



Department of
Building and Housing
Te Tari Kaupapa Whare

Building Industry Trends: October–December 2004



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Introduction

This is the third report about building industry trends. It examines building industry activity and quality trends to the end of 2004.

This report is one tool to support the Department of Building and Housing's proactive performance monitoring role. Addressing performance issues requires not only measurement, but sharing this information with industry stakeholders. Through its production of trend reports, the Department hopes to raise the level of industry understanding of existing issues and risks, and to highlight performance gains being made.

This report is based on easily accessible performance information. At the present time, this means it draws mainly on administrative information already collected by central and local government agencies, and other organisations. New performance indicators will also be introduced over time that will help the industry understand other key performance issues and outcomes.

Performance summary

The body of this report is presented in three related sections.

The first section examines general trends in building activity and develops an understanding of recent trends in building volume and type. It also examines the outlook for these trends in the near future. It reveals that building activity during the final months of 2004 remained at similar levels to the building activity during the latter part of 2003. There was a slight decrease in consents for the building of new dwellings in the final 2004 quarter compared to the third quarter; however, the full calendar year result showed that the total number of dwelling consents issued was high. Apartment consents in particular were issued at a high rate. While the overall rate of dwelling consents issued remained high at the end of 2004, the fundamental drivers of residential building demand appear to indicate demand for new residential building is past its peak. It seems that reduced levels of residential building activity will be seen during the 2005 year.

Building costs have continued to rise, beyond the rate of underlying inflation. These costs are being driven up by increased labour and materials costs. The new Building Act is also predicted to result in an increased cost of building regulation, although these costs are likely to be a relatively modest contributor to overall construction costs.

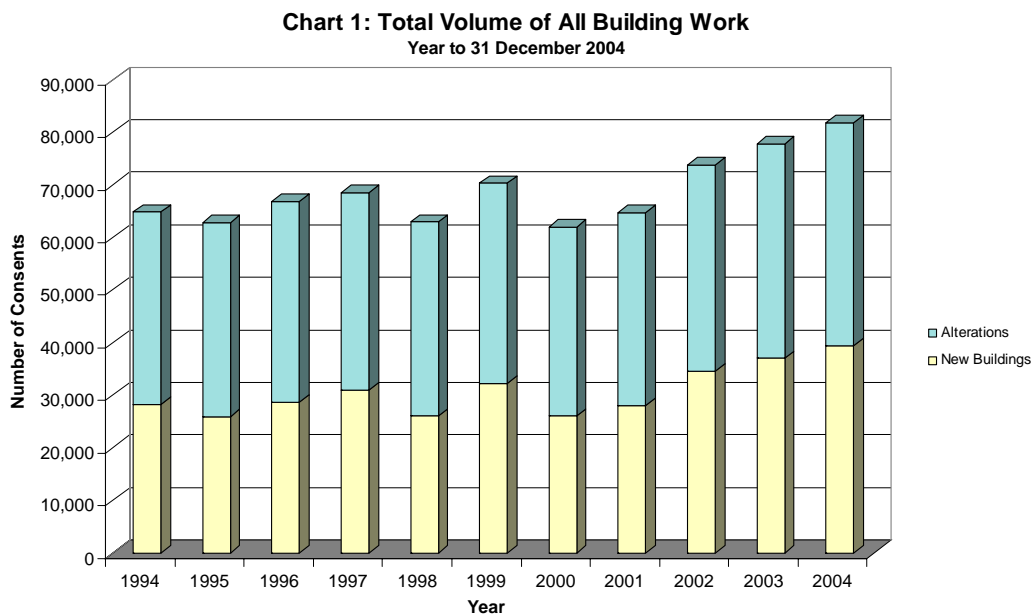
The second section of this report examines building quality. The building industry has confronted systemic performance problems over the past few years. There are indications, though, that the quality of building outcomes appears to be improving. There is an increasing awareness of the poor building practices that can result in weathertightness failures. Improvement has been made to building controls to reduce these types of problem. However, there is potentially a long tail to the weathertightness issue that began during the early 1990s. Currently, the bulk of problems are in buildings issued with building consents during the period from 1993 to 1999. Given the building industry's relatively recent responses to address these weathertightness problems, building work from 2000 to 2003 may also be affected. A variety of other performance issues was addressed during 2004.

The third section of this report addresses the effectiveness of building regulation. Territorial authority and building certifier regulators have been responding to an increased expectation to maintain quality standards. The focus on these issues is now shifting to the development of new requirements for accreditation as a building consent authority, which have been brought in by the Building Act 2004. These accreditation requirements will ensure improved industry performance on issues such as disabled access provisions of the Building Code, weathertightness, producer statement assessment, and the assessment of alternative solutions.

Building activity

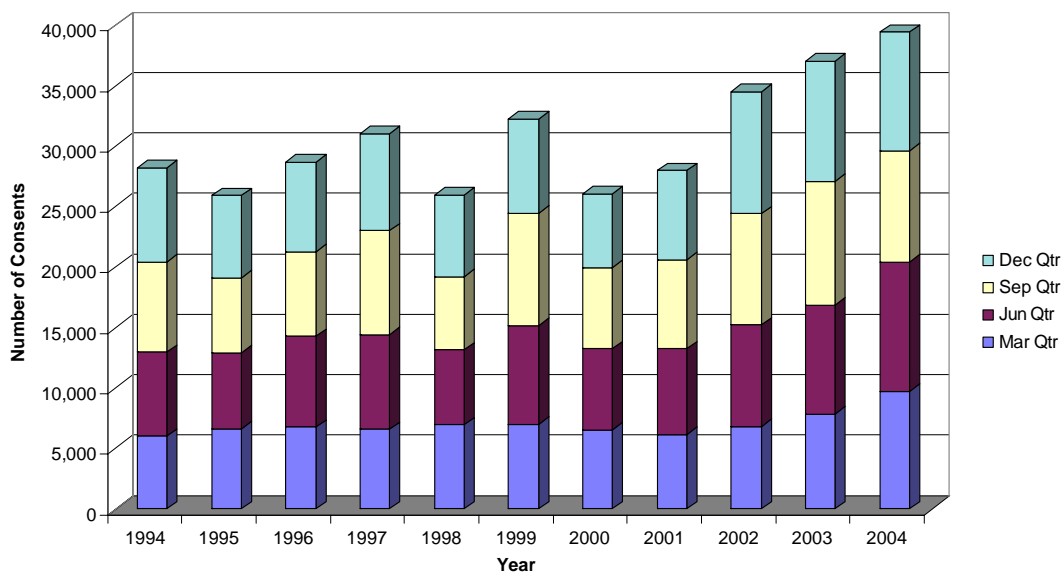
Decreasing building activity

The total number of building consents issued for the year to 31 December 2004 was at an all-time high compared to previous years (Chart 1). Consents issued in the year to September 2004 were 7 percent higher than the year to September 2003 and this continues the long-term trend of increasing building activity since 2001. This growth occurred despite a drop in consents issued during the September 2004 quarter, and is mostly attributable to strong activity during the first half of the 2004 calendar year.



The December figures remained strong and although the number of building consents issued for new buildings during the December quarter dropped by 2 percent compared to the December 2003 quarter, they were up 6 percent compared to the September 2004 quarter (Chart 2).

Chart 2: Consents Issued for New Buildings



The number of consents issued over the December quarter for building alterations remained relatively stable. Consents issued for alterations during this quarter were up 1 percent from the December 2003 quarter and 3 percent from the previous quarter in 2004. These modest gains balanced the decrease in new building consents in terms of overall levels of building consent activity (Table 1).

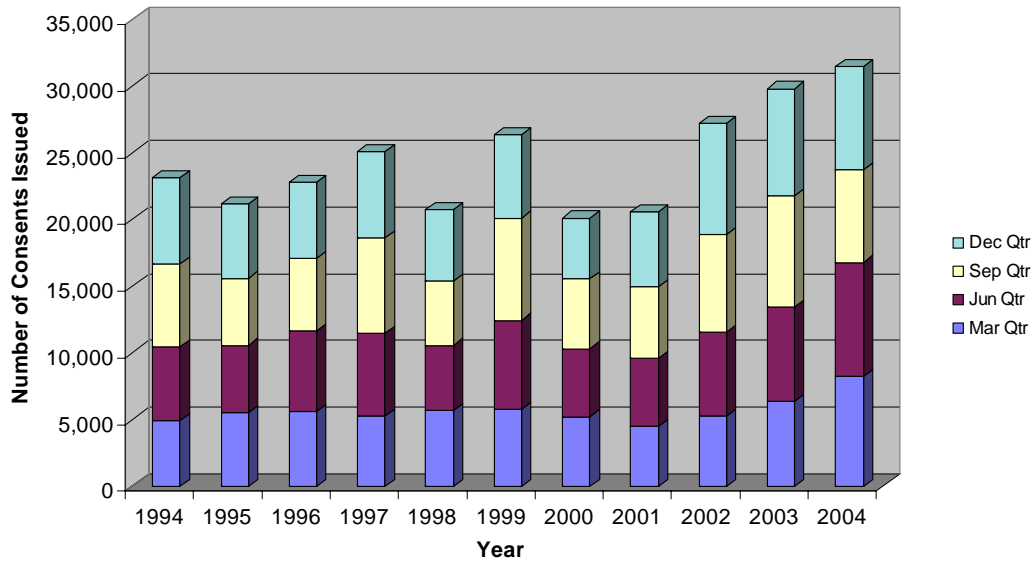
Table 1: December quarter consents

	Number of consents: 1 October to 31 December		
Year	New alterations		Total
2003	9,954	10,901	20,855
2004	9,778	10,991	20,769
Change	-2%	1%	0%

Decreased residential construction

December quarter consents did not follow the sharp downward trend predicted by the September quarter figures. This was mainly due to an increase in residential activity during the final quarter of 2004; however, residential consents were still slightly down on the same period in 2003 (continuing the long-term downward trend), but this reduction was minimal compared to that observed in the September quarter (Chart 3).

Chart 3: New Dwelling Construction



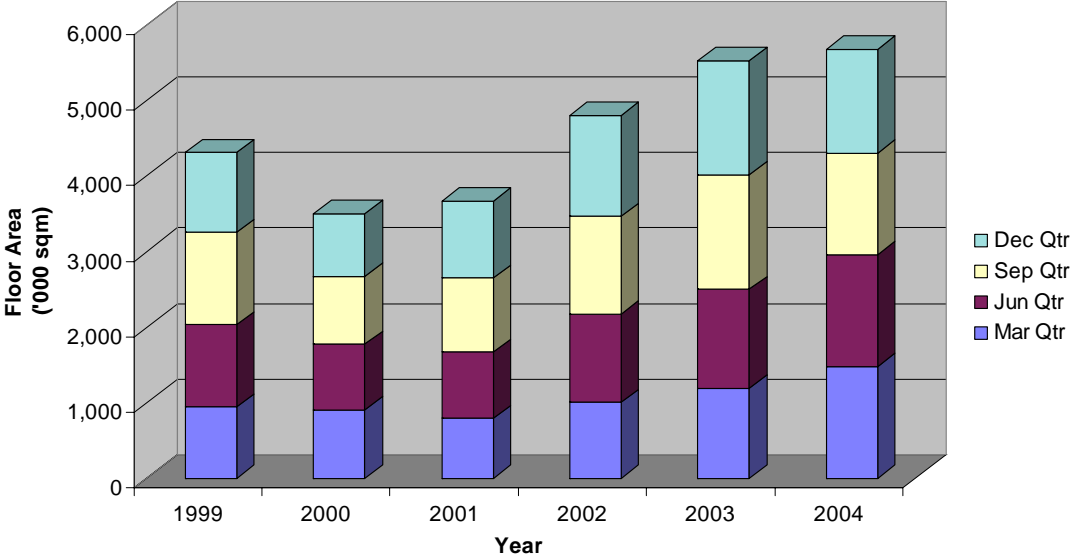
Consents issued for new dwellings were lower during the December quarter compared to the corresponding period in 2003 (Table 2), although this decrease was less significant than the decline that was observed during the September quarter. In fact, consents issued for new dwellings were up 11 percent on the September 2004 quarter. Although there was less activity in the second half of the year compared to 2003, strong June and March quarters meant that residential consents issued for the 2004 calendar year still exceeded those issued during 2003.

Table 2: Consents for new dwelling units

Number of consents				
Year	October	November	December	Quarter
2003	2,508	3,032	2,498	8,038
2004	2,619	2,675	2,416	7,710
Change	4%	-12%	-3%	-4%

The December quarter reduction in consents issued for residential construction was reflected in a reduction in the total floor area for new dwellings covered by these approvals (Chart 4).

Chart 4: Dwelling Floor Area - New Construction



During 2002 and 2003, significant (greater than 20 percent) increases in the numbers of new dwelling consents were matched by similar increases in dwelling floor area. Floor area approved in the year ending December 2004 was 3 percent higher than the corresponding 2003 year (Table 3). The December quarter, though, showed a 9 percent decline compared to the corresponding period during 2003.

Table 3: Percentage change in levels of residential construction and floor area

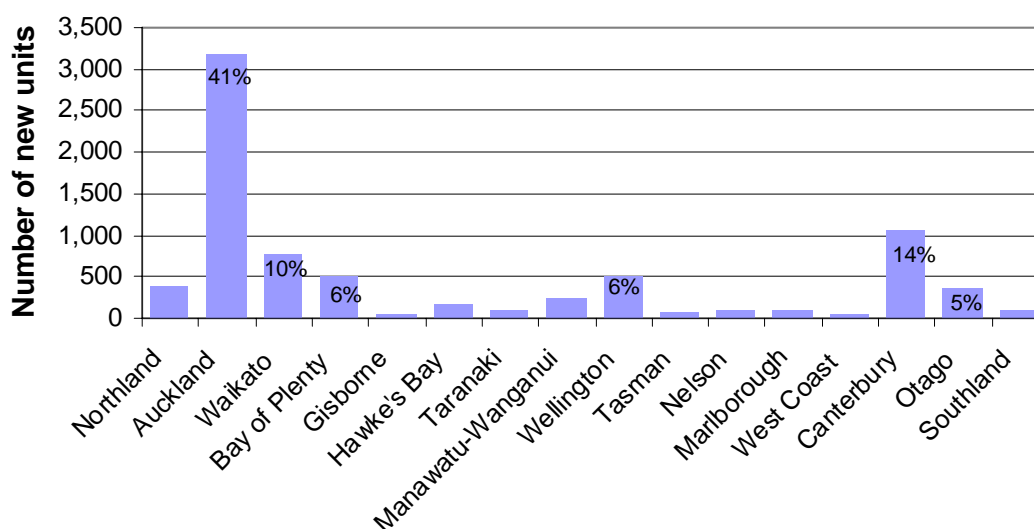
Year	Percentage change from previous year (Period: 12 months to 31 December)	
	Number of new dwelling consents	Total floor area covered by consents
2001	-2%	5%
2002	32%	31%
2003	10%	15%
2004	5%	3%

Decline in new dwelling construction across most regions

When analysed geographically, 9 out of 16 regions showed a decrease in residential construction in the December 2004 quarter compared to the September quarter. The exceptions to this trend occurred in Gisborne (up 126 percent), Auckland (up 40 percent), Manawatu-Wanganui and Otago (up 19 percent), Nelson (up 18 percent), Northland (up 14 percent) and Bay of Plenty (up 5 percent).

**Chart 5: Number of New Dwelling Units Authorised
by Region**

1 October - 31 December 2004



Well over one-third of all residential construction activity during the December 2004 quarter occurred in the Auckland region, which contributed 3189 (41 percent) to the total number of new dwelling units during the period (Chart 5). The Auckland region remained dominant in terms of new residential construction, with the number of new dwelling units authorised up 14 percent from the December 2003 quarter (or 395 consents) in that location. This represents an increase on activity from the September 2004 quarter, which was down 33 percent from the same period in 2003.

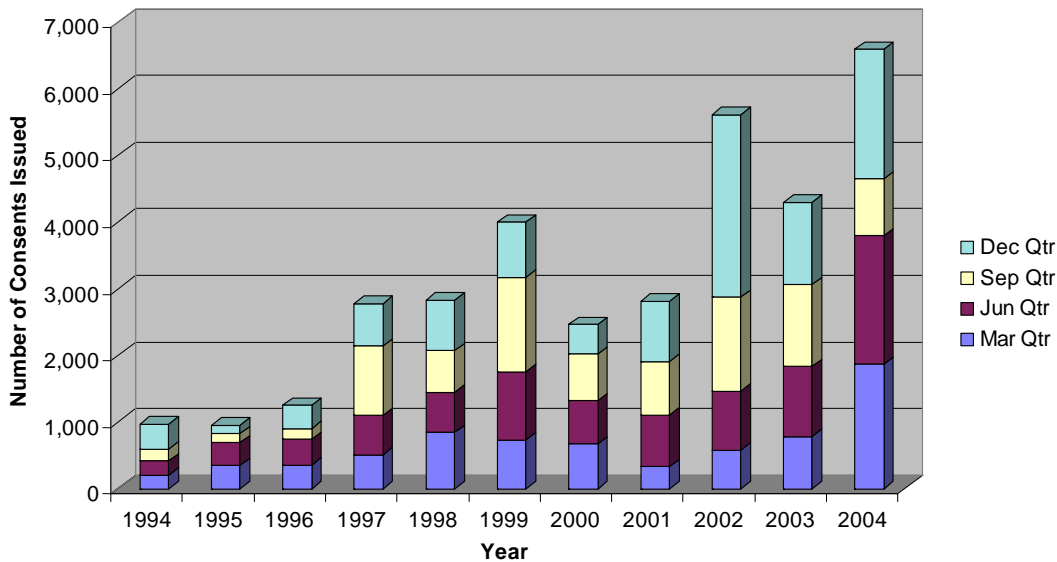
Increase in apartment construction

The number of consents issued for new apartment construction increased by 129 percent (or 71,094 consents) in the December 2004 quarter compared to the September 2004 quarter. This is an increase of 57 percent against the corresponding period during 2003 (Table 4). It is important to note that there have been large fluctuations in apartment consents from year to year (Chart 6). Despite a large drop in the number of apartment consents issued during the September 2004 quarter, the data for year ending December indicates that apartment consents remain at an all-time high.

Table 4: New apartment consents for September quarter

	Consents for new apartment units			
Year	October	November	December	Quarter
2003	109	744	382	1,235
2004	708	637	599	1,944
Change	550%	-14%	57%	57%

Chart 6: New Apartment Construction



Increasing non-residential construction

In 2004 non-residential consents increased by 15 percent compared to the year ended December 2003 (Chart 7). Non-residential consents increased by 8 percent during the December 2004 quarter compared to the same period in 2003 (Table 5). This continued a consistent trend of increasing commercial and government building activity during the 2004 year. Historically, non-residential construction is approximately only 20–25 percent of all construction. The rate of growth in this sector during 2004 appears to be similar to that in the residential sector.

Chart 7: Other New Building Construction

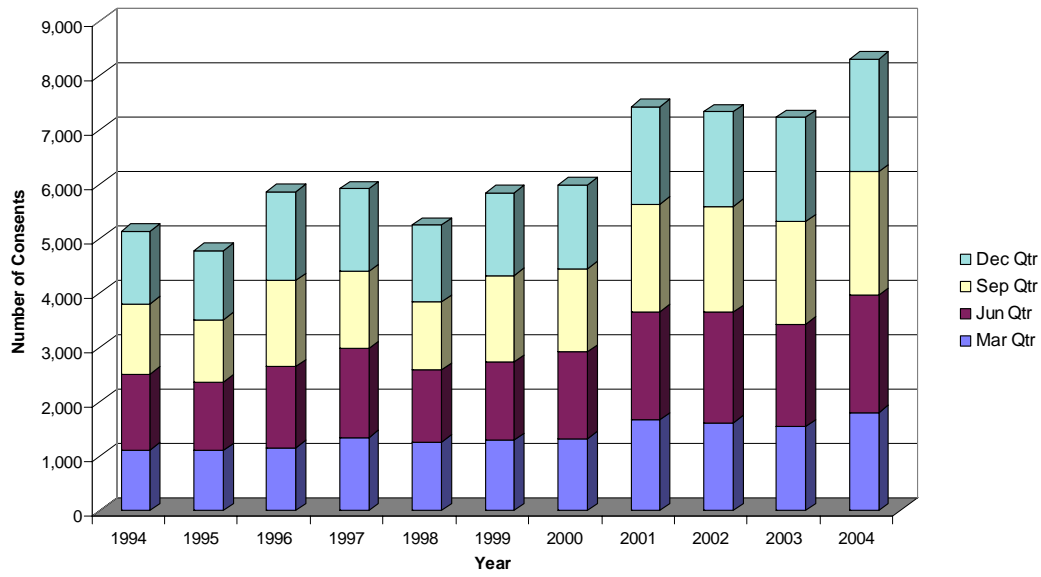
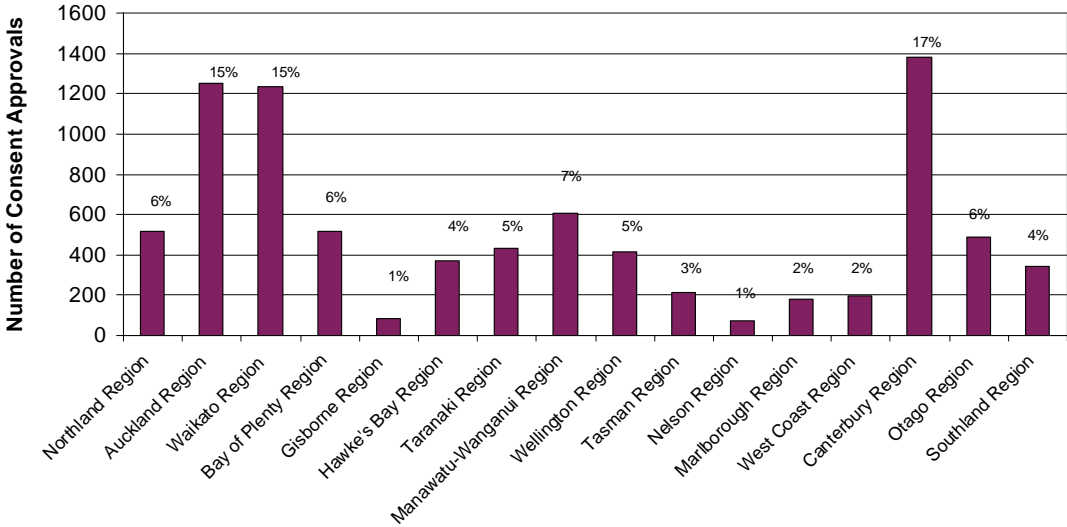


Table 5: Consents for non-dwellings

	Number of consents			
Year	October	November	December	Quarter
2003	646	624	645	1,915
2004	632	776	659	2,067
Change	-2%	24%	2%	8%

Compared to residential construction, non-residential construction consents are spread more evenly throughout the 16 regions (Chart 8). During the 12 months to 31 December 2004, non-residential activity was highest in the Canterbury region, with levels of non-residential consent activity also high in Auckland and Waikato. This geographical distribution of activity did not change significantly compared to the September 2004 quarter.

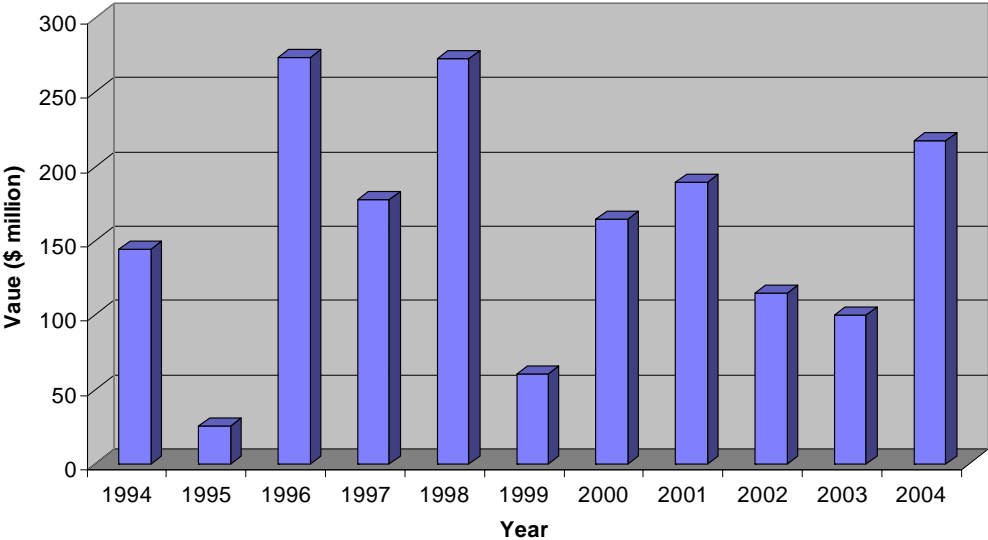
Chart 8: Non Residential Consent Activity
12 Months to 31 Dec



Increase in large consents

Territorial authorities are required to report to Statistics New Zealand the number of large consents issued each month. These figures indicate that the reported value of large non-residential consents issued by councils is the highest it has been since 1998 (Chart 9).¹ Large non-residential consents are defined as those that exceed \$3 million dollars, and are an indicator of the volume of large commercial building activity. \$192 million worth of large non-residential consents were issued during the December 2004 quarter, representing 88 percent of the year's activity in large consents. The remainder of large consents reported for the year were issued in July (\$25 million). This pattern of reporting is not unusual; in previous years no large consents have been reported for up to 7 months and the whole year's activity has been reported over a 5-month period.

Chart 9: Value of large non residential consents
12 months to 31 Dec



¹ The Department is working to determine the accuracy of these figures.

Economic outlook

Economic analysis undertaken by the Reserve Bank, published in monetary policy statements during the second half of 2004, indicated signs of change in the housing market. Rapid population growth placed considerable pressure on existing housing during 2003.² This was compounded by an increase in residential investment activity. These pressures on the existing housing stock led to demands on the construction sector for new dwelling construction. Construction backlogs lengthened, and many of these backlogs still remain. However, the Reserve Bank has been predicting that the reduction evident in the issuing of building consents is an indication that the level of residential building activity is cooling. Other signs supporting a residential construction slow-down were evident, such as moderating growth in house price increases. These predictions have proved largely correct, with residential construction beginning to flatten from its 2003 peak.

According to Quotable Value New Zealand, the median number of days to sell a house has increased from 25 days during 2003, the peak of the housing boom, to about 29 days at the end of 2004. The number of house sales jumped in November and December, but is still lower than at the peak of the cycle at the end of 2003.

The Reserve Bank's March 2005 monetary policy statement predicted the rising strength of non-residential construction activity and the rise in large consents issued at the end of 2004 will continue to divert resources from residential construction towards commercial construction activity in the future, keeping pressure on the industry as a whole.

Statistics New Zealand reports immigration peaked in mid-2003 and has fallen to a net permanent and long-term migration gain of 15,110 for the 2004 year. This is 56 percent lower than the net inflow of 34,910 people in the previous year. The lower rates of net inflow are due to both fewer permanent and long-term arrivals, and a greater rate of departures. This reduced immigration now appears to be causing abatement in housing demand.

Modelling undertaken by Westpac Bank has estimated the magnitude and timing of this reduced immigration on the residential construction market (Table 6). It suggests prices will come under downward pressure followed by a decrease in construction activity that will lag 6 months behind the price decrease. The model estimates that annual house price trends will decline from the June 2005 quarter. Downturn residential investment is unlikely to turn negative until later (the September 2005 quarter). Quarterly residential construction figures are predicted to turn negative in the June 2005 quarter (the accuracy of this prediction will be assessed using data released during September 2005). Westpac reports that it is seeing evidence of this price correction. Westpac's prediction is that the total value of new house construction may fall by as much as \$3.6 billion over the next 2 years and that demand will bottom out in 2006.

² Monetary Policy Statement, September 2004.

Table 6: Predicted housing demand – Westpac residential investment model, October 2004

	2003	2004	2005	2006	2007
Net migration (000)	35	12	0	-5	0
Total population growth (000)	61	38	26	22	27
Required new houses	23,882	14,968	10,329	8,435	10,464
Total building cost (\$ m)	6,448	4,041	2,789	2,278	2,825

Note that the table represents housing demand and does not take account of the lag effect on construction. Thus, the fall in total building of \$2.4 billion that is predicted in 2004 demand is likely to be felt by the construction industry on the supply side in 2005.

A factor likely to moderate the impact of the weakening of demand for residential construction is that the rate of issue of non-residential building consents remains high, and that the government plans many public works projects over the next few years. This increase in non-residential demand and resource substitution seems likely to extend the capacity pressures that are already felt in the construction sector.

Overall, it appears unlikely the predicted increase in commercial and government construction will offset the anticipated reduction in residential construction (expected to decline by \$3.5 billion). Westpac has been forecasting a net contraction of total building activity of approximately \$2.5 billion over the next 2 years.

In addition to immigration, consumer confidence is another leading indicator of residential building investment. The December quarter Westpac McDermott Miller (WMM) Consumer Confidence survey showed consumer confidence increased. Consumer confidence increased from 125 in the September 2004 quarter up to 130 in December.³ Westpac's analysis suggests that the confidence, buoyed by an increase in house prices, will maintain construction spending through the first quarter and possibly second quarter of 2005.

Contrary to the net consumer confidence, the New Zealand Institute for Economic Research (NZIER) indicates that a net 6 percent of firms expect business conditions to deteriorate in the following 6 months. However, this represents an improvement on the September quarter's net 16 percent of firms expecting a deterioration.

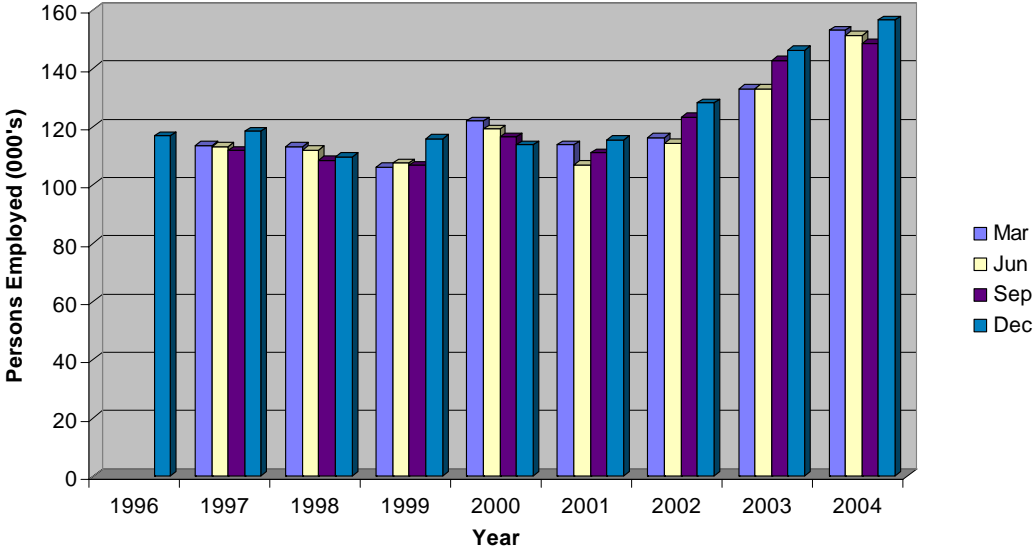
Labour supply

Employment in the construction sector increased by 5 percent during the December 2004 quarter, and was up 7 percent on figures at December 2003 (Chart 10). Longer term, there has been an average growth rate of 2.7 percent per quarter since December 2002. Employment across the entire economy grew by 1.6 percent during the December 2004 quarter, the ninth consecutive quarterly increase in employment levels.

³ An index number over 100 indicates there are more optimists than pessimists.

The Department of Labour maintains a focus on the labour market performance of the construction industry because of its influence on overall economic output and jobs. The Department expects that construction industry employment will be relatively stable over the next year because of the predicted expansion of non-residential construction activity, which is expected to offset any retrenchment in residential construction activity.

Chart 10: Persons Employed in Construction Industry



As a result of the tight labour market and the sustained growth in building activity over the past 2 years, a shortage of skilled staff continues to be recognised as a limitation in the building trades. The Department of Labour has recently completed an assessment of skill availability in the carpentry trade and has concluded that these skills remain in short supply.⁴ There has been slow growth in the number of qualified carpenters completing qualifications. From 2001 to 2003 annual training completions were 1.8 percent of the total carpentry workforce, while demand for carpenters has been growing at approximately 10 percent per annum. Some of this skill demand in recent years has been met by immigrant carpenters, with a net immigration gain of 500 carpenters since 2002. The outlook is for continued high levels of labour demand through 2005 with the Department of Labour predicting that training outflow will still continue to be too low to cope with current shortfalls and the rate of retirements from the workforce.

The Building and Construction Industry Training Organisation (BCITO), which deals specifically with the building trades (carpenters, plasterers, concreters etc), reported that it had achieved 6500 trainees by the end of 2004. This represents the number of people in training at any one time and is up 27 percent from 5000 at the end of 2003. The majority of these trainees (85 percent) are currently in the carpentry trade. BCITO predicts further growth in 2005 and expects trainee numbers to exceed 7500 by year end. The majority of these trainees (83 percent) are currently in the carpentry trade (Table 7).

⁴ Skill Shortage Assessment. Occupation: Carpenter (NZSCO 71121). December 2004. Department of Labour.

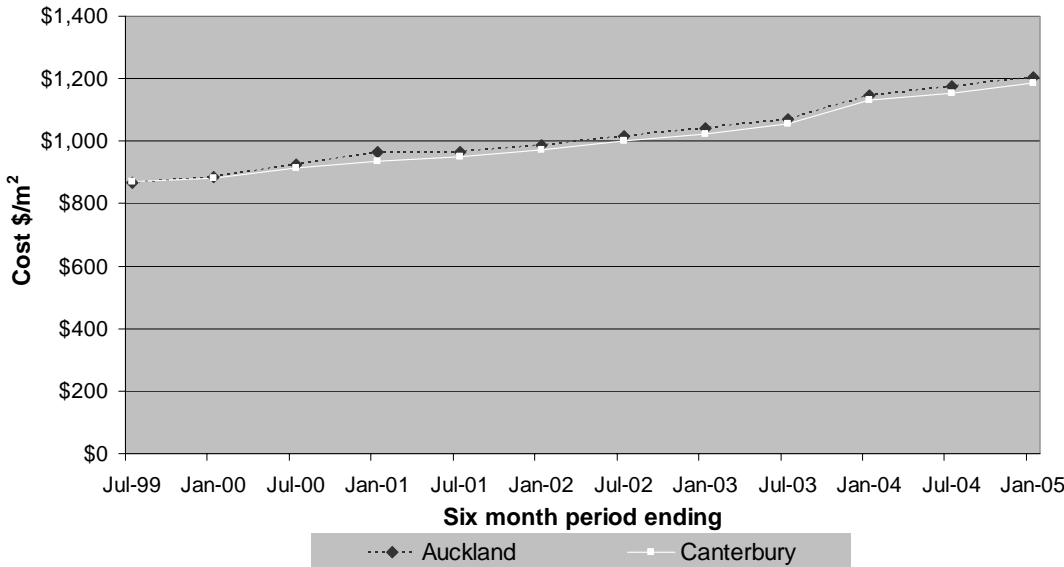
Table 7: Trainee breakdown (from BCITO, December 2004)

Trade	Number of trainees	Percentage of trainees
Carpentry	5,492	85%
Cement and concrete	169	3%
Health and safety	214	3%
Interior systems	130	2%
PPCS (EIFS)	338	5%
Solid plastering	65	1%
Floor and wall tiling	78	1%
Total	6,411	100%

Increased building costs

Regular estimates of building costs assist territorial authorities in estimating realistic values when they review the job value provided with a consent application. The parameter that is monitored is the ‘cost per square metre’ for a range of common building types including residential and commercial construction. Dwelling construction data that has been taken from the latest costing information calculated for the 6-month period ending January 2005 indicates that the cost of building a typical dwelling with a floor area of 202 m² is now \$1,190 per square metre. This compares with \$1,160 per square metre for the 6-month period ending July 2004, which is a 3 percent increase (Chart 11). These figures for the 12 months to January 2005 indicate an annual increase of 5 percent compared to the previous year.

Chart 11: Estimated cost of building a 202m² house



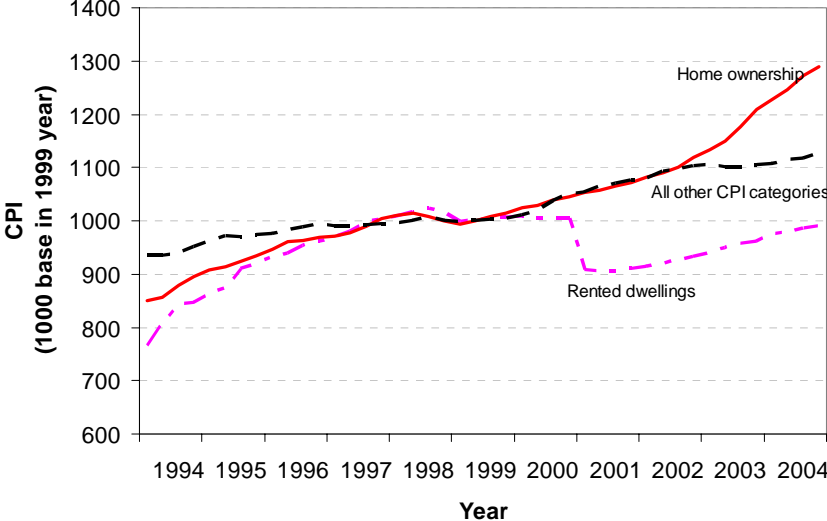
Smaller houses are more expensive to build, with a 145 m² home costing \$1,340 per square metre (12 percent more than a 202 m² home). This cost has risen by 8 percent since January 2004.

The increase in building costs is also reflected in Statistics New Zealand Consumer Price Index data, which indicates that prices for the purchase and construction of new dwellings rose by 1.7 percent in the December 2004 quarter, following increases of 1.9 percent in the September and June 2004 quarters and 1.6 percent in the March 2004 quarter (Chart 12). The price increase in the purchase and construction of new dwellings is up 7.3 percent from the December 2003 quarter.

Statistics New Zealand reports that construction prices have increased for 23 consecutive quarters. In the December 2004 quarter, 52 percent of surveyed construction prices rose, compared with 56 percent in the June 2004 quarter. Businesses responding to Statistics New Zealand surveys are asked to indicate one or more reasons for change in their reported construction prices. Of those respondents reporting increases in the December 2004 quarter, 88

percent cited higher prices for construction components, 75 percent cited increased subcontractors' charges, 74 percent cited rising labour costs, and 67 percent cited rises in the cost of fittings as a reason for the increase.⁵

**Chart 12: Consumer Price Index
Rising Cost of Home Ownership**

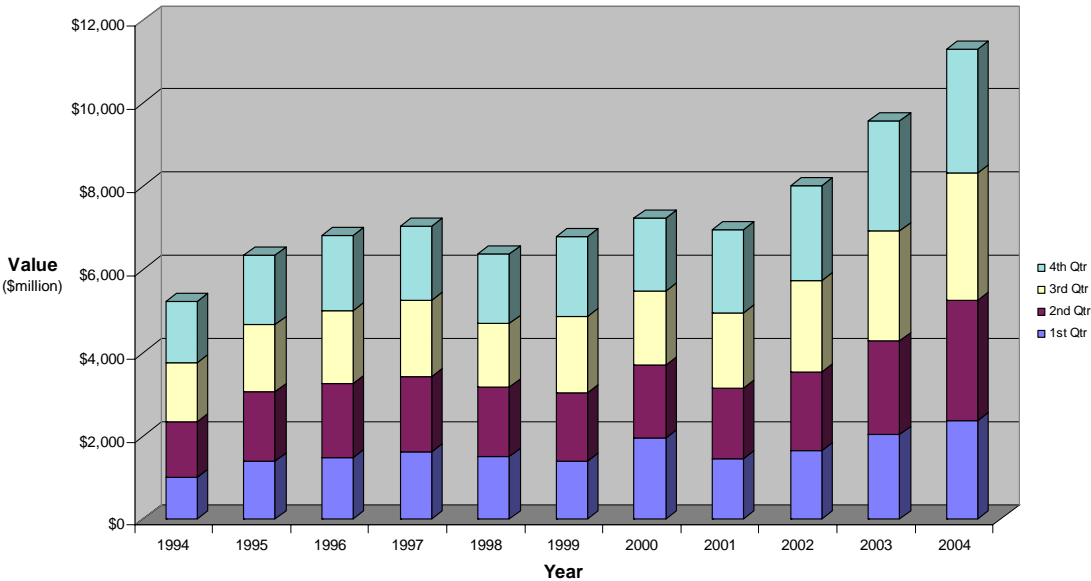


⁵ Refer to Statistics New Zealand.

Increased value of building activity

Quarterly Building Activity Survey data shows that a high volume of building activity and increasing building costs have combined to cause a sharp increase in the total value of building work being put in place in recent years. However, the value of all building work decreased by 4 percent in the December 2004 quarter compared to the September quarter (Chart 13).⁶ The value of building work for the September quarter was \$2.96 billion. Despite the small drop, this still represents the second highest recorded value of building work for any quarter and is up 15 percent compared to the same period during 2003.

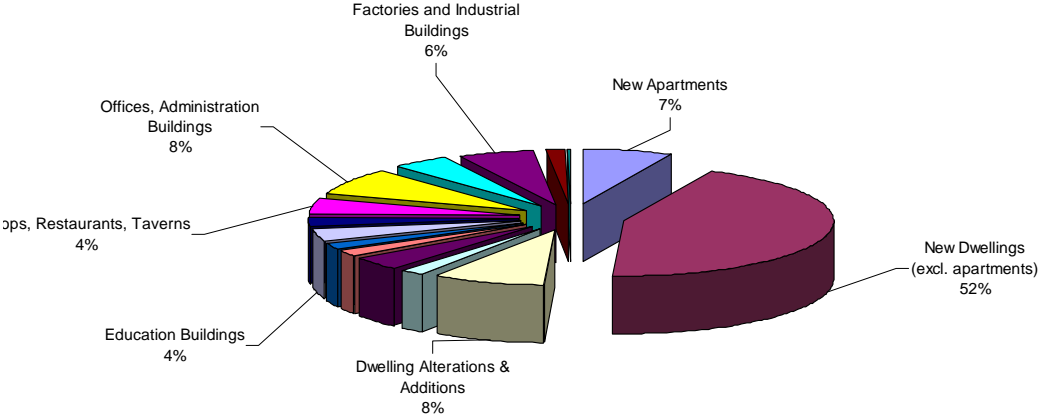
Chart 13: Total Value of Building Activity - All Buildings



⁶ September 2004 figures will be published by Statistics New Zealand on 8th December.

As outlined earlier in this report, residential consent numbers decreased during the December 2004 quarter compared to the same period in 2003. This decline is also reflected in the value of work covered by these consents, with the proportional value of residential work dropping to 52 percent in December 2004 compared to 64 percent in the December 2003 quarter (Chart 14). Consents for new apartments, however, are up 2 percent on value of work figures compared to the same period in 2003.

Chart 14: Type of Building Activity by Value of Work
December Quarter 2004

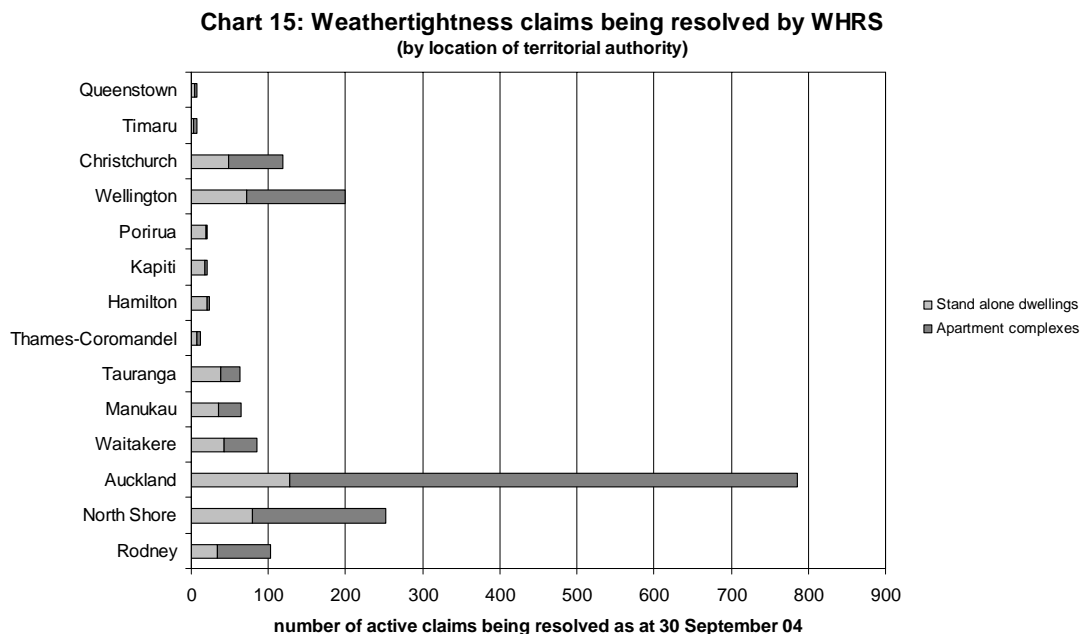


Building quality

Weathertightness issues

The Weathertight Homes Resolution Service (WHRS) was set up by the government in November 2002 to help homeowners resolve disputes over leaky homes. This service will be moving into the new Department of Building and Housing in early 2005.

The number of claims being made to the WHRS continues to grow. The Service had 2109 active claims as at 2 February 2005, compared to 1923 active claims at 30 September 2004.⁷ Claims arising in Auckland City exceed claims in any other territorial authority location by three times (Chart 15). The majority of active claims involve apartment complexes (64 percent).



The WHRS uses independent assessors to inspect each affected property prior to offering to resolve claims using either mediation or adjudication. By February 2005, 1835 assessment reports had been sent to homeowners. At that time, the WHRS had completed 257 resolutions: 169 using mediation, 13 through adjudication, and 75 resolved by other means. An additional 677 homeowners have had their cases deemed eligible by the WHRS Evaluation Panel, but have yet to decide whether to proceed to mediation or adjudication.

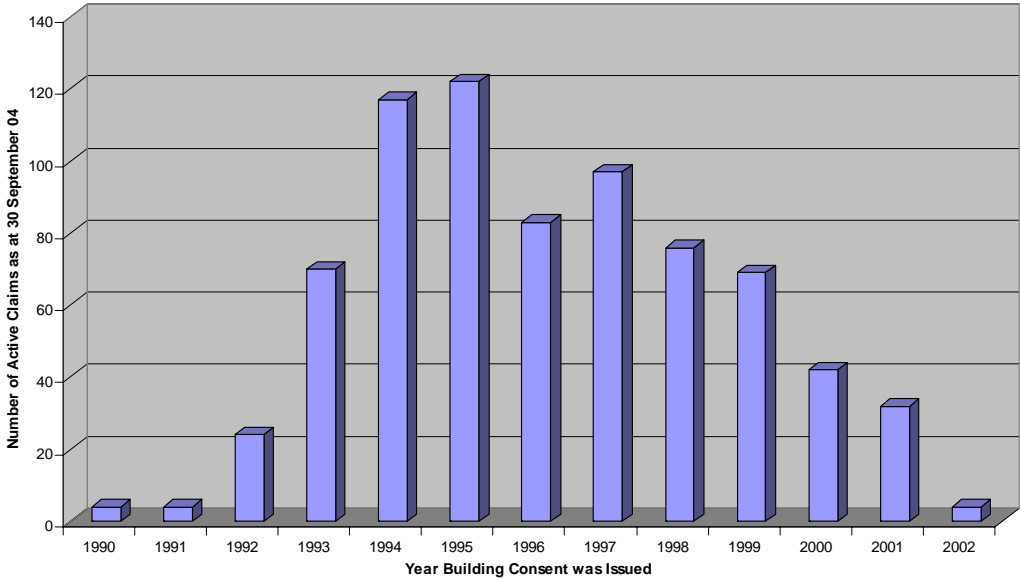
Information collected by WHRS assessors is regularly examined by the Department in an effort to understand what has caused weathertightness failures. The data shows that the leaks are most frequently associated with decks and balustrades, cap flashings, cracks in claddings, penetrations

⁷ 16 months previously, at 29 May 2003, the WHRS had received 727 applications from homeowners covering 1616 individual dwellings. These figures, however, are not comparable with the currently monitored 'active claims' because the WHRS has applied a different method of counting claims.

and window flashings. Risk factors associated with building design include the use of parapets, narrow eaves, complex rooflines, tall structures and high wind zones, balconies or decks that are exposed in plan, no cavities behind the cladding, and untreated framing timber with low resistance to decay when it gets wet. Various publications, advice and education have alerted the building industry to these risk factors. Recent advice includes the pamphlet *New Weathertightness Solutions – Important information for people building or renovating*. This provides an introduction to the new weathertightness solutions, which apply to most standard houses and low-rise apartments, and refers to the amended E2/AS1. These changes were made following an analysis of cladding systems involved in WHRS claims. This analysis clearly indicted that stucco-style cladding systems have a high failure rate; conversely, brick veneer is substantially under-represented in the WHRS data.

The Department continues to track the year of building consent issue for homes exhibiting weathertightness failure. At present, the main period of failure appears to be 1993 to 1999 (Chart 16). Eighty-five percent of claims made to the WHRS relate to buildings for which consents were obtained during this period.^{8,9} The time that typically passes before weathertightness defects become apparent may exceed several years, so this distribution may extend to include higher proportions of more recently issued consents as time passes. However, it is predicted that increased industry awareness of weathertightness risk factors, changes in construction practice and changes to E2/AS1 will limit the majority of these claims to buildings constructed prior to 2003/04.

Chart 16: Year of Building Consent for Active WHRS Claims



⁸ The date the building consent was issued has been identified by the WHRS in 84 percent of all claims. Only this data was used to calculate the distribution.

⁹ This data is obtained from WHRS assessment data, which is now available for 866 homes. This compares with the 615 claims for which assessment data was available in June and 284 in April.

Measures to improve timber durability – B2/AS1 implementation

In December 2003 amendments to the Acceptable Solution B2/AS1 (dealing with the use of treated and untreated timber) were announced. The amendments require higher levels of timber treatment in parts of buildings more at risk of decay caused by leaking. The new Acceptable Solution applied to any application for a building consent received on or after 1 April 2004. A transition period of one year for those building to the old Acceptable Solution to gain a code compliance certificate (CCC) no longer applies. Under the Building Act 2004 (from 31 March 2005) CCCs are assessed against the conditions in the original building consent rather than against the Building Code in place at the time of the assessment.

Earthquake-prone buildings

From 30 November 2004, territorial authorities have 18 months in which to adopt a policy on earthquake-prone, dangerous or insanitary buildings within their district. The intent of these measures is for territorial authorities to have a clear means of identifying and dealing with these types of building. The policy must be set using the consultation procedures in the Local Government Act 2002. This enables local polices to take account of local geographic, economic and environmental factors. It also means there will be opportunities for the public to make comments on the proposed policies at a local level.

Building Act implementation

During the December quarter, the new Building Act took effect and work commenced on implementing a number of building regulatory improvements.

Applications opened for the first Building Practitioners Board, which will play a key role in developing a new licensing system for the building industry. The licensing system will see all restricted work carried out or supervised by licensed building practitioners by 2009, with voluntary licensing to begin in 2007. An independent Building Practitioners Board will be appointed in mid-2005.

Work also commenced on a fundamental review of the New Zealand Building Code. This started with workshops to clarify New Zealanders' expectations and aspirations for buildings. The new purposes and principles in the Building Act 2004 encourage sustainable development, the incorporation of building maintenance and the improvement of health and wellbeing. As well as looking at the new broader focus of the Act, the review is seeking opportunities for improving the way in which the Code is written and presented to make it easier to use.

Preparations were also made to run a series of seminars and provide industry with guidance about the process changes to consents and inspections coming into force on 31 March 2005. The workshops and guidance material targeted architects, engineers, building owners and developers, contractors and subcontractors, site overseers, building consultants, building officials and students.

Standard revisions

A revision of NZS 4541:2003 Automatic Fire Sprinkler System Standard commenced during late 2004. When completed, the new Standard will apply to all automatic fire sprinkler systems installed in firecells or complete buildings or groups of buildings.

A revision of NZS 3101 Concrete Structures Standard is under way. The second part of this Standard contains information that aligns with the anticipated provisions of AS/NZS 1170 Structural Design Standard, which is soon to be finalised and published.

Determinations

A record number of Determinations (77) were issued in 2004, 60 of them on weathertightness matters. Twenty-nine of these Determinations were issued in the December quarter; 27 related to moisture (Building Code Clauses E2 and B2), one related to stability (Clause B1) and one related to access (Clause G5).

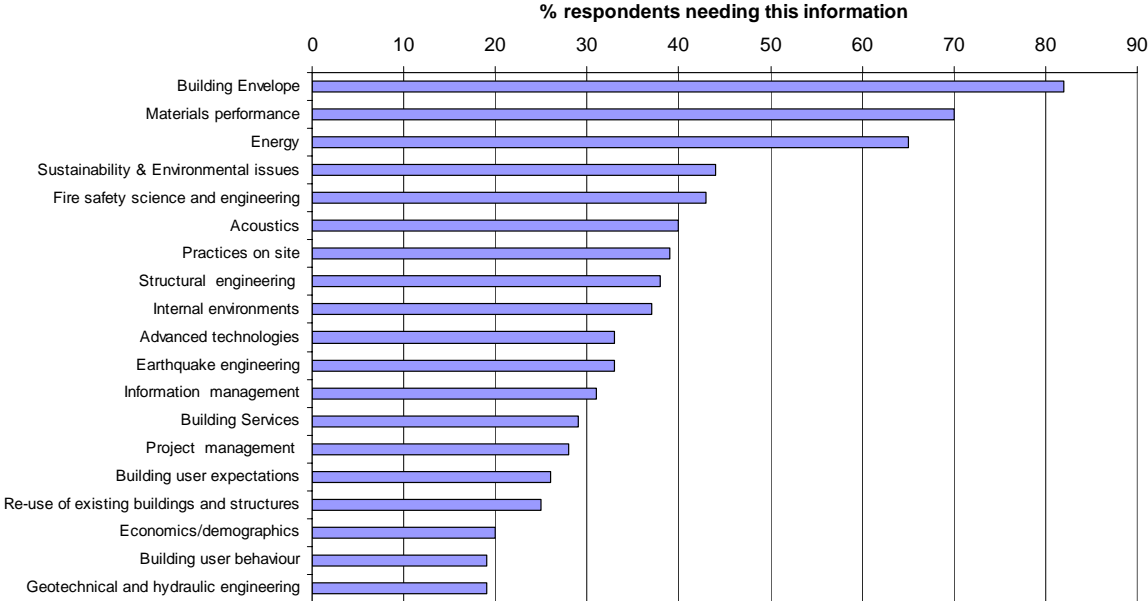
Work also commenced on designing new determinations systems that will respond to the wider scope for determinations under the new Act, provide for more information on determination decisions and provide capacity to meet the increased demand for determinations. Historically, the demand for determinations has been low, with applications running at 10 to 15 per year. However, during the course of 2004, demand increased significantly, primarily but not entirely due to weathertightness issues. Forecasted demand is now for 150 to 200 applications per year.

The changes introduced by the 2004 Act mean that determinations will require a more complex monitoring process. Determinations will now be decided by the Chief Executive of the Department of Building and Housing, and the Chief Executive may take a Determination on their own initiative. Applications for determinations received after 31 March 2005 must also be completed within a 60-working-day time limit.

Industry information needs

Each year BRANZ conducts a needs survey to identify building industry views of areas where new information is needed (refer to Chart 17). Materials performance and building envelope issues are still ranked highly among respondents as is energy.

Chart 17: Information Requirements (General Topics)

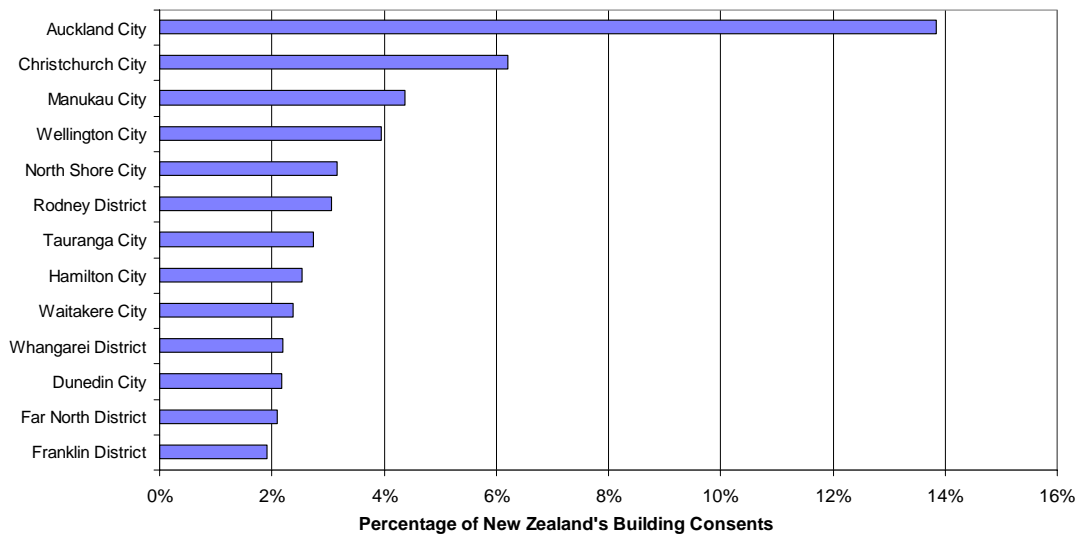


Building regulation

Volume of building regulation work

Half of New Zealand's building regulation activity is undertaken by 13 of the 74 territorial authorities (TAs) (Chart 18).

Chart 18: The 13 Territorial Authorities That Processed 50% of New Zealand's Building Consents
December 2004 Quarter



The greatest volume of regulatory activity continues to take place in the Auckland region, with six Auckland region TAs in this list of top 13 by volume. The Auckland region TAs collectively account for close to 30 percent of New Zealand's building consents. The total proportion of all regulatory work in this area has increased by 6 percent in the December quarter, following an increase in the number of consents issued by Auckland City (from 1752 consents in the September quarter to 2875 consents in the December quarter). Other regions remain relatively unchanged compared to the September quarter.

Building Code waivers

Section 34(4)(a) of the Building Act 1991 allowed a TA to grant waivers or modifications to the Building Code subject to certain conditions. This power has traditionally been used infrequently by TAs. Only three waivers were issued during the December quarter (Table 8). The October to December figure of three waivers compares to a long-term average¹⁰ of approximately 30 waivers per quarter, approximately a third of which are usually issued to Building Code Clause C3.

¹⁰ Refer to *BIA News* no. 132 for a 19-month summary of the Code Clause waivers that were notified to March 2002.

The three waivers in the December quarter are all issued in relation to C3. A common situation leading to a C3 Code waiver is where a building is close to a boundary that requires measures to prevent spread of fire. Where these boundaries are beside public parks or rights of way, or other areas that are not going to be built on, the TA often waives the fire rating requirements. Sometimes, though, the title is also marked so that, in the event of any building being erected on the adjacent area, the waiver could be withdrawn. C3 waivers are also sometimes granted for car parks in apartment buildings. Where each car park has a unit title, the Building Code requires a fire wall between adjacent parks. Generally this requirement is waived by TAs on the condition that nothing other than a vehicle is stored in the park.

Table 8: Building Code waivers

	C3 Spread of Fire
Invercargill	1
Hastings	1
Auckland	1
Total	3

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

Territorial authority and certifier performance

The Department monitors and reviews the performance of TAs and private building certifiers to ensure the maintenance of minimum standards within building control operations. These reviews are structured around five main objectives that address:

- Code compliance
- processes and procedures
- weathertightness
- best-practice issues
- communication between TAs/building certifiers and the Department.

The reviews have so far identified a number of initiatives that building control agencies could consider implementing in order to improve the quality of building control and increase their standard of service. The reviews have also identified several areas for attention in some building control operations and issues surrounding the consistency of Building Act enforcement by some local authorities. Most issues are within three theme areas.

- Technical skills.
- Operational processes and resource levels.
- Administrative systems to support operational needs.

Technical skills are a challenge throughout the sector, with the recruitment, retention and training of technical staff being an issue, along with the need for organisations to ensure they utilise their existing skilled technical staff more effectively. A range of operational process issues was identified with arguably the most common being that many organisations need to further develop systems and processes to underpin their building control activities. There have also been examples of communication difficulties among some TAs and with certifiers. These may have adversely impacted on some performance outcomes such as time-frames for processing building consent applications.