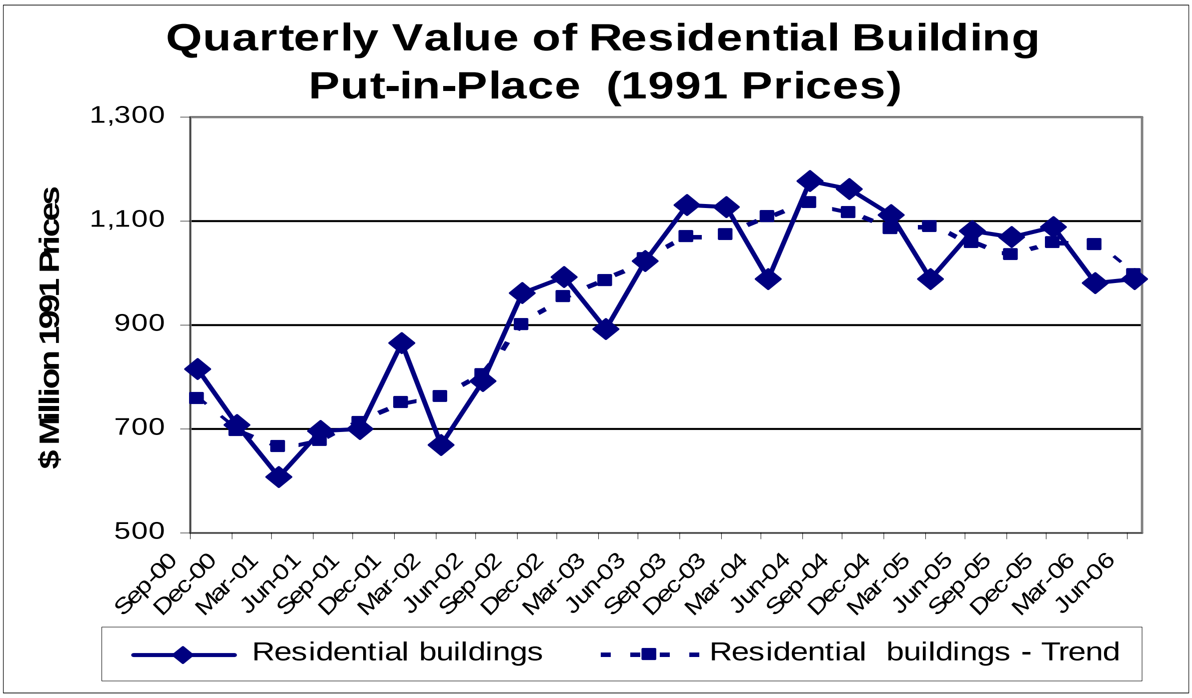


Source: Statistics New Zealand

Residential construction

The real value of residential building stabilised in 2004 and began to fluctuate on a declining trend in 2005 (Figure 10). The trend shows a decrease in the last two quarters and the real value of surveyed residential building work put-in-place in the June 2006 quarter was 8.5 percent lower than it was a year ago.

Figure 10: Quarterly value of residential building put-in-place (1991 prices)

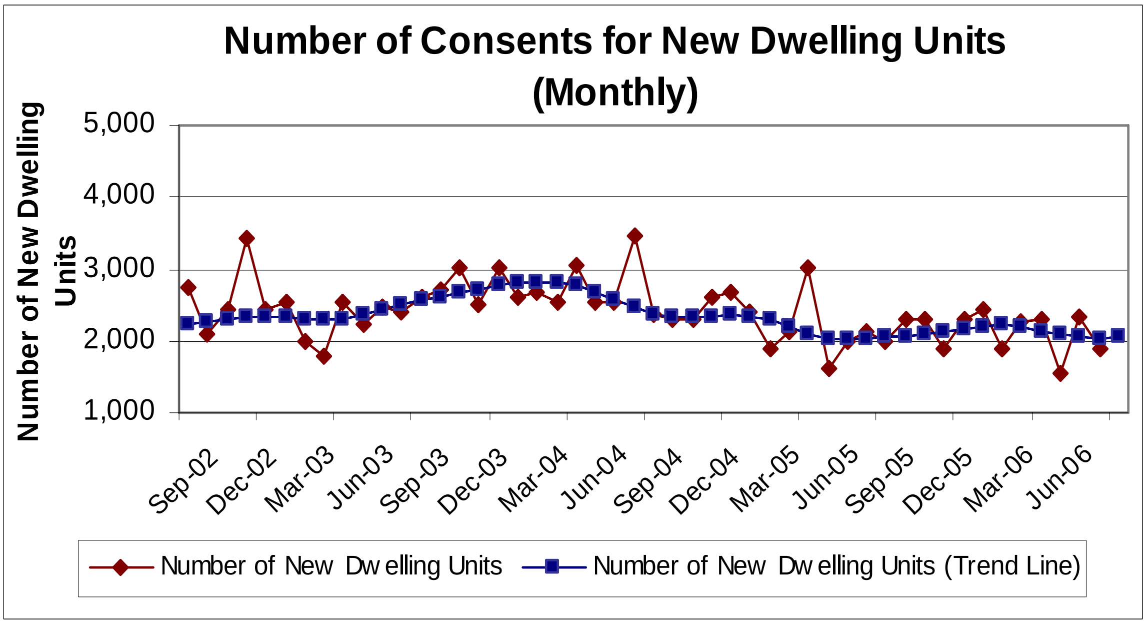


Source: Statistics New Zealand

The real value of residential building work put-in-place has lagged behind the decline in the number of new dwelling consents issued, which began a downward trend in February 2004 (Figure 11).

The number of new dwelling consents has been fluctuating around a declining trend since June 2004. Although the number of new dwelling consents issued in July 2006 was 7 percent higher than it was in July 2005. August consent figures were released after the close-off for inclusion in this publication.

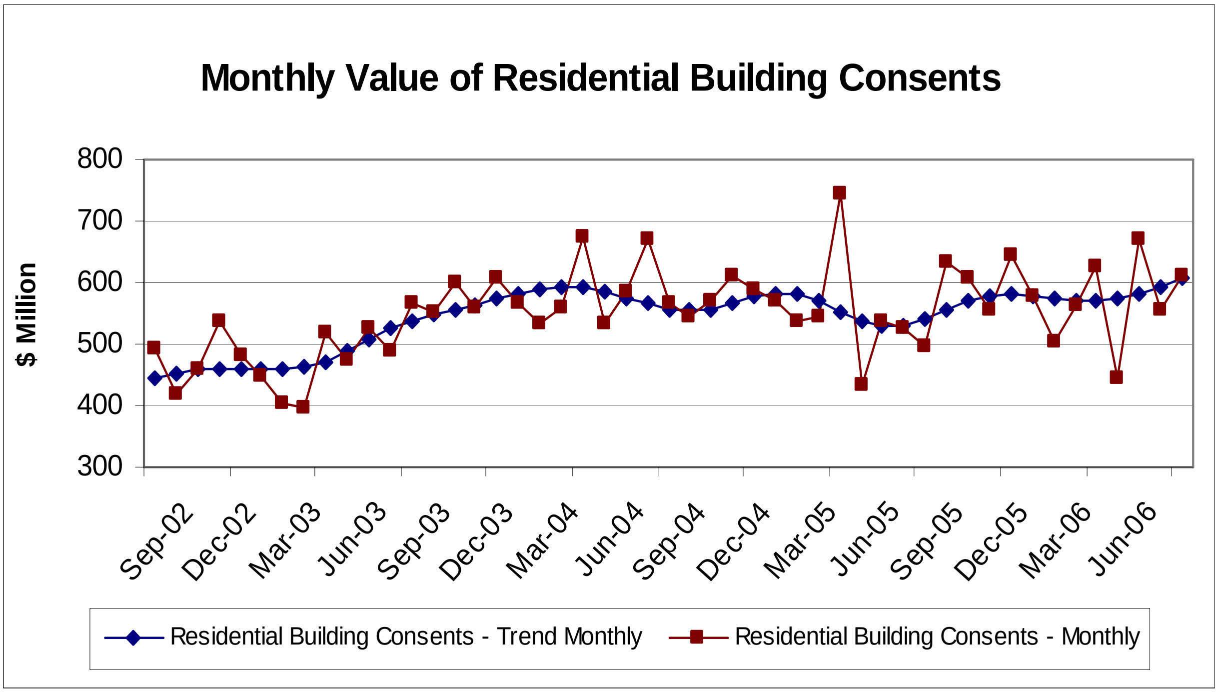
Figure 11: Monthly number of consents for new dwelling units



Source: Statistics New Zealand

Figure 12 shows the monthly value of residential building consents has been trending upwards since February 2006. This is partially explained by the increase in residential building costs.

Figure 12: Monthly trend and actual value of residential building consents



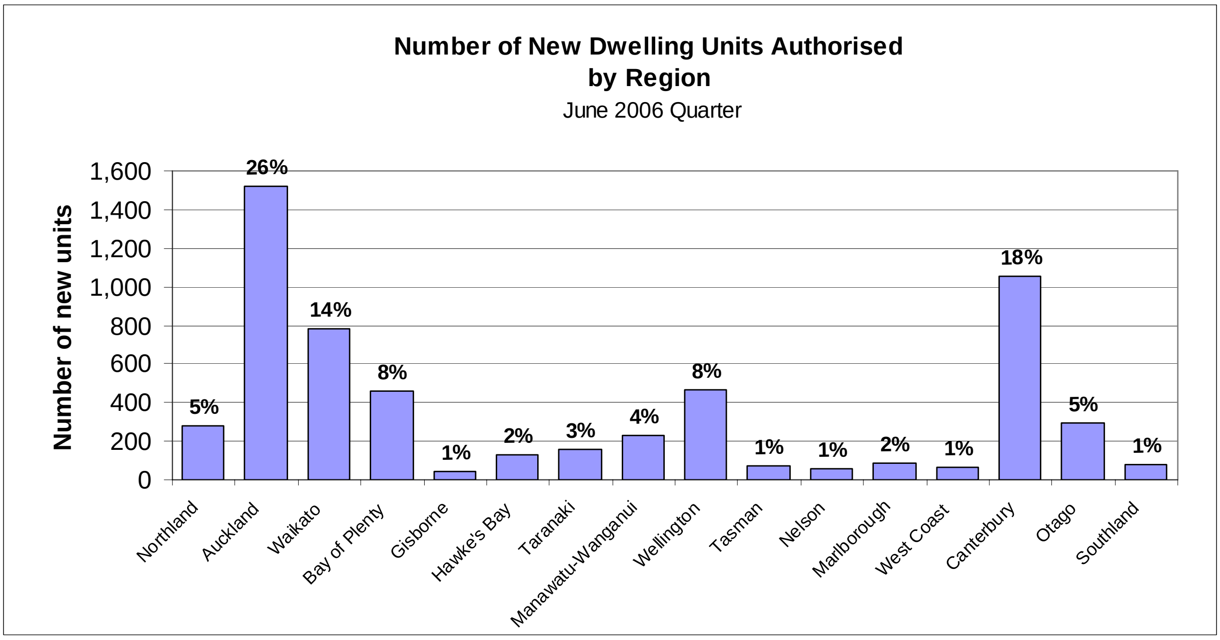
Source: Statistics New Zealand

In the Reserve Bank's September 2006 Monetary Policy Statement, the Bank expected declines in real fixed residential investment. The Bank was picking a fall in real fixed residential investment of 6 percent in the 2007 March year.

New dwelling construction across regions

The distribution of new dwelling consents varies across different regions in the country. The regions that experienced decreases from the June 2005 quarter to June 2006 quarter were Auckland (-1 percent), Hawke's Bay (-1 percent) and Marlborough (-1 percent). The regions that experienced increases in the share of new dwelling construction were Taranaki (1 percent), Wellington (1 percent) and Canterbury (3 percent).

Figure 13: Regional spread of new dwelling consents (June 2006 quarter)

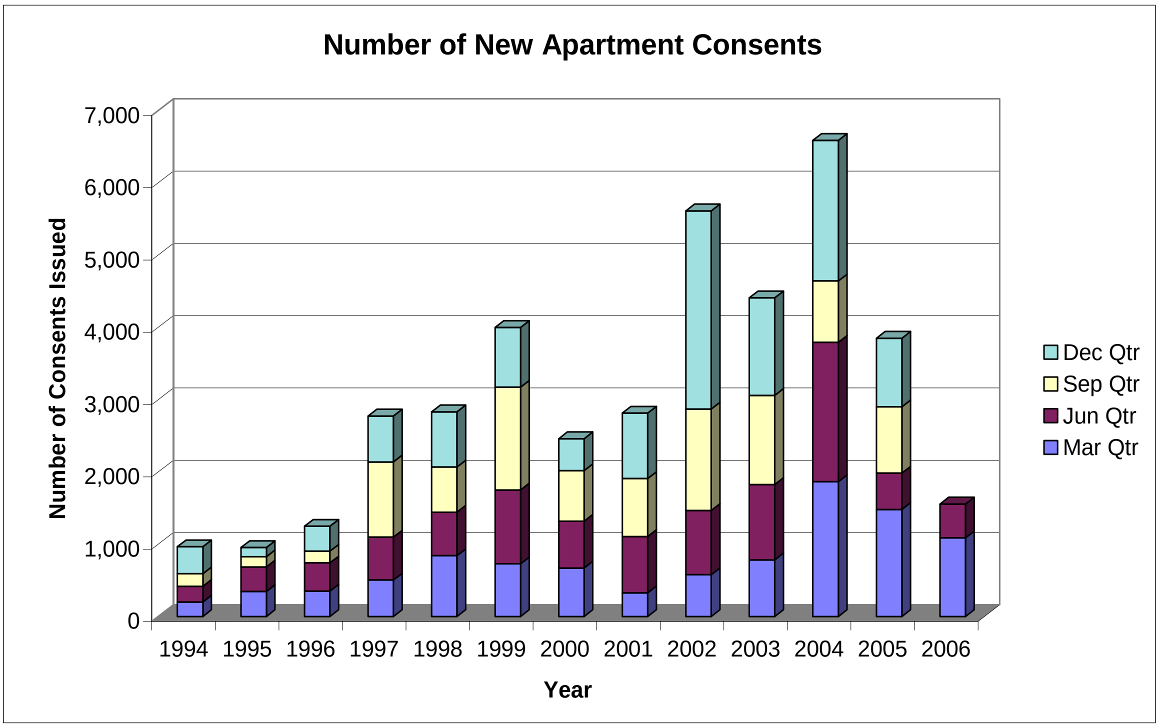


Source: Statistics New Zealand

Apartment consents

The number of apartment consents issued in the June 2006 quarter was 486. This is the lowest number for a June quarter since 1997. This brings the number of apartment consents issued to 3422 for the year to June 2006. The yearly number of apartment consents has been declining since its peak of 6586 in the year ended December 2004. The number of apartment consents issued in the first 7 months of 2006 is 22.9 percent lower than the same period in 2005, suggesting that the number of apartment consents may be lower in the 2006 calendar year.

Figure 14: Number of new apartment consents

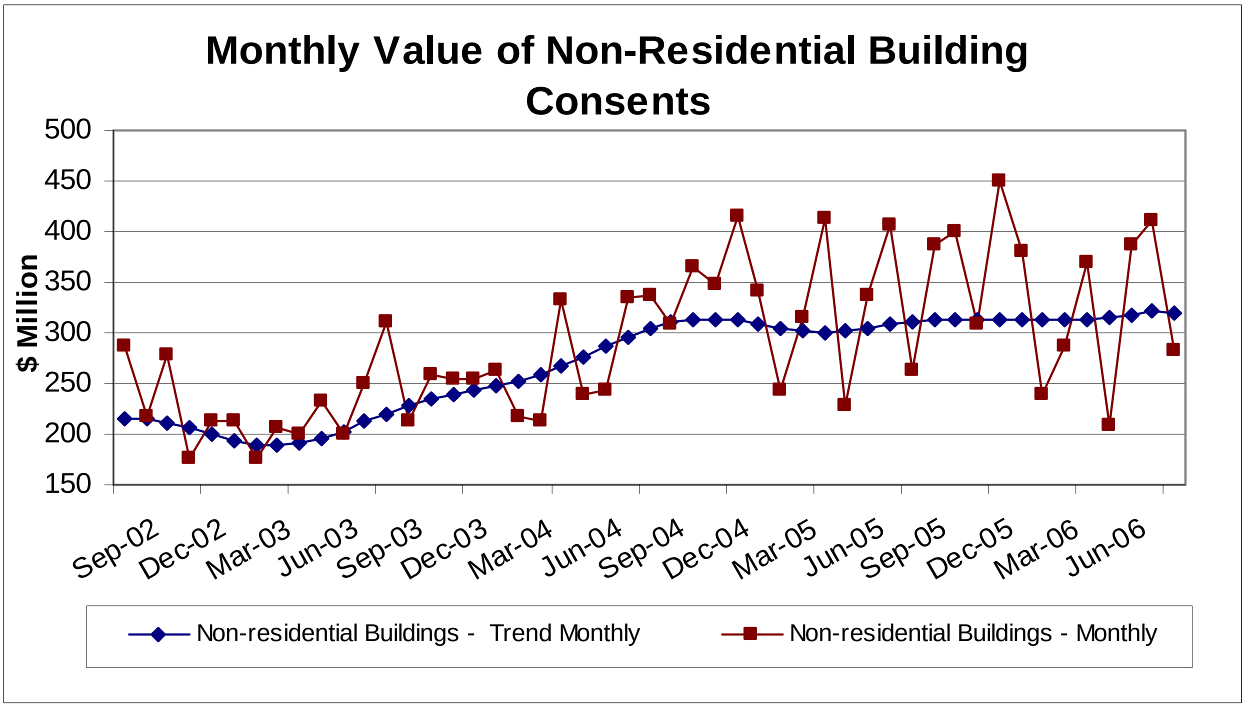


Source: Statistics New Zealand

Non-residential construction

The trend value of non-residential building consents has increased slightly since January 2006 (Figure 15) and consent values remain at relatively high levels.

Figure 15: Monthly value of non-residential building consents

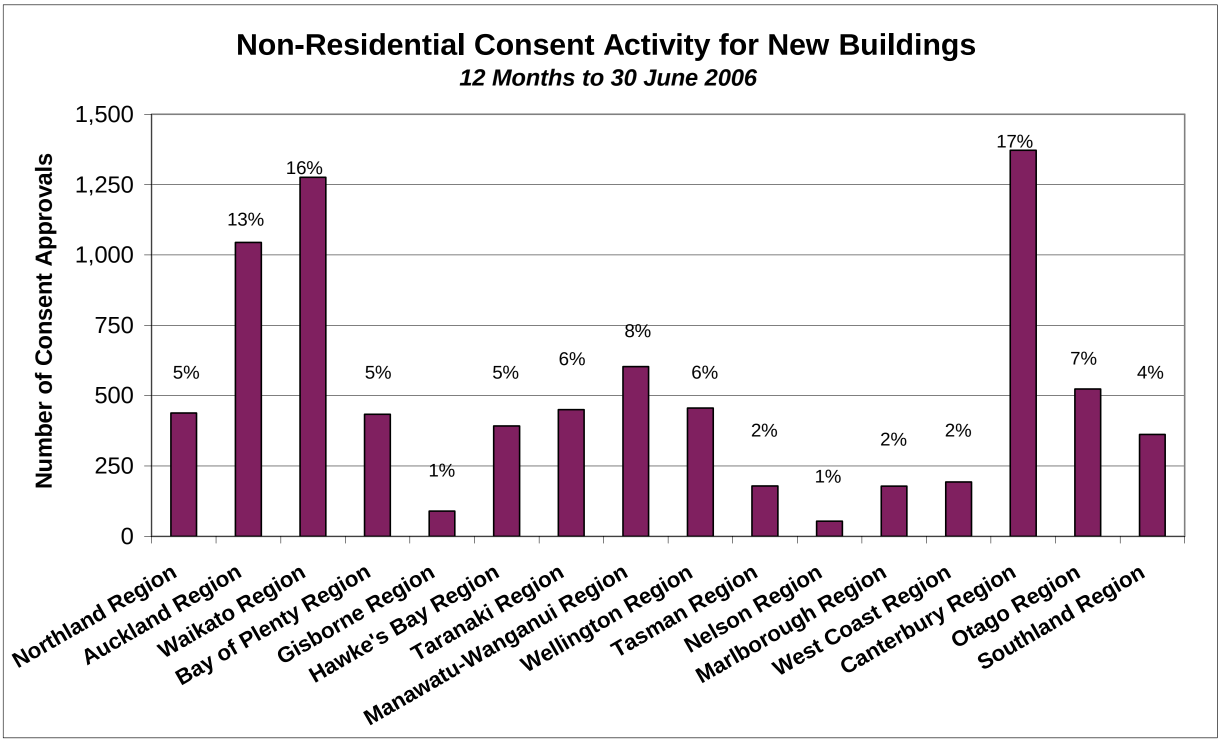


Source: Statistics New Zealand

In the last quarter, we noted slight declines were recorded in the relative share of non-residential consent numbers in the Northland, Auckland and Bay of Plenty regions. The situation remained the same in the June 2006 quarter.

However, the relative share of non-residential consents went up slightly in the Taranaki, Wellington and Otago regions.

Figure 16: Non-residential consents for all regions in the year ended June 2006



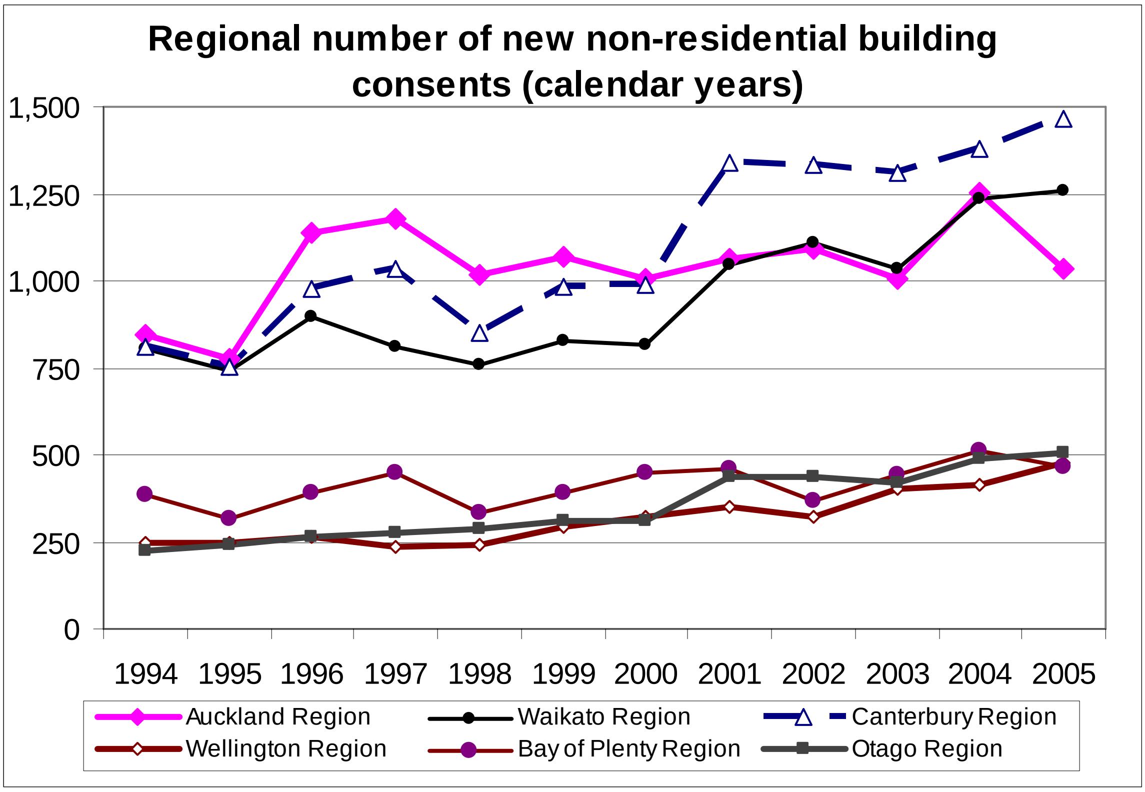
Source: Statistics New Zealand

The main regions that experienced an increase in numbers of non-residential consents from the 2004 to 2005 calendar years were Waikato, Wellington, Canterbury and Otago. Consents issued fell in Auckland and the Bay of Plenty for the same period.

Non-residential consent numbers are growing strongly in the Canterbury and Waikato regions. Over the last decade, consent numbers have been stable in the Auckland region, even though the population has increased significantly. Stable consent numbers in Auckland could be due to an increase in the average size of single consents.

Canterbury has overtaken the Auckland region in the number of non-residential consents issued since 2001. Wellington has also enjoyed strong growth in consent numbers since 2003.

Figure 17: Regional number of new non-residential building consent (calendar years)

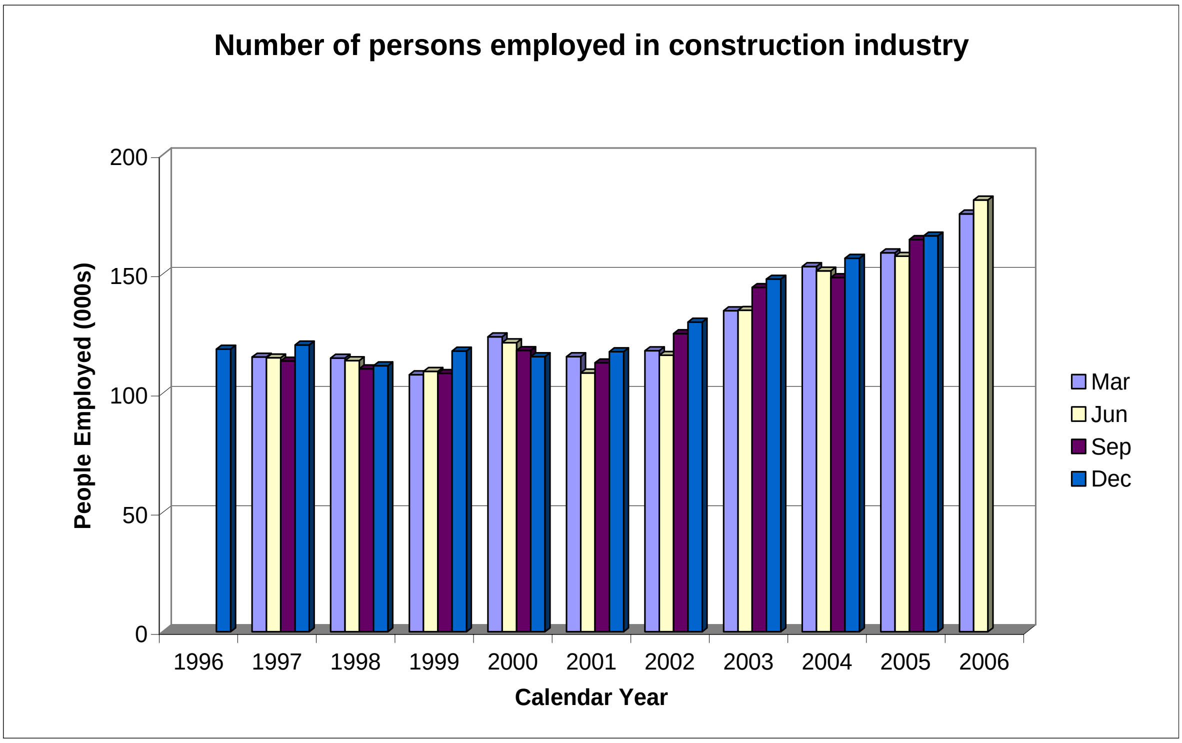


Source: Statistics New Zealand

Labour market

In recent years, the number of people employed in the construction industry has increased steadily. Despite the winter months (which typically see a lower level of activity in the construction industry), the number of people employed in the construction industry grew to 181,000 in the June 2006 quarter, according to Statistics New Zealand's Household Labour Force Survey. This is equivalent to a 3.3 percent increase in employment numbers over the previous quarter, compared to the usual decrease in employment numbers from the March to June quarters in the last 2 years. The increase in employment in the construction industry reflects the strong demand in the industry.

Figure 18: Number of people employed in the construction industry

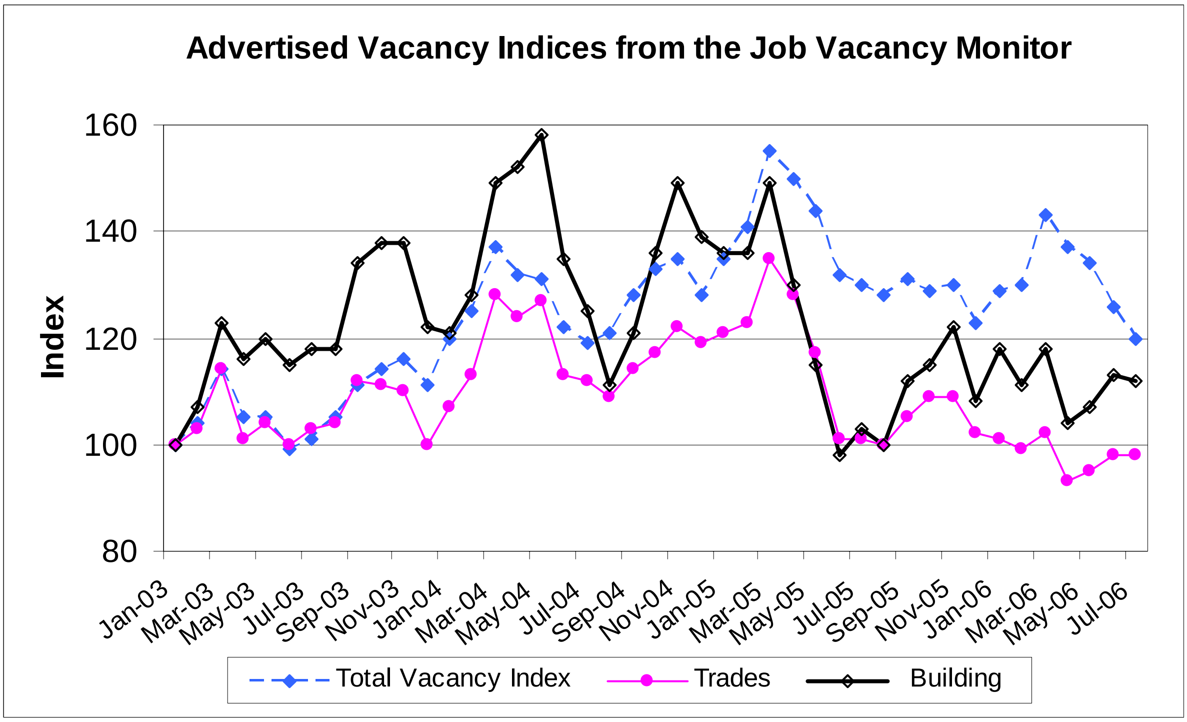


Source: Statistics New Zealand

The Job Vacancy Index from the Department of Labour measures the change in advertised vacancies over time. The total vacancies index when measured yearly has been declining since October 2005. The annual decline was 10.9 percent for the year ended August 2006.

The Building Trade Vacancy Index (which measures the change in advertised vacancies for building trade occupations over time) increased 2 percent in the same period. The index declined annually on a month-on-month basis between April 2005 and May 2006, and then increased in June to August 2006. The annual month-on-month decline in the index suggests an easing of the previously tight labour supply to the building sector between April 2005 and May 2006. However, the increase in the last 3 months suggests more vacancies were advertised for the building sector.

Figure 19: Advertised Vacancy Indices from the Job Vacancy Monitor



Source: Department of Labour

Building costs

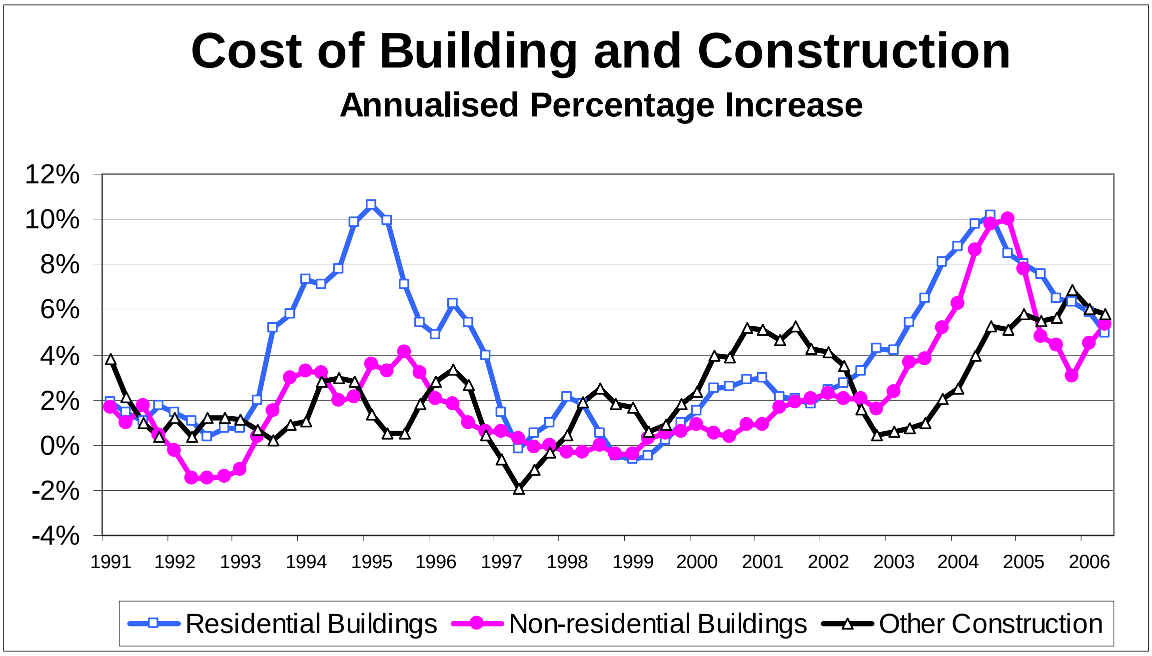
The Department of Building and Housing provides biannual building cost estimates for various building types by region. The latest result indicates that in July 2006, the cost of building a typical 145 square metre house in New Zealand was $1,588 per square metre, while a typical 202 square metre house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

The Capital Goods Price Index (CGPI) measures the movements in the average levels of prices of various groups of fixed capital assets within the New Zealand economy. According to the CGPI for residential buildings, the annual rate of inflation reached a peak of 10.2 percent in the September 2004 quarter and has since slowed down. The annual rate of increase in residential building costs was 4.9 percent in the June 2006 quarter. Non-residential building and other construction building costs also recorded increases in the same period. Building costs were 5.4 percent higher for non-residential buildings and 5.8 percent higher for other construction (such as roads and infrastructure) in the June 2006 quarter than a year ago. These rate increases are higher than the increase in the overall CGPI, which was 3.4 percent in the June 2006 quarter.

The cost of inputs to the construction industry measured by the Producer Price Index from Statistics New Zealand rose at an annual rate of 9.5 percent in the June 2006 quarter. Ready-mixed concrete prices increased 4 percent, while framing timber prices fell 1.6 percent over the same period.

Wage rates and salary rates in the construction industry rose at an annual rate of 3.9 percent in the June 2006 quarter, which is higher than an annual rate of 3 percent as measured by the Labour Cost Index for all industries in the economy.

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

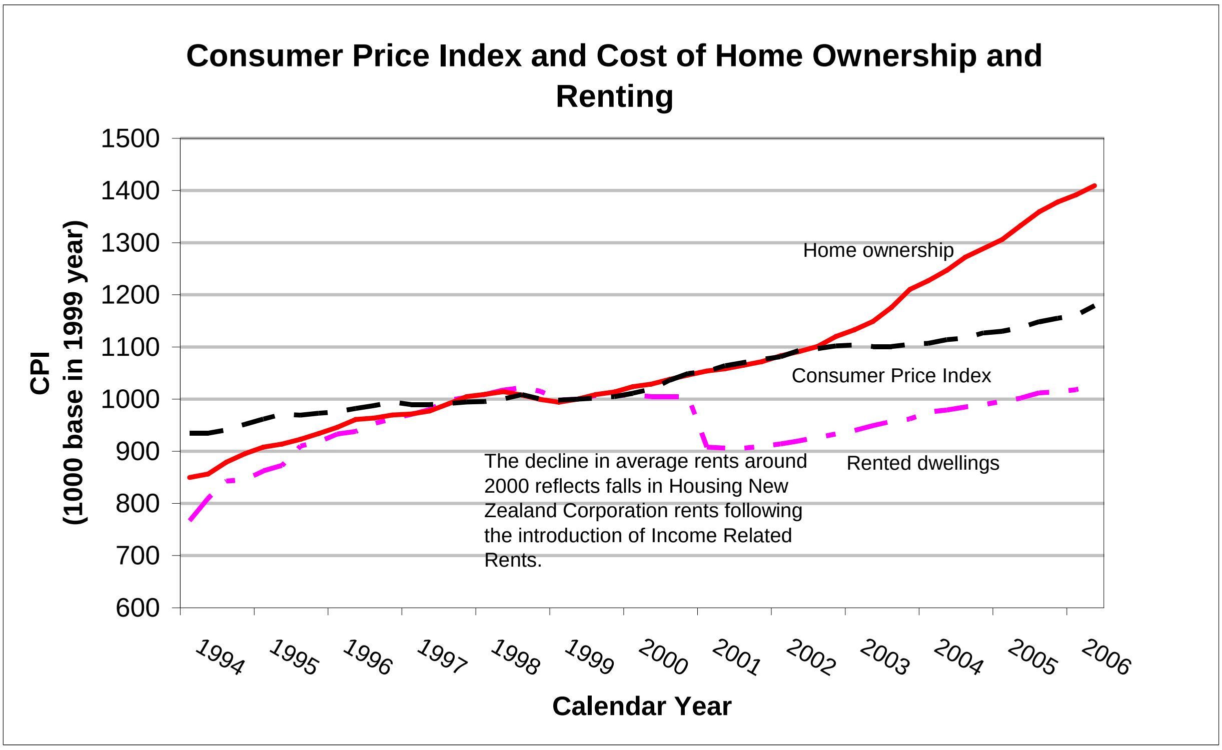


Source: Statistics New Zealand

Renting and homeownership costs

The annual inflation rate increased for both rents and homeownership in the June 2006 quarter. Rents increased by 2.6 percent in the year to June 2006 compared to 2.2 percent in the year to March 2006. Homeownership costs rose by 5.7 percent in the year to June 2006 compared to 6.6 percent in the year to March 2006. The rise in rental cost is slower than the general inflation rate of 4 percent as at June 2006, as measured by the Consumer Price Index. However, the current gap between the cost of homeownership and rents continues to widen.

Figure 21: Consumer Price Index and cost of homeownership and renting



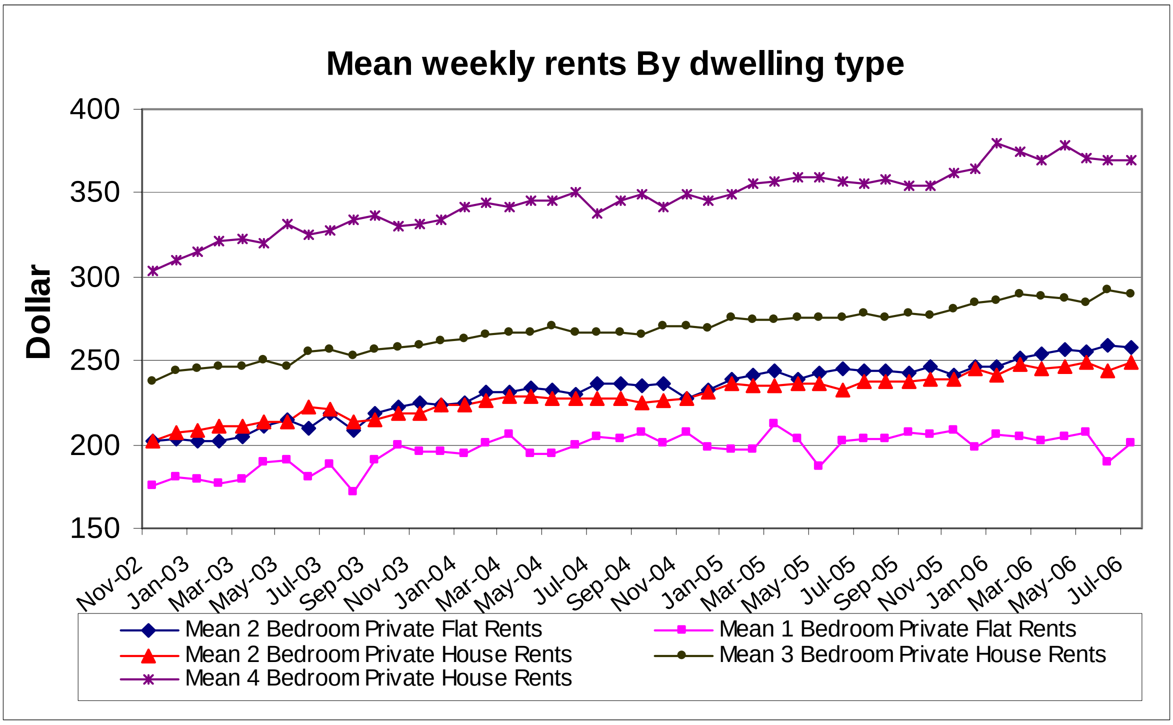
Source: Statistics New Zealand

Cost and volume of renting by dwelling type

Tenancy bond data from the Department of Building and Housing indicates that in July 2006 average rents for new tenancies provided by private landlords for one-bedroom flats were around $201, two-bedroom flats $258, two-bedroom houses $249, three-bedroom houses $290 and four-bedroom houses $370.

The bond data for these dwelling types suggests that private market rents for new tenancies increased in the 4 months to July 2006. The yearly increase for one-bedroom flat rents was 0.9 percent for the 4 months to July 2006, two-bedroom flat rents was 6 percent, two-bedroom house rents was 4.9 percent, three-bedroom house rents was 4.3 percent and four-bedroom house rents was 4 percent.

Figure 22: Mean weekly rents by dwelling type



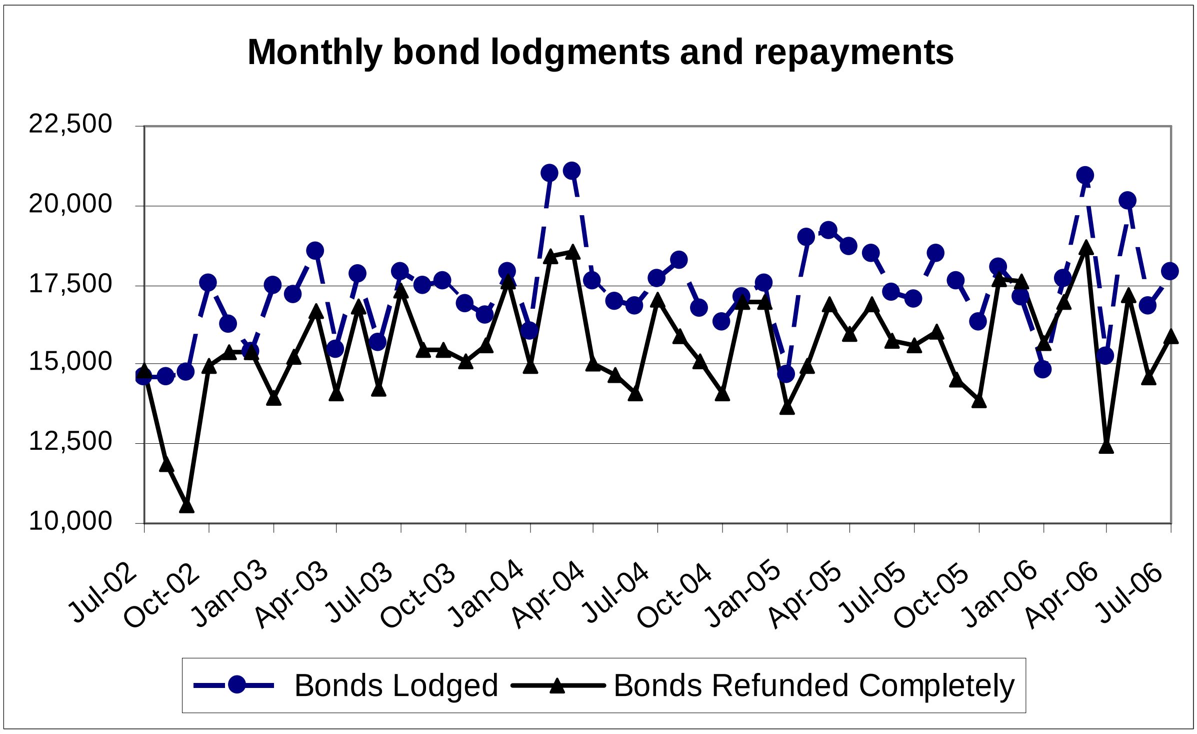
Source: Department of Building and Housing

The number of tenancy bonds lodged and repaid

The proportion of dwellings rented in New Zealand has been rising since 1991, according to the Census of Population and Dwellings. At the 1991 Census, 73.8 percent of households lived in their own dwellings and did not rent. By 2001 this percentage had declined to 67.8 percent. The number of dwellings not owned by those living in them, but who make rental payments totalled 359,000 in the 2001 Census. At the same time there were approximately 263,000 active bonds.

The number of bonds being lodged and repaid (Figure 25) might suggest that over the last 3 years the trend towards renting has continued. It is important to note that the number of bonds lodged will not accurately indicate the number of tenanted dwellings, since some properties have no bond attached or lodged, and some properties have a number of bonds attached. Furthermore, the bond lodgement numbers reflect the number of transactions processed, while the refund numbers are for bonds reduced to a nil balance.

Figure 23: Monthly bond lodgements and repayments



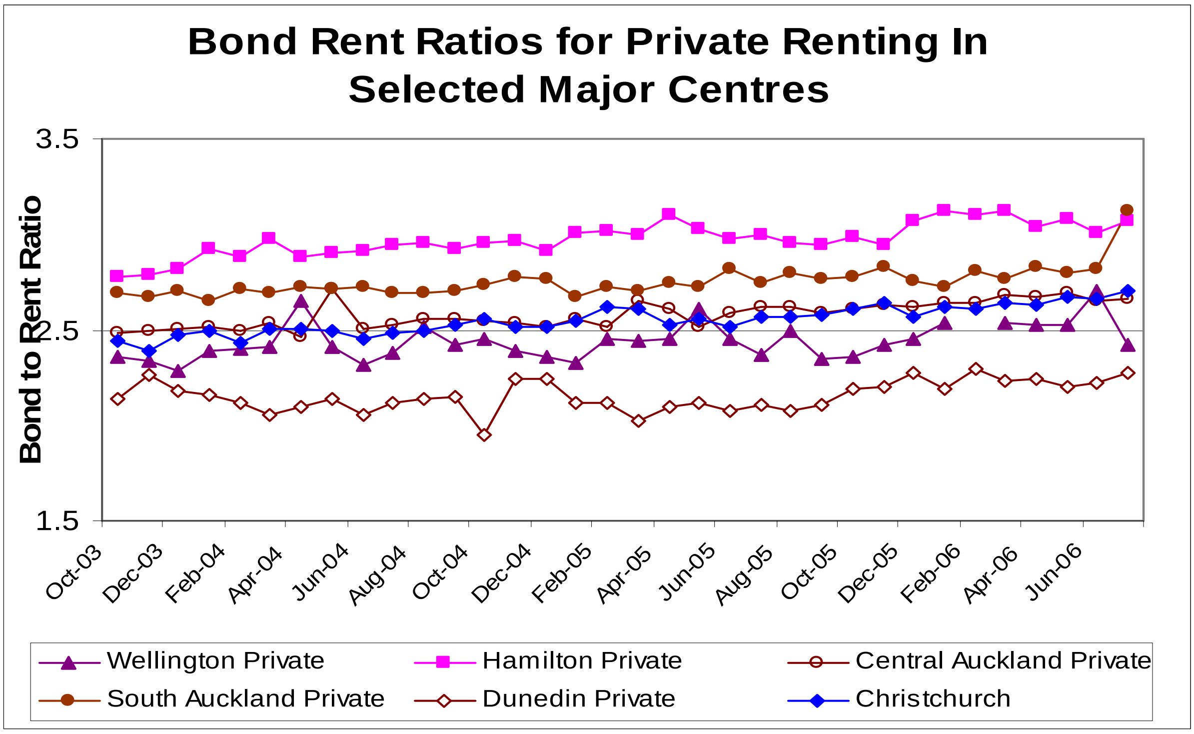
Source: Department of Building and Housing

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

Landlords can legally charge a bond of up to 4 weeks' rent that may be used to cover any unpaid rents, damages or claims. Bonds are held by the Department of Building and Housing for both the landlord and the tenant. The measure of bond/rent ratio provides relevant information on the rental market, underlying demand and supply of tenanted properties, and the level of risks landlords perceive exists for their rented properties.

The average bond-rent ratio in July 2006 was 2.72 across major centres (Figure 27). Although the bond-rent ratios are increasing over time, different centres have different bond-rent ratios. Hamilton registers the highest bond-rent ratio and Dunedin the lowest bond-rent ratio over time.

Figure 24: Bond rent ratios for private rental in selected major centres



Source: Department of Building and Housing

Building quality and performance

Weathertightness issues

The Weathertight Homes Resolution Service (WHRS) was set up by the Government in November 2002 to help homeowners resolve disputes over leaky 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 involved in the claim both to the claimant and an evaluation panel. Claimants may choose either mediation or adjudication (or both) if the evaluation panel decides the claim is eligible under section 12 of the Weathertight Homes Resolution Services Act 2002. The number of accepted claims totalled 1154 in the year to 30 June 2005, and 1064 in the year to 30 June 2006.

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	1358	275	120	1753	40%
North Shore City Council	373	176	66	614	14%
Wellington City Council	240	86	66	392	9%
Waitakere City Council	299	56	13	368	8%
Christchurch City Council	151	65	51	267	6%
Rodney District Council	96	53	16	165	4%
Tauranga District Council	67	33	43	143	3%
Manukau City Council	70	40	25	135	3%
Hamilton City Council	43	19	15	77	2%
Porirua City Council	18	14	20	52	1%
Others	194	126	139	459	10%
Total	**2909**	**943**	**574**	**4425**	**100%**

NOTES:

1. Accepted WHRS claims – Applications that the WHRS considers under section 9(4) of the WHRS Act 2002 are capable of meeting eligibility criteria under section 7 of the Act.

2. Active WHRS claims – Accepted WHRS claims that may or may not 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. 3036, or 69 percent of the total accepted WHRS applications, originate from the defined Auckland region as at 31 June 2006.

Source: Department of Building and Housing

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

Claims are restricted to private dwellings where the dwelling/alteration has been built and/or occupied within the 10 years of application to the WHRS. A multi building refers to a property 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	Total
Standalone	470	384	312	330	**1496**
From a multi with 1 claim	124	74	42	45	**285**
From a Multi with 2–10 claims	140	201	127	243	**711**
From a Multi with 11–20 claims	63	227	111	88	**489**
From a Multi with > 20 claims	125	399	562	358	**1444**
Total	**922**	**1285**	**1154**	**1064**	**4425**

NOTES:

1. The Department of Building and Housing financial year is July to June.

2. For statistical purposes, the term 'multi' means a claim from a property or complex from which multiple claims may arise. For example, it may be a block of apartments or two or more townhouses built on the site with a common developer and/or builder, plumber, etc. The dwellings may or may not have common property and may or may not have a body corporate structure.

3. The split of multi claims into complex size indicates the volume of claims from large and small multi complexes.

4. Read the second to last row as: in the Department's financial year of 2002/03, the WHRS accepted 125 multi claims from complexes that had more than 20 accepted WHRS claims from that complex. Up to 30 June 2006, the WHRS had accepted 1444 claims or 33 percent of total accepted WHRS claims from complexes with more than 20 claims.

5. 81 percent of multi-type claims are within the Auckland region, as defined previously (see Table 2, Note 5).

6. 97 percent of multi claims from complexes with more than 20 claims are within the Auckland region, as defined previously.

Source: Department of Building and Housing

Building Code waivers

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

Nineteen waivers were issued during the June quarter (Table 4). This compares to the long-term average of 30 waivers per quarter.

C3 Spread of Fire waivers feature prominently in the June quarter figures, making up 42 percent of total waivers. This is consistent with the past quarter average of 40 percent of total waivers. In the June quarter 50 percent of the C3 waivers arose from a building being too close to a boundary. In these situations the Building Code requires measures to be taken to prevent spread of fire to adjacent property. Territorial authorities often waive the fire-rating requirement where these boundaries are beside public parks or rights of way, or other areas that are not going to be built on. In some cases, the title is marked so that, in the event of any building being erected on the adjacent area, the waiver could be withdrawn. The remaining 50 percent of C3 waivers were granted for car parks held under individual titles, usually in apartment buildings. Where each car park has a unit title, it can be held under separate ownership, in these cases the Building Code requires a firewall between adjacent parks. Generally, due to impracticality, territorial authorities waive this requirement on the condition that nothing other than a vehicle is stored in the park.

The remaining fifteen waivers during the June quarter relate to Building Code Clauses B1, B2, C4, D1 and E1 with no trends emerging.

Table 4: Building Code waivers

Territorial authority	B1 Structure	B2 Durability	C3 Spread of Fire	C4 Structural Stability During Fire	D1 Access Routes	E1 Surface Water	Total
Auckland	0	0	3	0	0	0	**3**
Christchurch	0	0	0	0	1	0	**1**
Franklin	0	1	0	0	0	1	**2**
Hastings	0	0	3	0	0	1	**4**
Invercargill	0	0	1	0	0	0	**1**
Napier	0	0	1	0	0	0	**1**
New Plymouth	0	1	0	0	0	0	**1**
North Shore	0	0	0	1	0	0	**1**
Rodney	2	1	0	0	0	0	**3**
Tauranga	1	0	0	0	0	1	**2**
Total	**3**	**3**	**8**	**1**	**1**	**3**	**19**

Source: Department of Building and Housing

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

Building Act determinations

The Building Regulations contain the New Zealand Building Code, and the Building Act contains rules about building consents and inspections. The interpretation of the Building Regulations may result in the Department receiving a request to clarify interpretations of the Building Code and territorial authorities' functions and powers under the Building Act. The Department will then decide on the request (that is, make a determination) concerning a particular situation. There has been a marked increase in the number of determinations, in particular determinations concerning cladding and weathertightness. However, the volume of determinations appears to have reduced over the previous year.

Table 5: Building Act determinations 2003-2006

Building Act Determinations 2003-2006

Calendar year	**2003**	**2004**	**2005**	**2006 to 26 July**
Cladding/weathertightness	1	68	144	52
Access and facilities for people with disabilities	5	2	4	2
Fire safety	1	2	8	2
Surface water	2	2	0	3
Swimming pool fencing	1	0	2	2
Structure	0	1	1	0
Interior environment and facilities	0	1	2	1
Land subject to natural hazards	0	1	1	2
Barrier	1	0	3	1
Other (eg, refusal to issue a code compliance certificate)	0	0	1	2
Total	11	77	166	67

Notes:

1 'Cladding/weathertightness' refers to monolithic claddings and other related weathertightness matters.

2 'Access and facilities for people with disabilities' include routes, ramps, lifts, toilets etc.

3 'Fire safety' determinations include matters such as emergency egress, fire cells, alarms, smoke detectors, and messaging to emergency services.

4 'Surface water' determinations concern stormwater and surface water run-off from one property to another.

5 'Swimming pool fencing' must comply with the Fencing of Swimming Pools Act.

6 'Structure' includes structure for safeguarding injury, loss of amenity and protection of other property.

7 'Interior environment and facilities' includes laundering, personal hygiene and management of internal moisture.

8 'Land subject to natural hazards' refers to determinations concerning coastal erosion, and land subject to flooding and instability.

9 'Barrier' refer to desk barriers, stair balustrades and the like.

10 'Other' includes refusal to issue a building consent or code compliance certificate for procedural reasons other than Building Code compliance.

Source: Department of Building and Housing

Update on regulatory development

Building Code Review

On 27 May 2006 the Minister for Building Issues announced the release of the discussion document *Building for the 21st Century: Review of the Building Code*. Public submissions closed on 31 August.

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 Issues by 30 November 2007 with recommendations setting out amendments to the Building Code that are necessary or desirable.

The review is required to consider:

- whether the Building Code complies with the requirements of the Act
- whether the performance standards for buildings are stated clearly

The Building Act 2004 is underpinned by a new purpose and principles, which the review needs to take into account. Promoting sustainable development and the wellbeing of building users are two new requirements that will add to the scope of the Building Code.

The discussion document:

- discusses the factors that might affect how we shape a Building Code for the future
- sets out a possible scope and content for a new Building Code
- presents ideas about a structure for a new Code, how performance criteria could be developed and the Code's relationship with Compliance Documents.

The implementation of any changes to the Building Code, and to the Compliance Documents that support the Building Code, will occur after 30 November 2007.

Guidance

A guidance document *Constructing cavities for wall claddings* was published and distributed to builders, designers, building officials and the industry in June. The practical and easy-to-follow guide explains drained and vented cavity construction for timber-framed buildings, as described in the Acceptable Solution for Building Code Clause E2 External Moisture, E2/AS1. It is designed to help those involved in design, construction and weathertightness compliance understand cavities to help ensure buildings are well built.

Drained and vented cavities are an important component of weathertight construction for higher-risk situations. Recent science and research has identified 'drainage' and 'drying' of water as critical features of cavities. The guide outlines why cavities are important, the essential features of cavity construction and the correct materials to use. It is essential reading for anyone involved in light timber-framed construction. It is in a handy A5 format and contains coloured illustrations to demonstrate the steps to follow.

The Department also published another Practice Advisory in June. This is the eighth in the series designed to improve structural engineering practice. *Practice Advisory 8 – Don't be undone – anchor your spiral* is directed at concern about continuing poor design and construction practice in the anchorage and splicing of spiral reinforcing in circular columns and piles.

The guides are published as guidance information under section 175 of the Building Act. Additional copies can be downloaded free from the Department's website (www.dbh.govt.nz). Hard copies can be obtained from the Department by calling 0800 242 243.