



Department of
Building and Housing
Te Tari Kaupapa Whare

Building and Housing Trends: October – December 2006



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Contents

Introduction	2
Executive summary	3
Economic growth and industry outputs	6
The housing market	7
Social housing assistance	9
Census 2006 housing and dwelling	16
Sectoral analysis	21
All building activity	21
Residential construction	24
New dwelling construction across regions	26
Apartment consents	27
Non-residential construction	29
Labour market	31
Building costs	32
Renting and homeownership costs	34
Cost and volume of renting by dwelling type	35
The number of tenancy bonds lodged and repaid	36
Bond–rent ratios for types of dwelling and selected major centres	37
Building quality and performance	38
Weathertightness issues	38
Profile of accepted WHRS claims	39
Building Act Determinations	42
Update on regulatory development	43

Introduction

This *Building and Housing Trends* publication covers the period from 1 September to 31 December 2006. 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), Quotable Value Limited and Housing New Zealand Corporation, as well as information and indicative statistics developed by the Department of Building and Housing (the Department) from administrative databases and other internal information. It has been prepared in line with the Department's strategy to build and enable access to sector-related information and knowledge.

Executive summary

The September 2006 quarter real gross domestic product data showed considerable slowing of the New Zealand economy compared to the 2002 – 2004 period of more rapid growth. Real gross domestic product grew 1.3 percent in the year to September 2006, which was less than the 2.2 percent growth in the year to the September 2005 quarter. The construction industry experienced a decline of 3.2 percent in the September 2006 quarter compared to the September 2005 quarter. In contrast, the construction industry grew at 0.13 percent in the September 2005 quarter compared to the September 2004 quarter.

The Reserve Bank March 2007 Monetary Policy Statement forecasts a decline in real investment (as measured by Gross Fixed Capital Formation) of 3.4 percent in the March 2007 year. This decline is forecast to be followed by a rise of 3 percent in the March 2008 year, 5.8 percent in the March 2009 year, and 4.4 percent in the March 2010 year.

A summary of some of the key developments in the building and housing sector since the last publication in December 2006 is as follows:

Building and construction activity

The level of construction industry activity was lower in 2006 than in 2005. The construction industry declined by 3.2 percent in the September 2006 quarter and by 6.1 percent in the June 2006 quarter, compared to the same period in 2005.

Residential building trends

- The trend for the number of new dwelling consents authorised has been decreasing from September 2006. The number of new dwelling consents issued in the 2006 calendar year was 25,952 compared to 26,023 in the 2005 calendar year. This represents an annual decline of 0.3 percent.
- The number of apartment consents issued decreased by 13 percent from 3,849 in calendar year 2005, to 3,348 in calendar year 2006.
- The actual value of residential building consents recorded in calendar year 2006 was \$7.26 billion, 6.1 percent higher than the \$6.841 billion issued in calendar year 2005. Most increases were recorded in the second and third quarters of 2006. However, the trend for the value of residential building consents started declining in October 2006. Despite the decline, residential building consent values remain high largely as a result of higher residential building costs and variations in the size of consents.
- The Reserve Bank in its March 2007 Monetary Policy Statement forecasts a decline in real fixed residential investment of 2 percent in the March 2007 year, followed by growth of 5.2 percent in the March 2008 year.

Non-residential building trends

- The value of non-residential building consents has fluctuated on a downward trend from October 2006. There was a higher total number but a lower total value of non-residential building consents in the calendar year 2006 compared to 2005. However, the current non-residential building consent values are still at high levels. This is largely explained by high consent numbers and increasing construction costs.

- The trend for the value of real non-residential building work put-in-place has declined from the June 2006 quarter.

Other construction (for example roads and infrastructure)

- The value for other construction consents issued increased from \$385 million in calendar year 2005, to \$422 million in calendar year 2006.
- In the latest March 2007 Monetary Policy Statement, the Reserve Bank forecasts government spending on fixed assets to increase by 9.1 percent in the 2007 March year, and a further 7 percent in the 2008 March year. Government spending on infrastructure is an important component of other construction.

Employment in the construction industry

- The Quarterly Household Labour Force Survey shows the number of people employed in the construction industry continued to increase in the December 2006 quarter. The employment level was at a high of 191,700 in the December 2006 quarter, a 1.8 percent rise from the 188,300 employed in the September 2006 quarter.
- The Department of Labour monthly Building Trade Vacancy Index increased by 17.6 percent for the year ended December 2006.

The housing market

- The housing market is strengthening after slowing in the first half of 2006. The increase in housing market activities is largely supported by higher net immigration numbers and a strong employment market.
- Median house prices in New Zealand rose at an annual rate of 9 percent to \$327,000 in January 2007. 7,566 house sales were transacted in January 2007 compared to 6,360 a year earlier in January 2006. The median number of days to sell a house was 38 days in January 2007, the same as in January 2006.

Social housing assistance

Government contribution to social housing assistance was \$326 million in the September 2006 quarter. The annual increase in contribution was 7 percent in the year to the September 2006 quarter, and 7.4 percent in the year to the June 2006 quarter.

Building and construction costs

- The increase in construction costs was 5.1 percent for residential buildings, 6.7 percent for non-residential buildings and 4.5 percent for other construction in the year to the December 2006 quarter. This increase in the cost of construction is higher than the annual increase of 4.1 percent in the overall Capital Goods Price Index (CGPI), for the same period.
- Wage and salary rates for people employed in the construction industry rose at an annual rate of 3.2 percent in the December 2006 quarter, compared to a marginally lower increase of 3.1 percent in the Labour Cost Index across all industries in the economy.

Costs of renting and purchase of new housing

The December 2006 quarter Consumer Price Index indicates that the annual increase in purchase of new housing was 5.6 percent and an increase of 2.4 percent for rent. General price inflation was 2.6 percent for the same period.

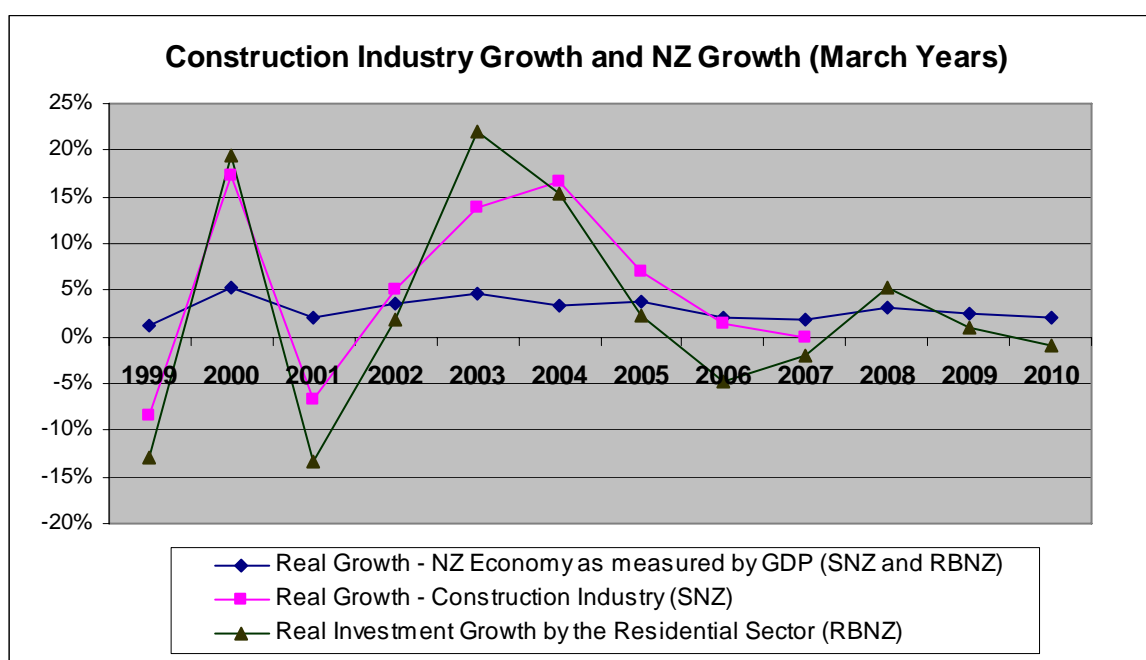
Economic growth and industry outputs

The September 2006 quarter real gross domestic product data showed that the New Zealand economy slowed considerably compared to the earlier 2002 – 2004 period of more rapid growth. Real gross domestic product (GDP) grew by 1.3 percent in September 2006 compared to the same quarter a year ago. This was lower than the 2.2 percent growth in the September 2005 quarter compared to the September 2004 quarter. The construction industry experienced a decline in real GDP at a rate of 3.2 percent in the September 2006 quarter compared to the same quarter in 2005. In contrast, the construction industry grew by 0.13 percent in the September 2005 quarter compared to the September 2004 quarter.

Despite these declines, employment in the industry continued to increase from the December 2004 quarter, rising to a record 191,700 in the December 2006 quarter from 165,900 a year prior in the December 2005 quarter, and from 188,300 in the September 2006 quarter.

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

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



Source: Reserve Bank and Statistics New Zealand

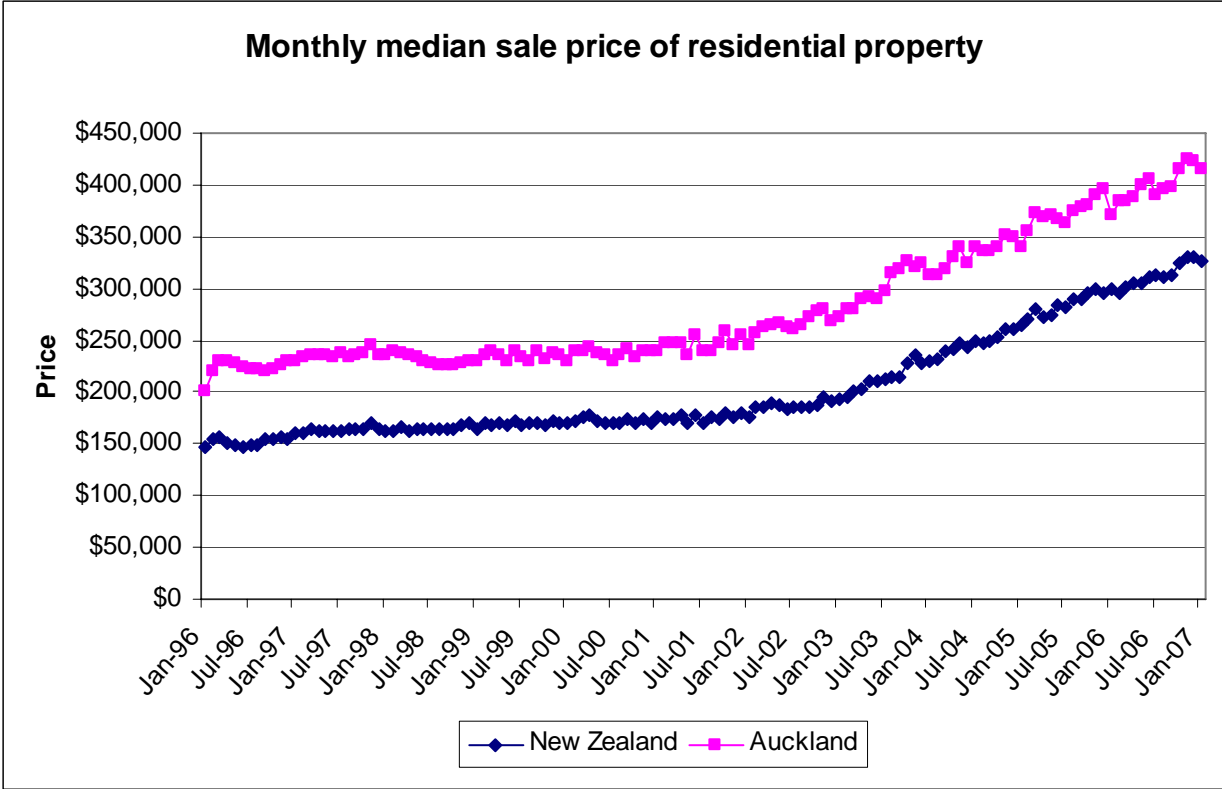
The housing market

Sales price

The housing market strengthened after slowing in the first half of 2006. Median house price from the Real Estate Institute of New Zealand (REINZ) was 9 percent higher at \$327,000 in January 2007, compared to \$300,000 in January 2006. The annual increase in median price was stronger in earlier months – 9.8 percent in October, 10 percent in November and 11.7 percent in December 2006.

House price movements were more variable in certain regions. The annual increase in January 2007 for the main urban regions was 12.16 percent for the Auckland region, 12.14 percent for the Wellington region and 8.6 percent for the Canterbury/Westland region.

Figure 2: Monthly median sale price of residential property

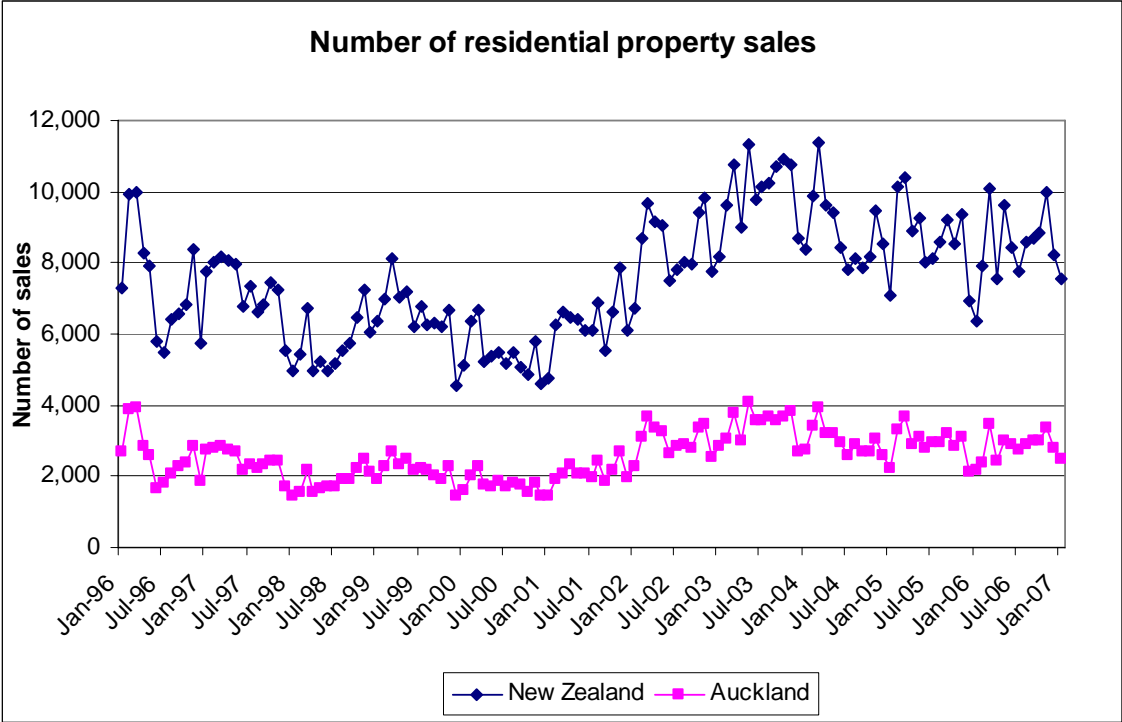


Source: Real Estate Institute of New Zealand

Sales volume

Residential sales volume in New Zealand remained at a relatively high level after peaking at 11,378 transactions in March 2004. The monthly sales volume was 7,566 in January 2007 (Figure 3).¹ This is significantly higher than the 6,360 transactions in January 2006 and 7,071 transactions in January 2005.

Figure 3: Number of residential property sales



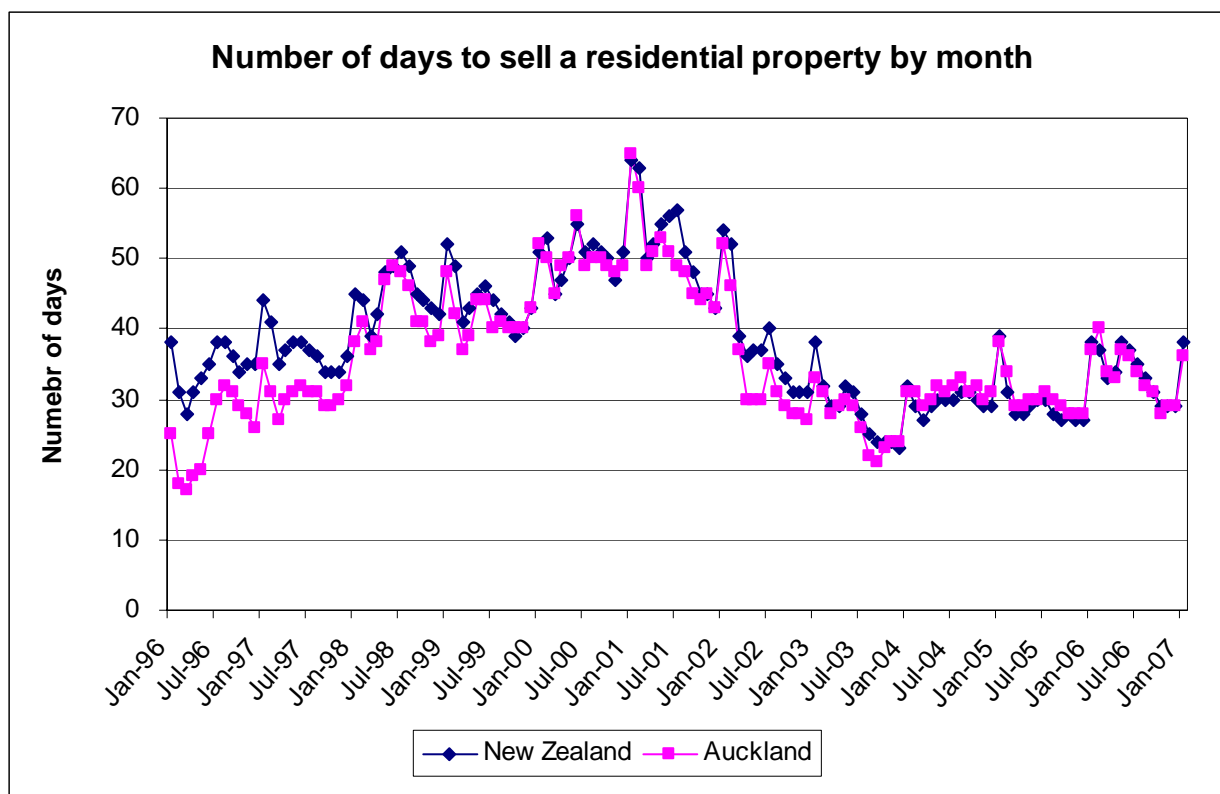
Source: Real Estate Institute of New Zealand

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

Days to sell

The median number of days to sell a house in January 2007 was 29 days, which is the same number of days it took in January 2006 and slightly quicker than the 38 days it took in January 2005 (see Figure 4).

Figure 4: Number of days to sell a residential property by month



Source: Real Estate Institute of New Zealand

Social housing assistance

The two primary methods² by which the government assists low-income families with affordable housing are the Accommodation Supplement³ (AS) and Income-Related Rents⁴ (IRR). As of December 2006, there were 258,416 AS recipients and 58,934 IRR tenants.

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 are focused on homeownership rather than rent relief.

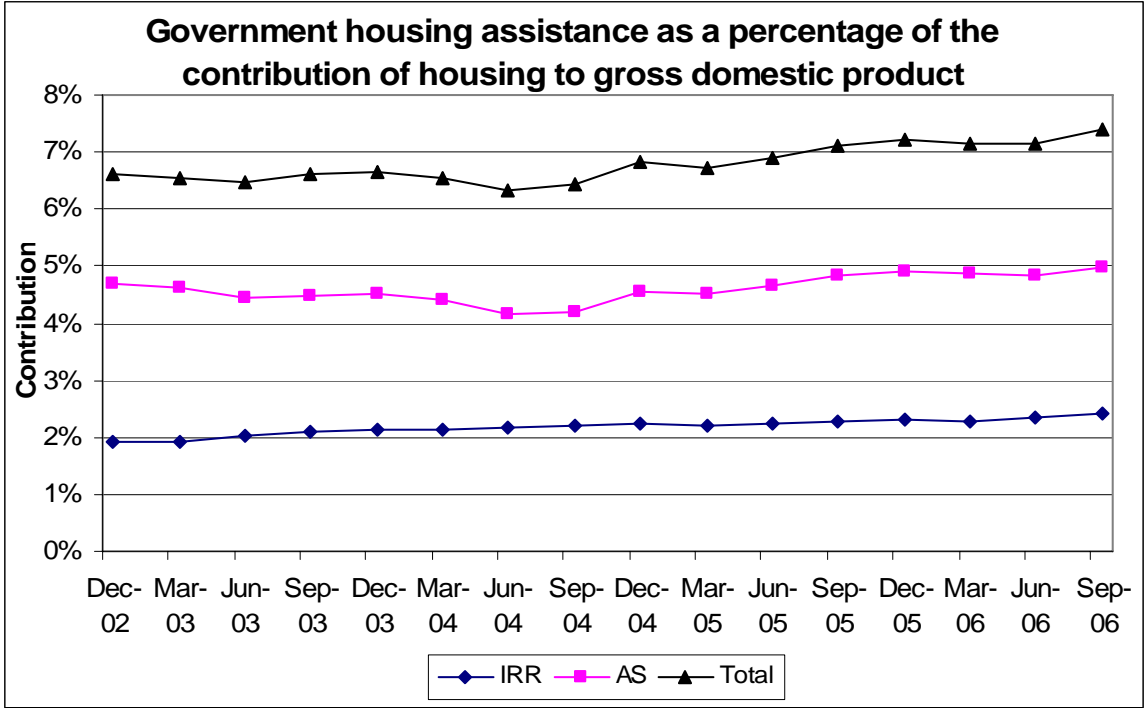
³ The Accommodation Supplement is available through the Ministry of Social Development for people in private accommodation who meet the income criteria. The recipients can then use this to offset the cost of their board, rent or mortgage payment.

⁴ The Income-Related Rent subsidy is paid to Housing New Zealand Corporation by the Government so that they can subsidise the rent of Housing New Zealand tenants on low incomes (that is up to the single living-alone rate of New Zealand Superannuation, after tax, for single tenants and up to the married couple rate of New Zealand Superannuation, after tax, for all other tenants). A tenant in a Housing New Zealand home is not required to pay

Figure 5 shows government expenditure on social housing assistance as a percentage of the housing sector expenditure⁵ for the quarter ending December 2002 to the quarter ending September 2006.

The level of total government housing assistance relative to total housing contribution to GDP, increased from 7.2 percent in the June 2006 quarter to 7.4 percent in the September 2006 quarter. IRR assistance relative to total housing contribution to GDP increased from 2.34 percent to 2.42 percent. AS assistance relative to total housing contribution to GDP, increased from 4.82 percent to 4.97 percent, as a result of growth in the housing sector.

Figure 5: Government housing assistance as a percentage of the contribution of housing to gross domestic product⁶



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

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.

⁵ Gross Domestic Product: Household consumption expenditure by purpose in actual current prices - Housing (series S2NP30CZE). Source: Statistics New Zealand.

⁶ Due to new data on the housing sector being made available by Statistics New Zealand on the size of the housing sector, this graph is not comparable with the graph presented last quarter.

The government contribution to social housing assistance for the quarter ending December 2002 to the quarter ending September 2006, is outlined in Table 1. The September quarter saw an increase of approximately \$4 million in income-related rent payments, and \$8 million in accommodation supplement payments.

Table 1 Government Housing Assistance⁷

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

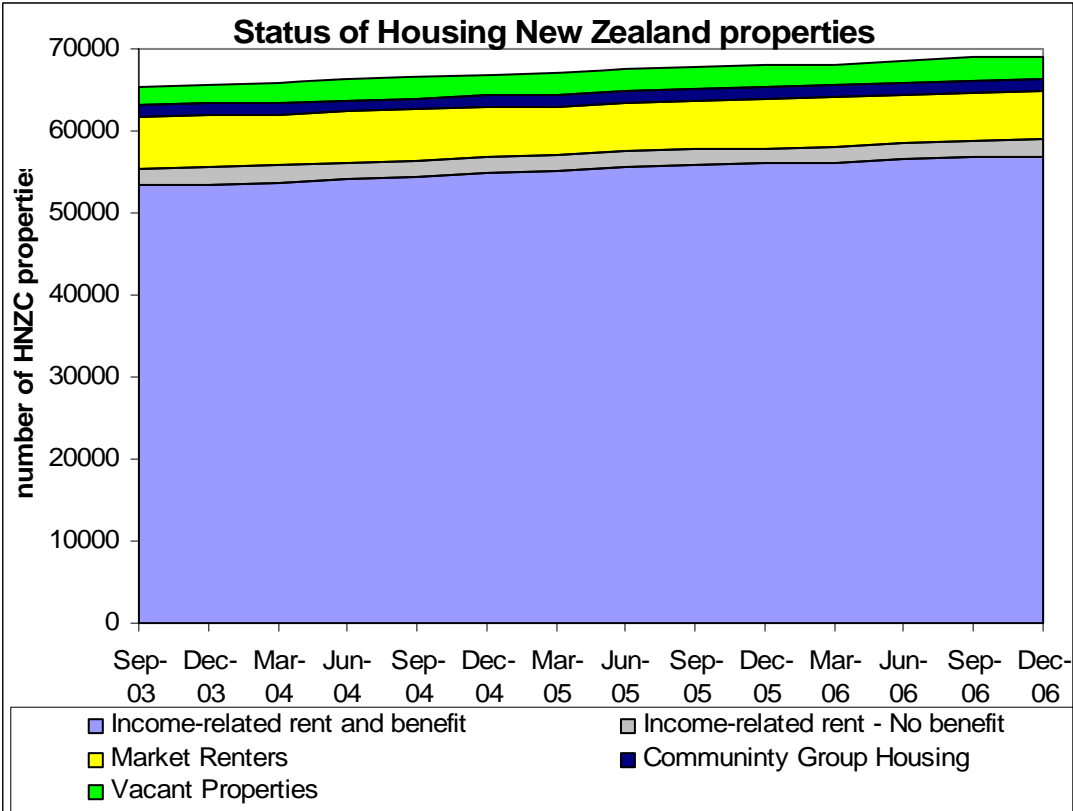
Source: Housing New Zealand Corporation and Ministry of Social Development

⁷ The figures used are rounded to the nearest whole number and annual percentage change is calculated using the original figures before rounding. This may result in annual percentage changes differing slightly with calculations using rounded figures in this table.

Figure 6 graphs the number of Housing New Zealand Corporation properties since September 2003. Key trends remain unchanged. The total number of Housing New Zealand Corporation properties increased to 67,730 in the December 2006 quarter up from 67,534 in the earlier quarter. Trends indicate:

- a net increase of 65 vacancies
- the number of Community Group Houses was unchanged
- a net increase of 49 market renters
- a net increase of 82 tenants on Income related Rents, and 76 of those were receiving some other benefits as well.

Figure 6: Status of Housing New Zealand Properties⁸



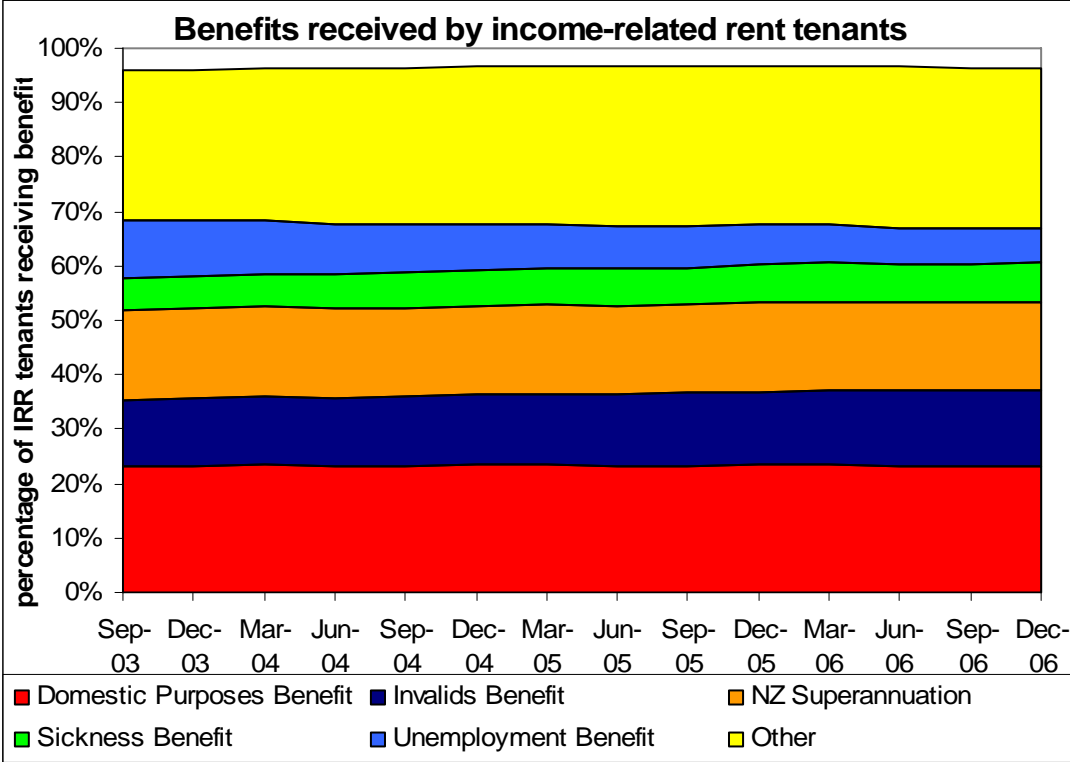
Source: Housing New Zealand Corporation

The proportion of Housing New Zealand tenants on particular benefits has not changed significantly from September 2003 to December 2006. Note that due to a change in data categorisation, this graph is not comparable with the equivalent table in last quarter’s report.

⁸ Due to a change in data categorisation this table is not comparable with the equivalent table in last quarter’s report.

As shown in Figure 7, there were no significant changes in the composition of benefits received by Income-related Rent tenants this quarter.

Figure 7: Benefits received by income-related rent tenants



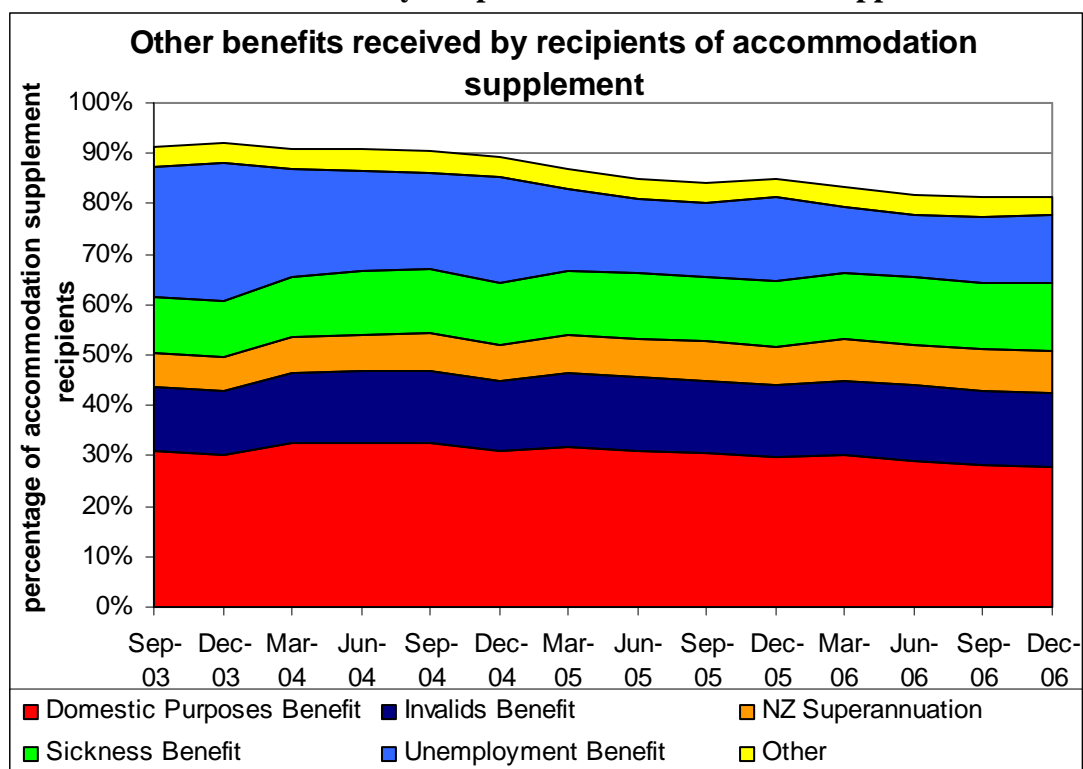
Source: Housing New Zealand Corporation

Figure 8 shows the distribution of benefits for all tenants receiving AS. Benefits received by AS recipients vary more than those received by IRR recipients over the period graphed.

The main changes in benefits received this quarter compared to the September 2006 quarter were:

- an increase from 13 percent to 13.7 percent of AS recipients receiving unemployment benefits
- a decrease from 28.3 percent to 27.8 percent of AS recipients receiving the domestic purposes benefit

Figure 8: Other benefits received by recipients of accommodation supplement



Source: Ministry of Social Development

Over the December quarter, there was a decline in the total number of applicants, from 4,370 to 3,913, for A and B priority waiting lists (Figure 9). The drop in both A and B waiting lists (the A list fell from 159 to 95, the B list fell from 4,211 to 3,818) is consistent with previous December quarters. There is a clear downward trend in waiting lists.

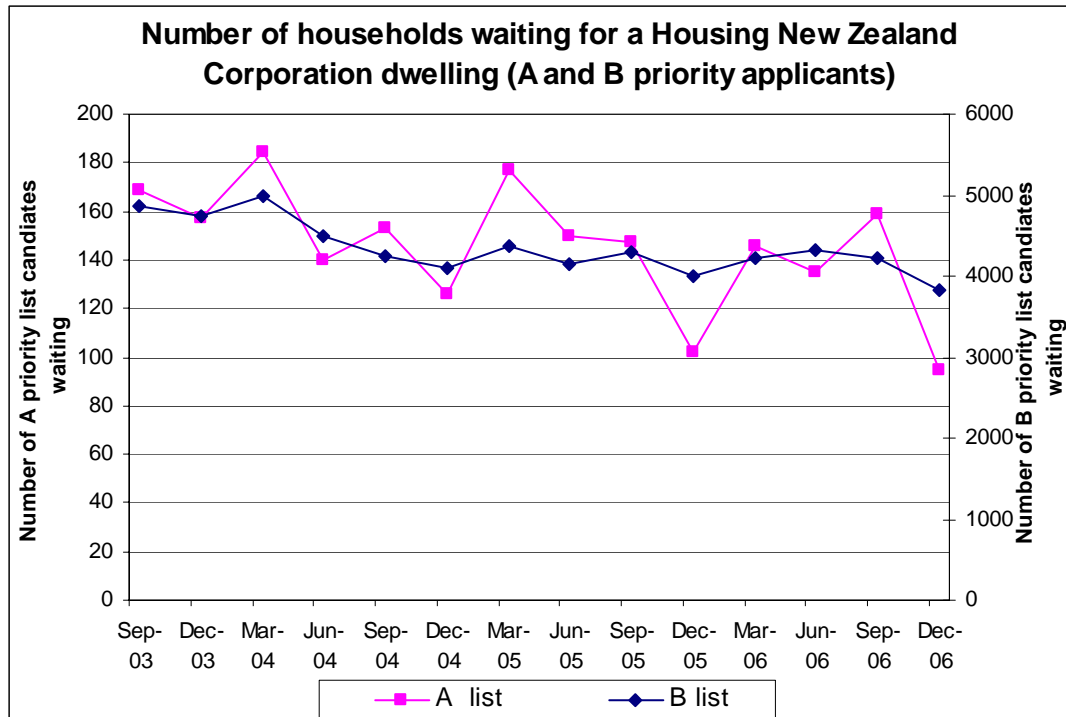
Waiting list priority for Corporation housing is determined by several factors⁹ and divided into four groups that reflect different levels of need¹⁰. The groupings are referred to as:

⁹ 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.

- A priority¹¹
- B priority¹²
- C and D priority¹³.

Figure 9: Number of households waiting for a Housing New Zealand Corporation dwelling (A and B priority applicants)



Source: Housing New Zealand Corporation

The average time applicants on the Housing New Zealand list have waited for a property (as shown in Figure 10) remains constant at 176 days for B list applicants. The waiting time for A list candidates increased from 38 days to 63 days in the December quarter.

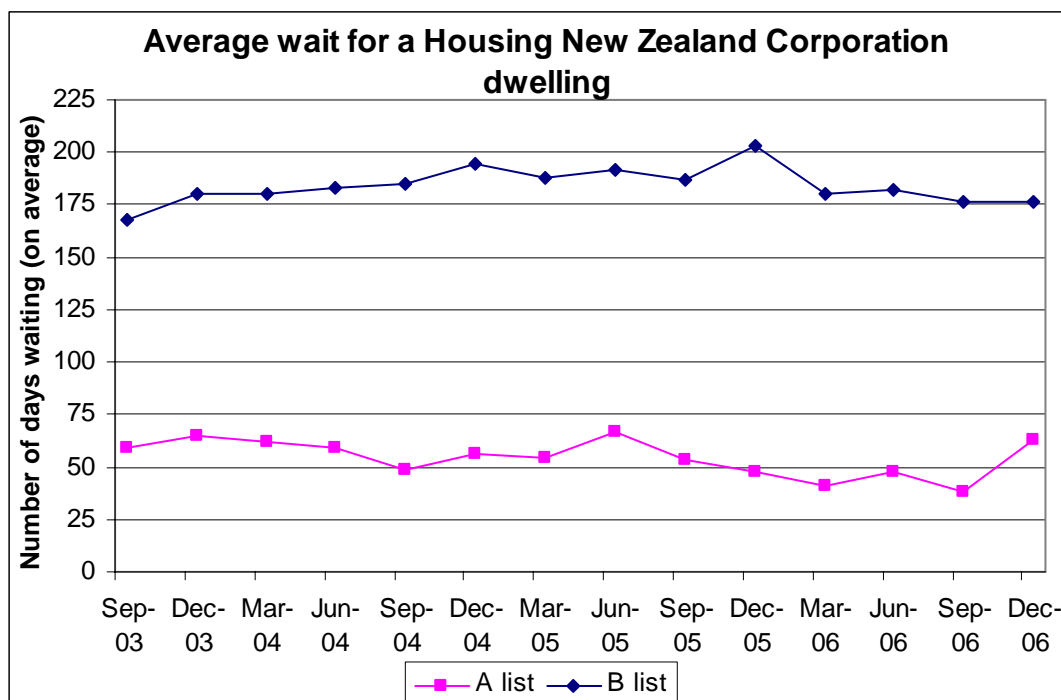
¹⁰ Source: Housing New Zealand Corporation.

¹¹ '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.

¹² '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.

¹³ 'C' and 'D' priority waiting lists are for households with low to moderate housing need.

Figure 10: Average wait for a Housing New Zealand Corporation dwelling



Source: Housing New Zealand Corporation

Census 2006 housing and dwelling

The first statistics from the 2006 Census of Population and Dwellings were released in late 2006. Held on 07 March 2006, the Census provides a snapshot of building and housing in New Zealand over the past five years. This quarter's *Building and Housing Trends* looks at some of the Census information which is currently available from Statistics New Zealand.

Total population and dwelling counts

There were 4,027,947 usual residents on census night, an increase of 290,670 (7.8 percent) usual residents since the 2001 Census and an increase of 409,644 (11.3 percent) usual residents since the 1996 Census. There were 1,471,746 private occupied dwellings reported in 2006, an increase of 111,903 (8.2 percent) dwellings since 2001, and an increase of 195,414 (15.3 percent) dwellings since the 1996 Census.

Dwelling counts by dwelling type

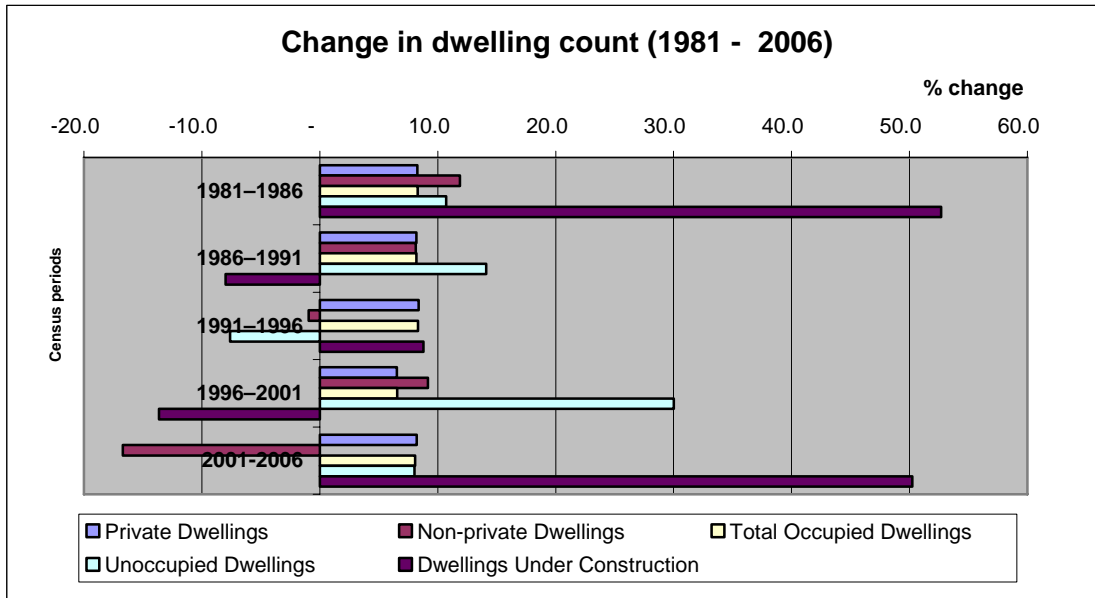
The number of private dwellings and total occupied dwellings has remained relatively constant over Census periods. The number of non-private dwellings, unoccupied dwellings and dwellings under construction has experienced some noticeable fluctuation (Figure 11). Some examples are listed below.

- The number of unoccupied dwellings increased by 11,841 (8 percent) over the 2001 – 2006 period, and by 34,047 (30 percent) over the 1996 -2001 period.
- Following a decline of 1,425 (13.6 percent) during the 1996 – 2001 period, the number of dwellings under construction increased significantly, by 4,533 (50.2 percent), over the next five years (2001-2006).

- There were 6,963 non-private occupied dwellings (e.g. hotels, motels, hospitals, communal staff quarters) reported in 2006, a decrease of 1,398 (16.7 percent) over the 2001 – 2006 period, and an increase of 702 (9.2 percent) over the 1996-2001 period.

It is worth noting that differences in definitions and enumeration procedures impact on the results presented.

Figure 11: Change in dwelling count (1981 – 2006)



Source: Statistics New Zealand

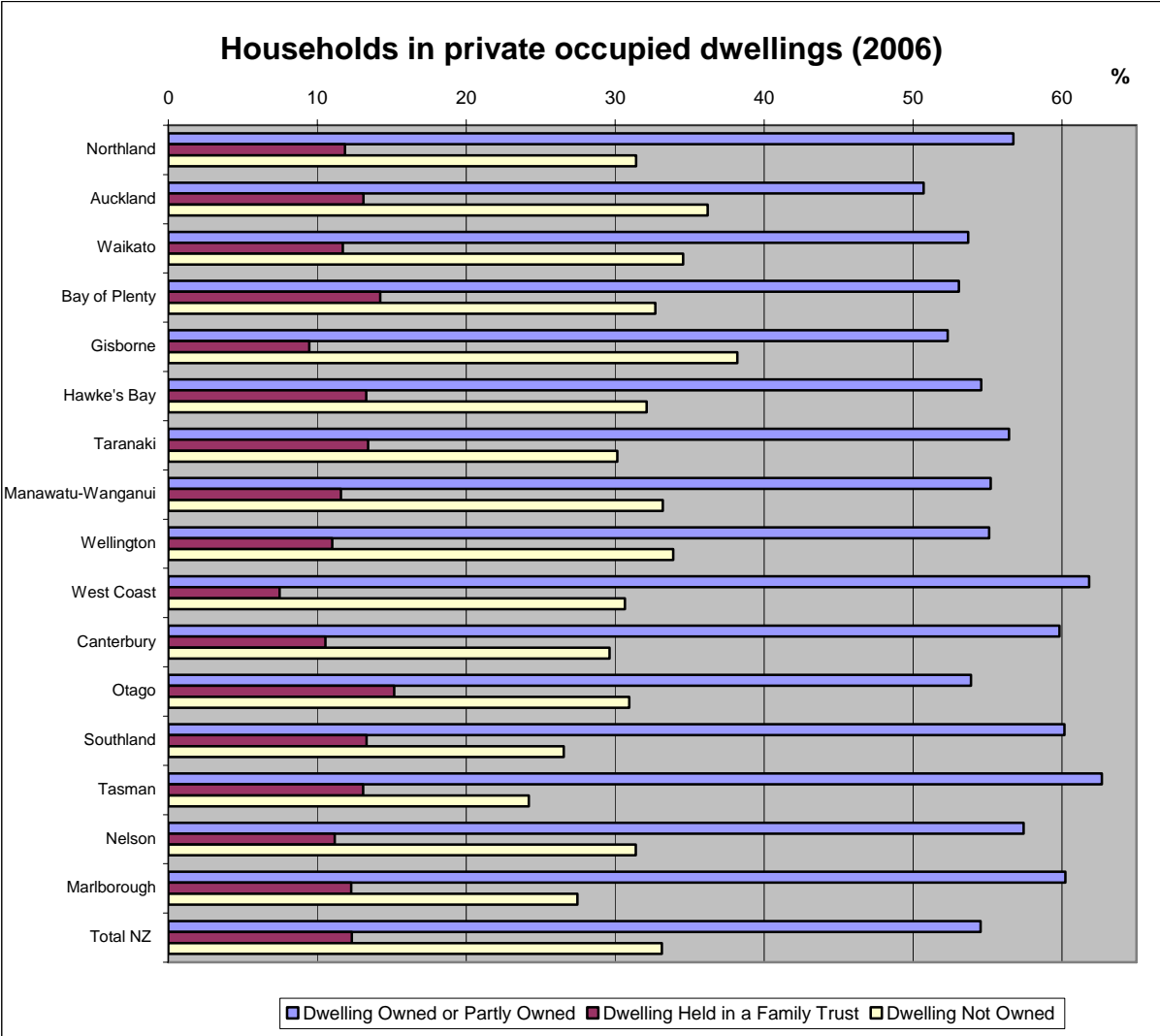
Home ownership, renting households & family trusts

In 2006, more than 55 percent (743,952) of households in private occupied dwellings reported owning the dwelling they lived in, and over 30 percent (451,965) reported not owning the dwelling they lived in. The 2006 figures show a drop in home ownership of 124,704 (14.4 percent) dwellings and a rise in renting households of 39,765 (9.6 percent) dwellings since 2001. However, these figures are possibly offset by the 167,922 (12.3 percent) of households who identified their dwelling as held in a family trust.

Figure 12 illustrates a regional breakdown of households in private occupied dwellings by tenure. Tasman had the highest home ownership rate (62.7 percent), followed by the West Coast (61.9 percent) and Marlborough (60.2 percent), while Gisborne and Auckland had the highest rates of renting households (38.3 and 36.2 percent respectively).

Of the households who reported holding their dwelling in a family trust, Otago and Bay of Plenty had the highest prevalence of all the regional councils (15.2 and 14.2 percent respectively).

Figure 12: Households in private occupied dwellings (2006)



Source: Statistics New Zealand

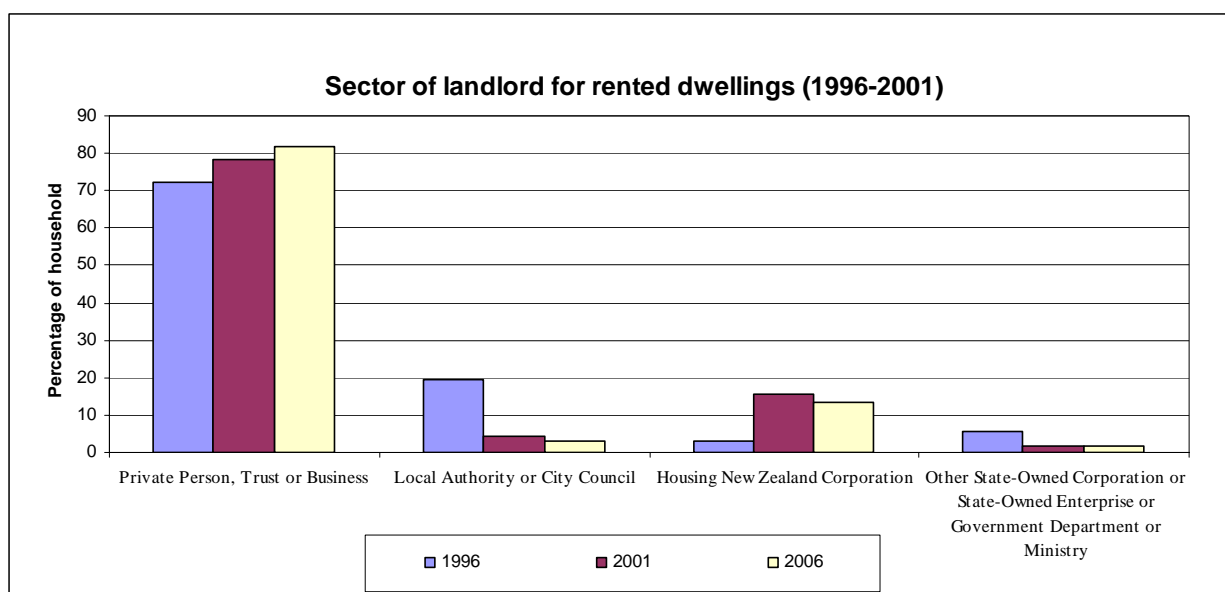
Public and private sector renting households^{14 & 15}

Over the last four Census years, there has been a decline in households renting dwellings in the public sector and an increase in private sector rentals (Figure 13).

There were 299,607 households (81.8 percent) renting privately in 2006, compared to 264,501 (78.4 percent) in 2001 and 196,188 (72.1 percent) in 1996¹⁶.

In the latest 2006 Census, Housing New Zealand Corporation remains the principal public sector landlord with 49,419 dwellings (13.5 percent), followed by 11,004 (3 percent) dwellings with Local Authority or City Council, and 6,165 (1.7 percent) dwellings with other public sector landlords.

Figure 13: Sector of landlord for renting dwellings (1991 - 2006)



Source: Statistics New Zealand

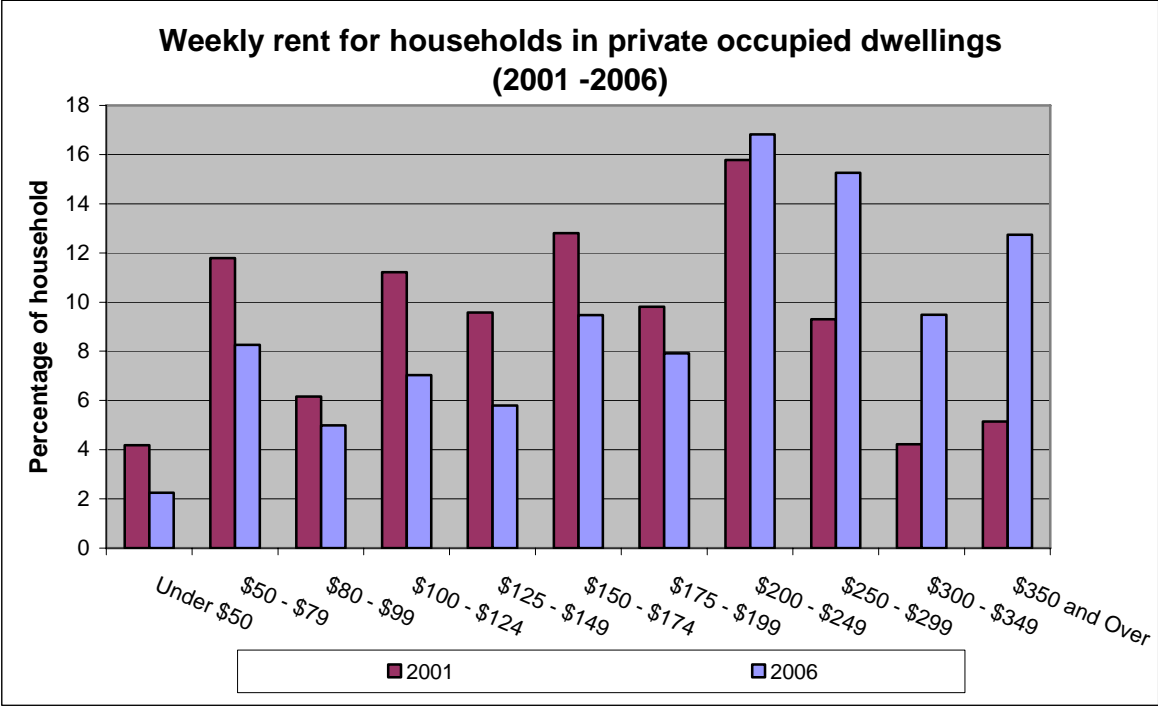
¹⁴ The percentages which appear in this section are expressed as totals which exclude undefined categories such as “not elsewhere included”, “don’t know”, “response unidentifiable” and “not stated”.

¹⁵ Note that the subject population in this section is “households who make rent payment in rented private occupied dwellings”.

¹⁶ Note the classification change in 2006 where there was an aggregation of private person, trust and business.

The distribution of household weekly rents has shifted over the five years to March 2006 (Figure 4). In the 2006 Census, 205,239 households (54.4 percent) now pay \$200 or more per week for rent, compared with 117,528 (34.5 percent) in 2001.

Figure 14: Weekly rent for households in private occupied dwellings (2001 – 2006)



Source: Statistics New Zealand

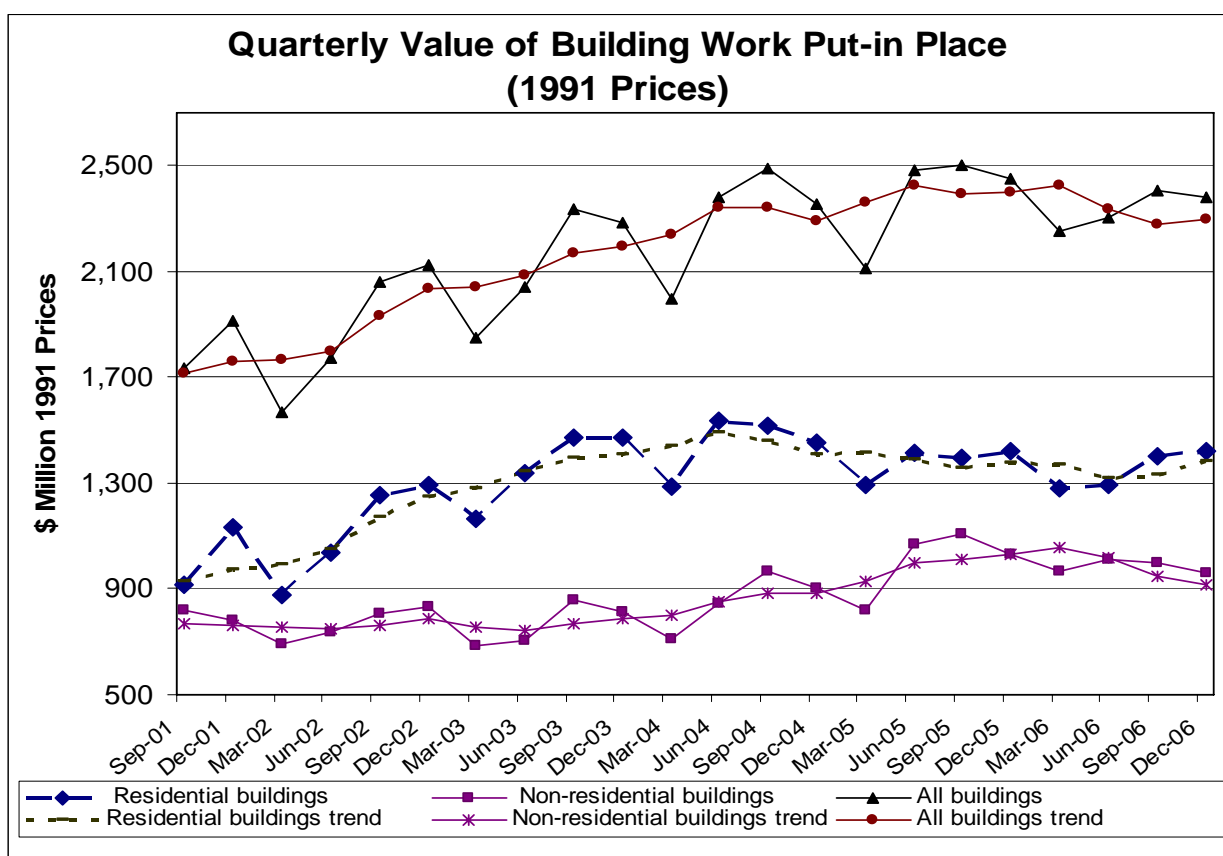
Sectoral analysis

All building activity

The declining trend for the value of all building work put-in-place in the June and September 2006 quarters, began to reverse in the December 2006 quarter. The value of building work put-in-place in calendar year 2006 was worth \$12,772 billion, 3.1 percent higher than \$12,388 billion put-in-place in calendar year 2005. However, after adjusting for price inflation, the latest value of all building work put-in-place declined 1 percent in the December 2006 quarter, compared to the December 2005 quarter.

The value of all survey building work put-in-place represents an actualisation of building consents issued earlier. The trend for the value of building consents issued was increasing up to August 2006. This rise in consent value has been translated into higher actual building work put-in-place in the December 2006 quarter data compared to the same in the September 2006 quarter.

Figure 15: Quarterly value of building work put-in-place (1991 prices)

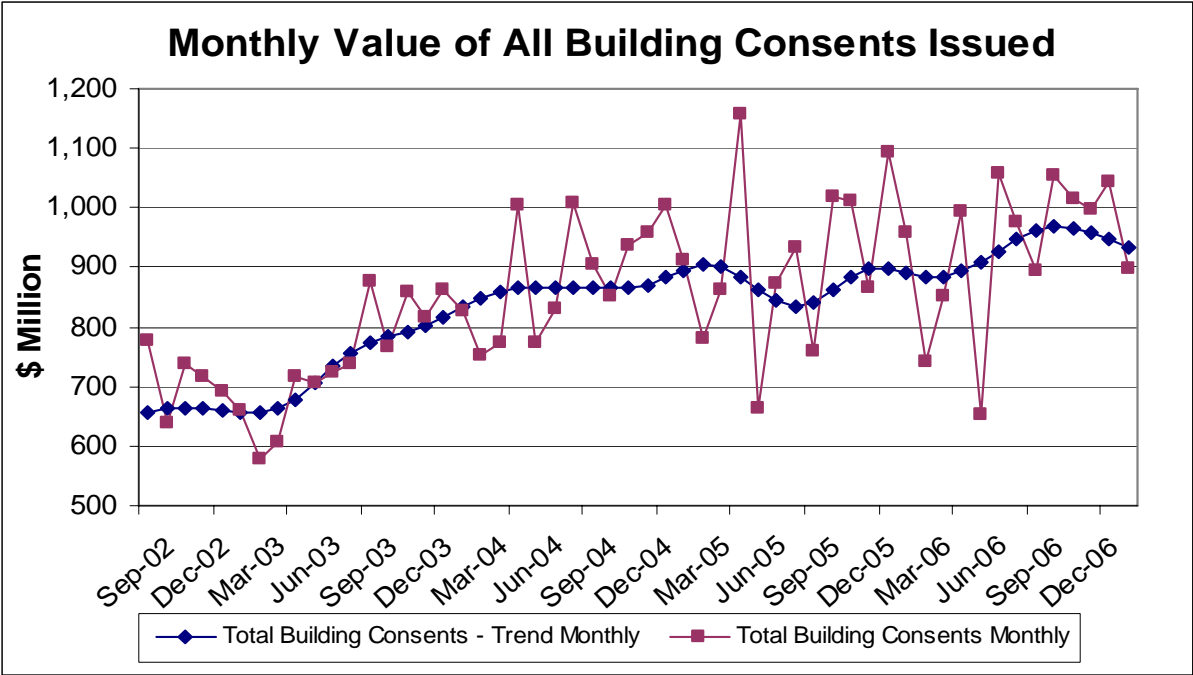


Source: Statistics New Zealand

Trends for the monthly value of all building consents issued have reversed since the last report, resulting in falling consent values in December 2006 and January 2007. Compared to the same months the year before, the value of all building consents fell 4.7 percent in November 2006, fell 6.3 percent in December 2006 and increased 5.5 percent in January 2007.

The decline in consent value is largely explained by the decline in new dwelling consent numbers. Residential building consent values made up 64 percent of all building consent values in November 2006, 63 percent in December 2006 and 69 percent in January 2007.

Figure 16: Trend in the monthly value of all building consents issued

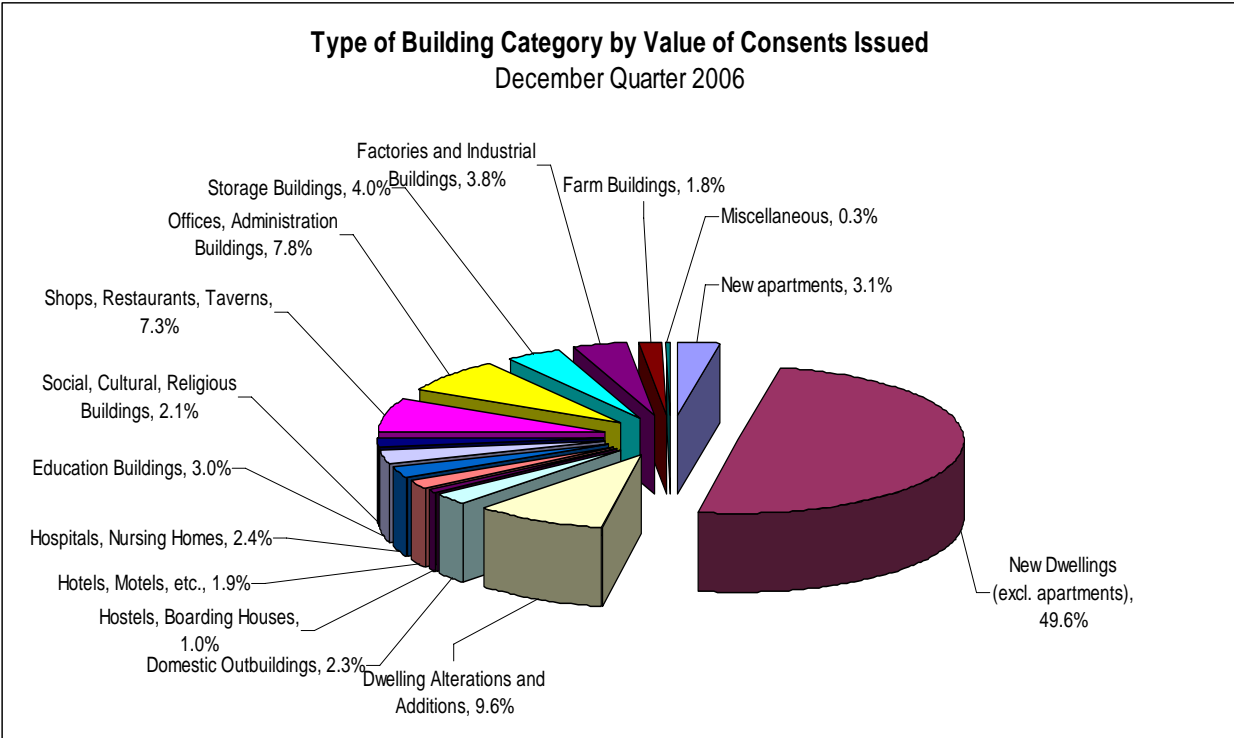


Source: Statistics New Zealand

The value of new dwelling (excluding apartments) consents as a percentage of the value of total building consents was 49.6 percent in the December 2006 quarter. This was lower than the 51.3 percent ratio in the September 2006 quarter, but higher than the 46 percent ratio a year ago in the December 2005 quarter (see Figure 17).

In the December 2006 quarter, new apartment consents made up 3.1 percent of all building consents in value terms. New apartment consent values fluctuate from month to month as the number of new apartment consents issued is volatile, contributing to fluctuations in new dwelling values.

Figure 17: Type of building category by value of consents issued, December quarter 2006

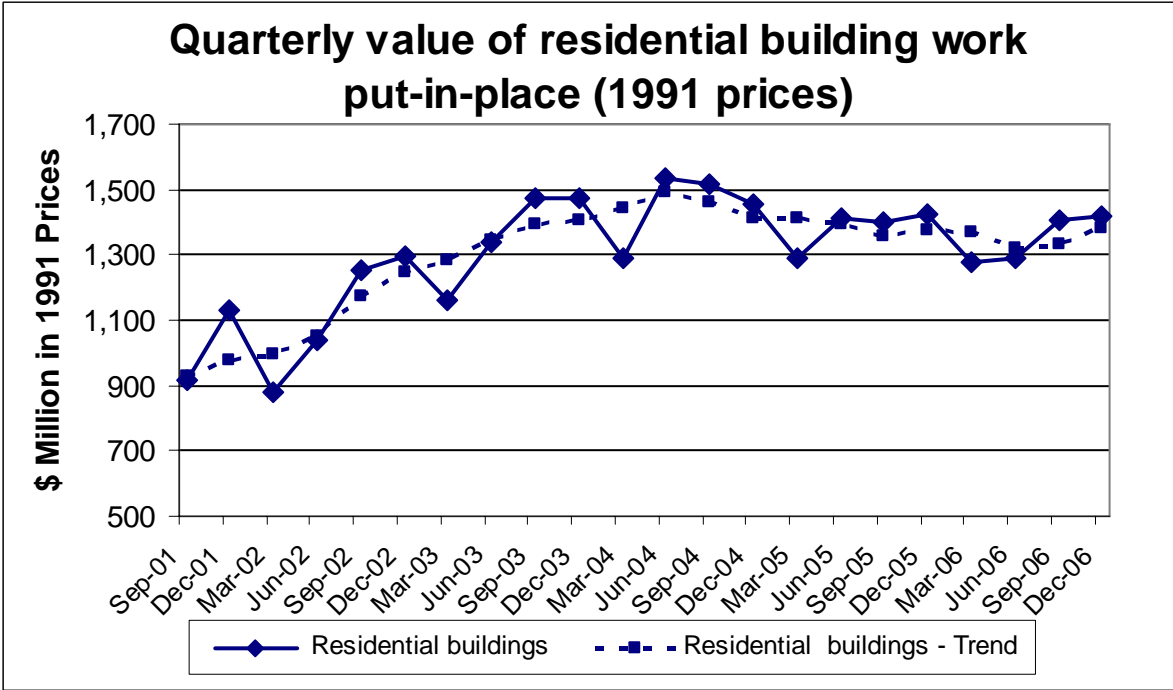


Source: Statistics New Zealand

Residential construction

The trend for real value of residential building work put-in-place increased over the last two quarters. The actual value of residential building work put-in-place rose by 3 percent when comparing the December 2006 quarter with the December 2005 quarter. This increase mirrors the increase in the value of residential building consents in earlier months.

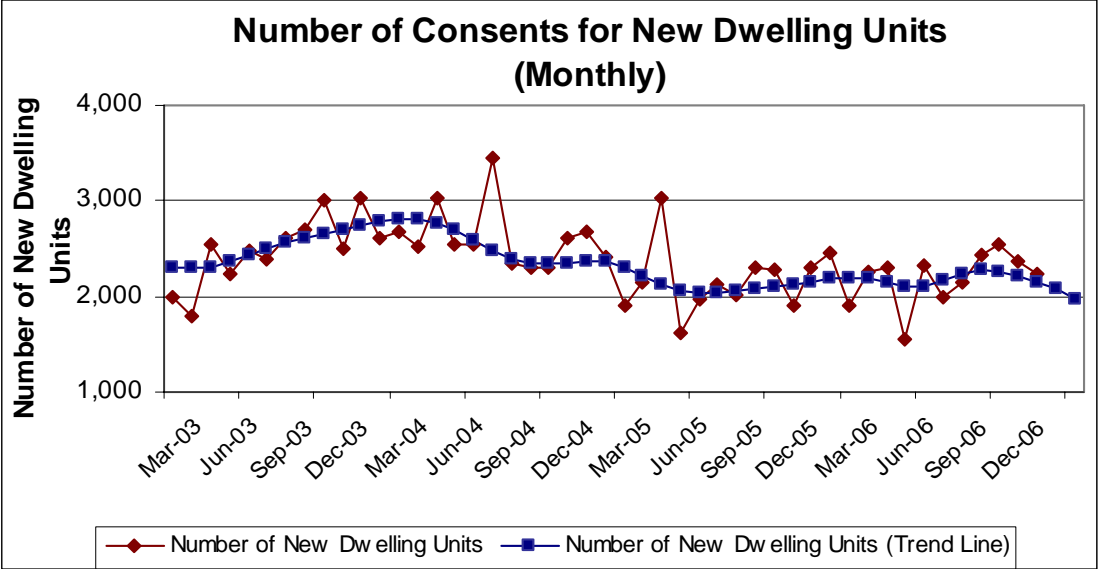
Figure 18: Quarterly value of residential building work put-in-place (1991 prices)



Source: Statistics New Zealand

The trend in the number of new dwelling consents declined from September 2006. Compared to the same month a year ago, the number of new dwelling consents issued fell by 2.7 percent in November 2006, by 23 percent in December 2006, and by 1.1 percent in January 2007.

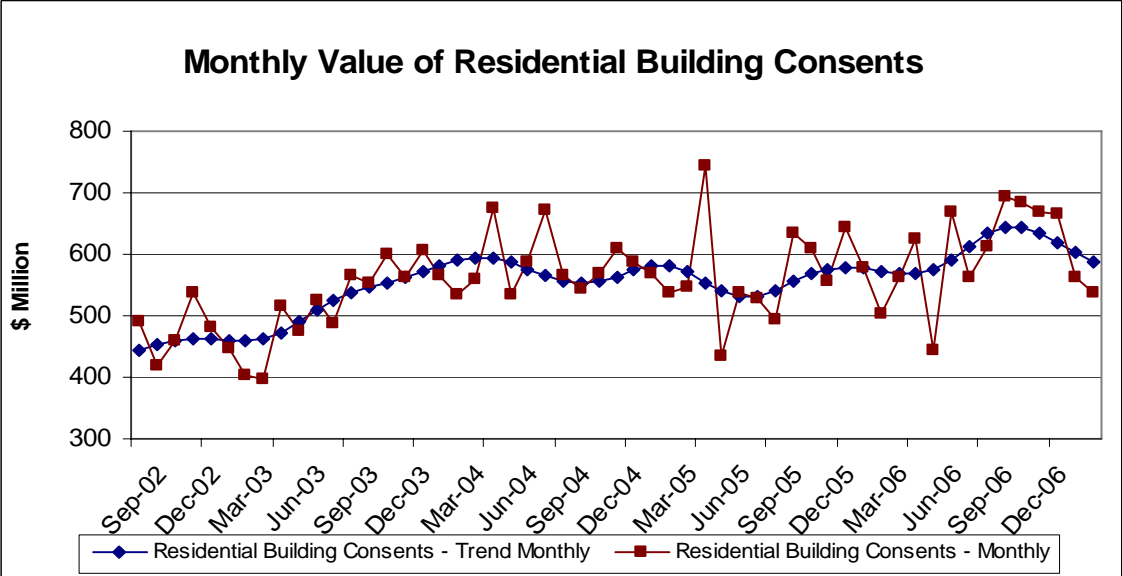
Figure 19: Monthly number of consents for new dwelling units



Source: Statistics New Zealand

Figure 20 shows the monthly value of residential building consents, including the consent values of new dwellings, dwelling alterations and additions, and domestic outbuildings. The trend for residential building consent values fell from October 2006 even though residential consent values were at high levels. Compared to the same month a year ago, the value of residential building consents grew 3.7 percent in November 2006, fell 2.4 percent in December 2006 and grew 7.2 percent in January 2007.

Figure 20: Monthly value of residential building consents



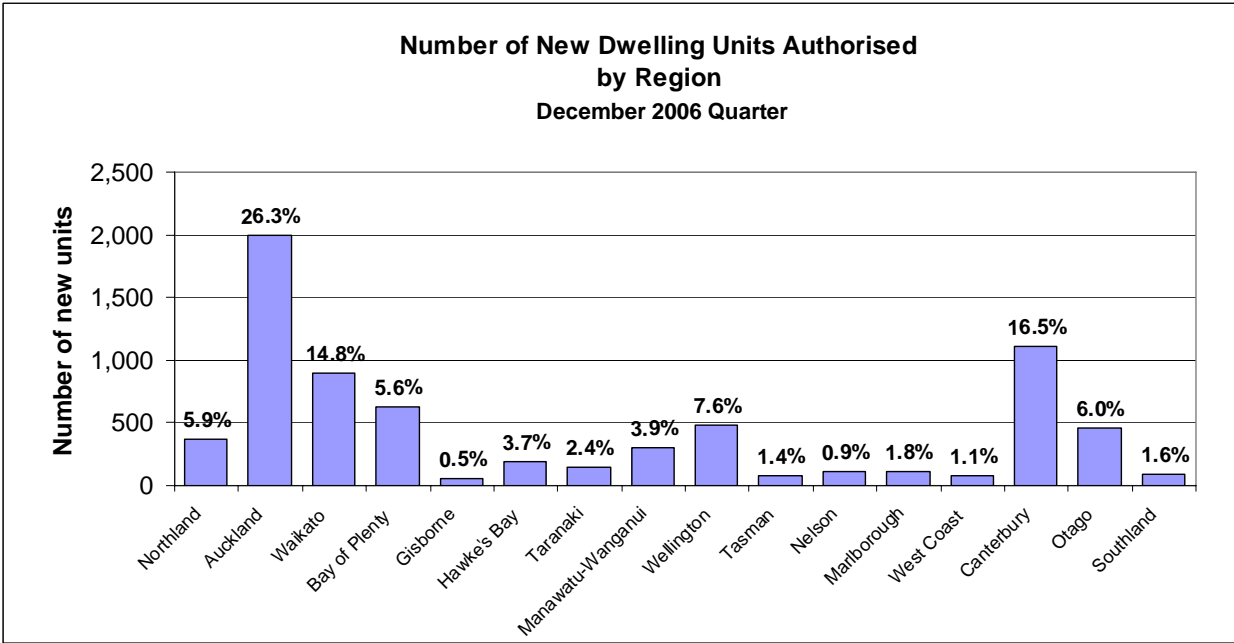
Source: Statistics New Zealand

New dwelling construction across regions

Compared with the same period a year ago, eight of the 16 regions showed an increase, seven showed a decrease and Wellington had no change in the number of new dwelling units authorised in the December 2006 quarter. Auckland continued to have significant share in the number of new dwelling consents issued. However, this share fell to 26.3 percent in the December 2006 quarter.

Auckland had a higher share of the number of new dwelling consents issued in earlier quarters – 29 percent a year ago in the December 2005 quarter, and 28 percent in the September 2006 quarter.

Figure 21: Number of new dwelling units authorised by region (December 2006 quarter)

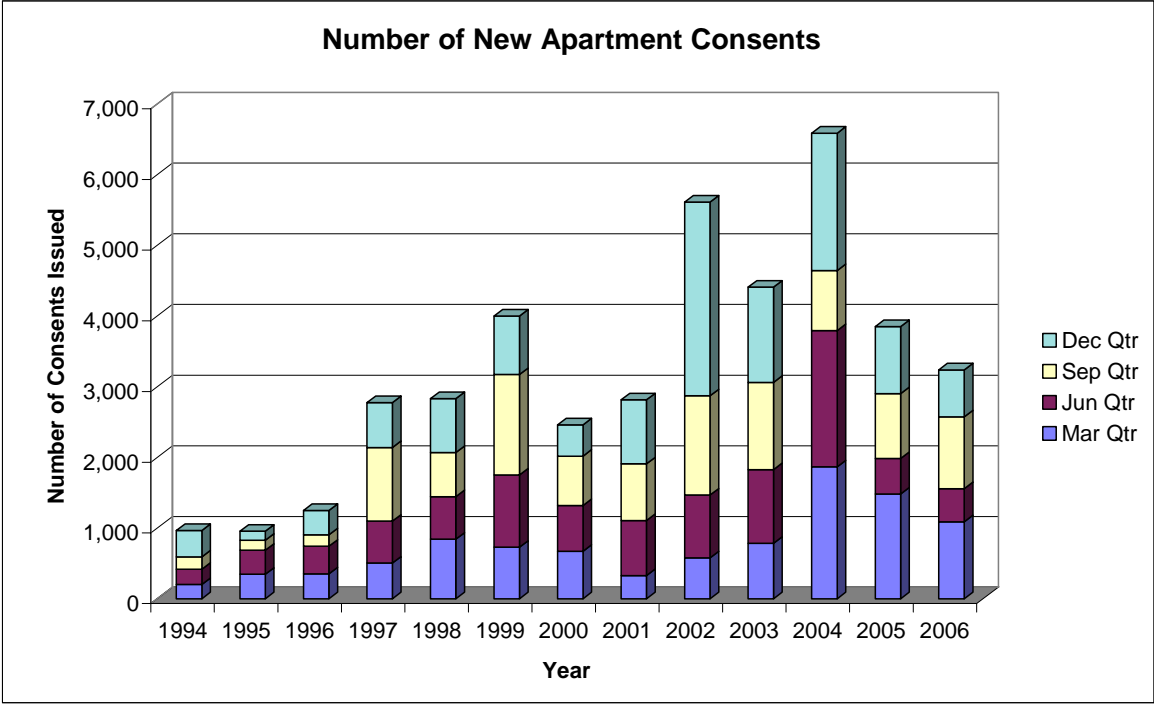


Source: Statistics New Zealand

Apartment consents

The number of apartment consents issued in calendar year 2006 was 3,348. This represents a 13 percent decrease compared to 3,849 apartment consents issued in calendar year 2005.

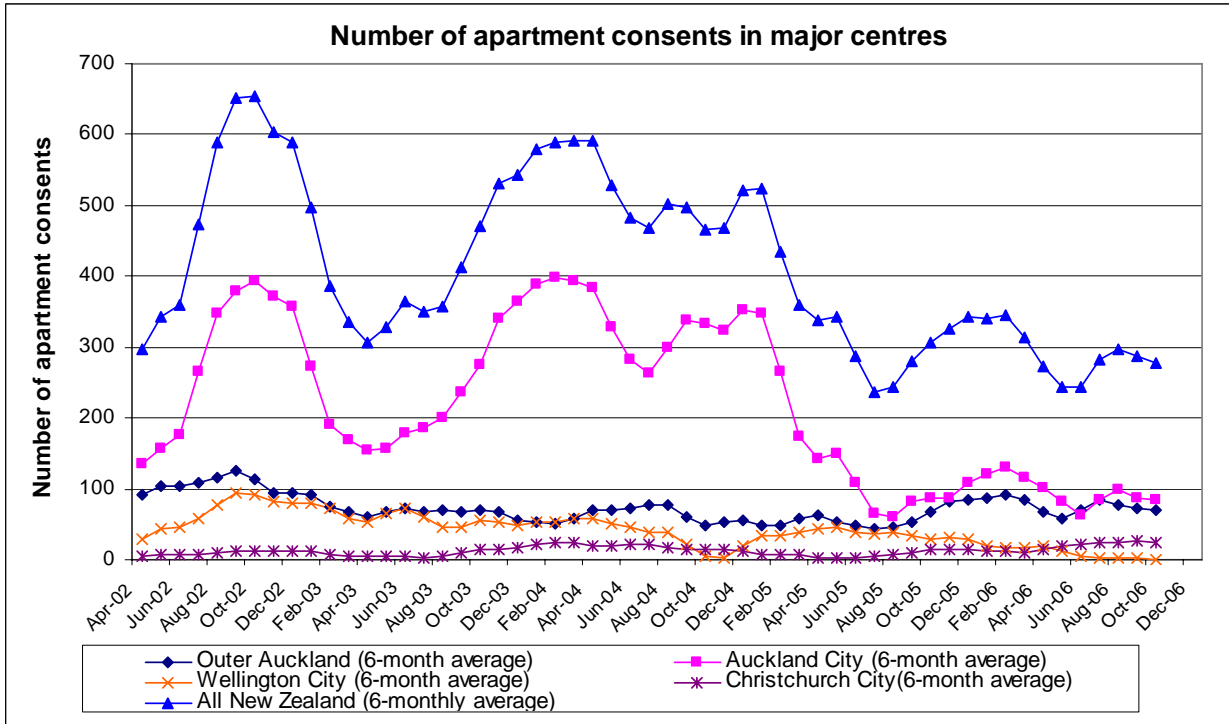
Figure 22: Number of new apartment consents



Source: Statistics New Zealand

Although the number of apartment consents in the country usually fluctuates from month to month, it is largely driven by the apartment consent numbers in Auckland city (Figure 23).

Figure 23: Number of apartment consents in major centres

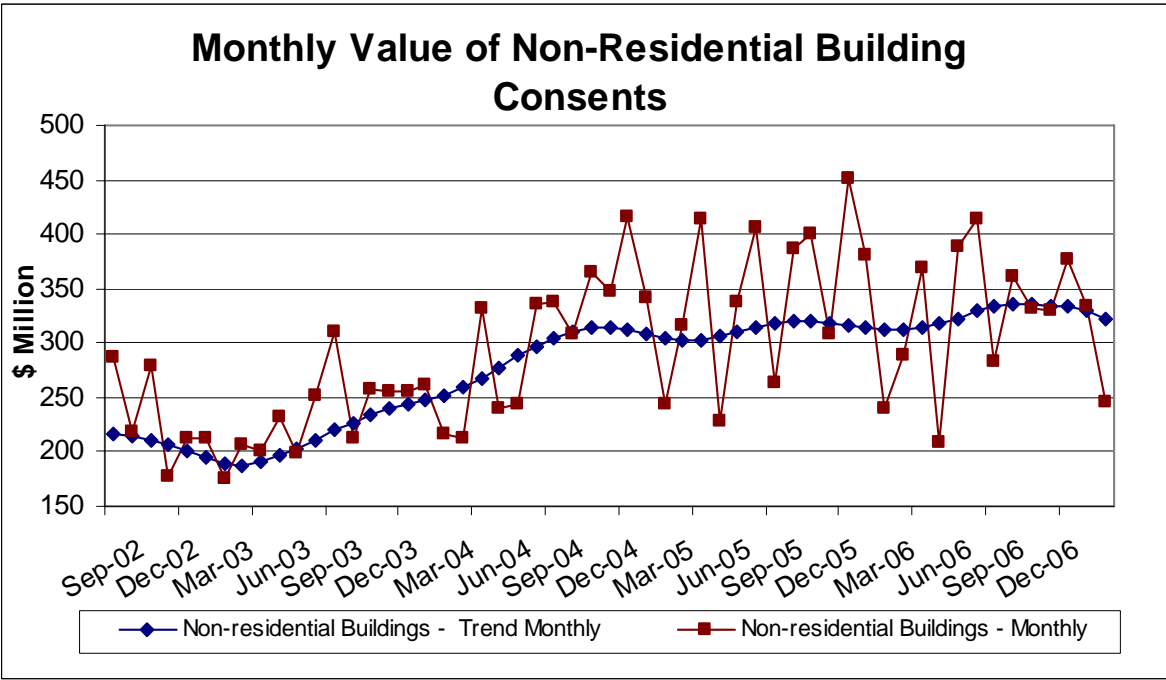


Source: Statistics New Zealand

Non-residential construction¹⁷

The trend for the value of non-residential building consents remains at a high level (Figure 24). It is too early to confirm a softening in this trend. Moreover, to reduce distortions, Statistics New Zealand estimates the trend series after removing consents with values of \$25 million or more.

Figure 24: Monthly value of non-residential building consents



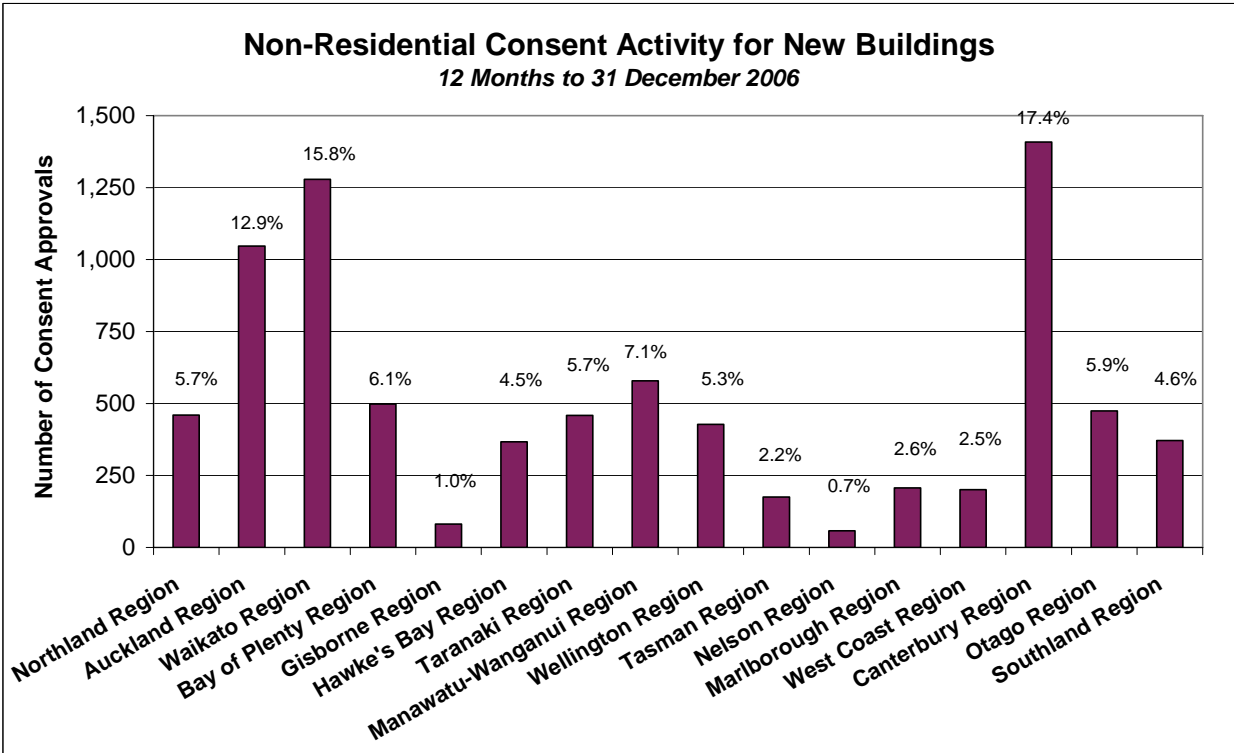
Source: Statistics New Zealand

¹⁷ Non-residential construction refers to new non-residential buildings plus alterations and additions to existing buildings.

Since March 2001, the Canterbury region has been recording the highest number of non-residential consents issued, followed by the Waikato region and the Auckland region. Relative share of the Canterbury region in terms of the number of non-residential building consents issued, declined marginally from 18 percent in calendar year 2005 to 17.4 percent in calendar year 2006.

The Auckland region’s share in the number of non-residential building consents issued remained the same at 12.9 percent. The Waikato region’s share increased from 15.5 percent in calendar year 2005 to 15.8 percent in calendar year 2006.

Figure 25: Non-residential consent activity for new buildings (12 Months to December 2006)



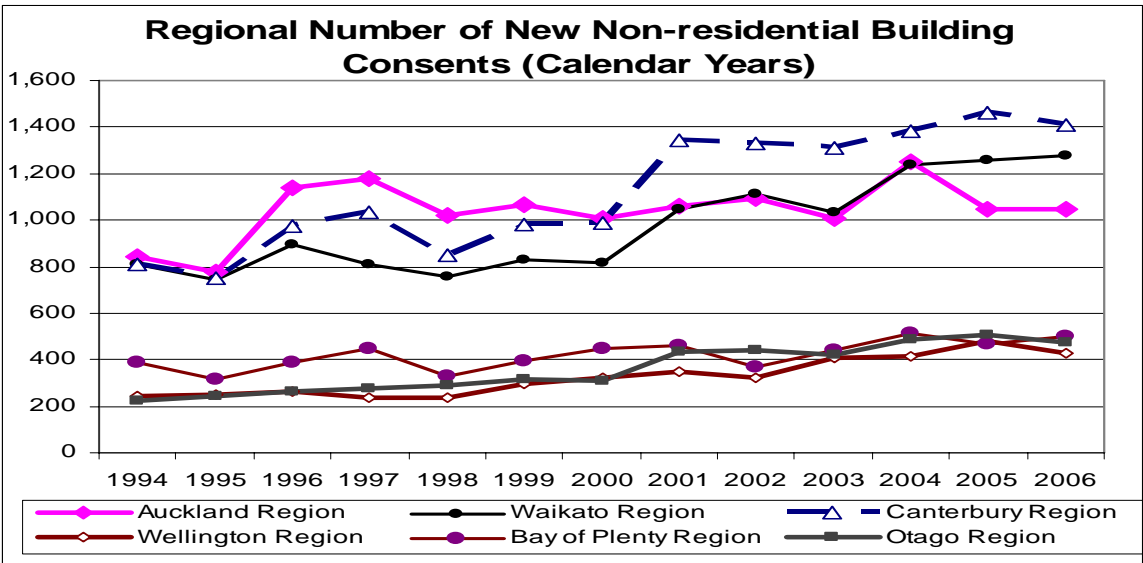
Source: Statistics New Zealand

Over the last decade, non-residential building consent numbers have been fairly stable in the Auckland region even as its population has increased by as much as 12.4 percent from the 2001 and 2006 Census.

Other major regions such as Waikato, Bay of Plenty, Wellington and Otago also experienced higher numbers of non-building consents issued in 2006 as compared to 2001. These increases largely aligned with the population growth in these regions.

However, non-residential building consents vary largely in size and value, and therefore may not be entirely representative of non-residential building activity levels in these regions.

Figure 26: Regional number of new non-residential building consents (Calendar Years)

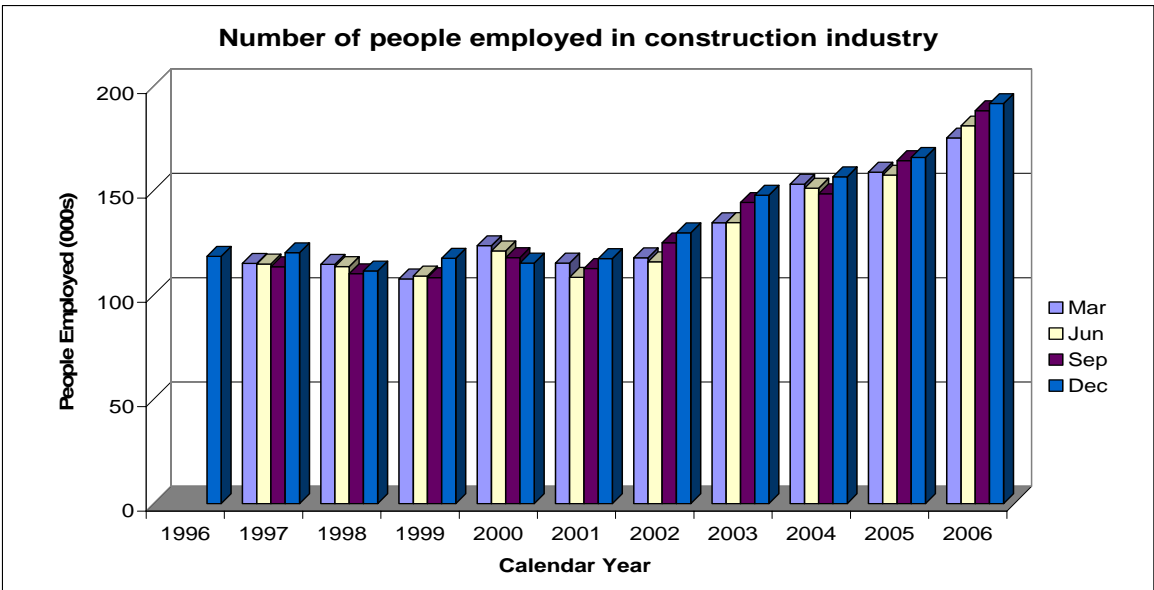


Source: Statistics New Zealand

Labour market

The number of people employed in the construction industry continued to increase in the December 2006 quarter and is at a record high since such data became available in December 1996. There were 191,700 people employed in the construction industry in December 2006. This represents a quarterly increase of 1.8 percent from the 188,300 employed in the September 2006 quarter, and a yearly increase of 15.6 percent from the 165,900 employed in the construction industry in the December 2005 quarter.

Figure 27: Number of people employed in the construction industry

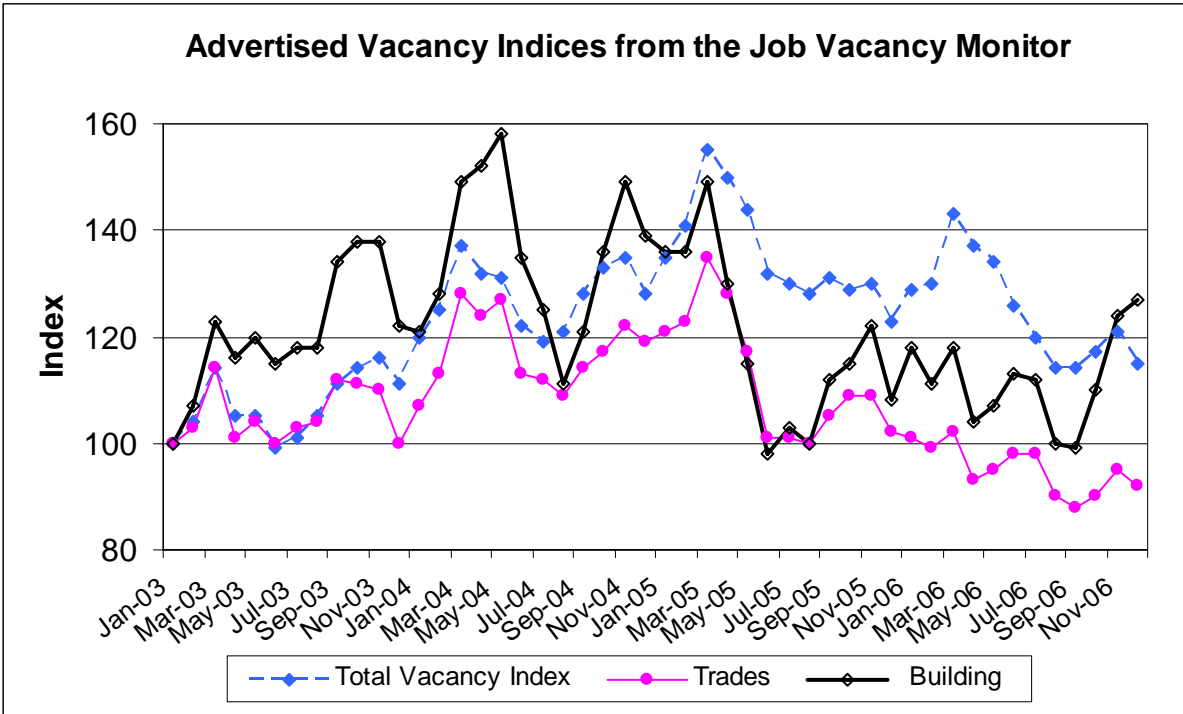


Source: Statistics New Zealand

The Job Vacancy Index from the Department of Labour measures change in advertised vacancies over time. The total vacancies index continued to decline at an annual rate of 6.5 percent in December 2006. When measured yearly, the index has recorded a decline since October 2005.

However, the Building Trade Vacancy Index (which measures the change in advertised vacancies for building trade occupations over time) grew at an annual rate of 17.6 percent to December 2006. The Index was at 127 in December 2006 compared to its lowest record of 99 in September 2006. The Index varies largely from month to month and should be taken as an indicative measure only, as it measures recruitment advertisements placed in newspapers and selected websites, and does not include other recruitment media (for example, informal or word-of-mouth methods). Furthermore, the data has only been prepared since 2003 – a period characterised by robust building and construction volumes.

Figure 28: Advertised Vacancy Indices from the Job Vacancy Monitor



Source: Department of Labour

Building costs

Twice a year, the Department of Building and Housing provides 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 2006, and the cost of a 202 square metre house increased by 9.3 percent for the same period.

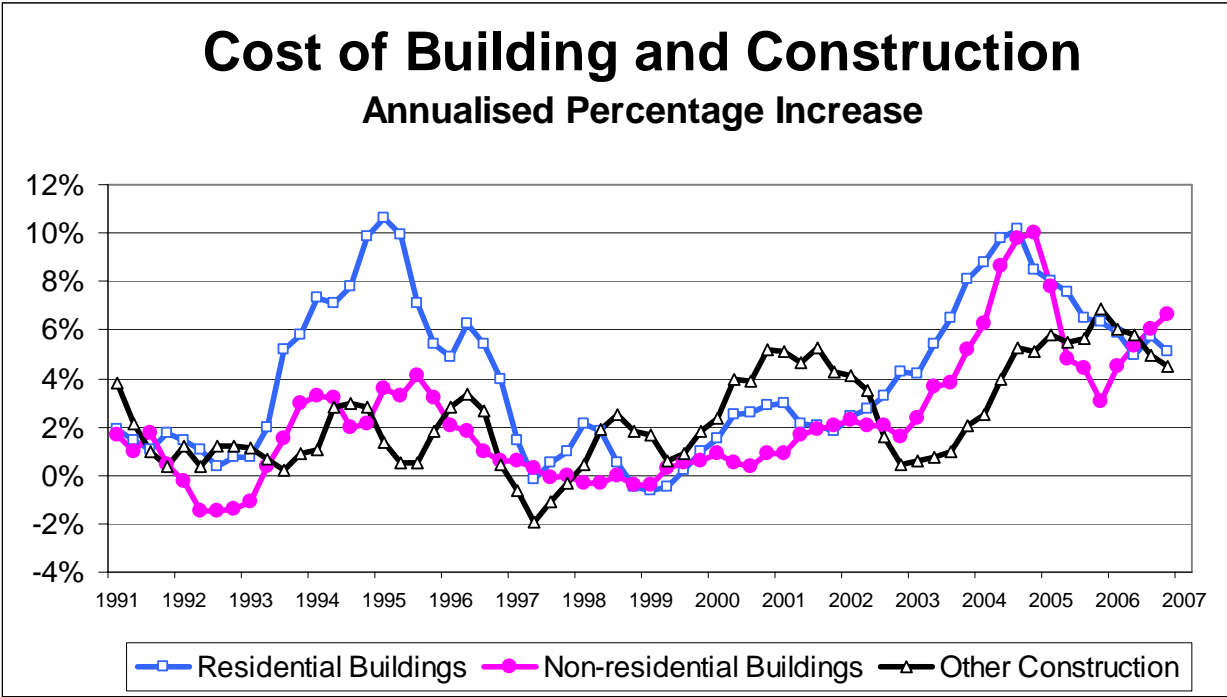
The Capital Goods Price Index (CGPI) measures movements in average price levels of various fixed capital assets within the New Zealand economy. The overall CGPI increased at an annual rate of 4.1 percent in the December 2006 quarter. In comparison, the annual rate of increase in costs was 5.1 percent for residential buildings, 6.7 percent for non-residential building and 4.5 percent for other construction (such as roads and infrastructure) in the December 2006 quarter. These rate increases are higher than the increase in the overall GCPI.

Moreover, timing and quality changes between the definition of a ‘standard’ house and what is actually constructed, may explain the difference between the rate of increase in the cost of a typical building and the increase in costs as measured by the Capital Goods Price Index.

The cost of inputs to the construction industry measured by the Producer Price Index from Statistics New Zealand rose at an annual rate of 11 percent in the December 2006 quarter. The increase in ready-mixed concrete prices was 4.1 percent, while framing timber prices fell 1.6 percent over the same period.

The annual increase in wage and salary rates of people employed in the construction industry was 3.2 percent in the December 2006 quarter. This is marginally higher than the annual rate of 3.1 percent measured by the Labour Cost Index for all industries in the economy.

Figure 29: Cost of building and construction (annualised percentage increase)



Source: Statistics New Zealand

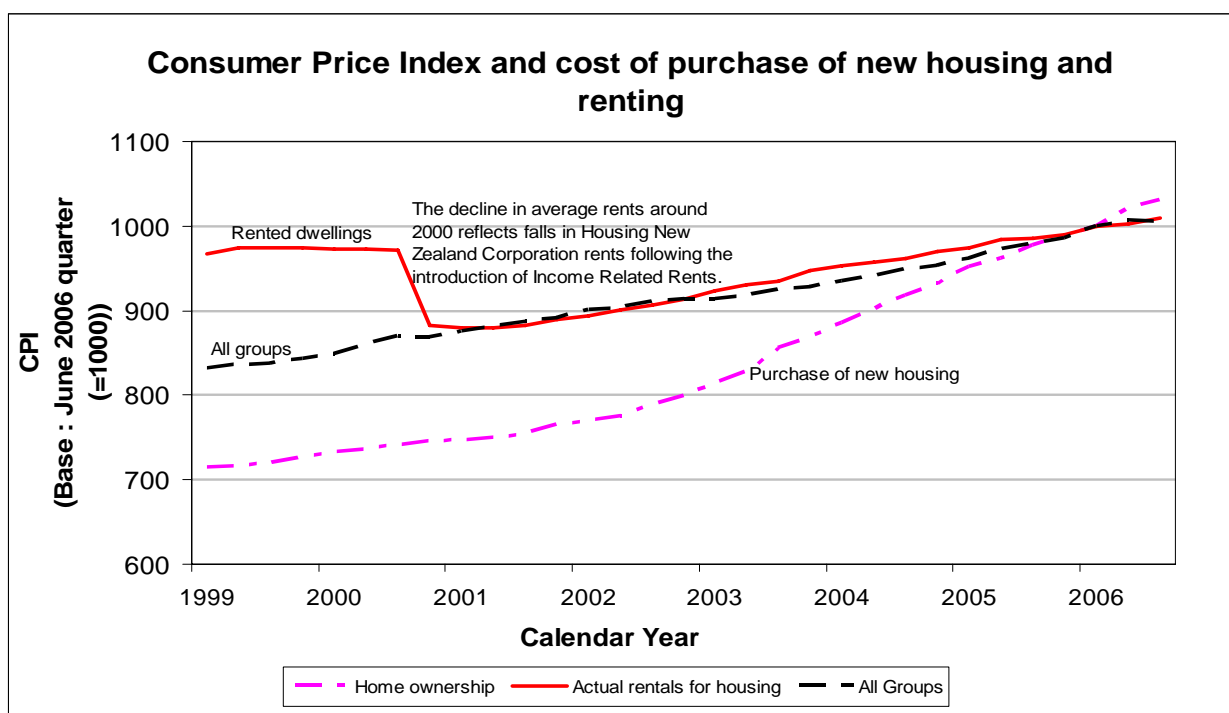
Renting and purchase of new housing costs

The consumer price index and its subgroups have been rebased to June 2006 and re-weighted since mid 2006. The re-weighted index carries a larger weight assigned to rents¹⁸ and a lower weight for purchase of new housing.¹⁹

The annual inflation rate was 5.6 percent for purchase of new housing in the December 2006 quarter. This was lower than the 6.2 percent measured in the September 2006 quarter. However, annual rent inflation rate was 2.4 percent in the December 2006 quarter, higher than the 1.9 percent measured in the September 2006 quarter. In comparison, general price inflation was at 2.6 percent in the December 2006 quarter and 3.5 percent in the September 2006 quarter. Although there was an increase in the annual rate of rent inflation in the December 2006 quarter, it was still lower than the general price inflation measured by the overall CPI index.

The gap between rent and purchase of new housing inflation was 3.2 percent in the December 2006 quarter. This gap is smaller than the 4.3 percent in the September 2006 quarter and the 3.9 percent in the December 2005 quarter because of lower inflation rates for the purchase of new housing in the December 2006 quarter. However, the current level of data does not provide clear evidence to indicate that this gap continues to close.

Figure 30: Consumer Price Index and the cost for purchase of new housing and renting



Source: Statistics New Zealand

¹⁸ The weight for rents was increased from 5.54 percent (June 2002 = 1000) to 6.87 percent (June 2006 = 1000).

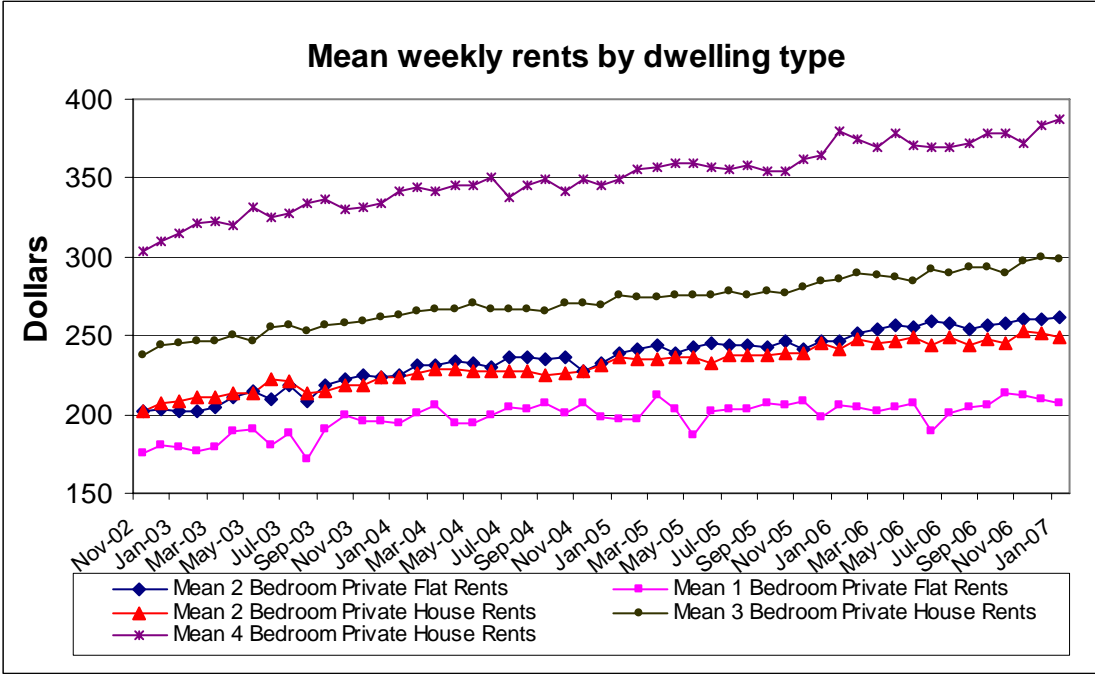
¹⁹ The weight for homeownership was reduced from 8.47 percent (June 2002 = 1000) to 4.66 percent (June 2006 = 1000).

Cost and volume of renting by dwelling type

The recent tenancy bond data from the Department of Building and Housing showed average weekly rents, for new tenancies of most dwelling types provided by private landlords, are on the rise. In January 2006, the weekly rent was \$207 for one-bedroom flats, \$262 for two-bedroom flats, \$249 for two-bedroom houses, \$299 for three-bedroom houses and \$387 for four-bedroom houses.

The rental for a two-bedroom flat grew most substantially at an annual rate of 6.1 percent, followed by a three-bedroom house at 4.5 percent, a two-bedroom house at 2.9 percent, a four-bedroom house at 1.8 percent and a one-bedroom flat at 0.5 percent.

Figure 31: Mean weekly rents by dwelling types

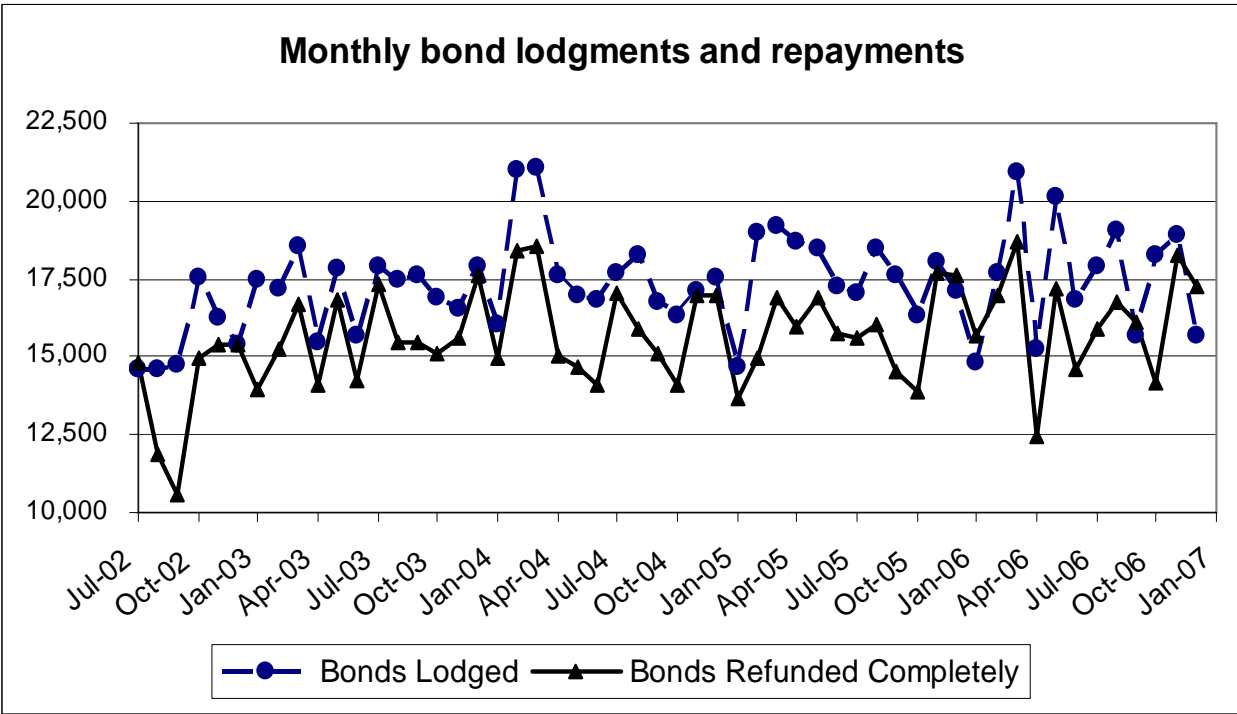


Source: Department of Building and Housing

The number of tenancy bonds lodged and repaid

The number of bonds being lodged and repaid (Figure 32) suggests that the trend towards renting has continued over the last 3 years. This is consistent with falling ownership rates seen in recent census data. 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 32: Monthly bond lodgements and repayments



Source: Department of Building and Housing

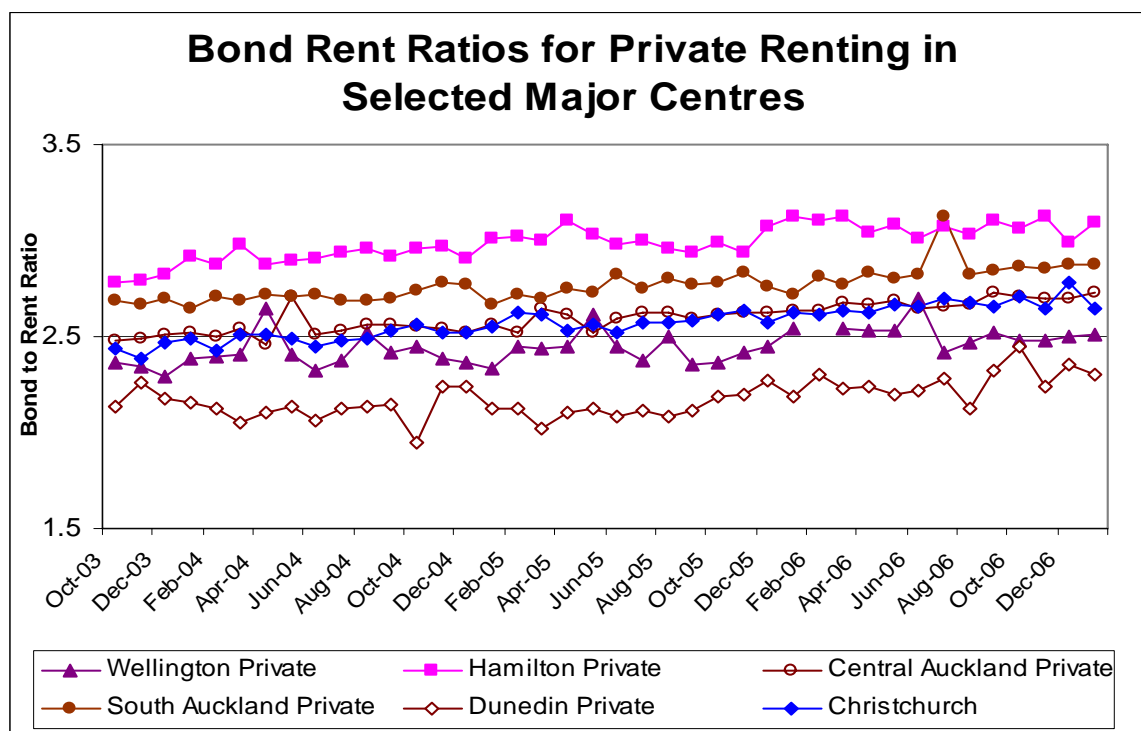
Bond–rent ratios for types of dwelling and selected major centres

Landlords can legally charge a bond of up to 4 weeks’ rent, which may be used if required 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
- risks landlords perceive exist to their rented properties.

The bond–rent ratio has been relatively stable in recent months. The average bond–rent ratio in December 2006 was 2.7 across major centres (Figure 33). Although the bond–rent ratios are increasing over time, different centres have different bond–rent ratios. Hamilton registers the highest bond–rent ratio. Dunedin records the lowest bond–rent ratio over time, but this ratio has been increasing.

Figure 33: Bond–rent ratios for private renting in selected major centres



Source: Department of Building and Housing

Building quality and performance

Weathertightness issues

The Weathertight Homes Resolution Service (WHRS) was formed 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. From October to December 2006 the WHRS accepted 150 claims. The number of accepted claims totalled 1,155 in the year to 30 June 2005, and 1,067 in the year to 30 June 2006.

Profile of accepted WHRS claims

Accepted WHRS claims by territorial authority area

The number of WHRS claims accepted to date is found in Table 2. The largest proportion of WHRS claims were 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	1446	297	133	1876	38.60%
North Shore City Council	384	196	82	662	13.60%
Wellington City Council	256	114	78	448	9.20%
Waitakere City Council	342	73	18	433	8.90%
Christchurch City Council	167	83	67	317	6.50%
Rodney District Council	102	57	16	175	3.60%
Tauranga District Council	77	41	44	162	3.40%
Manukau City Council	76	44	32	152	3.10%
Hamilton City Council	39	17	19	75	1.60%
Porirua City Council	16	17	19	52	1.10%
Others	190	156	159	505	10.40%
	3095	1095	667	4857	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 have yet been deemed 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 deemed 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. 3205 or 68 percent of the total accepted WHRS applications originate from the defined Auckland region as at 31 December 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 10 years of the application to the WHRS. A multi building refers to a property with more than one WHRS claim.

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

Property type	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	Total
Standalone	460	381	299	299	137	1576
From a multi with 1 claim	132	78	58	70	36	374
From a Multi with 2–10 claims	140	190	114	176	78	698
From a Multi with 11–20 claims	65	237	121	146	65	634
From a Multi with > 20 claims	126	400	563	373	113	1575
Total	923	1286	1155	1064	429	4857

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 31 December 2006, the WHRS had accepted 1543 claims or 33 percent of total accepted WHRS claims from complexes with more than 20 claims.
5. 80 percent of multi claims are within the Auckland region, as defined previously (see Table 2, Note 5).
6. 95 percent of multi claims from complexes with more than 20 claims are within the Auckland region, as defined previously.

Source: Department of Building and Housing

Building Code waivers

Section 67(1) of the Building Act 2004 allows a building consent authority (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.

Thirty-four waivers were issued during the December quarter (Table 4) compared to the long-term average of 30 waivers per quarter.

The C3 Spread of Fire waivers featured prominently in the December 2006 quarter figures, making up 35 percent of total waivers. This is slightly up from the September 2006 quarter average of 31 percent of total waivers. In the December 2006 quarter, 42 percent of the C3 waivers arose from a building being too close to a boundary.²⁰ The remaining 58 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, with the Building Code requiring a firewall between adjacent parks. Due to impracticality, territorial authorities generally waive this requirement on the condition that nothing other than a vehicle is stored in the park.

B1 Structure and B2 Durability waivers feature prominently in the December 2006 quarter figures, making up 18 and 23 percent of total waivers respectively. These figures reflect a recent trend of increasing waivers of this kind. A majority of waivers involve modifying the B1 and/or B2 Clause to allow for the possibility of a natural hazard occurring. This is provided for under section 72 of the Building Act 2004.

The remaining eight waivers during the December quarter relate to Building Code Clauses E1, E2, F4 and H1, with no trends emerging.

Table 4: Building Code waivers

Territorial authority	B1 Structure	B2 Durability	C3 Spread of Fire	E1 Surface Water	E2 External Moisture	F4 Safety from Falling	H1 Energy efficiency	Total
Ashburton	0	3	0	0	0	0	0	3
Auckland	0	2	5	0	0	0	0	7
Christchurch	3	1	4	0	1	0	0	9
Dunedin	0	0	0	0	0	0	1	1
Hastings	0	0	2	2	0	0	0	4
Masterton	0	2	0	0	0	0	0	2
Nelson	0	0	1	0	1	0	0	2
North Shore	0	0	0	1	0	0	0	1
Rodney	3	0	0	0	0	0	0	3
Selwyn	0	0	0	0	0	1	0	1
Tauranga	0	0	0	1	0	0	0	1
Total	6	8	12	5	1	1	1	34

Source: Department of Building and Housing

²⁰ 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 besides 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 can be withdrawn.

The Department continues to monitor building consent authorities' use of Code waivers to determine whether they highlight problems 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. Interpretation of Building Regulations may result in the Department receiving a request to clarify interpretations of the Building Code, and territorial authorities' functions and powers under the Building Act. The Department will then decide on the request (that is, make a determination) concerning a particular situation.

There has been a marked increase in the number of determinations since 2003. During the 2003 – 2006 period, a total of 383 determinations were processed by the Department and approximately 80 percent of determinations were on cladding and weathertightness.

Table 5: Building Act Determinations 2003–2006

Calendar year	2003	2004	2005	2006
Cladding/weathertightness	1	68	144	96
Access and facilities for people with disabilities	5	2	4	4
Fire safety	1	2	8	5
Surface water	2	2	0	4
Swimming pool fencing	1	0	2	4
Structure	0	1	1	0
Interior environment and facilities	0	1	2	3
Land subject to natural hazards	0	1	1	3
Barrier	1	0	3	2
Other (eg, refusal to issue a code compliance certificate)	0	0	1	8
Total	11	77	166	129

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 facilities, personal hygiene facilities, and management of internal moisture.
- 8 'Land subject to natural hazards' refers to determinations concerning coastal erosion, and land subject to flooding and instability.
- 9 'Barrier' refers to desk barriers, stair balustrades and the like.
- 10 'Other' includes refusal to issue a building consent or a code compliance certificate for procedural reasons other than Building Code compliance.

Source: Department of Building and Housing

Update on regulatory development

Building Code Review

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

A total of 265 submissions were received from individuals, community and commercial organisations, builders, designers, architects, engineers and territorial authorities in response to the discussion document “*Building for the 21st Century, Review of the Building Code*”. A report on the initial public consultation summarising these submissions has been developed and was published in January 2007. Submissions revealed a strong push for quality and a desire for energy-efficient buildings that will last for generations. The analysis recognised the predicted effects of climate change and the need for sustainable development. Support for change was also tempered with caution, with submitters recognising the need to balance costs and benefits with affordability, and with solutions that would give the best long-term benefits.

Technical development of performance criteria proposed for regulating building aspects is underway. A second public consultation document with the proposed detailed performance criteria is planned for release in May 2007. The entire review is scheduled for completion by November 2007.

Building Code Compliance Document development

On 6 November 2006, Building Issues Minister Clayton Cosgrove announced the launch of a public consultation on ways to lift the energy efficiency of our homes and workplaces. Feedback was invited by 22 December 2006 on proposals to amend the New Zealand Building Code and Compliance Documents. Proposals include amendments to the Building Code clause H1, Energy Efficiency, and the Compliance Documents for H1 and G12, specifically:

- improving the thermal performance requirements for housing, generally requiring double glazing and better floor, wall and roof insulation throughout New Zealand
- increasing the performance requirements for the energy efficiency of commercial lighting
- providing an Acceptable Solution for the installation of solar water heaters.

The proposed changes will lower power and gas bills and make warmer, healthier, and more comfortable homes and workplaces a reality. These proposals are part of the Government’s increased focus on improving energy efficiency and combating the effects of climate change. These energy efficiency proposals are measures we can take in the short to medium term to improve the energy efficiency of buildings prior to the implementation of any changes from the Building Code review process.

The Department released a public consultation document on 15 December 2006, proposing to reference the updated structural design Standard AS/NZS 1170 Structural Design Actions in the

Verification Method B1/VM1 for Building Code Clause B1 Structure, replacing the existing loading Standard NZS 4203. Consultation closes on 16 March 2007.

The new Standard includes new information on hazards such as wind and earthquakes. It updates New Zealand structural design criteria. In some parts of the country, design load levels will be higher, in others, lower. The new Standards aim to better match design with updated understanding of risks. (Note: There are no changes for houses designed to NZS 3604.)

The new Standard:

- toughens the requirements for buildings of higher importance, such as hospitals, that need to continue working after disasters – helping disaster recovery
- adjusts earthquake design levels for New Zealand buildings (while keeping the risk to building users the same throughout the country) – leading to buildings that are safer and better matched to local conditions
- increases design load levels for some buildings where people gather – improving public safety
- revises loadings for wind and snow – allowing for safer buildings
- requires stronger traffic barriers in buildings (for example, parking buildings) – protecting building users.

The Department's proposal requires a chartered professional engineer to sign off designs based on the new Standard, in light of the skills and experience that only these professionals have.

Public consultation on proposals to amend 11 Building Code Compliance Documents occurred during September/October 2006 and final recommendations for change are being prepared. Amendments included the updating of documents incorporated by reference, alignment with other legislation and minor technical changes.

Guidance

The Department partnered with BRANZ to deliver a seminar series “Beyond E2/AS1” in 21 locations during November and December 2006, around the country to approximately 2500 practitioners. The seminar addressed issues associated with design, consent and construction of suitable weathertight housing.

The Department also supported the Standards New Zealand seminar series on amendments to timber and residential building design Standards NZS 3603 and 3604. Amendments were the result of the introduction of new verified grades of timber, namely VSG and MSG grades and the down-rating of the engineering properties of unverified, visually graded timber (No. 1 Framing). This seminar series was delivered to practitioners and industry participants in 16 locations throughout New Zealand.