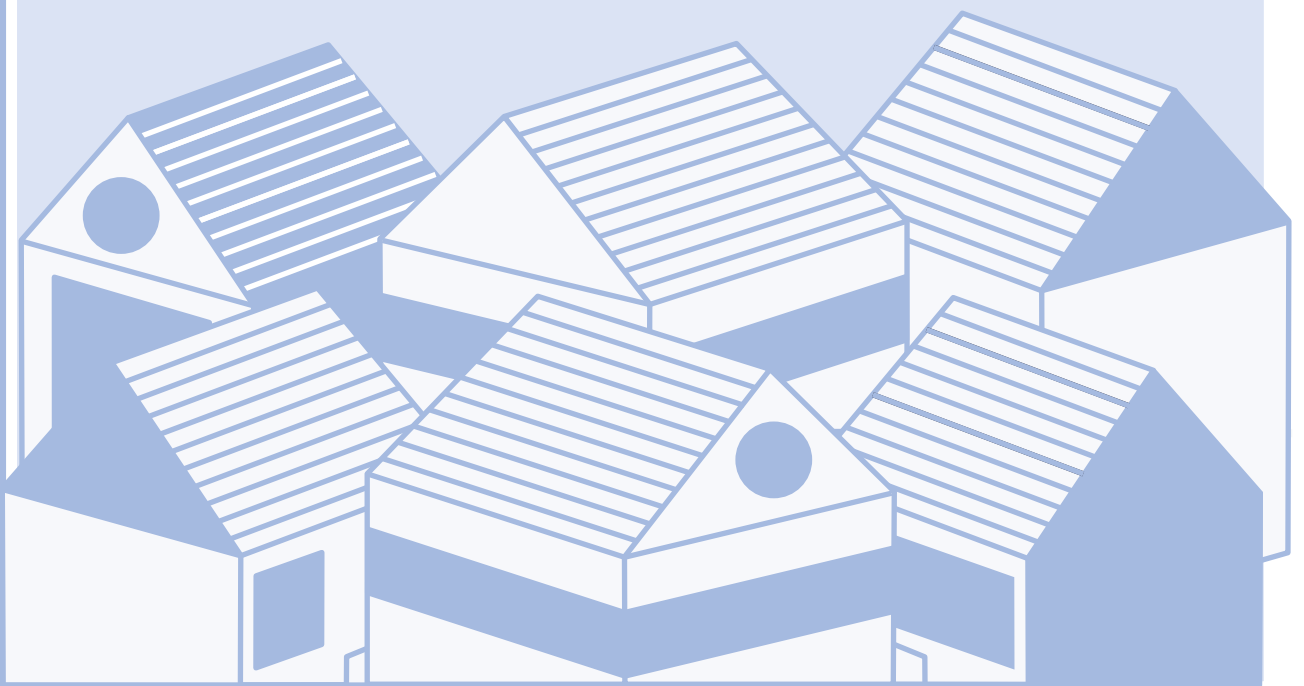


BUYING & SELLING HOMES IN DUNEDIN



ANTONY HAMEL

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This booklet has been written for residential house transactions in Dunedin. I hope to continue to update the contents. Much of the information becomes rapidly out of date or only applies to the local Dunedin area.

While every care has been taken to ensure the accuracy of the material contained in this booklet, Antony Hamel takes no responsibility or liability for any action taken by any person, persons, or organisation on the basis of information contained in this booklet. Seek specific legal advice where required.

ADLS contract = Auckland District Law Society - publishes standard agreement for sale and purchase of land which is the contract for nearly all land transactions.

DCC - Dunedin City Council

Should you keep or sell the house? What are you selling?

Additions - Often the reason for selling a house is that it is too small, does not have the facilities that you want, needs insulation or a modern bathroom/kitchen. Adding a garage or another bedroom may increase the value of your house by the same amount as the costs of building the additions. Take your plans to a real estate agent, valuer and a builder and compare the increase in the value of your house to the cost of the additions and consider any ideas they may have.

Renting - You may think about renting rather than selling, especially if you are on a short term job transfer. You could come back to your house at a later date. You may be thinking about renting the house out as an investment. Talk to your lawyer and an accountant as to the pros and cons of renting. You may need someone to manage the house for you. You need to be careful about the brightline test and other tax issues when renting out a house. Get an accountant to give you details of what is deductible and what is not deductible. There are special rules around interest and improvements / repairs.

Give yourself time - If selling is inevitable make sure you give yourself sufficient time. The average time a house sells in varies depending on the market. Search the web for details. Some houses take just one day but others 18 months. It may not be possible to find a buyer in time when you have to make a sudden shift. Work out contingencies if the house does not sell. If you no longer live in the house, work out when you will have to rent the house to cover mortgage payments.

Chattels and fixtures - What you sell with your house is entirely up to you. Chattels and fixtures although of a very minor nature can cause considerable problems. Only show prospective purchasers what you want to include in the sale. The normal chattels included with a house are:

- Fixed floor coverings ie carpets etc
- Curtains/drapes, blinds
- Electric stove or combined cook top, wall oven, Range hood, Kitchen Waste Disposal
- Dishwasher
- Light fittings
- Heat Pump
- Heated Towel Rails
- Burglar Alarms and Smoke Detectors
- Remote control for garage doors

You can either deal with the chattels when putting the house on the market, or you can specify them in the contract.

If you want to swap items such as light fittings or a stove, replace these before putting the house on the market. Take plants by putting them in pots and take cuttings from the garden before putting the house on the market.

Furniture and appliances screwed to walls, such as bookcases and heaters, can be classed as fixtures and part of the house. If you want to keep fixtures specifically exclude them from the contract. Automatic washing machine taps are fixtures but not the washing machines.

Property Boundaries - Check the Certificate of Title matches the actual occupation of the property. The Dunedin

City Council and other councils have websites with a rates webmap. These show the boundaries of the titles over an air photo of the property. Sometimes this shows part of the property is outside the title boundary. If it is minor such as a fence in the wrong place then it is good to

disclose this to purchasers. If it is major such as part of the house or garage is not on your land then check with a surveyor to make sure it is not a problem. Sometimes moving the building may be cheaper than moving the legal boundary.

VENDOR



PREPARE

- Decide what you are selling (p2)
- Sort defects (p4)
- Decide how to sell (p6)
- Who is selling (p8, p10)

MOVE OUT

- See lawyer sign sale
- Arrange discharge
- Movers, turn off utilities
- Clean house

NEXT STEP

- Buy another house
- Spend the money on wild living
- Rent/live under bridge



CONTRACT

- Agree on price (p14)
- Negotiate other terms (p16, p32)
- Confirm conditions



SETTLEMENT

- Purchaser pays balance
- Vendor hands over keys
- Lawyer changes name on title



SEARCH

- Check the house (p21)
- Research LIM (P24)
- Lawyer checks title (p36)

PRE SETTLE

- Arrange finance (p28)
- Movers, utilities, insurance
- See lawyer and sign documents

MOVE IN

- Get keys
- Unpack
- Start redecorating
- Pay mortgage and relax.



PURCHASER



TIME

Defects in your house

Defective Chattels and Fixtures - You warrant in the contract that:

“The chattels included in the sale and all plant, equipment systems or devices which provide any services or amenities to the property, including, without limitation, security, heating, cooling, or air conditioning, are delivered to the purchaser in reasonable working order, but in all other respects in the state of repair as at the date of this agreement (fair wear and tear excepted) ... 7.3 (1)”

The items which cause the most problems are stoves and hot water cylinders. Often elements on stoves are no longer working and hot water cylinders start to leak. This clause would also apply to the requirement for fixtures, such as doors and windows, to open and close. Plumbing, such as defective wet backs and hot water cylinders, are also covered by the warranty.

In most cases the effort to meet the requirement of “reasonable working order” may be small and involve little expense. However fixing wetbacks and hot water cylinders can get very expensive. Therefore, before showing your house to purchasers:

- Determine whether there are any chattels or fixtures that are not in operational order and:
 - a. Put the chattels and fixtures into operational order, or;
 - b. Remove the chattels and fixtures completely so they are not part of the sale, or;
 - c. Write into the contract the details of the defect and state that the purchaser accepts the defects.

Statutory requirements - There are certain statutory requirements that a house must meet according to the Building Act and Health Regulations. In the contract the vendor warrants that the house conforms to these requirements. You can either make the house conform to the requirements or sell the house subject to the non compliance of these requirements. Requisitions are when a body, such as the Council, has written to you requiring you to do certain work to your house. Talk to your lawyer regarding this if you are not sure.

Building Consents - The ADLS contract contains a warranty by the vendor, that:

“Where the vendor has done or caused or permitted to be done on the property any works:

- a. any permit, resource consent, or building consent required by law was obtained, and
- b. to the vendor’s knowledge, the works were completed in compliance with those permits or consents and
- c. where appropriate, a code compliance certificate was issued for those works.

clause 7.3 (5)”

See page 24 as to information the Council can provide regarding this. You may not even realise that your house does not comply with these requirements. You should obtain the necessary documentation prior to putting the house on the market.

- The council may be willing to issue a code of compliance for work done after 1 July 1992 (1991 Building Act).
- For work prior to 1 July 1992 you can obtain a safe and sanitary report that the council may place on the building records held by the council.

Changing the warranty to exclude work can cause problems with the purchasers insurance or finance but it may be a way to move forward.

What can you do to help present your house for sale?

Make the time to get your house into top shape for inspections. Some people make a good living buying a run-down house, making cosmetic improvements and selling at a considerable profit. A real estate agent can give you excellent ideas. Something small like putting on new door handles can smarten up a kitchen.

The Section - Tidy the entrance way and section.

- The front gate and entrance way should be immaculate. Many buyers will not even venture inside, having made a judgment from driving by.
- Mow the lawns and cut hedges. Weed and keep the garden weeded. Purchasers may think your garden does not grow weeds.
- Reduce the size of overgrown vegetation. By doing so you will increase the amount of light coming into the house. Bear in mind that some people are put off by unmanaged vegetation

The House - Tidy and clean your house inside and out.

- Tidy the house. This may take a big emotional effort. Tidy inside the cupboards and wardrobes as well. You are about to shift so everything will need a good tidy up any way.
- Clean the house rigorously.
- Get the carpets and curtains commercially cleaned if they are stained.

- Wash the outside of the house. You will be amazed how much better the paint work will look. Retouch paint work if necessary.

Repair minor faults - Things like cracked windows, rotten gates and leaking spoutings, if noted by purchasers, can unnecessarily affect the sale of the house. When it is your house, you learn to ignore those little faults.

Redecoration - Freshen up paint work. Paint over any water stains on ceilings. Obtain quotes on any redecoration and get a valuer's or a real estate agent's opinion on what could be done. If you have the skills, do the work yourself. Remember, some purchasers will want to redecorate immediately, and may resent the implied extra on the purchase price. However, most will accept redecoration as a bonus so if in doubt then do it.

Atmosphere - Create an atmosphere when prospective purchasers inspect

- Make the house as warm as possible. Turn on every heater.
- Keep the house sparsely furnished. Empty rooms can make it difficult for purchasers to imagine how to furnish the room, but cluttered rooms look smaller. Look at getting someone to dress the house. This can have a big impact and be well worth it.
- Fresh flowers and healthy pot plants brighten any room.
- Remove pets and ask household members to absent themselves if possible.
- Ensure that the house smells fresh and clean. Bad smells such as where pets have not been house trained can be very bad.

Tenders / Price or Auction

Tenders - A tender (can also be called a deadline treaty with slightly different rules) is where the vendor sets out the terms of the agreement and a date for offers to be received. The terms of the tender can be very rigid or very flexible. The tender will state that the “highest or any offer will not necessarily be accepted.” Sometimes properties have been advertised with a bad typo “lowest or any offer will not necessarily be accepted!”

If, as a vendor, you decide to tender a house, make sure purchasers are not left in the dark as to the price range the house is in. Unless there is a specific reason, your lawyer should use the standard agreement for sale and purchase as the tender agreement and be as flexible as possible about settlement dates.

The purchaser should obtain a copy from the vendor of the tender agreement. As a purchaser there is no reason why you have to comply with the terms the vendor has set out. If you want to get specific warranties from the vendor or make a subject-to-finance offer then these conditions can be added. You can submit your offer as soon as possible. Unlike an auction, you do not get to see who else is bidding. Ask the agents how many tender documents have been sent out? This can be revealing.

Price By Negotiation, Price Bands -

This is way of giving indication of price but without the restrictions of tenders or auctions. Price bands avoid the problem of asking prices that are too high or too low but does still gives a purchaser a guide as to price. Some agents have set bands which a house may not fit into well. These can also be difficult to figure out for purchasers as they use a coding system.

Fixed Asking price - This is a very traditional method. Asking prices tend to be about 5-10% above the vendor's bottom line. The great majority of houses suit asking prices as their value has a small margin of error. However if there is strong demand for property houses can sell well above asking price.

There are a number of problems with asking prices. Until you have marketed the house you may not know what people are prepared to pay. For some houses even a registered valuation has a large margin for error. A high asking price will put people off and you may not even get any offers. A low asking price may mean you end up selling the house for less than it is worth. The problems with a set asking price have led to other methods being promoted.

Auctions - Are auctions a marketing opportunity or a marketing menace? Some real estate agents promoted auctions as the best way to market every house.

There has been some debate on the effectiveness of auctioning house properties. The real estate agents argue that auctions identify the market and the price range for a house. Others have argued that the lack of price information when marketing the house detracts from getting the best price. Purchasers bitterly complained that auctions wasted the time of purchasers.

Advice to vendors - Weigh up all methods of marketing your house. If there is a high interest in your house, your house has unique features, the market has lots of buyers and prices are going up or you must sell in a set period of time then an auction can be the best method of selling. Two or more competing bidders can push up the price paid to levels you did not expect.

For the great majority of houses and when the market is not going up fast there is not such a high demand. An auction may do your house a disservice. Sometimes no bids are received at an auction. The auctioneer may try and disguise this by vendor bids. Never bid against the vendor. "The bid is with me" can mean a vendor bid. After an auction the real estate agent can put great pressure on the vendor to sign up the highest offer, suggesting that the market has been fully tested. The highest offer may in fact be a very low bid by a house developer, and may be still a matter of waiting for the right purchaser to come along and offer you a reasonable price with a conditional offer.

If the house is re-advertised after the auction, people become aware that the house has failed to sell. Purchasers may ask: Is there something wrong with the house? Has the vendor unrealistic expectations of price?

Advice to purchasers - Ask the real estate agent what price level the vendor is expecting. The agent should tell you an expected price range. It can be very frustrating if they will not tell you.

Auctions can be a total circus. The vendor inevitably reserves the right to bid. Vendor bids can be very confusing. Treat all bids as fabrications until the auctioneer says something like "the house is going to be sold under the hammer" or "the reserve has been passed".

Before finding a house to buy attend a number of auctions to get the feel of what happens. Watch the people in the audience very carefully. Stand at the side of the room so you can see as many people as possible. Go to at least one auction where the house is sold under the hammer.

If you are considering making a bid be very careful. Auction conditions require a cash offer. You need to do all your homework before auction date. Submit your best offer before the auction especially if the auction is more than 2 weeks away.

Sometimes auctions can be great for the purchaser. It can become obvious how little interest there is in a house. A number of clients have purchased properties at auction for considerably less than they were prepared to pay.

Trademe bidding systems - A new system involves being able to bid on line in the same way Trademe operates. This takes a large amount of stress out of attending an auction but leaves the highest bidder subject to the possibility of further negotiation as no binding contract is formed at the end of the bidding. Often the vendor will attempt to negotiate with the top bidder after the end of the auction.

Mortgagee Sales - If somebody does not pay their mortgage the house may be auctioned by the bank. Sometimes it is by tender. These auctions can be totally different to other auctions. If the lender is a bank it is very likely no reserve will be set. The bank just wants to cut its losses and does not want to become a house owner. This can be very good for a purchaser if there is little interest in the house. People who want bargains go to these mortgagee auctions. Often the houses are in poor condition and are at the lower end of the market.



Selling your own home

Should you sell your house privately?

If you have the time and the skills then you can save a lot of money by selling your house yourself. If you are wanting a high price or the house is going to be difficult to sell, it may be worth using real estate agents from the start.

Preparation - You will need to decide what you are going to sell. You decide what chattels and fixtures you are selling. An asking price or tendering are the best methods for private sales. Determine the value of the house so you know what to do when you have offers.

Advertising - Look at all the ways you can advertise the house. Timetable a series of advertisements and calculate the costs. Be prepared to spend up to \$500 if you want to market the house well.

- Word of Mouth - Tell everybody you know that you are selling your house, especially the neighbours.
- Trademe - This site is the most successful real estate web site. Agents list on Trademe as well as their own sites. Having lots of good photos using a wide angle lens and in good light. A modern cell phone is good enough to take the photos.
- Signs and Notices - Make sure notices are professional looking. Even a sign "For Sale" with a cell phone number on the lawn or front fence can be enough.

Open homes - Open homes are a must and can be hassle-free for both the vendor and prospective purchasers. You can put aside a set amount of time to run the open home such as 2 pm to 4 pm on the Saturday and the Sunday. Get rid of the rest of the family (including pets if

possible) as they may distract potential buyers. Lock jewellery and valuables away.

Do not attempt to show people the house. Let them wander around by themselves. People prefer to explore a house rather than be distracted by a sales spiel. They will come and ask you if they have any questions. Be available but unobtrusive. Position yourself at the front of the house with the following:

- Admission register - Get everybody to fill this out as it is a useful record of who has been in your house and you may want to contact those who have shown real interest. If they do not want to give their name and address take the number plate of their car.
- Copy of certificate of title - This clearly shows the boundaries and ownership of the house.
- Handout - These can be simply a copy of your advertisement with your phone numbers or include a floor plan and a detailed description of the house.
- LIM - The Land Information Memorandum from the council will show records for the work that you have had done on the house. Save the purchaser from the cost of having to search these records at the DCC themselves.

Negotiation - Hopefully, one or more people will show great interest in the house by starting to talk about seeing their lawyer or wanting to make a written offer. See the page on negotiation. Only ever have one person deal with prospective purchasers. Your lawyer can very quickly draw up a blank agreement that you can send to the purchaser if they want to make an offer. The forms are simple to fill in but never sign an offer without checking with your lawyer. The extra legal work required by your lawyer for private sales is on

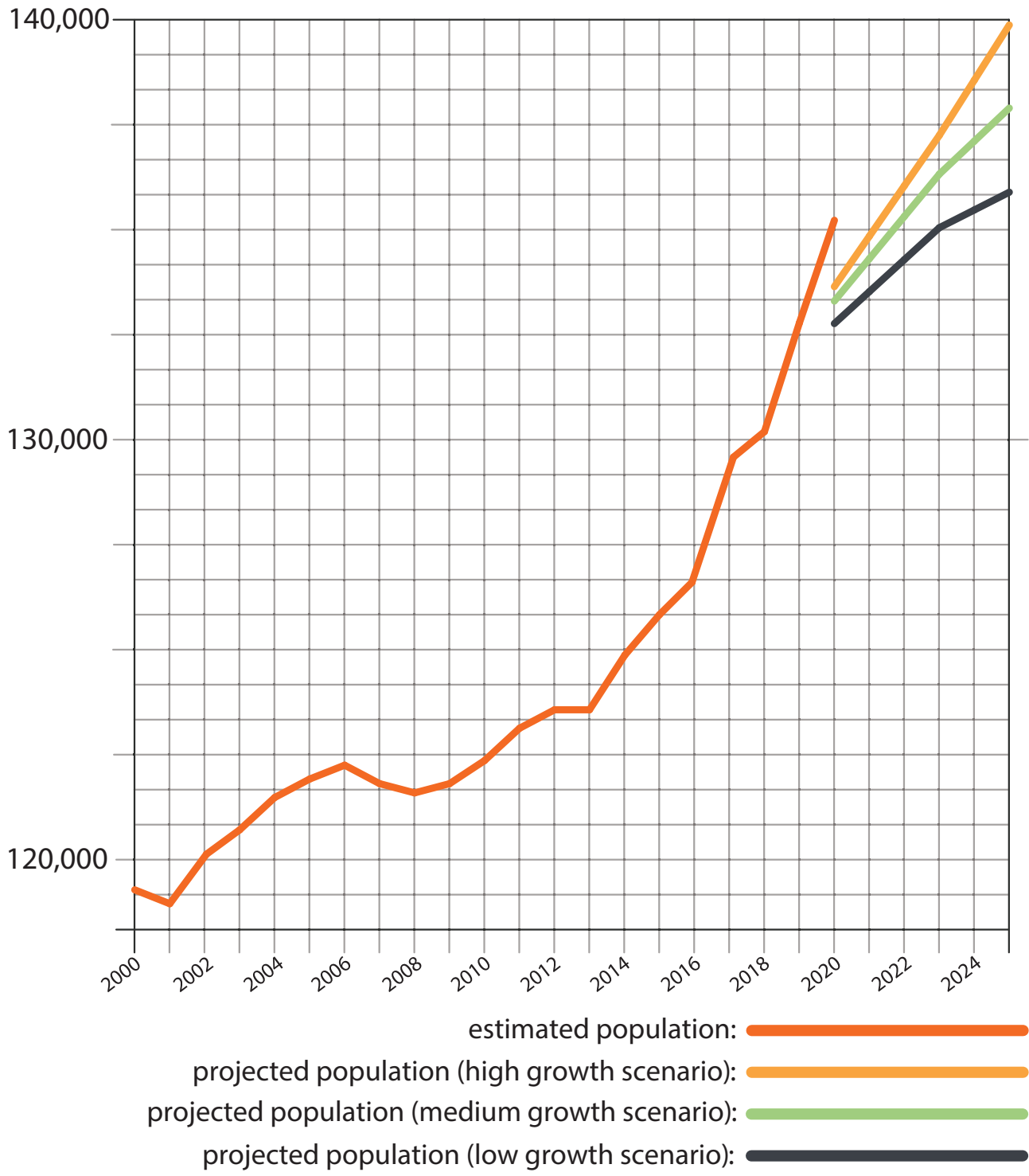
average less than \$500.

You may not find anyone interested in your house after two or three weeks of trying to sell privately. It may now be time to employ an agent unless you want to spend

more of your time and money to continue to promote the house. Your attempt to sell privately will not have in any way detracted from an agent marketing the house.

Population of Dunedin by Year

Information from the DCC website



How can a Real Estate Agent help?

Real estate agents will be able to bring you a wide variety of buyers. The agent can spend a vast amount of time marketing your house without being paid. You will be able to negotiate the price through them which will be a real advantage.

Commission - How much commission will be charged? The vendor pays the real estate agent's commission. The commission is payable only if the house is sold and are calculated on the value of the house. See example calculations below. Commission range from 1.5% to 3.95% of a sale price up to the first \$350-\$400k but reduces to 2%-2.5% for the remainder of the sale price. Often there is a set fee \$200 to \$500 to pay as well. Advertising packages that are paid whether the house sells or not vary between \$1,000 to \$2,000. Fees are negotiable although some real estate agents will not negotiate.

Agency Agreements - Real Estate agents cannot charge you commission unless there is a written agreement. Agency agreements are 10 or more pages of fine print and can often take some time to complete. If you have questions or are unsure about any matters get them sorted before signing. Read the agency agreement very carefully and contact your lawyer if you have any questions before signing.

If the agent has made specific promises to you about how they are going to market the house, write this into the agreement. Make the duration of the agreement as short as possible so if the agent does not perform satisfactorily you can appoint a new agent when the first agreement runs out. You must give the agent enough time to market the house properly which will be at least four weeks.

Agents commission on \$500,000

Formula 1

Flat fee = \$500 Percent of selling price
1.5% = 7,500 Plus GST (15%) = \$1,200

Total Amount payable = \$8,700

Formula 2

Flat fee = \$200 Percent of selling price 3%
= 15,000 Plus GST (15%) = \$2,280

Total Amount payable = \$17,480

How commission is split (this varies tremendously between different agents and agencies)

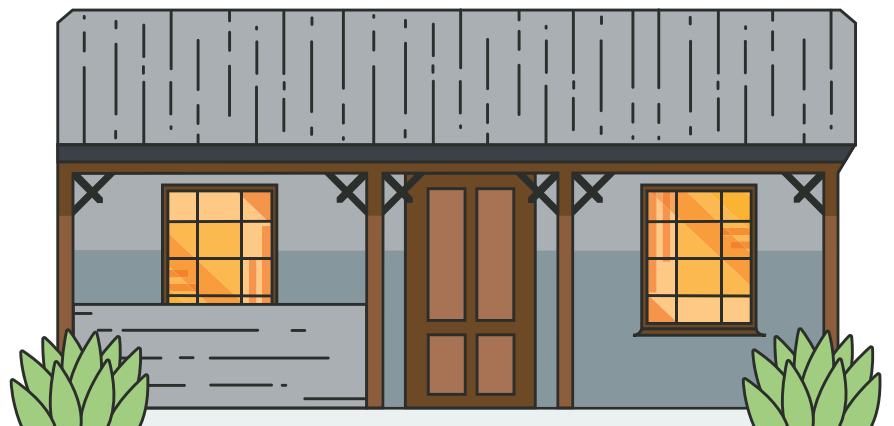
Listing Agent 25% ,Selling Agent 25%
Costs of advertising 5%

Agency Overhead 45%

Miners Cottage

60m² Built circa 1860

- 4 tiny rooms and outside toilet
- Modernized in 2021, sold for \$430,000



Types of House Ownership in Dunedin



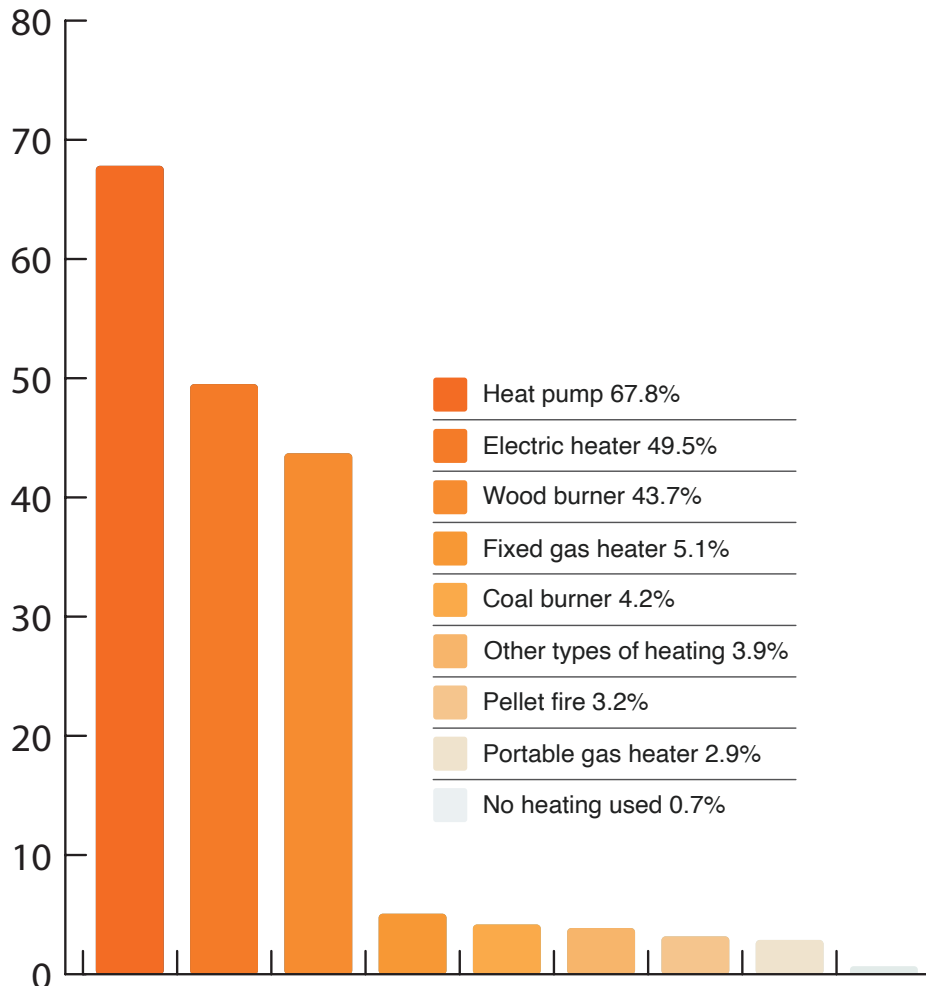
- Owned or partly owned houses 54%
- Held in family trust 13.1
- Other (companies, institutions) 32.9%

Travel to and from Work in Dunedin



- Drive a private car, truck, or van 58.5%
- Work at home 10.2%
- Drive a company car, truck, or van 10.1%
- Walk or jog 9.9%
- Passenger in a car, truck, van, or company bus 4.8%
- Public bus 3.4%
- Bicycle 2.1%
- Other 1.1%

Heating in Dunedin Houses



- Heat pump 67.8%
- Electric heater 49.5%
- Wood burner 43.7%
- Fixed gas heater 5.1%
- Coal burner 4.2%
- Other types of heating 3.9%
- Pellet fire 3.2%
- Portable gas heater 2.9%
- No heating used 0.7%

Services Real Estate Agents can provide.

Support - Emotional and physical support throughout the sale process. Often agents become close personal friends. Having a strong relationship with a good agent can be very important for the seller. Selling a house can be very stressful and the agent can minimise. Agents often do jobs way beyond just selling the property. Handing over keys, cleaning houses, dealing with sick pets and wayward relatives etc.

Market analysis - The agency has immediate feedback about the market. Trends can quickly develop which can have an impact on your property. Regular reports are invaluable especially if the market is changing fast.

Preparation for Sale - Get the agent to look at the house as soon as possible. They will have lots of ideas about what you can do to help sell the property and often are very practical. They often can mastermind work including having the house dressed for the open homes.

Extensive Website listings, social media and email posting - Expect multiple website listings. Check these as soon as they are live for accuracy and any

additional information that you consider important.

Newspaper / In house Magazines - Well designed and well placed advertising in the Otago Daily Times, and other local papers. Glossy magazines and other print advertisements.

Photograph Displays - A photograph of your home can be displayed in the real estate agent's office photographic gallery. As a result you benefit from many "walk in" personal enquiries.

Signboard - "The 24 hour salesman" - a large professionally made signboard can be erected on your property. Research shows that signs generate a high level of positive enquiry.

Open Homes - Fully supervised "open homes". This form of promotion is extremely effective and can run for one to one and a half hours on the weekend or during the week. A brochure on the house will be prepared and given to all viewers.

Direct Appointments - By appointment agents introduce qualified buyers only, so as not to interfere unduly with your privacy. Should you require, agents will phone you where possible, prior to bringing buyers.

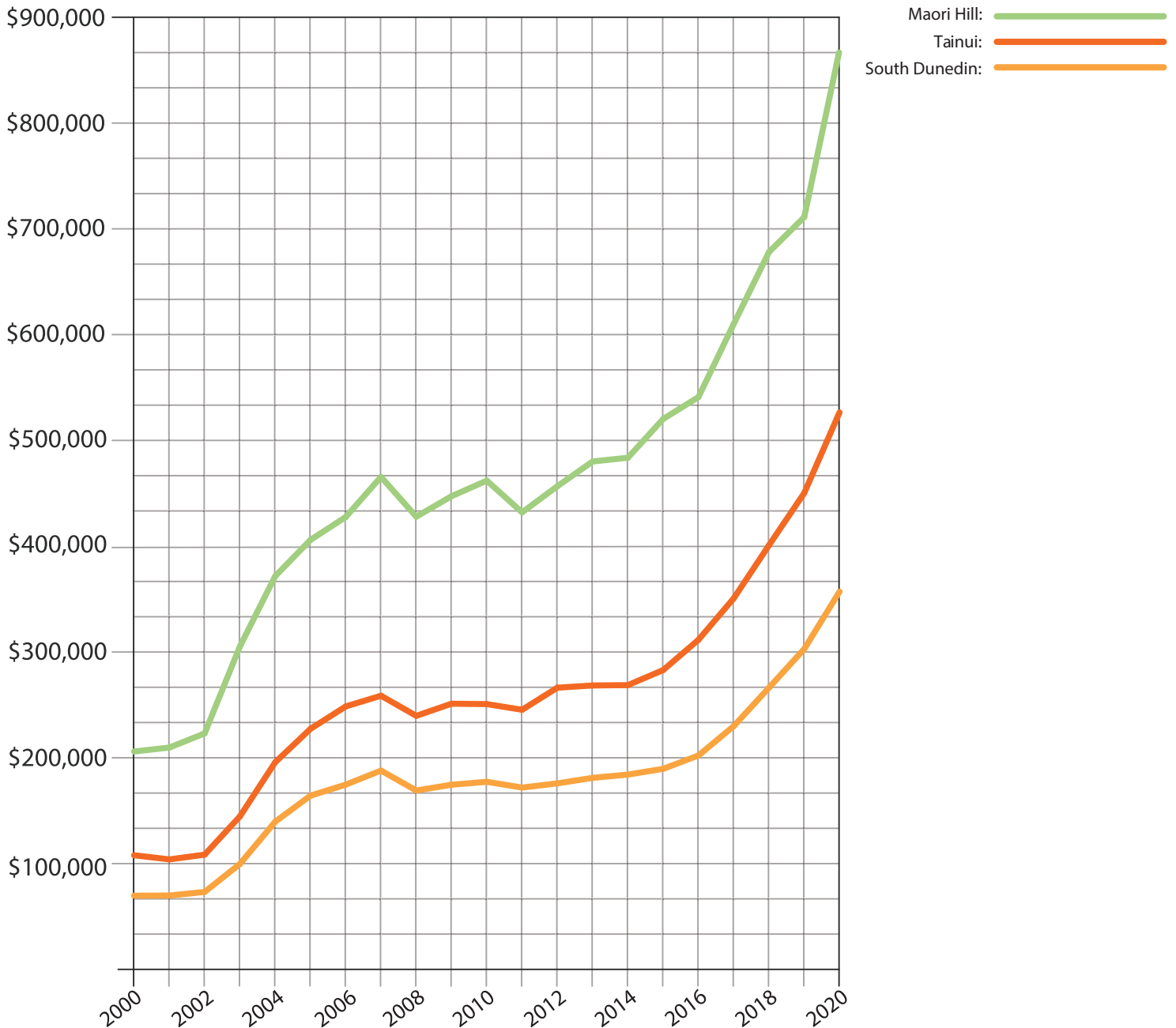


Railway Bungalow

110m² Built circa 1920

- 3 bedrooms, standard floor plan
- Sold for \$645,000

Average House Price by Suburb



Nationwide Referrals - Many agencies have nationwide referral systems. These networks involve offices throughout New Zealand and other parts of the world and are an excellent source of buyers on transfer being personally referred.

A Herd of Agents - The larger agencies have a large number of agents in Dunedin, each dedicated to giving you their best service. This means more contact with potential buyers for your home.

Feedback - Meetings between the agents at which your home is fully discussed.

Your agent will report weekly on progress made, feedback and the current market conditions.

Extra Advertising - At a special discount, extra newspaper advertising can be provided giving additional exposure for your home.

Large Agencies - Large agencies may not be the cheapest on the market, but will offer quality service giving added value, to achieve the best possible price for your house on the current market.

Valuations - What is your house worth?

Your own valuation - Can you value the house? You can become an expert on a particular area and market but this takes a lot of time. You will always hope your house will be worth more than it is.

Government / Rating Valuation - This service is provided by a state owned enterprise Quoteable Value (QV). They do not have the time or the resources to inspect every house. It may be ten or more years since they have been inside a particular house. Valuations vary widely. There is no magic percentage increase that gives the current value. Never use a rating valuation as the basis for establishing the value of a house.

Flow of Data - How does QV value so many houses all at once? When a house sale is settled the details of the price are sent to the local council and QV. When building consents are applied for the value of the work is sent to QV. QV also have an extensive database of the size, age, and materials used in NZ houses. This information is constantly being updated and is also available to other companies.

Database driven Valuations - The QV data has been made available to other businesses. Corelogic (used by most banks), Homes.co.nz, Trademe and others use this data to make estimates of current market values. Homes.co.nz is the best free system with values being updated monthly and a good interface.

Real estate agents - The vendor's agent may offer advice on the value of the house. This can often be very reliable as they have access to information especially sales that have been made in the last few weeks that have not been taken into account on the other databases. Remember that the agent

may believe they will get the opportunity to sell your house, if they tell you a high price, or affect how you purchase a house by telling you a high price. Agents can provide details of the sale prices of similar properties. A registered valuer does not have this conflict of interest.

Asking price - You don't have to ask the price that your valuer or the agents value the house at. If you do ask close to your valuation (or below!) then you can disclose the valuation to the purchaser to help persuade them that your asking price is reasonable. Consider the fee of \$600-\$900 charged by the valuer as part of the cost of promoting the sale.

Registered valuation - Get a valuation from a registered valuer. This is the best researched value you can obtain. A verbal valuation will only take 24 hours. Talk to the valuer about why they have valued the house at a figure. Obtain details of the other properties that the valuer compared the house with. Accept that some properties are difficult to value and that there can be a range of values for a house.

Why use a valuer? - Valuers give professional, confidential and independent advice. A valuer gives peace of mind prior to purchase or sale. A valuer has no financial interest in a transaction. A valuer will answer the following questions. How close is the asking price to the market value of the house? Am I paying too much or is my house worth more?

What does a valuer do? - To be a registered valuer requires a three year University degree plus a minimum of three years supervision under a registered valuer. The valuer will inspect the house, taking a copy of the title. The valuer will look up zoning and sales information, make a physical inspection of construction, cladding, standard of

facilities, surrounding properties, locations, rentals, exterior measurements, condition, foundation, decoration, layout of house and section, sunshine and shading, proximity to facilities, look at saleability and analyse building costs. Once a valuation figure is established the valuer will contact the client and discuss the valuation and particular areas of concern.

Why do a title search? - By searching the title the valuer can ensure the correct house is on the correct site and check the boundary positions. Rights of way, easements, drainage rights and drains in common, which are shown on the title, can all affect the value of the house.

Saleability of existing and new homes

A valuer can discuss with you how easy a house will be to re-sell. There are a number of matters to consider

- “Cost” does not equal “value”.
- You are better to build or buy a house that blends in with the surrounding environment and properties.
- In terms of capital growth you are better to buy the worst house in the best street.

Construction - Looks can be deceiving.

Valuers are not engineers but they do have a good idea of where to go looking for problems. Inadequate piles, land stability problems, floor bounce due to inadequate beams, poor ventilation, and borer are all matters that a valuer may spot while making a valuation.

Renovations - Renovating may be money well spent or a total waste of money. Valuers are qualified to provide a “before” and “after” basis valuation which may save you heartache and thousands of dollars. These valuations are done by

valuing the house prior to the renovations and establishing the value of the house once the renovations are completed. The difference can then be compared with the actual cost of the renovations. Get advice before you start.

What do valuers cost? - A valuer costs half of what he or she is worth. Think of valuers as an insurance policy. Use a valuer the same way you would the AA when you have a car checked before you buy it. Valuers cost a small amount in relation to the amount you are spending, and not much compared to what you stand to lose or gain. Valuers provide you with the maximum amount of information for you to make an informed decision and charge between \$800 - \$1,000, depending on what you require. Others tell you what you want to hear; valuers tell you what you need to know.

Finally - Estimates by land agents and valuations by valuers sometimes vary wildly . Remember, that at the end of the day the house is worth what somebody is willing to pay, and this can defy logic or reason on occasions.

Example of house valuation

Asking Price	520,000
Registered Valuation	
Land	227,000
Improvements	260,000
Chattels	10,000
Total	497,000
Mortgage at 80% of Land and Improvements	397,600

How to Negotiate the Sale?

The agreement must be in writing - No agreement for buying and selling land or buildings is binding on either party unless the agreement is in writing.

Haggle - Haggling over the terms of the agreement can save you thousands of dollars. Be very sure of the asking price and what price you are willing to sell for and then stick to it. See page 14 regarding valuations.

Get your lawyer to help you negotiate - The rules that follow are given on the basis that you will seek your lawyer's advice when negotiating. Some of the rules do not work when the market is going down or the market prices are going up!

Rules of negotiating a house sale:

Negotiate the rules of the game - To sell a house, a pre-printed form of contract is prepared by the real estate agent or the vendor's lawyer. The offer is made when the purchaser signs this contract and hands it to the vendor. The vendor can accept the offer by signing the contract. The vendor may make a counter offer by changing the contract and returning it for countersigning. The vendor may refuse the offer and not counteroffer. This may bring negotiation to a halt. The agent may indicate that there are no other interested parties. Delay your answer to any offer if there could be other offers.

Research, Research, Research - Don't believe everything you are told by the agent or the purchaser. Find out as much as you can about the purchaser and their motives.

- Find out why the purchaser is interested in the house. Some purchasers are very keen.

- Determine the style of bargaining the purchaser may use. Is the purchaser a determined businessman or a relaxed elderly couple?

Make a good counter offer - A very high counter offer by the vendor, will only insult the purchaser. Stand your ground, and if you make a decision or statement, stick to it.

Don't get an attitude - Be diplomatic and polite. Separate the people from the problem. Say nice things to the purchasers. Buying a house can be very emotional for purchaser and vendor. Good relations can help later on when you move out, as there are many small things about moving that cooperation will ease.

Negotiate through a third party - It helps not to deal directly with the purchaser before the contract is finalised. Try to work through a third party such as a real estate agent or a lawyer. If you do deal directly with the purchaser, make sure you have somebody who is available that you can confer with, so that any decisions you make are carefully considered.

Explore win win strategies - Explore options for mutual gain. There are variables other than the price of the house that can be negotiated. Find out what conditions would suit the purchaser and inform the purchaser what conditions would suit you. The following are some ways to improve your counter offer but you must seek your lawyer's advice regarding these:

- Pay for the house at a later date. Normally settlement is four weeks from the date of agreement.
- Accept a lower deposit. Normally the deposit is 10% of the purchase price and paid on the date the contract becomes unconditional.

Silence is golden - Don't disclose or discuss with the purchaser or land agent matters that they need not know. The land agent is your agent but only tell them what they need to know so that you can explore win win strategies. The following disclosures can weaken your bargaining position. 1) How much you can drop

the price. Do not be too specific. 2) Any urgency you have to sell.

Finally - What happens when you are careful, do all the research, but somebody withdraws their offer and goes and buys another house? Somebody else will buy your house. There are a constant stream of buyers in the property market.

Land Stability from ORC website

Otago Natural Hazards Portal

Property Search Flooding Coastal Hazards Alluvial Fans **Landslides** Earthquakes Regional Overview Natural Hazard photos Rep

Landslide Hazard Layers

Landslides

Landslides - Otago Region

This layer shows [Landslides](#) mapped by GNS for ORC. The [2017 report](#) by GNS maps landslides specifically in the coastal sector of the [Dunedin City District](#) and revises mapping previously carried out for the region between 2006 and 2015.

Landslides outside of the Dunedin City Region have been mapped by GNS at various times and scales prior to 2017. Please contact [GNS Science](#) to obtain the original reports for specific landslide features throughout the rest of Otago.

Please click on a landslide feature in the map (right) for more information.

(1 of 2)

Landslides - Otago Region

Landslide ID: 100123

Movement Type: flow

Name: Albany St Slide

Activity: recent historical activity

Certainty: definite

Certainty Description: Landform features are present that can only be the result of landslide activity and/or the landslide has been observed historically to have moved

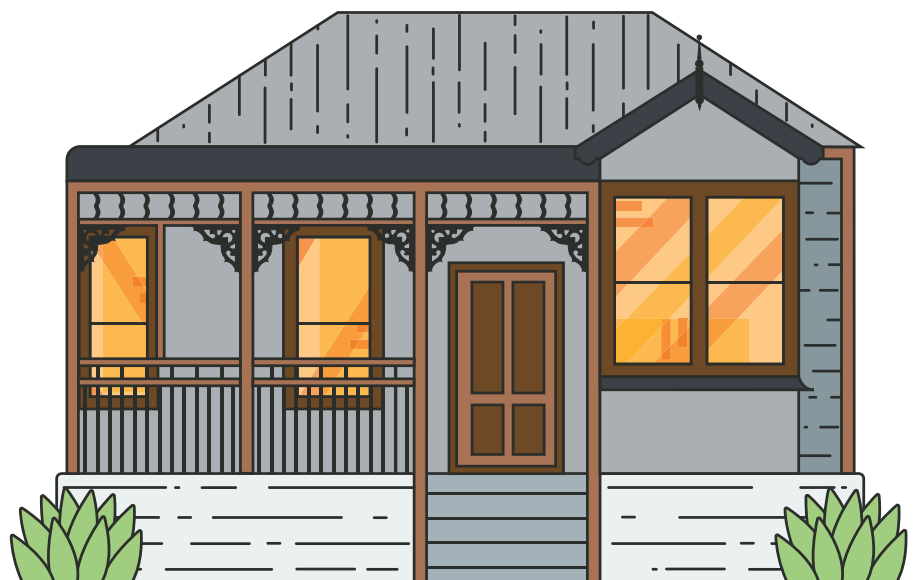
Sensitivity: high

[Zoom to](#)

Double Bay Veranda Villa (Fletcher House)

110m² Built circa 1920

- 2 bedrooms, living room, bathroom
- Current Value \$725,000



Buying a Section and Building Contracts

Buying a section can be relatively easy. If the title is already issued then settlement can be within 4 weeks. If it is a new subdivision the title can take months to issue so take that into account if you want to build your house as soon as possible. Checking subdivision contracts is a technical and complex job for your lawyer.

Once you have the section then the hard part starts. Funding, designing and building a house can be a stressful and prolonged matter.

Building Contracts

These are complex. Get your lawyer to review. Use an architect or other specialised professional.

Standard Form - There are standard form contracts that are used in a large number of builds. Most are good and are essentially fair and reasonable.

Specification and Plans - These are an essential part of the contract. They should be very detailed documents for the specification as well as detailed plans. Read these very carefully and go through every detail. If it is not detailed in the documents then you are not going to get it.

PC sums - Avoid. The Provisional Costs (PC) amounts are a way that the builder puts limits on costs on certain parts of the building which protects the builder in the case of overruns. Check very carefully that the sum is enough for what you actually want. Otherwise it is a very quick way for the cost of the build to increase.

Foundations - The largest risk in most building projects are the geotech issues. Unexpected ground conditions can often

lead to delays and cost overruns. Dig out the site as early as possible. Be prepared to delay the project while the most economical solution is identified if you need to redesign the foundations.

Completion date - A fixed date of completion is rare. There is a very wide range of things that are allowed to cause delays. This is normal in residential contract. The nature of residential building is that there are often additional delays. By allowing the builder additional time a better quality project can be achieved and sometimes significant improvements can also be achieved. We believe that a flexible date for completion is in the interests of all parties.

Variations - The process for any variations should be followed during the build. It is essential that you follow the process and get that variation signed off and costed. Do not make assumptions as to what things will cost as it is not necessarily logical due to the way the building process is structured.

Payment Plan - Ensure that as you make payments, they match the work and building that is on the site. Often the payment plans are designed so the builder is paid in advance through a large upfront deposit. If you work out that you are paying money in advance then you need to be very clear where that money has gone and who is holding it. Sometimes it will be third parties (such as suppliers deposits) who will be holding the money and you can get details of those third parties and what materials or goods are being provided by those third parties. This will protect your interests.

Quality - The quality of the build is dependant on a number of factors of which the tradespeople are often critical. If you think there are issues with quality

you need to notify the builder to remedy the issue. Sometimes there are issues with particular individuals. It is your house and you should be clear what you are expecting. You should not be hesitant in coming forward with your questions.

Possession - Moving in can be complex. Practical completion, code compliance, insurance and final payments all need to be sorted out. Have alternative accommodation to allow for any delays.

Warranties - The warranty can be a bit of a mixture. In previous times it was very common for the purchaser to retain a significant sum of money against possible warranty claims. These retentions are no longer very common. However there are various specific written warranties from various parties including manufacturers, distributors and the builder which you can rely on. There are also significant statutory warranties that have to be provided by the various suppliers and importers of the goods. Our recommendation is to work closely with the builder, determining what materials and products they are using and then proceed to ensure you keep a close record of who has supplied and manufactured those materials. Ensure to keep a good paper trail.

The nature of the statutory warranties. There are no specific time periods, however there is a constant attempt by the suppliers to provide you express warranties that are limited as to time. These cannot override the statutory warranties.

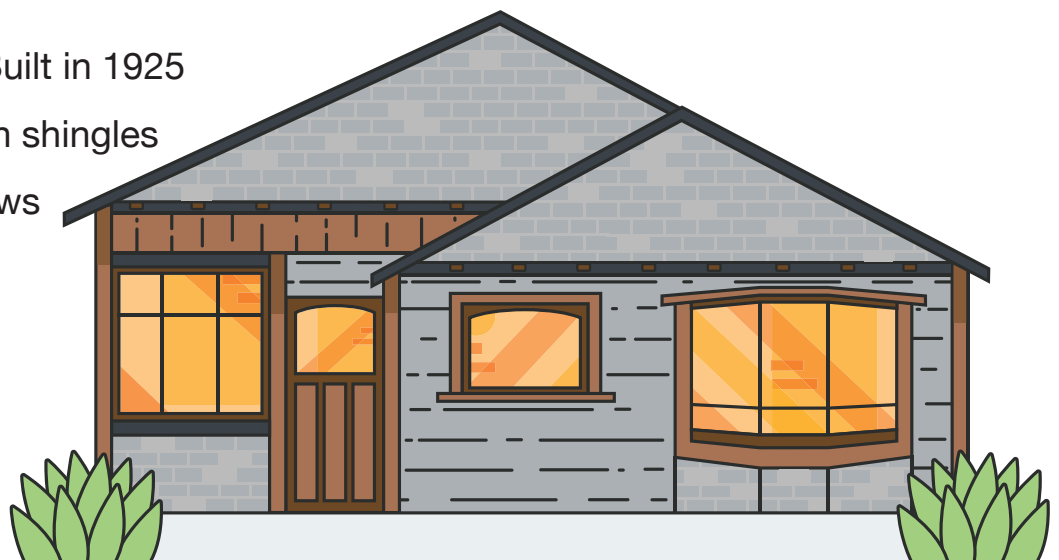
Right to Mortgage - The builder often requires that they have a right to mortgage the property if they are not paid. You need to get your banks consent in respect to this clause. These are not unreasonable but you can negotiate other ways to guarantee payment.



California Bungalow

150m² (with alterations) Built in 1925

- Front facing gable with shingles
- Curved dormer windows
- Valued at \$900,000



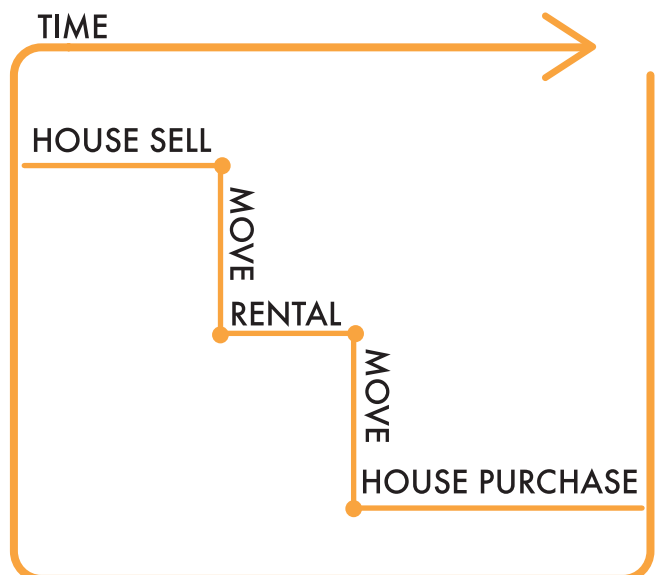
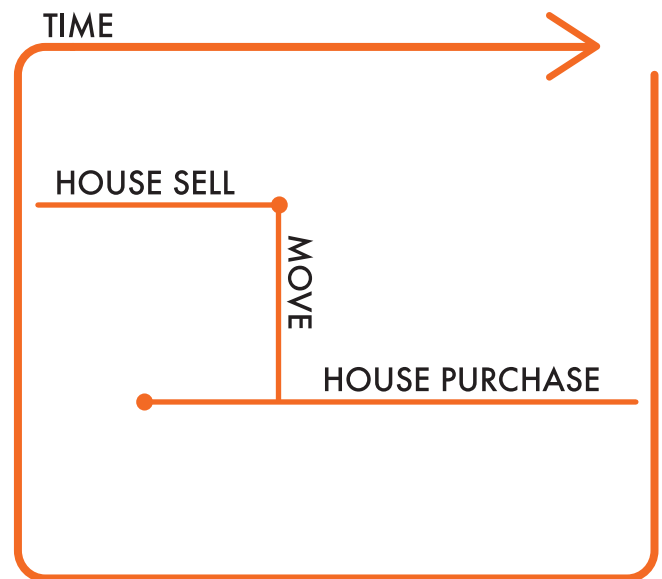
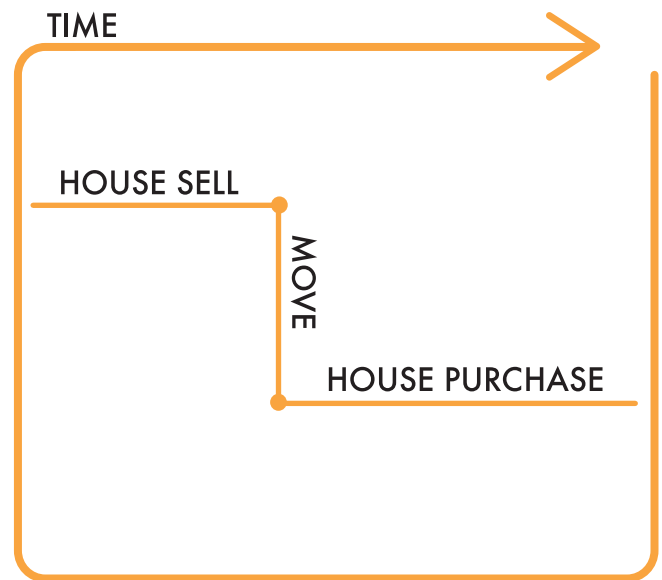
Selling and then buying another house

Sometimes this can be a big headache. When to sell and buy and which to do first? The following are the options.

Option 1 Same day (Stressful) - Selling and purchasing on the same day can be hard work. The money you receive on the sale is used for the purchase. The move technically, has to happen all on the same day, but with cooperation from the other parties some parts of the move can be done early and others later. Items in garages and basements, can be dealt with separately and at a later or earlier time. Most people use this option. However it is very stressful compared to option 2.

Option 2 Sell after purchase (Luxury)- This means you can move over a long period of time. It requires bridging finance or spare cash to own two houses at once. The costs of bridging finance can be offset by the savings in the move as you can do more of it yourself. If both houses are owned for some time ie months this can become expensive. Renting out the new house to offset costs is possible but short term tenants can involve a lot of work.

Option 3 Sell before purchase (Safe but more work) - The double shift is a very safe way of doing things. You can know exactly how much money you have to repurchase and can spend a long time looking without much extra cost. The disadvantage is the double shift involves extra effort and costs and if the property market goes up then you can be left behind.



What should you check when looking at a house to purchase?

Everybody has different requirements for a house. Determine what you consider important. Be systematic and score each house that you look at. Give more weight to the factors that you consider are important. This way, you can compare houses in a consistent manner. It can be time consuming and emotionally stressful looking at houses. No house is perfect and will meet all your requirements. It is always a matter of compromise. The following are some of the things that you could score.

Location

Does the character of the neighbourhood suit you? - Do you prefer living in Maori Hill and talking to bank managers or living in Waitati and talking to your neighbours about organic compost? Are there young families in the area or mainly retired couples?

Is the house close to places you want to go? Can you walk to work? How far is the

house from other facilities such as shops, schools and sports grounds? Are you prepared to spend a long time commuting by car?

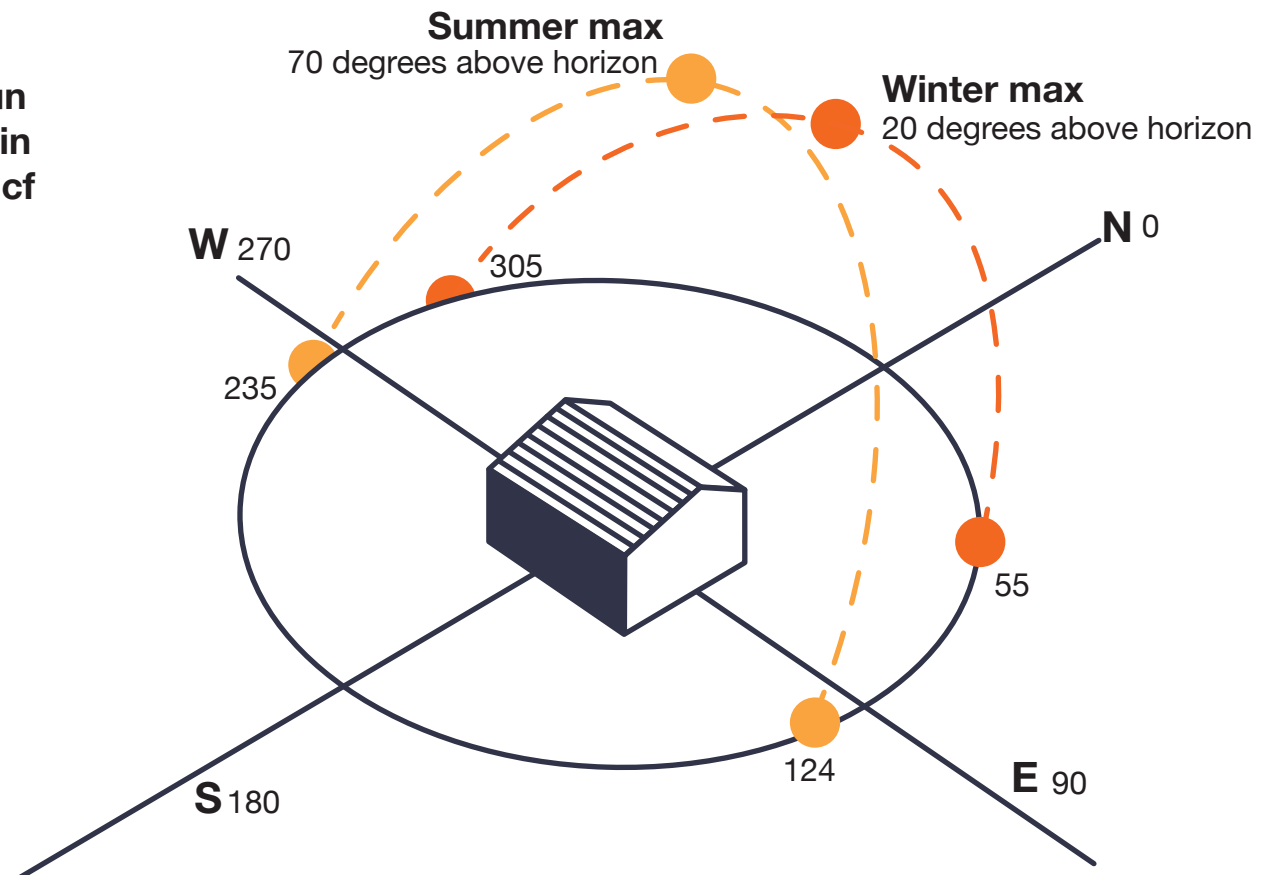
Is the house on a quiet street? - Traffic can be a real danger to young children and pets. Noise and pollution can become a nightmare on very busy streets. You can use a map of Dunedin to help you. Circle all the suburbs where you would consider buying a house. Measure the distance from your place of work to these suburbs.

The Section

Does the house get plenty of sun? - Dunedin houses need all the sun they can get. Take a compass and use the diagram below, to help you determine how much sun the house gets at various times of the day.

Do you get a good view from the house? - To get a view of the sea in Dunedin usually means you are facing south east and will not get so much sun. More houses face south and east in

Arc of Sun in Dunedin Summer of Winter



Dunedin than any other way because of the way the hills around Dunedin slope.

Is your privacy protected? - Check whether people in neighbouring houses or people on the street can look into the house. If you are always going to have to keep the curtains closed this will make the house darker and colder.

Is the house sited so the sun or the view cannot be blocked? - Imagine what would happen if somebody built a large house or the trees grew on the neighbouring properties.

Is the garden and section the right size and type? - It is equally frustrating to have too little garden as it is to have too much garden. Steep sections can have little useable room and be dangerous for children.

Are the fences, gates, walls, paths, driveway and other improvements in good repair? - The neighbours can make you contribute to half the cost of replacing an inadequate fence. Walls and sheds can have major structural problems that are expensive to repair.

Does the house have enough space for your vehicles? - A garage, car port or off street parking for some is a necessity. If an off street park can be formed, find out how much it will cost. You can sometimes rent a garage in the neighborhood.

Are the services to the house in good repair? - Water pipes can deteriorate and burst. Drains can block. Septic tanks have to be maintained. Determine where the sewer and storm water drains go. Visit the council for further information. Check for trees growing into the electricity and telephone lines.

Exterior

Has the house been soundly built?-

Have shortcuts been taken when the house was built? If you can see one thing that is poorly built then there will be other things that you cannot see which will be poorly built. A home handyman may have devalued the house by making sloppy alterations.

Is the house built of maintenance free materials? - Brick, concrete and block construction can give years of maintenance free living. A wooden house needs repainting approximately every 10 years. Beware of roughcast on wooden houses and so called permanent cladding as these can deteriorate.

Is the woodwork in good condition? - For every piece of visible rot there will be ten times more rot that is not visible until a repair is undertaken. Use a screw driver to poke suspect areas but be careful to ask the vendor, or the vendor's agent, permission first.

Are the foundations sound? - Carefully examine all walls for cracks or signs of the foundation having moved. Do doors or windows stick? If there is any sign of movement, contact the City Council and a structural engineer to obtain more details. Dunedin has a number of areas, such as parts of the Otago Peninsula, above Green Island, and even at one end of Albany Street, where there is land instability.

Are the roof, guttering and downpipes all in good condition? - Corrugated iron eventually rusts. Look for rust stains. To find out whether the roof has been leaking look for stains on the interior walls.

Has the house got character? - Dunedin has some wonderful historic houses that are charming to live in and great to admire from the street. Such a house may be

more challenging to restore and maintain, but the rewards of doing so will be great. Again, cost is a determining factor.

Inside

Is there enough inside living area? -

Carefully note the plan of living areas and the number of bedrooms. A badly designed house will use areas inefficiently. Houses will be advertised as having more bedrooms than can be practically used. If a house is not furnished it can be very difficult to determine how large rooms are. It can be useful to measure the size of the rooms with a tape measure and note this on a rough plan.

Are the kitchen and bathroom facilities adequate? - Will your appliances fit?

It can be very expensive to upgrade or change the facilities in a kitchen or a

bathroom or have to buy new appliances.

Is there enough storage space? - Are there built-in wardrobes in the bedrooms? Are there enough cupboards in the kitchen? Do you have a hobby or interest that will require more storage?

Are the curtains and carpets in good repair and attractive? - Replacing carpets and curtains can be relatively cheap and new ones will be your own taste.

Has the house got potential? -

Sometimes, with a careful alteration or redecoration you can change a house to suit your needs. If you are planning to make changes immediately, then get estimates of the cost before you make an offer. If the changes are major it may be best to wait for a house that is closer to your needs.

State House

94m² Built in 1954

- Internal bathroom
- Oriented to sun
- Tiled Roof
- Native timbers
- Valued at \$505,000



Researching a House

Play at being a detective. Behind the fresh paintwork and beautiful dressed home can be hidden nightmares.

Information from Council - The Council has a vast amount of information on properties. This includes planning, building, drainage and land movement records. This information can sometimes be the difference between purchasing and not purchasing a house. The main problem is getting access to this information soon enough.

Council Counter Enquiry - A counter enquiry involves going to the Civic Centre and asking for specific information from the staff. This is the best way to quickly get specific information. It is best to make enquiries at a quiet time of the day as you will get better service. Lunchtime is not a good idea. Be patient and courteous and you will find that the staff are very helpful. If you ask to be shown plans for the house, you can quickly tell whether all the necessary building permits and consents have been obtained.

Land Information Memorandum (LIM) -

For the Dunedin City Council - cost \$305 Residential non-urgent 5 working days - \$357 urgent 3 working days (2021). Apply on line, using a credit card. Other councils have similar costs, time frames and procedures on their websites. The LIM gives you the security of a written record from the Council of the information held about a house. However, the Council may not be aware that a house has a particular problem.

Friends and family - Often you will know people who have a lot of knowledge and experience with houses. Do not hesitate to ask them to come along to open homes.

The more the merrier. Listen to what they have to say as often they will see things in the house you will not have spotted.

Employ a Building Inspector - A building inspector will make a detailed inspection of the house and can comment on compliance with the Building Act. Check the cost for the inspection and when this can be done. Sometime the inspector may run into particular issues that they will want to consult an engineer on and this can add cost and delays. However these inspections can minimise the risk of a nasty surprise once you have purchased the house. Often the issues identified can be factored into your offer by discounting your offer by the cost of doing the work.

Hidden Defects - These can be hard to find. Broken drains. Piles that are rotten. Roofs that have been freshly painted but are badly rusted. Cladding that is rotting. Building inspectors are experts at finding these things and especially good if they have worked in Dunedin for a long time.

Leaky Homes - There was a period in the 1990s when houses were poorly constructed. This led to water making its way inside the house and becoming trapped between the cladding and untreated wooden framing. Monolithic cladding and rough cast on houses of this period should be treated with great caution. The houses often contained design features like flat roofs with inappropriate cladding, lack of eaves and internal gutters. In Dunedin many of these houses have survived due to being well maintained and Dunedin has a colder and drier climate than Auckland. However these houses can cost \$100K's to fix properly and some will need to be demolished. Luckily not many houses were being built in Dunedin during this period. Moisture testing and close examination

by an Inspector should identify if there are any problems.

Non Compliance - In the present standard contract for sale and purchase, the vendor gives a warranty that the vendor has obtained all the building permits and consents that are required while the vendor has owned the house. This does not cover the purchaser for the period prior to the vendor's period of ownership. Up to 10% of the houses in Dunedin may not comply with the legislation. The normal source of non compliance is with modifications made after the initial build. The non compliance can be minor or involve thousands of dollars to put right. This can cause headaches for both purchaser and vendor. The non compliance can affect insurance. By finding out as much as possible about a house before contracting to buy, a purchaser can manage these headaches.

Land Stability - The Council has geological information as to areas with land stability problems. Some areas are literally on the move and houses are sustaining damage due to that movement. Broken foundations and floors that are not level can be signs of problems. The council carefully monitors some areas and will sometimes do stabilisation work. On the DCC maps there are specific hazard layers which show the extent of known areas of ground movement in the city.

Retaining Walls - Often these walls are large and are on the street frontage or part of the garden. Sometimes they can be the responsibility of the council or a shared responsibility with a neighbour. These can be overdue for replacement and some have failed after heavy rain. They can be very expensive to fix so should be carefully checked for cracks and any sign of deflection.

Drains - Many elderly houses in Dunedin do not comply with the requirement that the water from the roof is not allowed to flow into the sewer. To separate the plumbing may involve expensive work. The DCC actively pursues land owners to comply with this requirement.

Solid Fuel Heaters - Some Dunedin houses have solid fuel heaters that have no permit or consent, have been incorrectly fitted or have come to the end of their economic life. A building consent is necessary before any installation of a solid fuel heater. The DCC building control section recommend that the unit is installed to the manufacturer's instructions. In the event of a fire caused by faulty installation the insurance company may decline a claim if a building consent has not been issued.

Heatpumps - These have become the most common way of heating houses. Some of these are now coming to the end of their economic lives so they should be checked and enquiries made as to how they have been serviced.



Investments and Tax

If you are purchasing a house as a rental investment, there are extra considerations.

Longterm demand - Will the demand for houses in a particular location increase or decrease in the next 10 years? The Department of Statistics and others make long term predictions from time to time. In the past cities such as Christchurch and Dunedin have grown while in most other towns in the South Island the populations have decreased. Demand for rented houses also varies within cities. Returns on rental properties varies depending on quality and location.

Being close to where you live - The closer the house is to where you live the better, as you will be more familiar with the area and it will be easier to inspect and manage the house. A large number of people find an ideal arrangement by purchasing the house next door or in the same block

Has the house an easy care section? -In general, tenants do not like looking after other people's gardens. Easy-to mow-lawns which you as the landlord take the responsibility to look after are ideal.

Is the house tough enough? - Some tenants can treat a house roughly and will contact you when the house leaks or any of the appliances break down. Are you prepared to sort these matters out promptly yourself or will you employ reliable tradesmen. Are you going to get upset about the damage?

Does the house comply? - New rules about minimum standards for rental houses have been introduced. The healthy homes standards introduce specific and minimum standards for heating, insulation, ventilation, moisture and drainage, and

drought stopping in rental properties. See www.tenancy.govt.nz

Managing Rentals - If you are going to manage the house yourself expect to spend a number of days a week checking on the tenants, making sure the rent is paid, arranging or doing repairs, finding new tenants and numerous other tasks. It is important to have good paperwork and you are required to have a written lease. If you do not wish to put this time and effort into the investment most real estate agency firms and specialist tenancy management firms will manage the house for you and charge a % of the rent. This can range between 8% to 12% of the gross rent.

What legal Entity - There are a number of options - your own name, a company or Trust. Companies have some advantages but cost more to maintain. Many rental house are purchased in the owners name. Obtain tax and legal advise before you make a decision. The standard agreement names the purchaser as a nominee so the decision as to who is going to purchase the house can be made immediatly after the agreement is finalised but before the finance documents and settlement.

Paying tax on Rent Income - See an accountant before you purchase a rental investment so you understand the current tax issues. There have been numerous changes over the years especially regarding depreciation and deductability of expenses. The most resent is interest on loans used to purchase rental properties is no longer deductible from rental income. This is being phased in from 2021 and the exact details of this are still being finalised.

Interest deductions on residential investment property acquired on or after 27 March 2021 will not be allowed from 1 October 2021. Interest on loans for

properties acquired before 27 March 2021 can still be claimed as an expense. However, the amount you can claim will be reduced over the next 4 income years until it is completely phased out. This means that in the 2025–26 and later income years, you will not be able to claim any interest expense as deductions against your income. (from IRD fact sheet)

Tax on rental properties is returned using a one page IR3R - a separate part of the IR3 return if you own the house in your personal name. The details are set out in booklet IR264. www.ird.govt.nz

Brightline Tax

This is a tax on profits made on certain house sales. This is complex - Since 1 October 2015 there has been a tax payable by some vendors on the profit made on the sale of a property. The rules have become complex and need careful consideration in relation to every transaction.

This tax is dependent on the date of purchase of the property

- 29/3/2018 to 29/3/2020 within 5 years

- after 29/3/2021 within 10 years

This tax is not dependent on the intention of the vendor.

Main Home Exemption - However there is no tax to pay if the house being sold was the main home of the vendor. It must be mainly used ie 50% of the property and for more than 50% of the period owned. If the house is not used as a main home for more than 12 months then income is attributable to the days the property was being used.

Other rules - New builds when the vendor purchases it still have a five year bright line after 29th of March 2021. The date is

generally the settlement date but can be the date of contract. When a house been purchased off the plans then the vendor needs to take possession and live in the house within 12 months of the date of agreement.

Estates and Relationship Settlements - Estate distributions and Relationship Property Settlements are exempt. However subsequent sales use the date the property was originally acquired.

Trusts - Trust sales may qualify for a main home exemption but there are special rules about this. Ask your lawyer and this may change in 2022.

Rental properties - People purchasing rental properties and selling them within 10 years will need to pay tax and account for that in their decisions.

More Information - Vendors need to get professional help with considering the consequences of these new rules. They cannot be ignored. IRD are getting information electronically from each land transaction so are tracking sales and where tax is payable.

IRD have a property tax decision tree on their website that assists in determining when the tax is payable. There is an IR833 that is required to be filed with your tax return. There may be withholding tax deducted by your lawyer if you are an offshore person see IR1101.

Financing your Purchase

Applying for Mortgage Finance -

Hardly anyone can buy a house without borrowing some of the money. A mortgage secures money lent to you by a bank. The mortgage market in New Zealand is very competitive. This is good for home buyers. ANZ, ASB, BNZ, Westpac and Kiwibank have the largest share of the mortgage market in Dunedin. However it does not end there. There are at least 5 other entities actively offering mortgages.

Your Cash Deposit - You must have enough cash to satisfy the banks requirements. Currently having at least a 20% deposit means you get offered the best deals. With a significant increase in the value of houses this means you need at least \$120,000 to purchase a \$600,000 house.

Calculating the deposit - Banks use the purchase price or a registered valuation (minus the chattels) as the value of the house. You may not need a registered valuation for the bank. They may accept the purchase price or their own estimate (many use Corelogic database valuations) if you are putting a large percentage of cash into the house.

Kiwisaver - Kiwisaver superannuation was established in July 2007 and most people joined the scheme. There are many incentives to join with employers being required to contribute at least 3% of an employee's gross pay to the employee's KiwiSaver account. Withdrawal is available if you are over 65 years old, for 1st home purchase and some other limited exceptions. Kiwisaver is making a major contribution to first home buyers getting a 20% deposit. The withdrawal process should be commenced as soon as possible after the contract for purchase of

the house has become unconditional.

Bank of Mum and Dad - Many people get assistance from their parents in the way of gifts, interest free IOU's and interest bearing loans. Often these need to be carefully considered.

- Substantial gifts to couples by one partners parents can lead to issues. If the couple separate the gift will be treated as relationship property unless there is a contracted out agreement.

- Amounts over the 20% deposit can be treated as loans with or without interest.

- Families will need to consider how or whether to keep amounts even between siblings.

Income to service Loan - Your ability to make the mortgage payments. There are various equations used by the banks such as 1/3rd of your gross income.

Application - You will need to complete an application form with the bank. In order to complete the form you will need the following details:

- Proof of income such as pay slips or your financial accounts
- Proof of savings
- Certified identification and proof of address
- If you have already purchased, copy of Agreement for Purchase, copy of Record of Title and possibly valuation.

You will need to decide - The term of the mortgage - range can be 10 to 30 years. - Whether to have Floating or Fixed interest rate and if fixed for how long 1 to 5 years.

Fixed Interest Rates - The fixed option means your interest rate is fixed for the specified term (ie 1 to 5 years) and then moves onto the floating rate if you do not

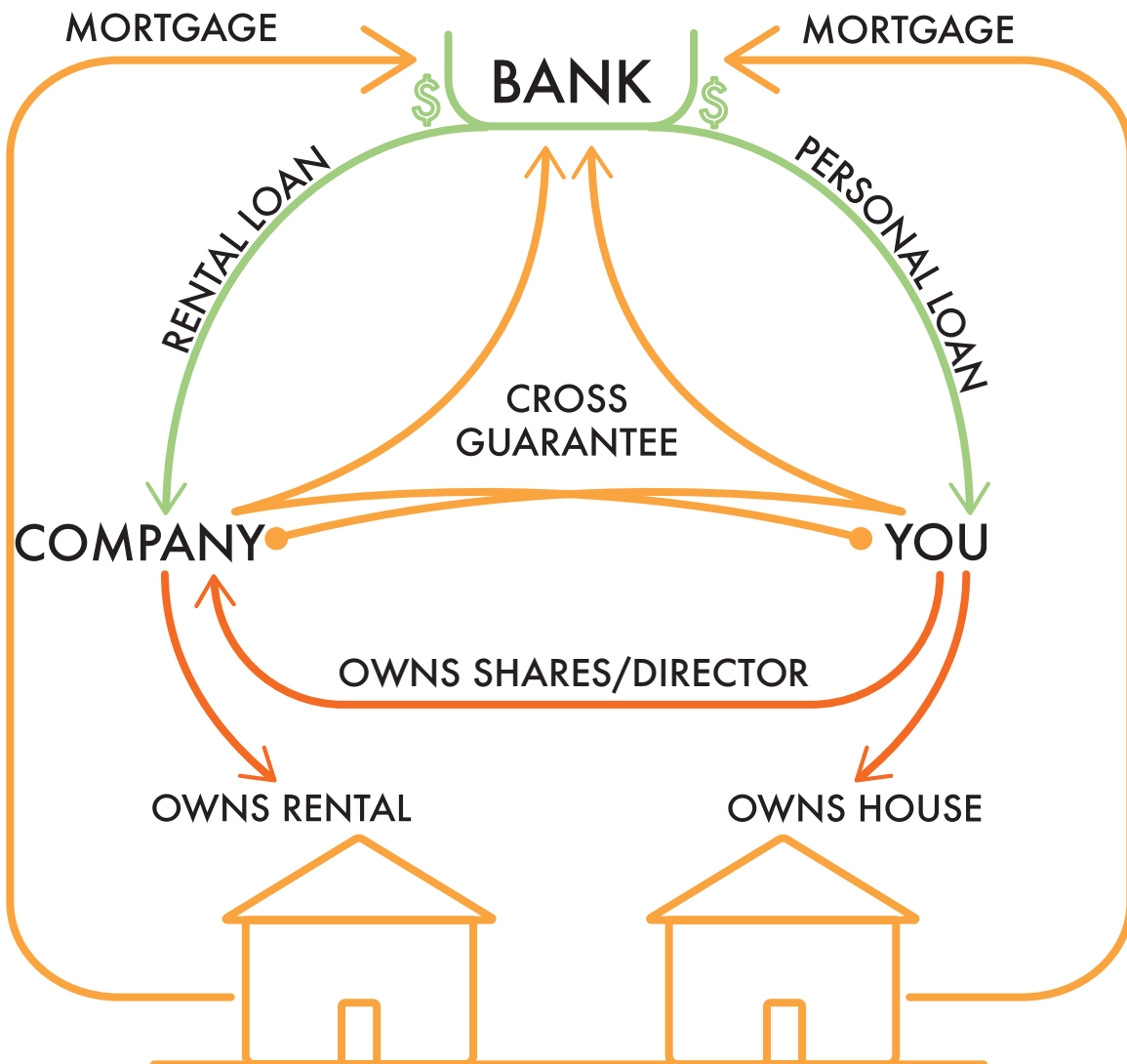
fix it again. To move to the floating rate during the fixed term, will involve paying penalty interest. It is not easy to work out which option to go for. Future interest rates cannot be predicted. No matter which option you choose, interest rates may move in such a way that your choice will turn out to be wrong. You can hedge your bets by having some of the loan, say 50%, at a 1 year fixed rate and the other 50% at a 5 year fixed rate.

Choosing between banks - If you have enough income and cash you could obtain offers from every bank you apply to. Given the competition, there is sometimes very little to choose between them. The bank you have a savings history with, should be the easiest bank to deal with. If you have problems with your bank then shop

around. When choosing a bank consider:

- The hassle of changing bank accounts if you change banks.
- Any break fees if you have fixed interest rate loans or have been paid a loyalty fee.
- Insurance requirements or valuation fees the new bank will charge.
- Short term gain only as the bank with the lowest interest rate may be the highest in 3 years time.

Mortgage brokers - Most finance applications are made by mortgage brokers because the banks find this an easy way to operate. Many of the mortgage brokers were bank managers.



Purchase of rental house by company using own house as security.

They will find out your financial goals and match your needs to the most competitive loans from the large range of choices. They will negotiate a better deal and often can get special offers and discounted interest rates. It's simple and fast and they will complete all of your paperwork and take much of the stress out of the process for you. The service is generally free because they are paid by the lender that you choose.

Table Loans - Table loans are when you repay the loan by equal instalments. Each payment consists of interest and some principal. It is the most common method of repaying a house loan.

Interest only - Interest only loans are common in businesses and for short term borrowing. Banks like table mortgages because you repay principal and this improves their security. However you may have things you want to spend your surplus money on such as the house, so it may be possible with a new valuation to increase your loan. Most banks will allow you to negotiate short periods of interest only payments especially if you are in financial difficulty.

Early repayment - No matter which option you take, always make as many early repayments as you can. Repaying your home loan is your best investment and is a very good superannuation scheme. You should compare the returns on your Kiwisaver with the interest rate of your home loan. With low interest rates most Kiwisaver returns are better than making early repayments of a home loan. Increase your house loan instalment by 10% can make a remarkable change in the term of the loan. Also if interest rates go up then you can increase the length of the term to maintain the same instalment.

Mortgage and Loan Agreement

The mortgage document and loan agreement with attached terms and conditions are large and complex documents. They contain numerous terms to protect the bank so they get their money back. The main terms are:

Penalty Interest - This is an immediate penalty for failure to pay on time and should be avoided. If you are starting to have problems making payments talk to the bank. Sometimes the penalty interest can be waived.

Power of Sale - If you do not repay the money the Bank will ultimately sell the house and take the proceeds. There are a large number of the powers that you are giving the Bank to do this. It is very unusual for the bank to immediately exercise these powers. Often the Bank will enter into negotiations and agree on ways of resolving the issues way before they force a sale. Going onto interest only payments for a short time, putting the house on the market to sell, finding alternative sources of income, selling other assets are just some of the ways matters can be resolved.

Current Advances - All modern bank mortgages secure any monies owing to the Bank by you including past advances and future advances. This is really useful as it means you can borrow more money from the bank without having to change the mortgage. There will be a separate loan agreement with the Bank in respect to the actual money lent to you. Often there can be a number of separate loan agreements that are linked back to the mortgage security registered on the house.

Priority Figure - The bank will require a priority figure on the mortgage document which may be more than you have paid

for the house. This reserves this amount for the Bank to lend you now or in the future. It stops other banks registering subsequent mortgages on the property and taking priority over the Bank.

No second mortgages - The Bank requires you to get written consent before you agree to any other mortgages and they are unlikely to consent.

Insurance - You are required to insure the house and name the Bank as first mortgagee. This means that if the house burns down the Bank is paid the insurance money. This is logical given that if the house burns down the Bank is still owed the money. They can readvance the money if you wish to build a new house.

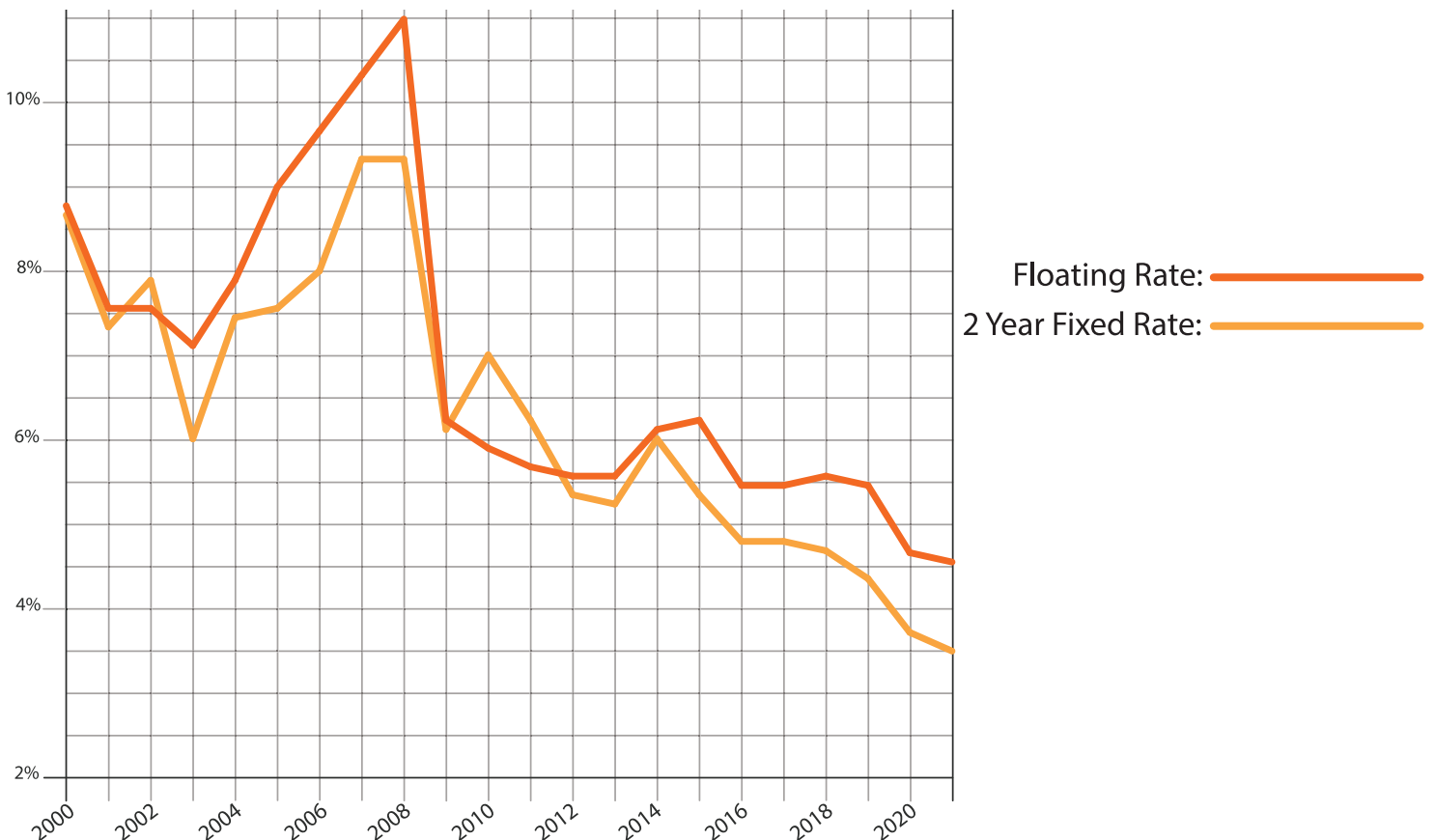
Rates - You are required to pay the rates and all other charges on the house. If you do not pay these rates the Bank can be made to pay them on your behalf and then use their powers under the mortgage to recover the funds from you.

Repairs and Maintenance - The Bank requires you to keep the house in a tenable condition and well maintained. This is designed to protect the Bank's interest in the house as without regular maintenance a house can deteriorate substantially in value. Also any changes or work that require resource consent or building consent you are required to get those consents.

Personal Guarantee - You also personally guarantee the loan. If the house is not enough to repay the loan you still personally owe any residual debt and your other assets could be used to repay the debt or you could become bankrupt.

Despite the documents being complex, you should read and try to understand them. The Banks have made a real effort to design plain English documents. Contact your lawyer if you have any specific questions regarding any terms.

Mortgage Interest Rates



How should you negotiate the purchase?

Must be in writing - Having found the house you want to buy, what do you do next? The vendors, or their agents, will be keen that you make a written offer. No agreement for buying and selling land or buildings is binding on either party unless the agreement is in writing.

Haggling can save thousands - Houses are the most expensive things the majority of people buy, but they do not have a fixed price. Some people are still very uncomfortable about haggling. They see haggling as wrong. They dislike the uncertainty that haggling creates. Why not pay what is asked for the house and be done with it? The main reason it is worth haggling, is that invariably the asking price is the top price the vendor considers anyone will pay. Occasionally, houses are sold for more than the asking price when two or more people are wanting to buy the house. This is rare and in the great majority of cases, haggling over the price and other terms of the agreement can save you thousands.

Get your lawyer to help - Often there can be signs about what is happening that are difficult to pick up. A lawyer can be objective and is aware of what is going on in the market from week to week. They can suggest options around timing and types of offers.

Agree on the rules of the game - To purchase a house a pre-printed contract is prepared by the real estate agent or the vendor's lawyer. The offer is made when the purchaser signs this contract and hands it to the vendor. The vendor can accept the offer by signing the contract or make a counter offer by changing the contract and returning it for

countersigning. Control the timing of this process by giving yourself some time to make a considered offer but don't muck around.

The Bold Cash offer method - Say to the vendor, "I will make a (cash) offer in (24 hours)". The vendor or land agent may indicate that other people are about to make an offer. Even if other written offers are received, the seller will wait for a short period while you get organised, especially if you don't mention your price. If you take weeks before you make your offer you are taking a high risk that another purchaser's offer will be accepted. The problem with this method is that you may waste time and money in researching a house when the vendor has no intention of selling the house at a reasonable price or on reasonable terms.

The "Subject to finance" method - In Dunedin, a standard "subject to finance" condition is commonly used.

"This contract is subject to the purchaser obtaining finance on terms and conditions satisfactory to themselves and confirming this by 4.00 pm on the ?? day of ?? 2021. This clause is put in solely for the benefit of the purchaser"

If the offer is accepted subject to such a condition, the purchaser can then research the house and then may have the option to confirm or not to confirm. The problem with this method is that the "subject to finance" offer is weaker than a cash offer. If the house turns out to be too expensive then it can be very hard to bargain the price down having once offered a higher price.

Once an offer is made, make sure you get a prompt answer. Threaten to withdraw your offer after 48 hours if you are being unduly delayed. Delay can work in the

AGREEMENT FOR SALE AND PURCHASE OF REAL ESTATE

This form is approved by the Real Estate Institute of New Zealand Incorporated and by Auckland District Law Society Incorporated.

DATE: 13 / 9 / 2021
 VENDOR: TAC Enterprises Ltd

PURCHASER: John Alexander Smith and/or nominee

The vendor is registered under the GST Act in respect of the transaction evidenced by this agreement and/or will be so registered at settlement: Yes/No

PROPERTY

Address: 5 Lancelfield Street, Dunedin

Estate: FREEHOLD ~~LEASEHOLD~~ STRATUM IN FREEHOLD ~~STRATUM IN LEASEHOLD~~ ~~CROSS-LEASE (FREEHOLD)~~ ~~CROSS-LEASE (LEASEHOLD)~~

If none of the above are deleted, the estate being sold is the first option of freehold.

Legal Description:

Area (more or less): 835m² Lot/Flat/Unit: 65 and 63 DP: Deeds Plan 67 Record of Title (unique identifier): DT 270/202

PAYMENT OF PURCHASE PRICE

Purchase price: \$ 607,000-00 Plus GST (if any) OR Inclusive of GST (if any)
 If neither is deleted, the purchase price includes GST (if any).
 GST date (refer clause 13.0):

Deposit (refer clause 2.0): \$ 60,700-00

Balance of purchase price to be paid or satisfied as follows:

(1) By payment in cleared funds on the settlement date which is 1 October 2021

OR
 (2) In the manner described in the Further Terms of Sale. Interest rate for late settlement: 12 % p.a.

CONDITIONS (refer clause 9.0)

Finance required (subclause 9.1): <input checked="" type="radio"/> Yes <input type="radio"/> No	OIA consent required (subclause 9.6): Yes <input checked="" type="radio"/> No
Finance date: Working days from date of agreement	OIA date (subclause 9.8):
LIM required (subclause 9.3): <input checked="" type="radio"/> Yes <input type="radio"/> No	Land Act consent required (subclause 9.7): Yes <input checked="" type="radio"/> No
Building report required (subclause 9.4): <input checked="" type="radio"/> Yes <input type="radio"/> No	Land Act date (subclause 9.8):
Toxicology report required (subclause 9.5): <input checked="" type="radio"/> Yes <input type="radio"/> No	

TENANCIES

Name of Tenant(s): NA Yes/No

Particulars of any tenancies are set out in Schedule 3 or another schedule attached to this agreement by the parties.

SALE BY:

NA

Licensed Real Estate Agent under Real Estate Agents Act 2008

It is agreed that the vendor sells and the purchaser purchases the property, and the chattels listed in Schedule 2, on the terms set out above and in the General Terms of Sale and any Further Terms of Sale.

vendor's interests as other offers may be received.

Research Research Research - Don't believe everything you are told by the agent or the vendor. Check out as much as you can.

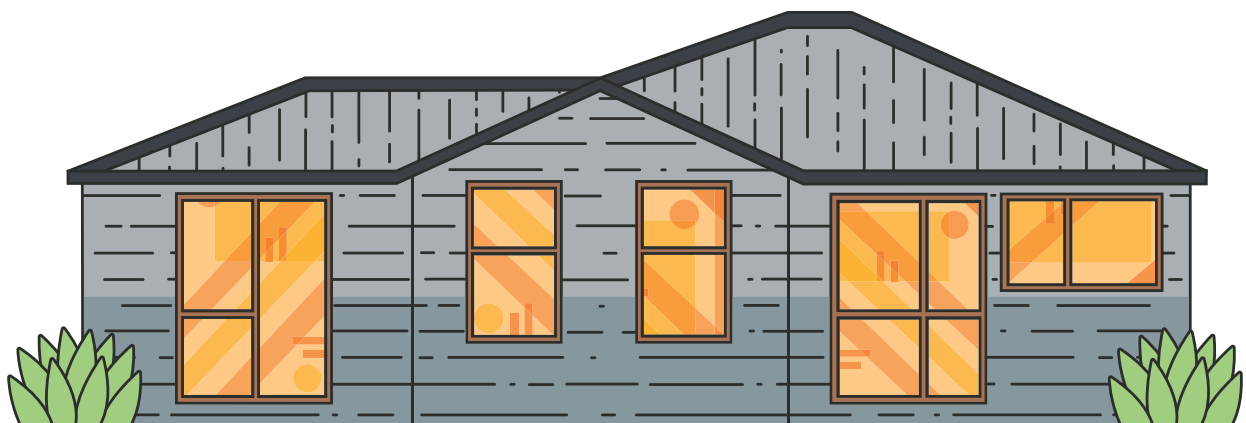
- Check out the house.
- How much can you really afford? See your bank for approved mortgage finance. Keep this approval up to date. There is no point in looking at houses you cannot afford.
- Get other people such as a builder, clerk of works, architect or engineer etc. to look at the house
- See your lawyer to get the title searched and also obtain details of the past transactions on the house. This is on homes.co.nz.
- Find out how long the house has been on the market.
- Find out the reasons the vendors are selling. Some vendors are under great pressure.
- Determine the style of bargaining the vendor may use. Is the vendor a determined businessman or a relaxed elderly couple?

Make a good offer - Don't say anything about your offer to the vendor until you have done your research. A very low offer when you mean to offer much more will only insult the vendor and has no chance of success. Stand your ground. If you make a decision or statement stick to it.

Don't get an attitude - Be diplomatic and polite and separate the people from the problem. Say nice things about the house to the vendor. Sometimes vendors will sell a house because they like the purchasers. Buying a house can be very emotional for purchaser and vendor. Good relations can help later on when you move in, as there are many small things that are very handy to know about a house that you can find out from the vendor.

Never deal directly with the vendor before the contract is finalised. Always work through a third party such as a real estate agent or a lawyer. If you do deal directly with the vendor make sure you have somebody who is available that you can confer with, so that any decisions you make are carefully considered.

Explore "win win" strategies - Explore options for mutual gain. There are variables other than the price of the house that can be negotiated. Find out what conditions would suit the vendor and



inform the vendor what conditions would suit you.

The following are some ways to improve your offer but you must seek your lawyers advice regarding these:

- Quick Settlement Pay for the house as soon as possible. Normally settlement is four weeks from the date of agreement
- Large Deposit Pay a larger deposit and pay the deposit immediately. Normally the deposit is 10% of the purchase price and paid on the date the contract becomes unconditional.
- Cash Offer Make the offer unconditional (cash) rather than subject to finance.
- Put in a 3 working day clause. If you have to make your offer subject to you selling your house include a clause in the contract that states if the vendor receives a better offer before you sell your house then the vendor can give you 3 working days to either confirm the contract.

Silence is golden - Don't disclose or discuss with the vendor or land agent matters that they need not know. The land agent is the vendor's agent so only tell them what they need to know so that you can explore win win strategies. The following disclosures can weaken your

bargaining position.

- How much you can afford. Do not be too specific. If you have just inherited a large amount of money others will want to share in your good fortune.
- Any urgency you have to buy.
- That you absolutely love the house and you must buy it.
- That the house has a unique quality that you find desirable.

Be careful at Auctions - An auction is a device to determine true market value and the interest in a particular house and can be good for both vendor and purchaser, but be careful.

Write a covering letter - Vendors may have other agendas than just price when selling the house. When the market has gone up a lot the vendor may be overwhelmed by the prices. Often they want to sell to somebody who will love the house and renovate it, or raise a family.

Finally - What happens when you are careful, do all the research but somebody beats you to the house? Remember there are a constant stream of houses coming on to the market. Often you will find the skills you have learned in a failed offer are very valuable when making the next offer.

Modern House

163m² Built in 2017

- Two bedrooms, two bathrooms
- Concrete foundation
- Double glazed aluminum windows
- Multiple hopped roof
- Valued at \$689,000



Record of Title

New Zealand is blessed with a robust land ownership system. In nearly all cases each parcel of land has a separate certificate of title. This shows the owner, accurately describes the area and sets out any registered interests. The great majority of these certificates of title are freehold ie not subject to needing to pay any other owner rental. A government department Land Information New Zealand (LINZ) administers this system and they use an online system called Landonline to manage land titles. www.linz.govt.nz/land/landonline

Searching Titles - Get your lawyer to check a current copy of the certificate of title for any land that you wish to sell or purchase.

- Are the right names on the title?
- Is the title for the correct piece of land? Get an air photo with an overlay of the legal boundaries.
- What are the covenants or easements on the title. About 70% of titles may have nothing registered and be clean. Other titles may have 10 or more documents setting out various easements and covenants. This is especially common in modern subdivisions where developers

Freehold, the most common form of ownership. There are no restrictions on this type of ownership.


Limited as to parcels
More survey work needed if title is subdivided

The name of the owner must exactly match any contract.


Easements and covenants need to be checked by getting copies of the documents using the numbers given. This title has no easements

Mortgage on property must be repaid on sale. Often nothing owing to bank as repaid in the past.

Date of title search - should be upto date ie within 2 or 3 weeks

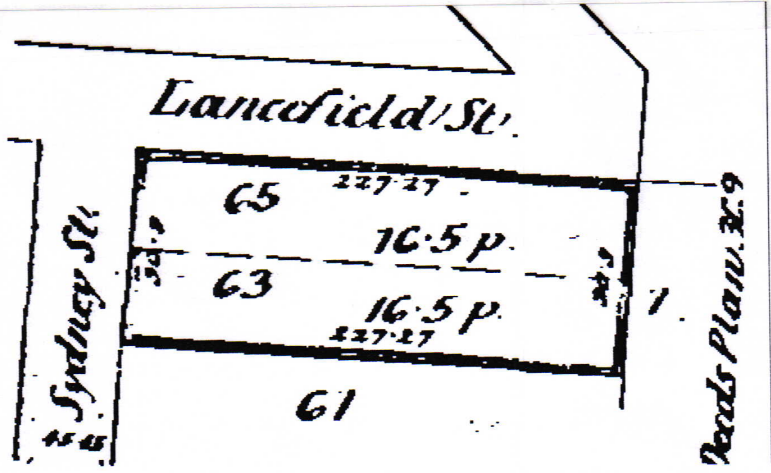


RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Limited as to Parcels
Search Copy



R. W. Muir
Registrar-General
of Land

Identifier	OT270/202
Land Registration District	Otago
Date Issued	23 November 1935
Prior References	
	DI Q765
Estate	
	Fee Simple
Area	
	835 square metres more or less
Legal Description	
	Lot 63 and Lot 65 Deeds Plan 67
Registered Owners	
	TAG Enterprises Limited
Interests	
	8442695.3 Mortgage to ANZ National Bank Limited - 19.3.2010 at 2:51 pm



Lancefield St.

Sydney St.

Deeds Plan 67

65 227.27
10.5 p.

63 16.5 p.
227.27

61

Transaction ID: 00912498
Client Reference: ahamel001
Search Copy Dated 02/09/21 8:41 am, Page 1 of 2
Register Only

want to have control over what sorts of houses are going to be built. Your lawyer will get copies and check these documents.

Ground Rental Leasehold - These perpetual leases are now rare in the Dunedin residential market. They were set up by entities such as the City Council, Port Otago and religious groups to create long term income. There are still a large number of commercial properties in Dunedin on Leasehold land.

Cross Leasehold - These are more complex forms of land ownership and should be carefully checked by your lawyer. Cross leases were common in the 1970s and 1980s for small blocks of flats and originated as a way of getting around restrictions on subdivision. They are often very simple and can still work well. However the main issue is when alterations have been made such as carports being converted to bedrooms. It can be expensive to document these changes which includes the need to change the certificate of title.

Unit Titles are now used to create titles for apartments and flats. Each unit title is for a defined three dimensional space. These can include large multistorey developments with active body corporates. These meet regularly to manage the common interests of the owners and organise long term maintenance programmes. Other unit

titles may be for simple two or three unit developments that the owners are treating like freehold. For these simpler unit titles it can be worth looking at changing the titles to freehold with easements.

Retirement Villages - These use a special form of contract called a lifetime occupation lease. The Retirement Villages Act governs this industry and gives many protections to purchasers. However each lease and village is slightly different. The documentation should be carefully reviewed by your lawyer.

Operator - Who are they and risks around financial stability.

Position of Village - Size and facilities of Village, number of units and if it fully built. Do the facilities include a Rest Home and Long Term Hospital?

The unit to be purchased - Is it the right size and what is its age? Is the purchase price reasonable.

Are the weekly fees reasonable and what does this get you? Insurance, external and some internal maintenance as well as rates, meals and care can be included in these fees.

What is the % of the deferred fee payable on exit and how is this spread out.

Does the unit have to be refurbished at termination and at whose cost. What are the rights to cancel and when will you be repaid the balance of the purchase price?

Dunedin Retirement Villages Details (as at 2021)

Name The Grange, Ryman's - Frances Hodgkins and Yvette Williams, Summer-set, Chatsford, Brooklands

Minimum Age - 55 years to 70 years

Weekly fee in apartments - \$122.5 to \$159

Termination

- 29% being 13% first year - 8% next year 8% third year
- 20% - 4% pa for 5 years
- 25% - 5% at start then 5% next 4 years
- 25% - 5% per year for 5 years

What does the lawyer do?

- Selling your house
- Setup file. Obtain instruction and ID and proof of address. Search title, companies office and PPPSR if required. Discuss need for LIM and resolution of issues around LIM.
- Draft or check the agreement for sale and purchase and any special conditions. Help negotiate terms of the agreement.
- Confirmation of contract and if necessary renegotiation of time frames for confirmation.
- Receive payment of the deposit, check accounting of agents fee and pay balance.
- Prepare and arrange execution of transfer documentation for LINZ (A&I), Brightline test. Obtain discharge of mortgage, check repayment figures and repay mortgage from the sale proceeds and notify bank of repayment.
- Landonline set up dealing, send undertaking, certify and sign and release dealing.
- Preparing and sending settlement statement with undertakings.
- Receiving and checking settlement figure. Distribute net sale proceeds to you or as directed and arrange hand over of keys.
- Obtain a credit for rates you have paid for any time after the date of settlement and pay rates beyond settlement if necessary.
- Send you a detailed statement showing all monies received and monies paid out. Payment of the lawyers fees and expenses paid on your behalf are deducted from the sale proceeds unless otherwise agreed.
- Advise QV and the local authority of the sale through notices of sale.
- Purchasing your house
- Setup file. Obtain instruction and ID and proof of address.
- For each house offers made, search and analyse title. Discuss need for LIM and checking LIM.
- Discuss terms of mortgage finance and other monies including documenting gift and IOU's from bank of mum and dad.
- Prepare and arrange execution of transfer and mortgage documentation for LINZ (A&I), Brightline test and Overseas Investment Authority.
- Receive mortgage papers, drafting mortgage, explaining the mortgage to you and witnessing your signature.
- Give an undertaking to the bank by solicitors certificate as to the signing of the mortgage and insurance of the house.
- Immediately before settlement, collect from you and/or your bank the balance of the purchase price. Obtain guaranteed title search. Ensure inspection is made and any issues sorted out.
- Checking settlement statement. Pay the balance of the purchase price and notification of collecting the keys.
- Advise QV and the local authority of the sale.
- Send you a detailed statement showing all monies received and monies paid out. Payment of the lawyers fees and expenses paid on your behalf are deducted from the purchase proceeds unless otherwise agreed.
- Register the dealing the District Land Registrar and send you copy of the title and report to bank registration of dealing.
- Tell some weird but relevant stories.

Antony Hamel Lawyer

P.O.Box 1440 Dunedin 9054
7 Bond Street Dunedin

Business No (03) 4777 231
Fax No (03) 4776 489

EEmail antony@bondlaw.co.nz
Cell Phone 021 709 722

John Smith

Tax Invoice - GST No 27-749-615
Acc No 060909 0221243 02, Name Antony Hamel

15031

Statement and Bill of Costs Purchase 5 Lancefield Street, Dunedin

Purchase price:	607,000.00	
Less deposit paid	<u>60,700.00</u>	546,300.00
ANZ Bank mortgage advance		540,000.00
Purchasers proportion of Dunedin City Council rates from 2/10/21 to 31/12/21 @ \$2,130.17 per annum		531.08
Purchasers proportion of Otago Regional Council rates from 2/10/21 to 30/6/22 @ \$216.41 per annum		161.27

Legal Costs

Our Fee for Professional attendances on you regarding sale of property including taking instructions from you, attending on Vendors solicitors, drafting documents, attending you on execution of same, all attendances on settlement and matters incidental thereto;

OUR FEE	900.00	
GST (15%)	<u>135.00</u>	1,035.00

Disbursements:

Registration of Transfer	80.00	
Search fees	<u>10.00</u>	90.00

Balance		<u>8,117.35</u>
	<u>548,117.35</u>	<u>548,117.35</u>
Balance payable by you to complete settlement of purchase		8,117.35

E. & O.E. Antony Hamel Lawyer
1 October 2021

Further Reading and Websites

Bank web sites:

- anz.co.nz
- bnz.co.nz
- westpac.co.nz
- asb.co.nz
- kiwibank.co.nz

Mortgage brokers:

- mortgageMe
- Mortgage Link Otago

DCC (also other councils):

- dunedin.govt.nz
- orc.govt.nz

Valuation information:

- homes.co.nz

House listings:

- trademe.co.nz

Inland Revenue re taxation:

- ird.govt.nz

Dunedin Real Estate Agent Websites:

- realestate.co.nz

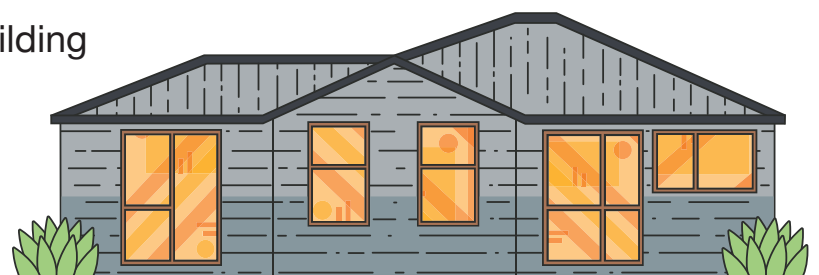
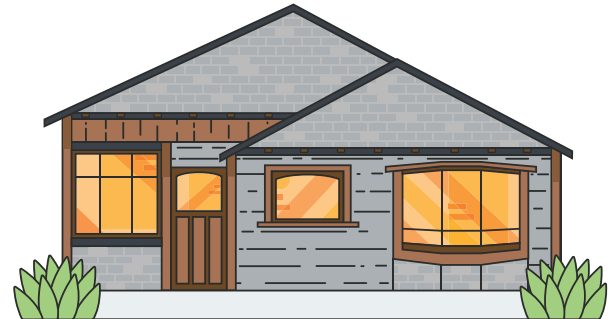
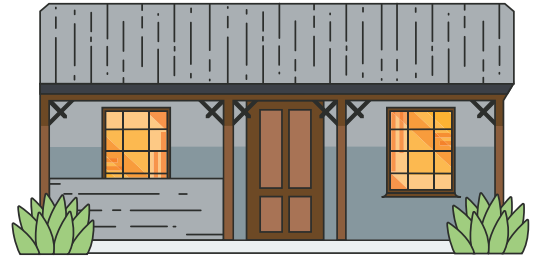
Tenancy Services

- tenancy.govt.nz

Land Information government agency manages titles:

- linz.govt.nz

Ross Lunn Property Appraisals Ltd - building consultant



THE AUTHOR:

Antony is a Dunedin Lawyer who is in practice in Consultancy House. He grew up in Dunedin and both his father and grandfather were Dunedin lawyers. He has been helping clients with their legal needs since he commenced working in Dunedin in 1985.

During this time he has had a wide experience in drafting contracts and agreements. He believes that by operating an efficient small practice and by using the latest technology, he can offer clients a high quality and personal service.

Antony has written several guide books on walking tracks around Dunedin, including 'Dunedin Tracks and Trails'.

