Department of
Building and Housing
Te Tari Kaupapa Whare

Building and Housing Trends: October to December 2007

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Introduction

This *Building and Housing Trends* publication covers the period from 1 October to 31 December 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. Some of the information and figures have been developed by the Department of Building and Housing (the Department) from our databases and other internal information. Preparing this report reflects our strategy of building and enabling access to sector-related information and knowledge.

Executive summary

The economy

New Zealand's economic activity increased by 2.7 percent in the year to September 2007. The previous year's increase was 1.6 percent (to September 2006). This is measured by inflation-adjusted or real GDP. However, the construction industry output declined in real terms by 0.1 percent in the year to September 2007, compared to a 0.4 percent growth in the year to September 2006.

The number of people employed in the construction industry was 181,700 in the December 2007 quarter. However, this is 5.2 percent lower than a peak of 191,700 recorded in the December 2006 quarter.

Inflation in the housing sector has been hovering around 5 percent since the December 2005 quarter according to the 'housing and household utilities' group index within the Consumers Price Index (CPI). Inflation in the housing sector was 5.2 percent between the December 2006 and December 2007 quarters, which was slightly higher than the 5.1 percent between the September 2006 and September 2007 quarters.

Inflation for the purchase of new housing was 6.1 percent between the December 2006 and December 2007 quarters, compared to the 5.8 percent increase between the September 2006 and September 2007 quarters.

Actual rents for housing increased by 2.9 percent between the December 2006 and December 2007 quarters, compared to 3.1 percent between the September 2006 and September 2007 quarters.

The earlier downward inflation trend was reversed in the December 2007 quarter where general price inflation (as measured annually by the CPI) was at 3.2 percent in the December 2007 quarter, compared to 1.8 percent in the September 2007 quarter and 2.6 percent in the December 2006 quarter. The December 2007 quarter data also shows that rent inflation is now lower than general price inflation.

The housing sector

The housing data has shown signs of a slowing housing market, with smaller price increases and lower numbers of sales in recent months. In December 2007, the median house price from the Real Estate Institute of New Zealand (REINZ) was at $345,000, 4.5 percent up on $330,000 in December 2006. This is the slowest annual growth rate in median house prices recorded since June 2002. The annual increase in the median house price was 8.0 percent in the year to October 2007 and 6.7 percent in the year to November 2007.

Sales activity declined overall this quarter, though there was a spike in activity in October and November 2007. The monthly sales volume was 5,597 in December 2007 (Figure 5)[1]. This is significantly lower than the 8,245 transactions in December 2006, and lower than the 6,906 transactions in December 2005.

[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.

The median number of days to sell a property in December 2007 was 36 days, significantly higher than the 29 days it took in December 2006 and the 27 days it took in December 2005 (see Figure 6).

Tenancy bond data for December 2007 shows that average weekly rents for new tenancies of most dwelling types provided by private landlords are rising compared to the same time a year ago. The rent for a two-bedroom house grew the most at a rate of 7.5 percent, followed by a four-bedroom house at 7.0 percent, a three-bedroom house at 6.3 percent, a two-bedroom flat at 5.8 percent, and a one-bedroom flat at 5.2 percent.

The building sector

The value of all 'building work put-in-place'[2] when adjusted for inflation, fell by 1 percent in the September 2007 quarter compared to the September 2006 quarter. The yearly value of all 'building work put-in-place' (when adjusted for inflation) has fallen since the September 2006 quarter. This decline in the level of actual building work is consistent with the fall in annual construction industry output since the December 2006 quarter.

Building activity continued to be largely made up of residential building work, which accounted for 64 percent of the value of all building work in the September 2007 quarter. This was slightly higher than the 63 percent for the June 2007 quarter, but was below the peak of 67 percent in the June 2003 quarter.

Building consent data shows a downward trend for the number of new dwelling units from July 2007 onwards. The number of new dwellings approved in the last four months to December 2007 was markedly lower than during the same time a year ago and, as a result, the overall number for the calendar year 2007 was 1.6 percent lower than for the calendar year 2006.

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

The value of consented non-residential buildings remained high and at a stable level. The unadjusted value decreased marginally by 0.6 percent in December 2007 compared to December 2006. The unadjusted value was 15.3 percent higher in October 2007 than in October 2006, and 6.7 percent higher in November 2007 than in November 2006.

Inflationary pressures continue to exist for capital, production and labour in the construction industry. Between the December 2006 and the December 2007 quarters, the price increase measured by the Capital Goods Price Index (CGPI) was 5.1 percent for residential building, 1.4 percent for non-residential building and 3.3 for other construction. The Producers Price Index (PPI) for inputs measuring the production cost for construction increased 5.1 percent; and labour costs (as measured by the labour cost index - salary and wage rates) increased 3.5 percent for building trade workers and 3.2 percent for the construction industry.

[2] Statistics New Zealand's building work put-in-place is a dollar measure of a construction job done on residential or non-residential building. This data supplements building consent statistics to estimate the amount spent on building projects in a given quarter.

The economy

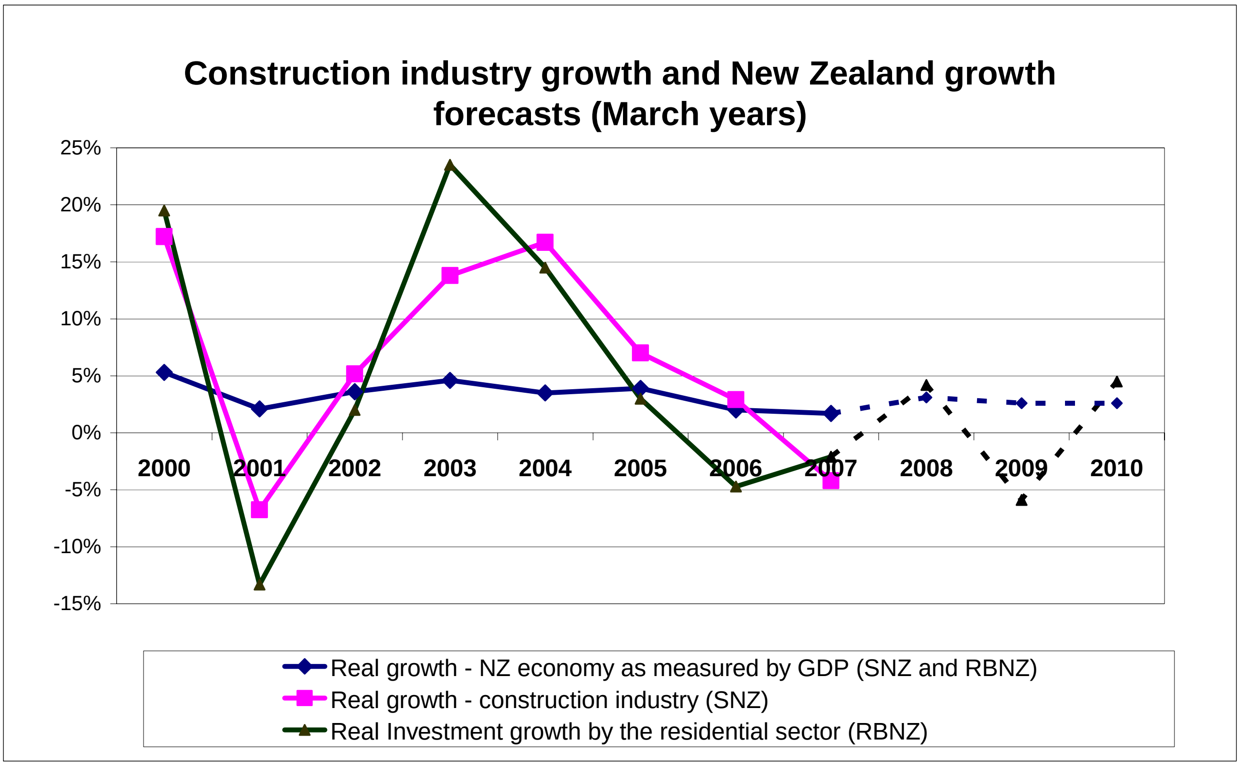
Economic growth and industry outputs

New Zealand's economic activity increased by 2.7 percent in the year to September 2007. The previous year's increase was 1.6 percent (to September 2006). This is measured by inflation-adjusted or real GDP.

By contrast, the construction industry output declined in real terms 0.1 percent in the year to September 2007, compared to a 0.4 percent increase in the year to September 2006.

In the December 2007 Monetary Policy Statement, the Reserve Bank forecast real investment (as measured by inflation adjusted Gross Fixed Capital Formation) to increase by 4.3 percent in the year to March 2008. Over this period, real 'fixed residential investment' is expected to grow by 4.2 percent, real 'business investment' by 4.4 percent and real 'non-market government sector investment' (government spending on infrastructure is an important component of non residential construction) by 4.0 percent.

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

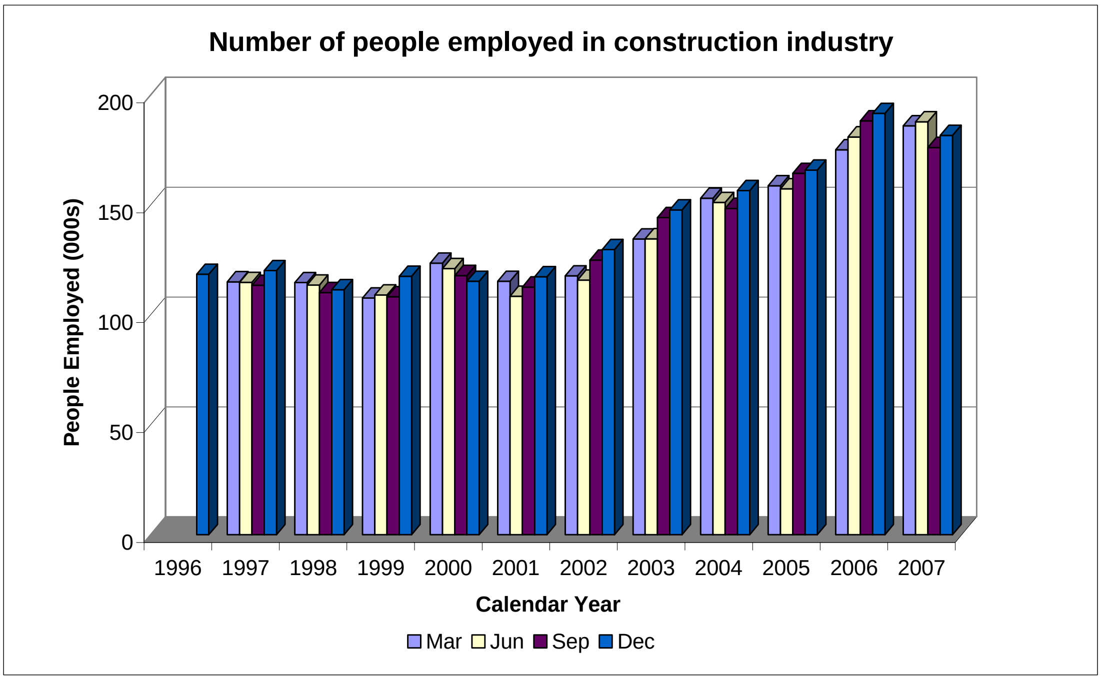


Source: Reserve Bank and Statistics New Zealand

Labour market

The number of people employed in the construction industry was 181,700 in the December 2007 quarter. This is an increase of 3.1 percent from the 176,200 employed in the September 2007 quarter, but a decrease of 5.2 percent from the 191,700 employed in the December 2006 quarter. On an annual average basis, construction employment numbers have started to decline from the September 2007 quarter onwards.

Figure 2: Number of people employed in the construction industry



Source: Statistics New Zealand

Cost of purchase of new housing and renting

Inflation in the housing sector 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.

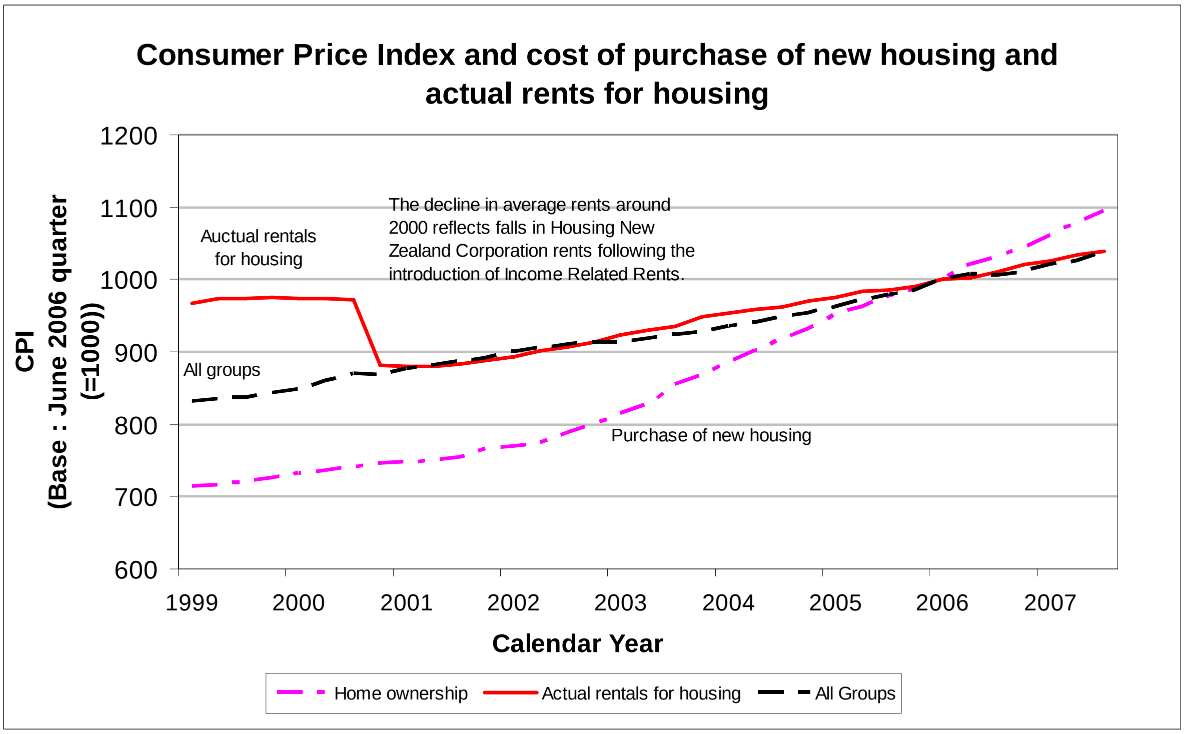
Inflation in the housing sector has been hovering around 5 percent since the December 2005 quarter according to the 'housing and household utilities' group index within the Consumers Price Index (CPI). Inflation in the housing sector was 5.2 percent between the December 2006 and December 2007 quarters, which was slightly higher than the 5.1 percent between the September 2006 and September 2007 quarters.

Inflation for the purchase of new housing was 6.1 percent between the December 2006 and December 2007 quarters, compared to the 5.8 percent increase between the September 2006 and September 2007 quarters.

Actual rents for housing increased by 2.9 percent between the December 2006 and December 2007 quarters, compared to 3.1 percent between the September 2006 and September 2007 quarters.

General price inflation (as measured by the Consumers Price Index) was 3.2 percent in between the December 2006 and December 2007 quarters compared to 1.8 percent between the September 2006 and September 2007 quarters. This also means that rent inflation is now lower than general price inflation.

Figure 3: Consumers Price Index and the cost of purchase of new housing and actual rents for housing



Source: Statistics New Zealand

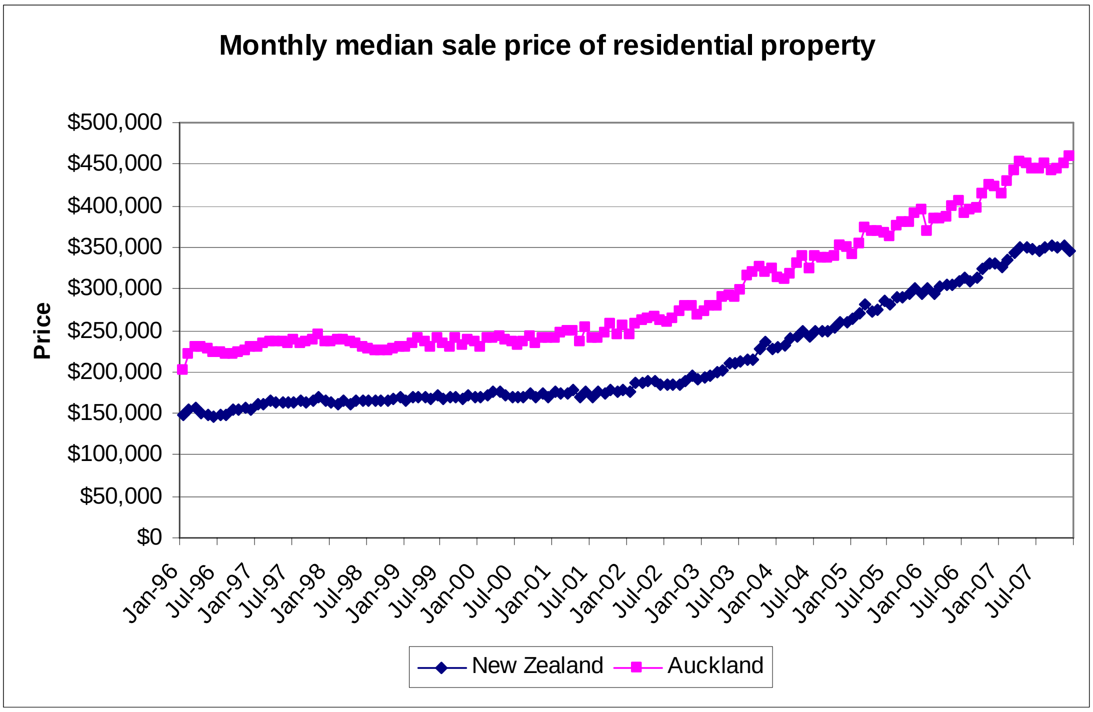
The housing sector

Sales price

The housing data has shown signs of a slowing housing market, with smaller price increases and a lower number of sales in recent months. In December 2007, the median house price from the Real Estate Institute of New Zealand (REINZ) was at $345,000, 4.5 percent up on $330,000 in December 2006. This is the slowest annual growth rate in median house prices recorded since June 2002. The annual increase in the median house price was 8.0 percent in the year to October 2007 and 6.7 percent in the year to November 2007.

The three months of the December quarter have shown sharp declines in the annual growth rate. While not conclusive, this suggests a slowing housing market.

Figure 4: Monthly median sale price of residential property



Source: Real Estate Institute of New Zealand

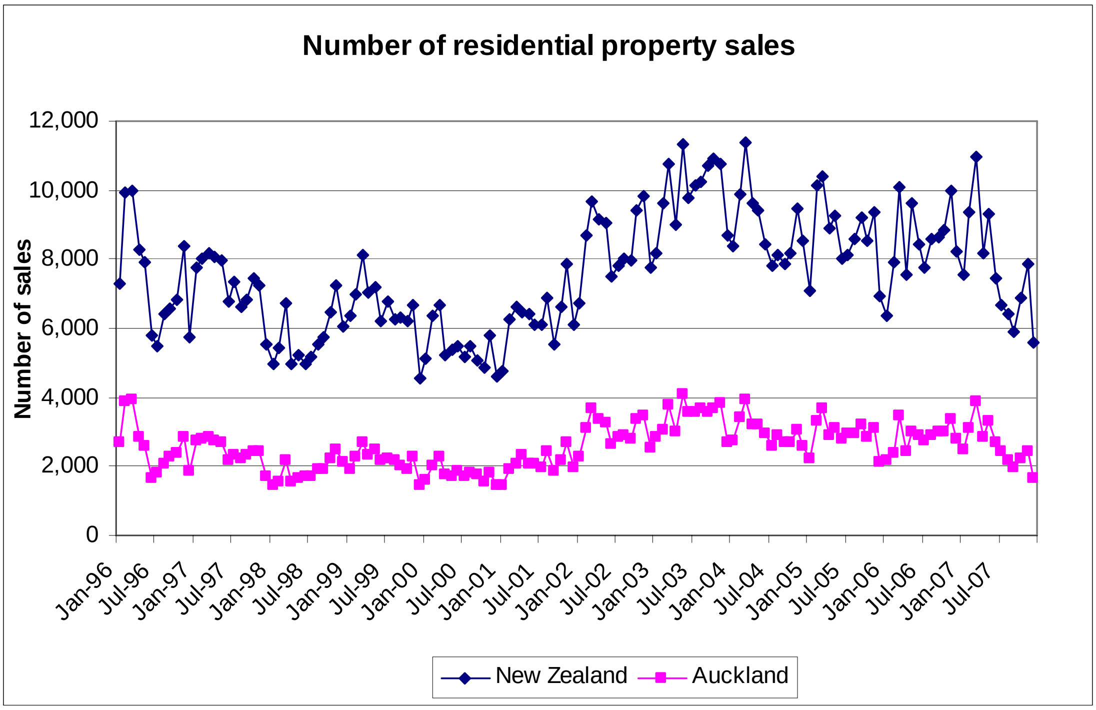
The total value of New Zealand's housing stock increased to $611 billion at the end of the September 2007 quarter, up from $605 billion in the June 2007 quarter and $538 billion in the September 2006 quarter.

The growth rate in housing stock value for the September 2007 quarter compared to the September 2006 quarter was 13.6 percent. This was below the 15.2 percent growth rate in the June 2007 quarter but above the 11.2 percent growth rate in the September 2006 quarter.

Housing market activity

Sales activity declined overall this quarter, though there was a spike in activity in October and November 2007. The monthly sales volume was 5,597 in December 2007 (Figure 5)[3]. This is significantly lower than the 8,245 transactions in December 2006, and lower than the 6,906 transactions in December 2005. There is now enough evidence to suggest a downward trend in sales volume that began in May 2007.

Figure 5: Number of residential property sales

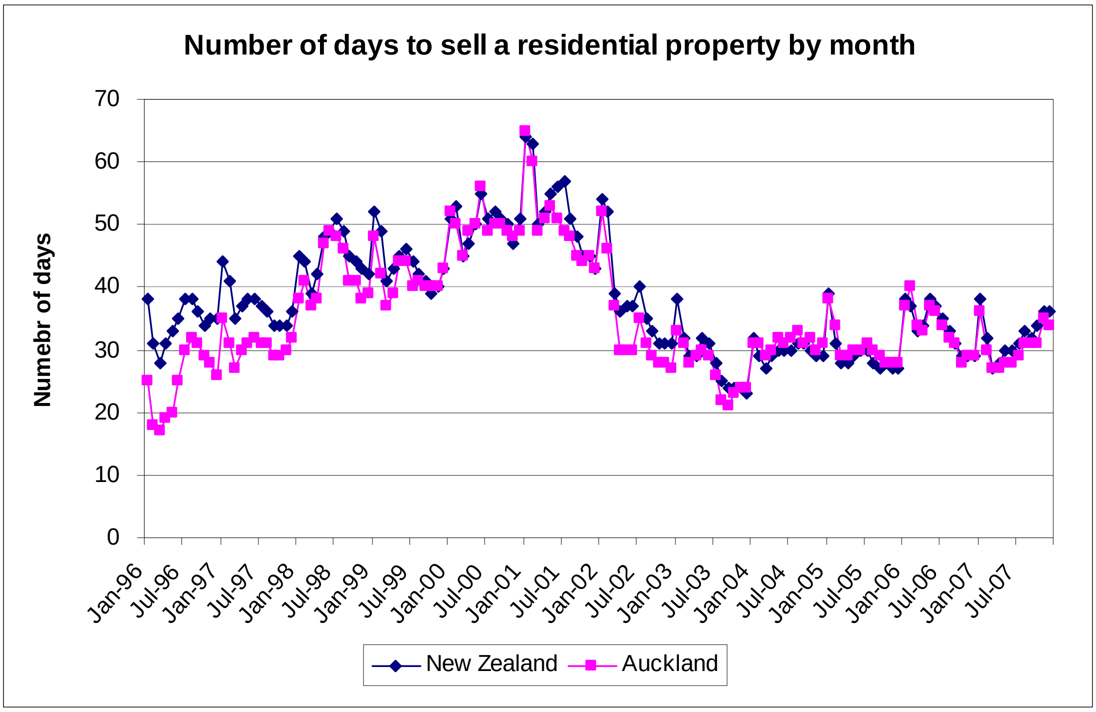


Source: Real Estate Institute of New Zealand

The median number of days to sell a property in December 2007 was 36 days, significantly higher than the 29 days it took in December 2006 and the 27 days it took in December 2005 (see Figure 6). This is consistent with the sales volume data, supporting the possibility of a cooling market.

[3] 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 main ways[4] the government helps low-income families into affordable housing are the Accommodation Supplement[5] (AS) and Income-Related Rents[6] (IRR). As of December 2007, there were 250,397 AS recipients and 59,619 IRR tenants.

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

The level of total government housing assistance relative to total housing contribution to GDP increased from 7.14 percent in the June 2007 quarter to 7.3 percent in the September 2007 quarter. IRR assistance relative to total housing contribution to GDP remained constant at 2.5 percent. AS assistance relative to total housing contribution to GDP rose from 4.7 percent to 4.8 percent over this period.

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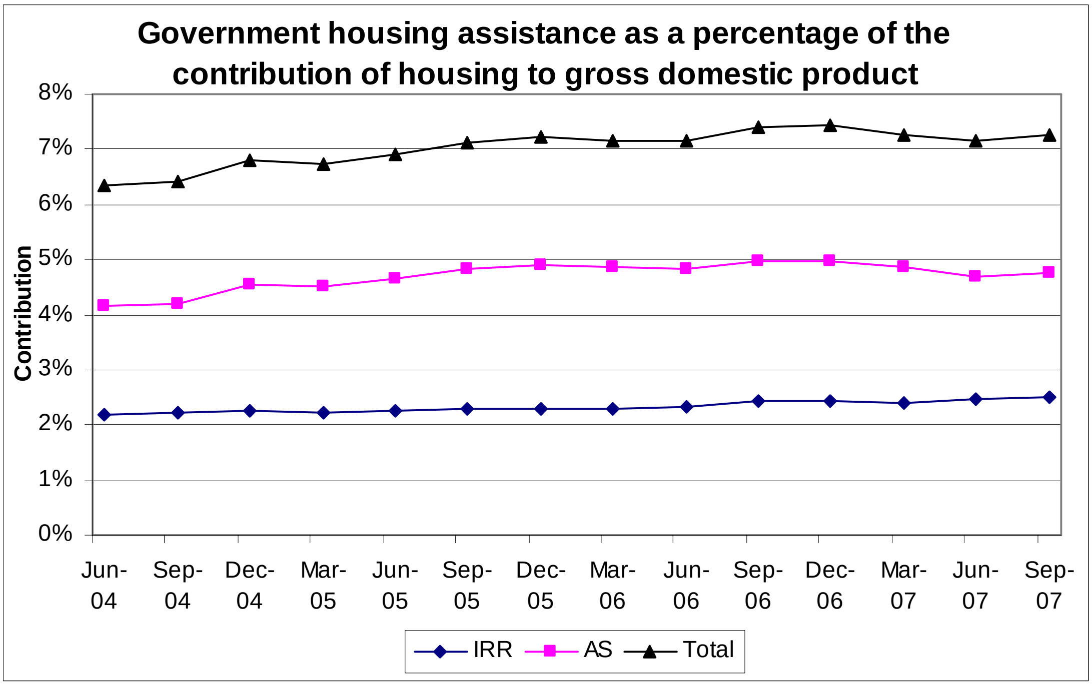
[4] Note that a variety of homeownership assistance programmes such as Welcome Home Loans are not considered as part of these statistics, because they are relatively small compared to the IRR and the AS and focus on homeownership rather than rent relief.

[5] 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.

[6] 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.

[7] 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



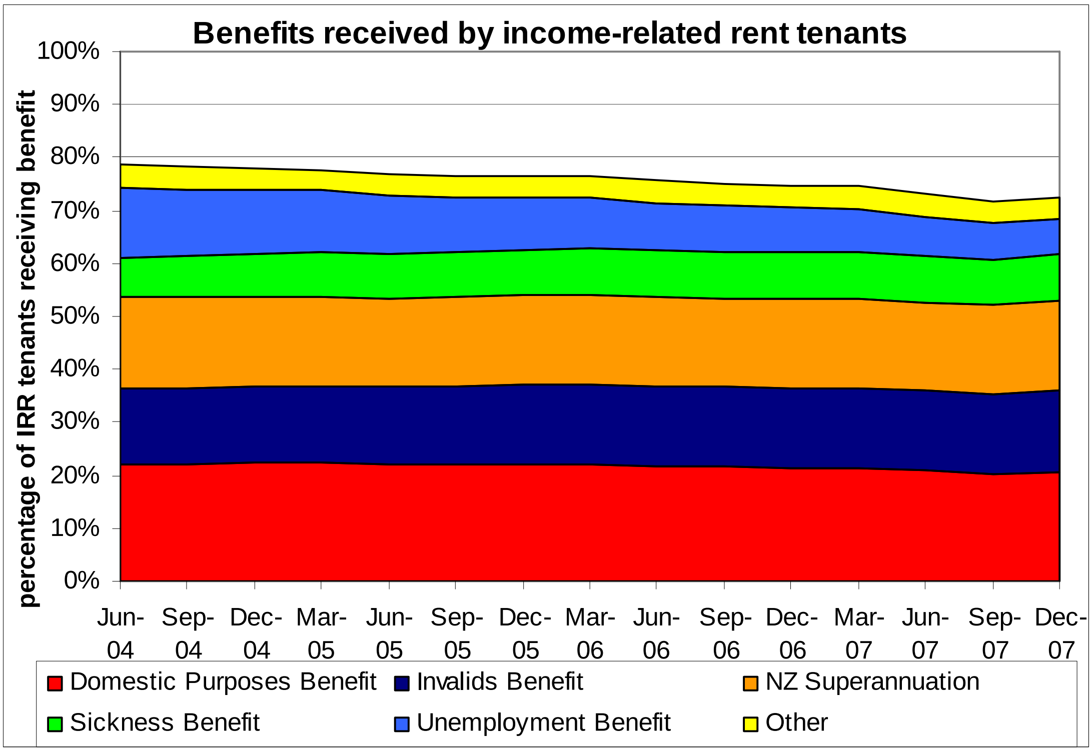
Source: Department of Building and Housing, Housing New Zealand Corporation, Ministry of Social Development and Statistics New Zealand

Total government housing assistance (as measured by IRR and AS) increased in the September 2007 quarter to $336.2 million, from $327.1 million in June 2007. This is a 3.1 percent annual increase from the $326.3 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 December quarter (compared to the September quarter) were:

- a decrease in the proportion of unemployment beneficiaries, from 6.8 percent to 6.4 percent
- an increase in the proportion of domestic purposes beneficiaries, from 20.3 percent to 20.7 percent
- an increase in the proportion of invalid's benefit beneficiaries, from 15.0 percent to 15.4 percent.

Figure 8: Benefits received by tenants receiving income related rents

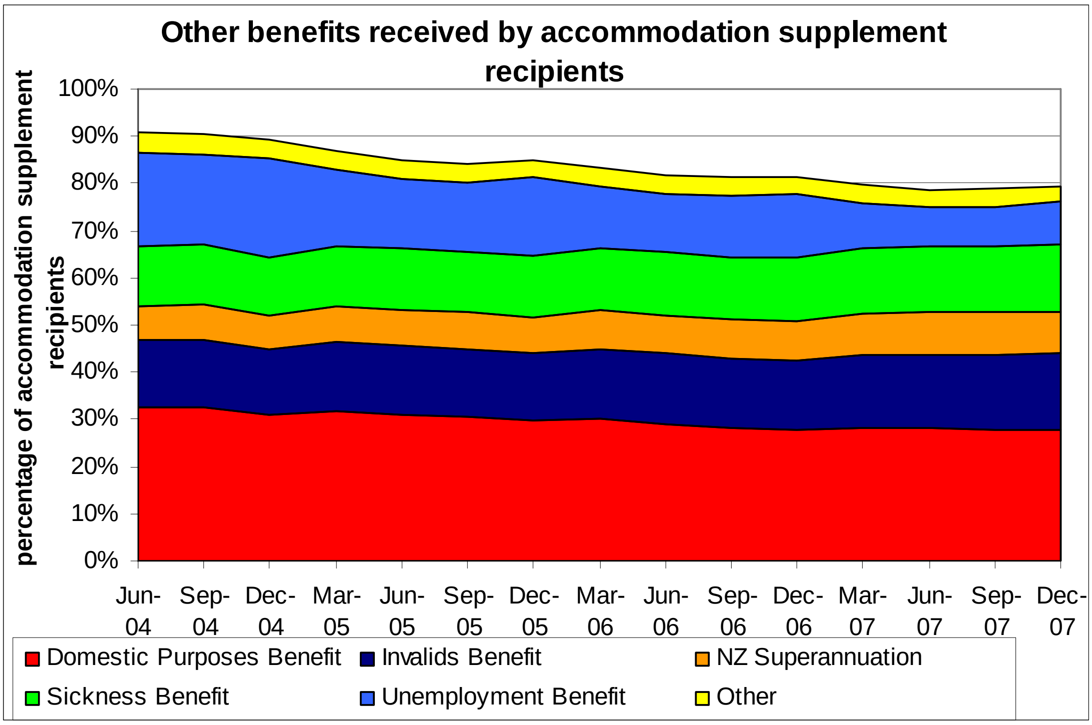


Source: Housing New Zealand Corporation

Figure 9 shows the distribution of benefits for all tenants receiving AS. The largest changes in the composition of benefits received by AS recipients in the December quarter (compared to the September quarter) were:

- an increase in the proportion of unemployment beneficiaries, from 8.4 percent to 9.0 percent; and
- a decrease in the proportion of AS recipients receiving no other benefit, from 21.2 percent to 20.5 percent.

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 3,657 to 3,669 over the December quarter (Figure 10). The decrease in the A waiting list (from 159 to 125) is consistent with the December quarter last year. The B list increased from 3,498 to 3,544.

Waiting list priority for Housing New Zealand Corporation housing is determined by several factors[8] and applicants are divided into four groups that reflect different levels of need. The groupings are referred to as:

- A priority[9]
- B priority[10]
- C and D priority[11].

[8] The following factors are used to determine housing needs:

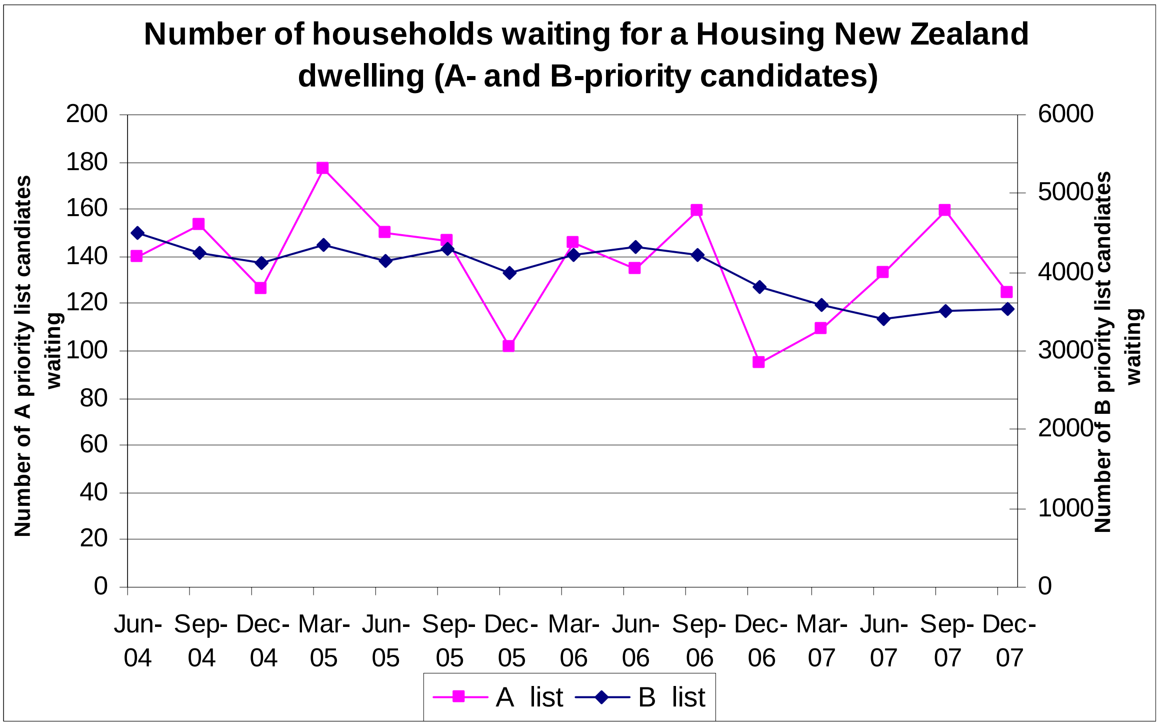
- affordability – the relationship between income and current housing costs
- adequacy – the house's physical condition and structure
- suitability – house size in terms of occupants and overcrowding
- accessibility – the applicant's ability to access housing in the private sector market, taking discrimination into account
- sustainability – the ability to sustain housing in the private sector market.

[9] '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.

[10] '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.

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

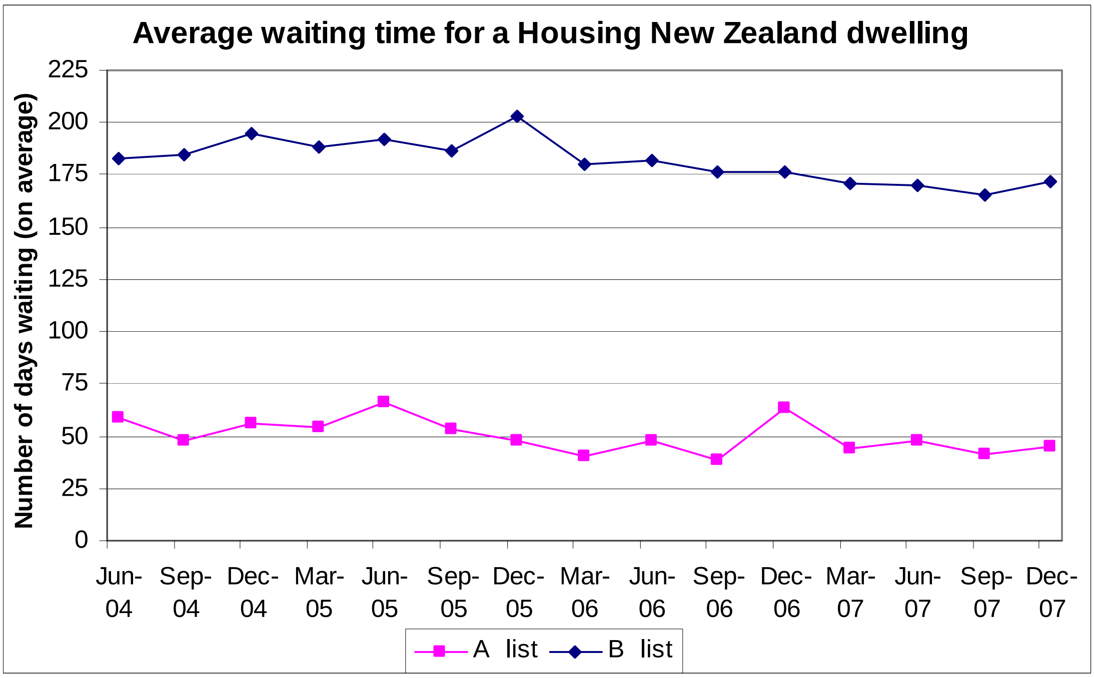
Figure 10: Number of households waiting for a Housing New Zealand Corporation dwelling (A and B priority applicants)



Source: Housing New Zealand Corporation

The average waiting time for a property for B priority applicants on the Housing New Zealand list increased from 165 days in September 2007 to 172 days in December 2007 (as shown in Figure 11), though an increase during the December quarter is not unusual. The waiting time for A priority candidates increased from 41 to 45 days in the same period.

Figure 11: Average wait for a Housing New Zealand dwelling



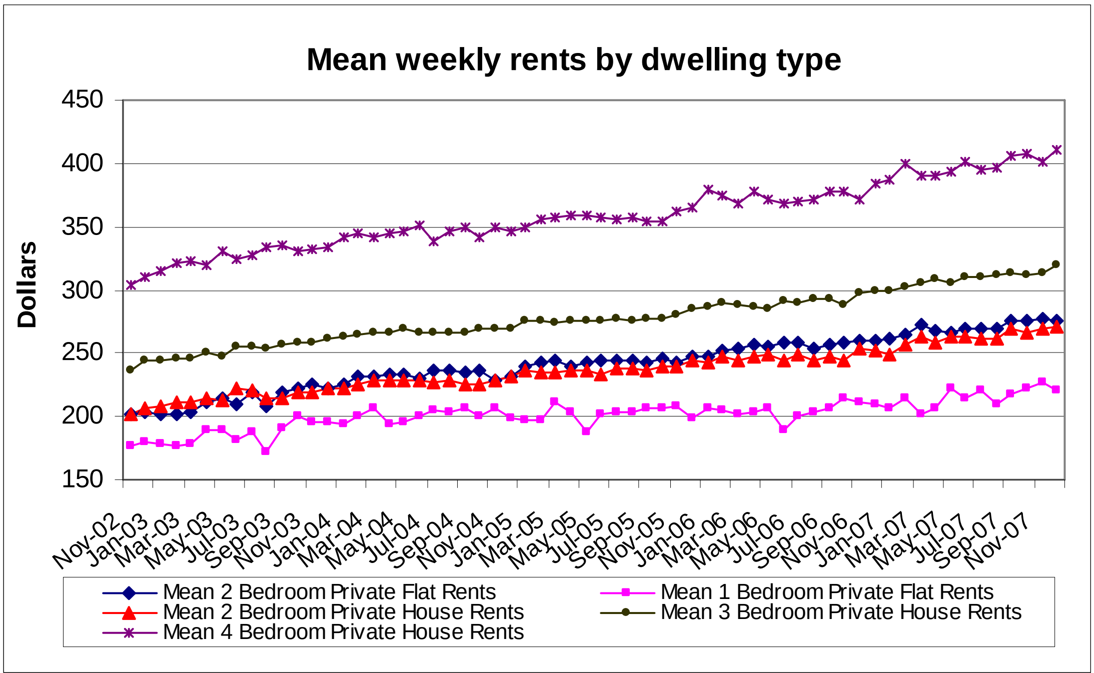
Source: Housing New Zealand Corporation

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 rent increases. In December 2007, the average weekly rent was $221 for one-bedroom flats, $275 for two-bedroom flats, $271 for two-bedroom houses, $319 for three-bedroom houses and $411 for four-bedroom houses.

The rent for a two-bedroom house grew the most at an annual rate of 7.5 percent, followed by a four-bedroom house at 7.0 percent, a three-bedroom house at 6.3 percent, a two-bedroom flat at 5.8 percent, and a one-bedroom flat at 5.2 percent.

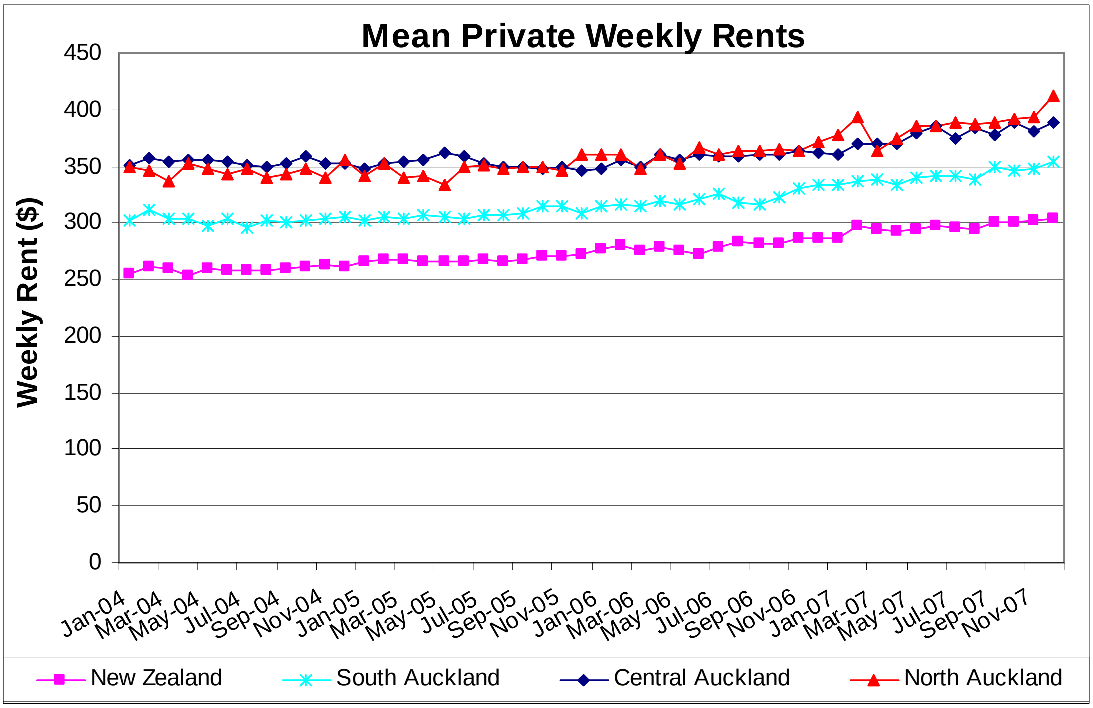
Figure 12: Mean weekly rents by dwelling types



Source: Department of Building and Housing

Overall, rents continue to increase both in Auckland and in New Zealand. In the year to December 2007, mean New Zealand rents for new tenancies rose by 5.9 percent. In Auckland over the same period, rents for new tenancies increased by 11.3 percent in North Auckland, 7.2 percent in Central Auckland and 6.3 percent in South Auckland. Rent increases for new tenancies slowed nationwide during the December quarter, but increased in North and Central Auckland.

Figure 13: Mean private weekly rents



Source: Department of Building and Housing

The building sector

All building activity

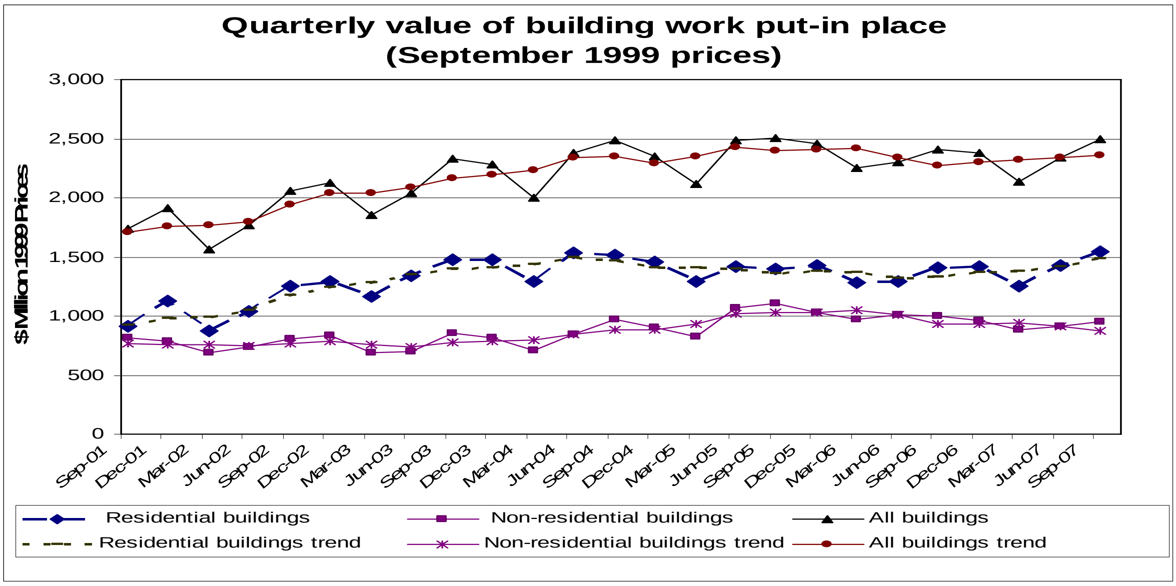
Statistics New Zealand's quarterly data on 'building work put-in-place' provides an estimated gross dollar value to actual building work done on residential and non-residential buildings. The trend for inflation adjusted value of all 'building work put-in-place' continued to increase in the September 2007 quarter but was slightly below the recent peak level in the 2005-06 period (see Figure 14).

The latest data shows that the inflation adjusted value of all 'building work put-in-place'[12] rose by 4.0 percent from the September 2006 quarter to the September 2007 quarter. However, the year-on-year total value of all 'building work put-in-place' has declined from the September 2006 quarter. This fall in the level of actual building work is consistent with the year-on-year decline in construction industry growth in the GDP data from the September 2006 quarter to the June 2007 quarter.

The latest trend movements for the value of residential and non-residential 'building work put-in-place' follow, to some extent, the increases in the trends for building consents issued in the earlier part of 2007. For instance, the trend for the value of consented residential building was increasing for the first half of 2007 and declining in the second half. However, the trend for the value of 'building work put-in-place' has been increasing over this time. It can therefore take several quarters for consented work to be put in place.

Building activity continues to be largely driven by residential building work, and accounted for 64 percent of all building work in the September 2007 quarter. This is higher than the 63 percent recorded for the June 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

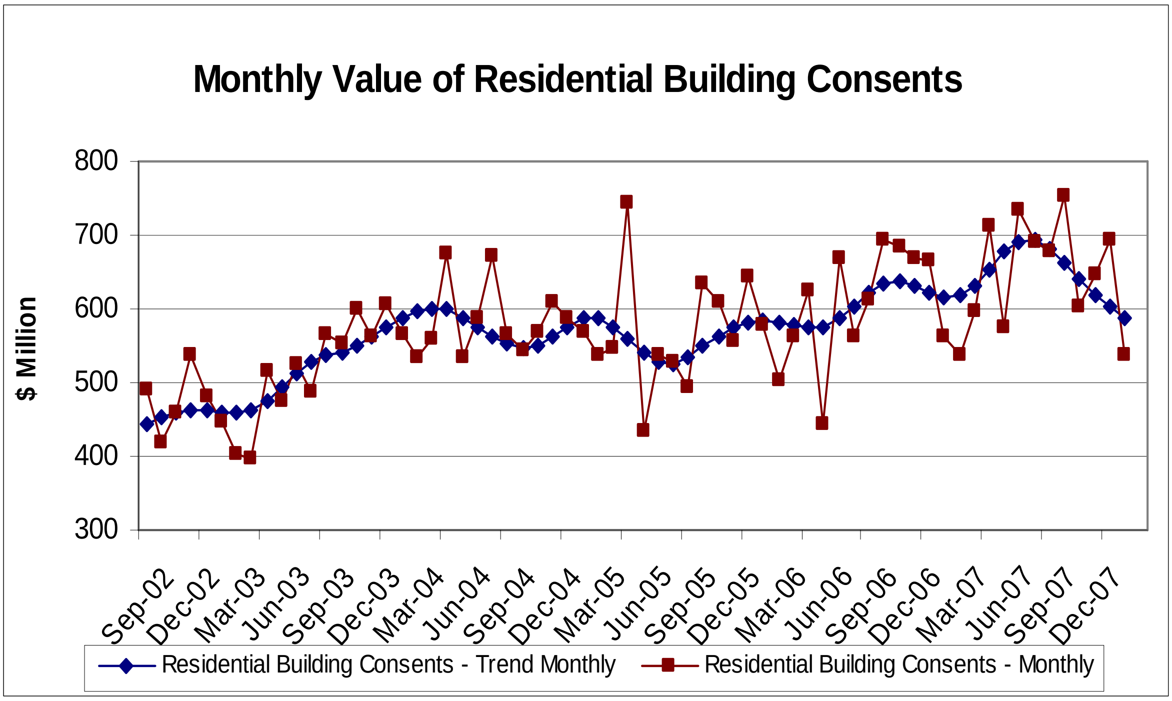
[12] The real value of building work put-in-place refers to values adjusted for price inflation. The value of building work put-in-place (constant price values at September 1999 quarter prices) data available up to the September 2007 quarter is used in this instance.

Residential building

The monthly 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 time of writing in early February 2008).

The value of all residential building consents issued in December 2007 was 4.4 percent lower than in December 2006. 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 June 2007.

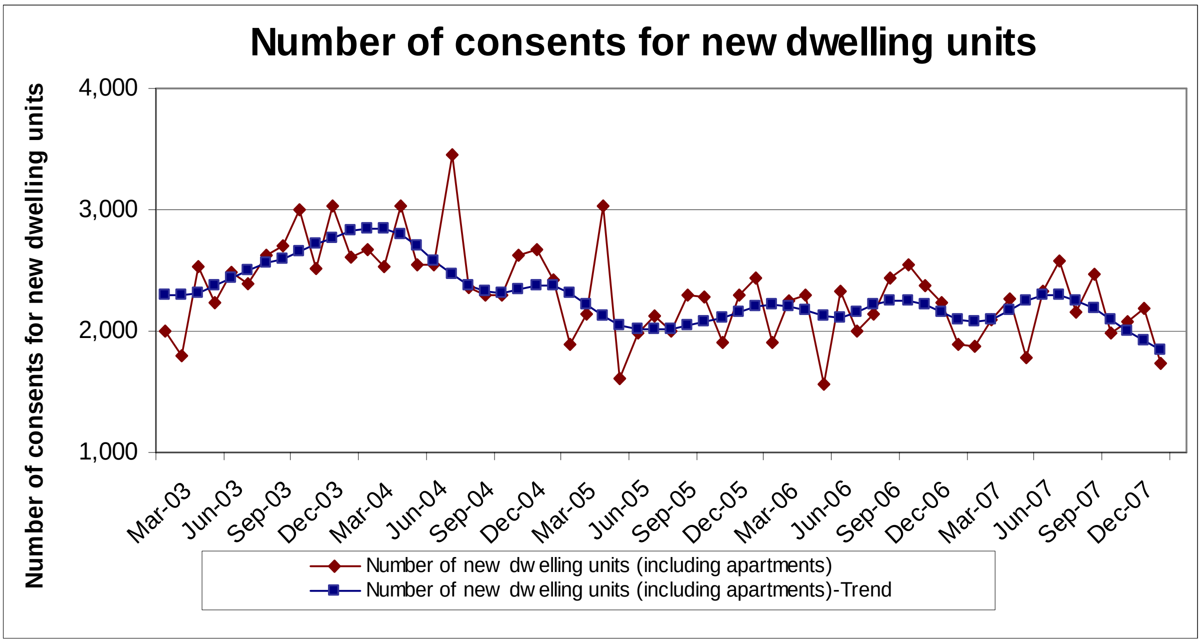
Figure 15: Monthly value of residential building consents



Source: Statistics New Zealand

The number of new dwelling units (including apartments) issued in December 2007 was 7.7 percent lower than in December 2006. Consents for new dwellings have been on a downward trend from July 2007. The substantial decline in the number of new dwelling consents issued in the last four months to December 2007 has contributed to a 1.6 percent fall in new dwelling consent numbers in calendar year 2007 compared to calendar year 2006.

Figure 16: Number of consents for new dwelling units

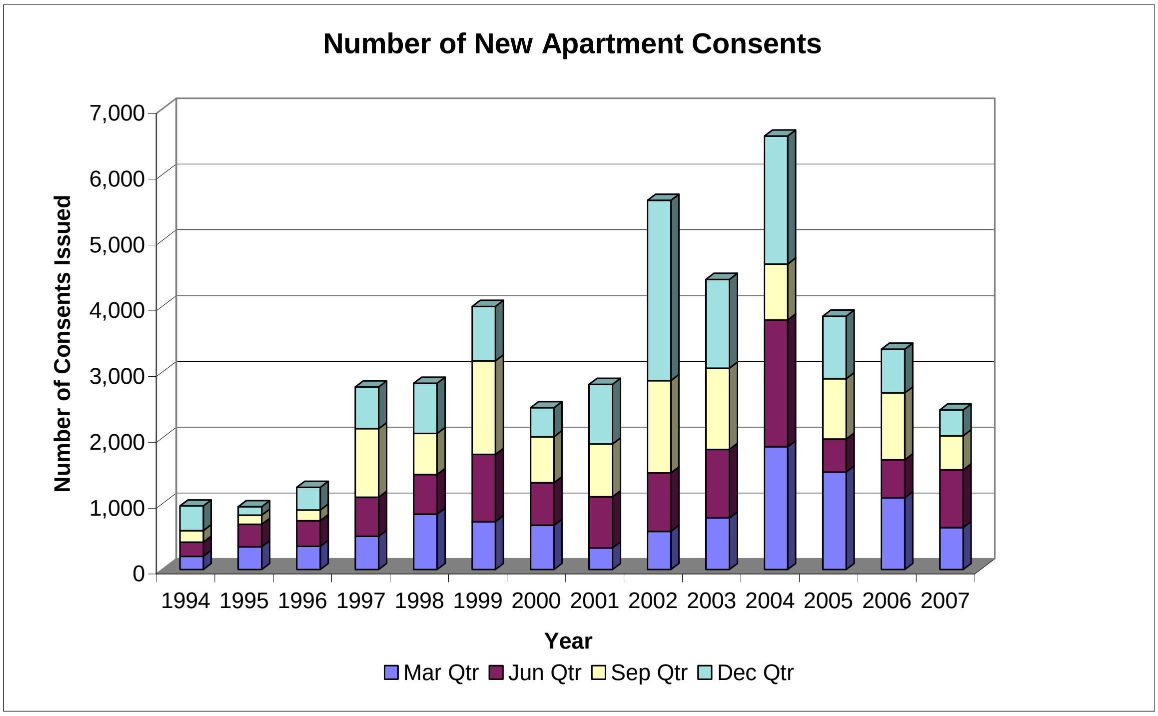


Source: Statistics New Zealand

The number of authorised apartment units can fluctuate widely each month and there were consents issued for 214 apartment units in December 2007. Apartments accounted for 12 percent of authorised new dwellings in December 2007, compared to a monthly average of 9 percent for the last 12 months.

On a calendar year basis, the number of authorised new apartment building consents recorded a 27.5 percent decline from 3,348 in 2006 to 2,426 in 2007. The number of apartment units authorised peaked at 6,586 in the year ended December 2004 but has declined since then.

Figure 17: Number of new apartment consents



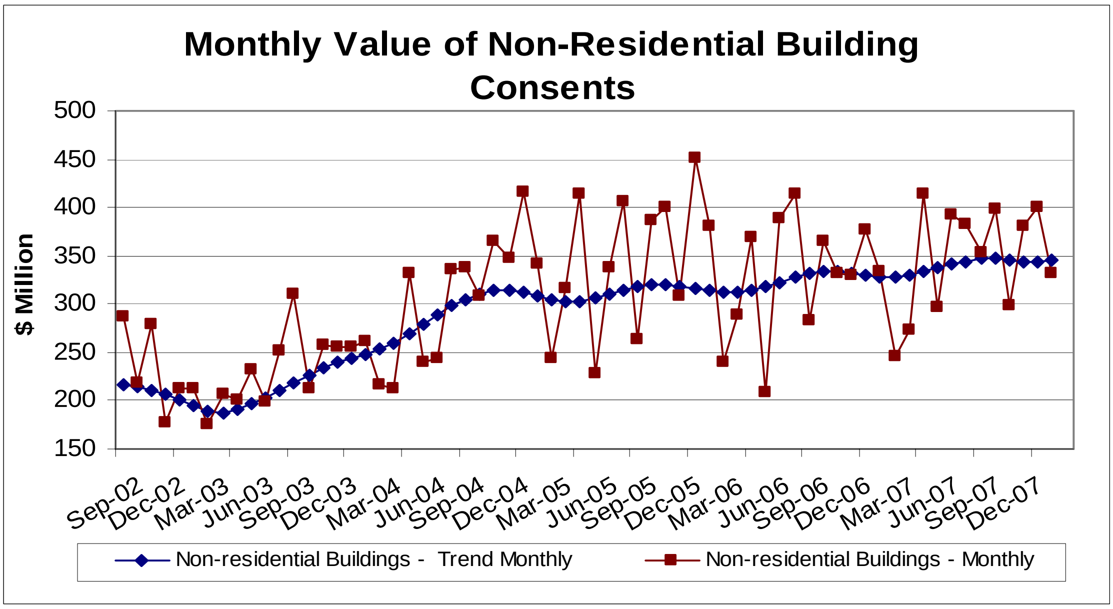
Source: Statistics New Zealand

Non-residential building

The value of non-residential building consents[13] remains 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 decreased marginally by 0.6 percent in December 2007 compared to December 2006, largely due to decreases in value of the “shop, restaurants and taverns” categories, followed by “hospitals and nursing homes” and “factories and industrial buildings”. The actual value was 15.3 percent higher in October 2007 than in October 2006 and 6.7 percent higher in November 2007 than in November 2006.

Figure 18: Monthly value of non-residential building consents



Source: Statistics New Zealand

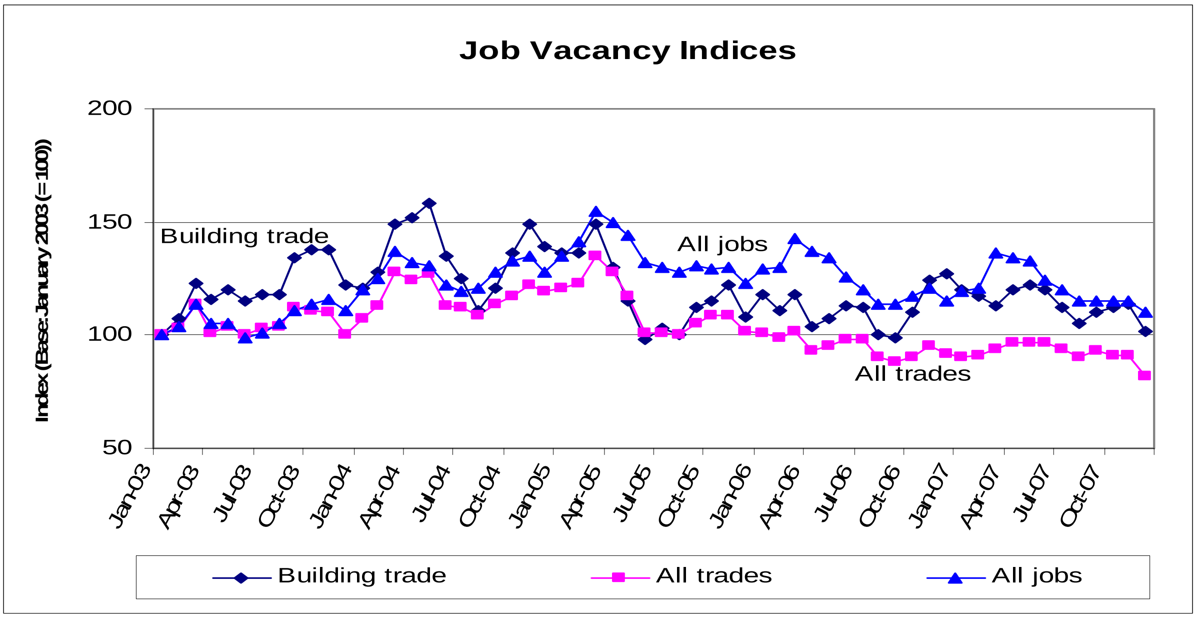
[13] Non-residential construction includes new non-residential buildings plus alterations and additions to existing buildings.

Labour market

The number of people employed in the construction industry was 181,700 in the December 2007 quarter. This is 10,000 lower than the peak at 191,700 in the December 2006 quarter. The number of people employed has since been lower at 186,100 in the March 2007 quarter, 187,900 in the June 2007 quarter and 176,200 in the September 2007 quarter.

The Job Vacancy Indices from the Department of Labour measure changes in advertised vacancies over time. The vacancies index for building trade workers fluctuates from month to month. The index increased by 1.8 percent in the year to October 2007, but fell by 8.1 percent in November 2007 and fell by 19.7 percent in the year to December 2007.

Figure 19: Job vacancy indices



Source: Department of Labour

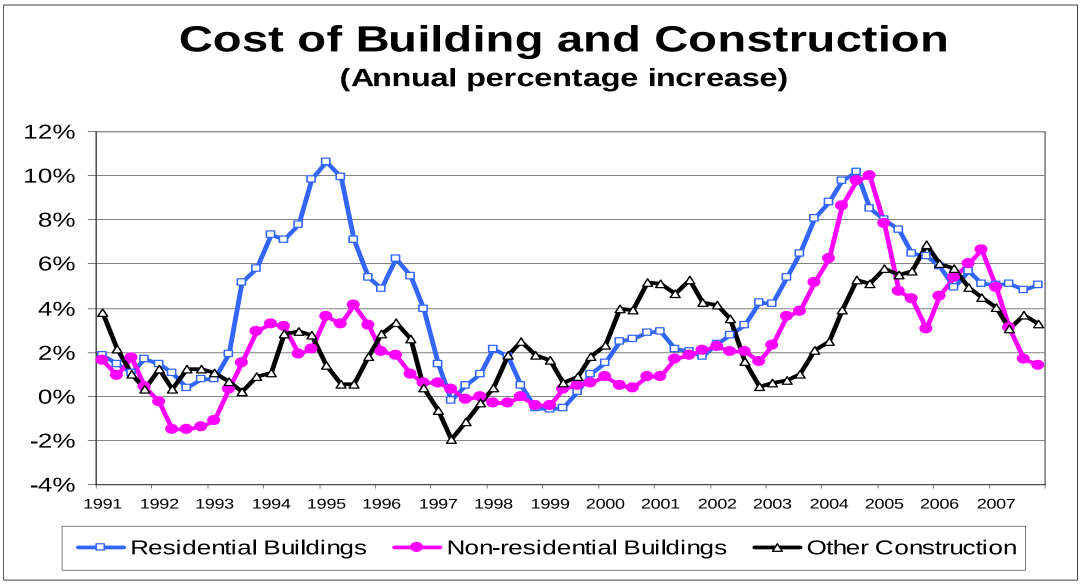
Building costs

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 December 2007 quarter CGPI showed that price increases for residential building were high compared to other industries in the economy. The increase for the overall CGPI was 2.3 percent between the December 2006 and December 2007 quarters, of which the increase for residential building was 5.1 percent, the increase for non-residential building 1.4 percent, and the increase for other construction 3.3 percent.

The increase in residential building costs is mainly because of higher prices for construction components, increases in subcontractors' charges and higher prices for fittings. Higher non-residential building costs are explained by increases in concrete prices and higher costs of structural steel work in the construction of commercial buildings. The main reasons for the increase for other construction costs are increases in the cost of road construction works and telecommunication works (mainly due to higher labour costs in electrical works).

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 indices[14] (which measure change in prices received by producers) and input indices[15] (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 5.1 percent in the December 2007 quarter on the December 2006 quarter. This reflects the increased prices for raw material in the residential building sector (eg, 7.5 percent increase in timber frames prices and 2.2 percent increase in ready-mixed concrete in the December 2007 quarter on the December 2006 quarter).

The PPI output index for the construction industry also rose by 5 percent in the December 2007 quarter from the December 2006 quarter. This contributed to the rise in the overall PPI outputs index. The increase in the latest quarter was driven by the non-building construction sub-index, including road construction and maintenance, and installation of plant and machinery (due to higher suppliers' prices, particularly for steel).

14 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.

15 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.

The increases in the PPI indices for the construction industry remained higher than those for the overall PPI. The increase was 3.4 percent for PPI inputs and 4 percent for outputs, for all industries in the December 2007 quarter compared to the December 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 3.5 percent for building trade workers over the year to the December 2007 quarter. The increase in the LCI for all industries and occupations was 3.4 percent for the same period.

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. It gives 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. Under the WHRS Act 2006 multi-unit properties are lodged with the Service as single claims.

From October to December 2007, Weathertight Services accepted claims on 247 properties. On 7 January 2008, the number of active multi-unit and stand alone claims with the Weathertight Services was 2,543. They were associated with 3,193 properties. 75% of active claims came from the Auckland region (Auckland, Manukau, North Shore, Waitakere City Councils and Rodney District Council, Papakura District Council and Franklin District Council) with 45% of these claims from Auckland City alone.

Analysis of properties listed with WHRS

Breakdown by financial year (July to June), as of 31 January 2008:

Figure 21: Properties with WHRS by type and the year built or altered

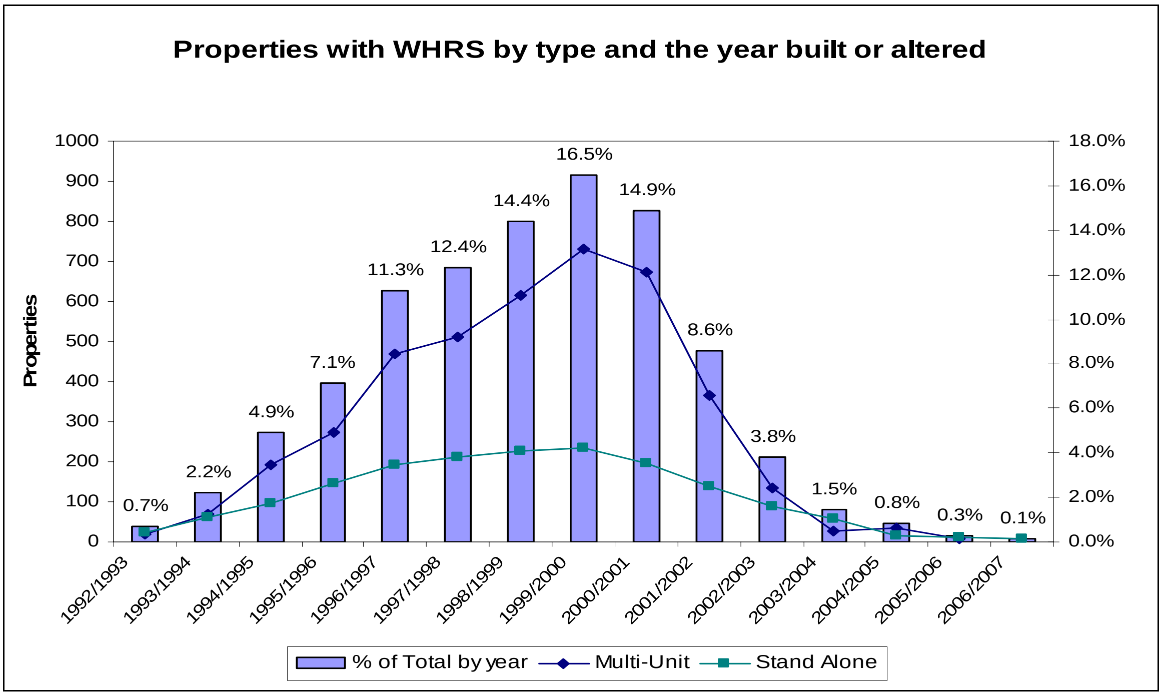
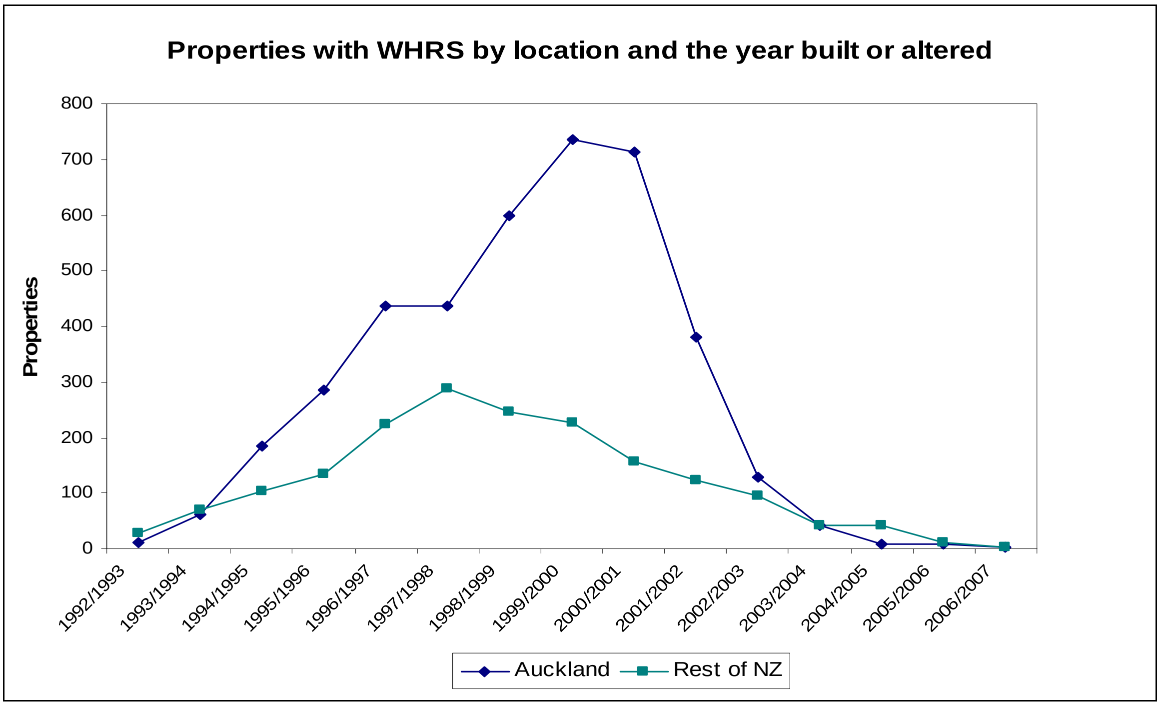


Figure 22: Properties with WHRS by location and the year built or altered



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) about a particular situation.

There has been a marked increase in the number of determinations since 2003. As at 19 December 2007, a total of 524 determinations had been processed by the Department. Approximately 73 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 19 Dec 2007**
Cladding/weathertightness	1	68	144	89	80
Access and facilities for people with disabilities	5	2	4	4	4
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	6
Interior environment and facilities	0	1	2	1	3
Land subject to natural hazards	0	1	1	3	2
Barrier	1	0	3	2	1
Other (eg, refusal to issue a code compliance certificate)	0	0	1	15	40
Total	11	77	166	129	141

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 has reported to the Minister of Building and Construction on our review of the Building Code as required by Section 451 of the Building Act 2004. The review considered whether the Code:

- meets the requirements of the Building Act 2004
- is stated in enough detail to provide clear guidance on the performance standards that buildings must meet to ensure compliance with the Building Code.

The Department's review took a thorough look at the Code and its ability to meet the needs of New Zealanders, now and in the future. It included two rounds of public consultation, followed by extensive engagement with the building sector and consumers. A discussion document published in May 2006 was concerned with the scope of the Code – the features of building work the Code should address. A second discussion document published in August 2007 sought comment on specific proposals for building performance requirements. The Government has made no decisions about the recommendations made by the review.

Acceptable Solution for solar water heaters

In December 2007, the Department published the new Acceptable Solution for solar water heaters (G12/AS2), following two rounds of consultation. The new Acceptable Solution will make it easier to install and get consent for solar water heaters, allowing this environmentally friendly technology to be more widely adopted. The Acceptable Solution covers all the most common installation options, both in new and existing homes. It also gives advice on suitable installation techniques that should ensure durability and continued performance of systems. Following the publication, the Energy Efficiency and Conservation Authority (EECA) widely circulated copies of the Acceptable Solution to the sector. As the Acceptable Solution was being prepared, several councils, including Waitakere City, announced they would not charge consent fees for solar water heaters, making the technology even more attractive. A properly installed solar water heater can often reduce water-heating bills by two-thirds.

Weathertightness Remediation Guide

In December 2007, the Department published a new guide on assessing and repairing buildings affected by weathertightness problems. The guide, entitled *External moisture – a guide to weathertightness remediation*, is intended to guide homeowners and professionals on the most suitable techniques for weathertightness repair. The guide outlines a process that consultants should follow when advising owners on weathertightness repair of buildings from initial identification of the problem, through organising of repair contracts, to ongoing maintenance recommendations. It also highlights where specialists can help in the remediation process, such as investigating specific causes, deciding repair strategies and analysing decayed timber.

The guide is part of the Department's series of documents on weathertightness. This also includes documents on design, constructing cavities and using the weathertightness risk matrix. It has been widely circulated to the sector.

Improving the energy efficiency of commercial heating, ventilation and air-conditioning (HVAC) systems

In December 2007, Cabinet agreed to proposals to change the Building Code and Compliance Documents to require new commercial HVAC systems to be more energy efficient. The decision follows public consultation. HVAC systems are currently exempt from Building Code energy efficiency requirements. Introducing such requirements for HVAC systems could save commercial building owners and tenants significant amounts in energy costs, as well as reducing New Zealand's greenhouse gas emissions.

The Department is working with the Parliamentary Counsel Office to prepare the relevant regulations. We are also working with the sector on the technical details for the new Compliance Document. The new requirements are expected to take effect in late 2008.

Concerns over treated timber

In late 2007, the media reported on concerns from some builders and timber merchants about the safety of recently treated timber, especially timber that has not had time to properly 'flash-off' after treatment. Reported were incidences of nosebleeds, headaches and skin problems.

The Department met with the Department of Labour and the Environmental Risk Management Authority (ERMA), the other agencies responsible for chemical timber treatment and work safety, to discuss these issues. The Department also hosted two meetings for the timber industry and representatives of timber users to canvass a wide range of timber issues, including efficacy of treatment, timber marking, and health and safety.

Following the meetings, the Department is preparing a discussion document on timber issues to get a thorough view of any industry concerns. ERMA and the Department of Labour have said they will look further into the health and safety problems.