



**THERE IS NO  
SIGNIFICANT  
EVIDENCE FOR  
POST-REMEDATION  
STIGMA IN THE  
AUCKLAND HOUSING  
MARKET.**

## Leaky building claims

*New study shows the value of remediation work.*

Three years ago, I wrote about post-remediation stigma and leaky buildings in New Zealand with particular reference to the opinion of Dr Michael Rehm, author of a research article *Judging a House by its Cover* and senior lecturer in the Department of Property at the University of Auckland.

The reason that the concept of post remediation stigma is of interest is because it features regularly in claims against councils for the cost of repairs in leaky building claims.

This month, Dr Rehm published a study which is the first empirical examination of post-remediation leaky building stigma using actual sales transactions data of remediated properties.

The results of this study show that general market stigma still lingers even though new monolithic systems feature a drained and vented cavity.

It also shows that houses that have been remediated using a non-monolithic cladding system show no signs of stigma which demonstrates that post-remediation stigma does not exist.

Dr Rehm describes in the study that leaky building stigma comes in two forms – general market stigma and post-remediation stigma.

The term general market stigma refers to the market effect due to the perception of risks associated with monolithic cladding.

In contrast to general market stigma, post-remediation stigma is purported to be an additional market effect that it is believed negatively impact, dwelling values after remedial work is completed.

Dr Rehm's study hypothesised two propositions.

Firstly, the value of leaky homes after remediation is not less than the value of ordinary unaffected homes.

Secondly, the value of remediated leaky homes

featuring stigmatised monolithic cladding is less than the value of remediated homes with alternative cladding styles.

The study involved retrieving all Auckland Council building consent records from 2005 to 2016 for properties that had undergone weathertightness remediation.

The properties which had been remediated were then matched against Auckland sale transaction data using the certificate of title numbers.

The results of this study show that monolithic properties that have never been remediated suffer the greatest price discount of 8.9 percent. This shows general market stigma.

The study also showed that remediated properties where the owners had opted to maintain monolithic cladding but over a drained and vented cavity were subject to a lower price discount of six percent. This discount also shows general market stigma.

Lastly, the study showed that remediated properties where the owners had opted to use non-monolithic cladding had no discernible price discount compared with the prices of ordinary unaffected non-monolithic clad homes.

To check the results of the study the authors analysed the spatial distribution of remediated leaky homes and compared the sale prices of ordinary houses within a 400-metre radius and a 100-metre radius of sold remediated leaky homes. These cross checks demonstrated that the results of the study were robust.

This all demonstrates that there is no significant evidence for post-remediation stigma in the Auckland housing market.

While the study was based on remediated leaky homes in Auckland, it is reasonable to assume that similar results would be found if the same study were conducted in other parts of New Zealand. **LG**



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