

How do you ensure a property is safe to buy?

Buying a property is probably the biggest financial transaction that most people will ever enter into. But how do you ensure that the property is safe to buy? A recent example shows what not to do:

A couple had been going to open homes for months. Finally they found a property which they instantly fell in love with. They had been looking for so long, and were worried that someone else would buy it, so they put in an unconditional offer on the spot. Unfortunately the property had been renovated by a prior owner who had not obtained the required building consent for the addition of an ensuite to the master bedroom. This work involved plumbing, electrical work for the fan and heater and construction of the ensuite itself. If they had the property thoroughly checked out before signing an unconditional agreement, they would likely have discovered the missing building consent. That way they may have been able to make their offer conditional on the Seller taking the necessary steps to remedy the situation before being bound to settle. Because they didn't sign a conditional agreement, their options to require the Seller to fix things up were limited and they are now incurring that expense themselves.

There are many ways you can check a property before you are locked into a purchase. The following are "5 key tips" for checking a property prior to signing the agreement. Where appropriate you should seriously consider including these as conditions in your Agreement for Sale and Purchase to ensure you are not bound to purchase until you are completely satisfied with the property:

1. Builder's Report

These come in all varieties, but most commonly involve a suitably qualified builder going through the property to check its structural integrity and the quality of construction. These reports can also cover wiring, internal moisture levels, plumbing and roofing.

2. Obtain a LIM Report from the Council

You can order a LIM report from your local council. A LIM is a report for the property from the Council compiled from Council records. This will tell you whether consents have been granted for any building work and also whether that work was signed off with final compliance. It will also provide useful information as to where the underground services are located, an aerial photograph of the property and details as to any historical hazards that may have affected the property in the past i.e. flooding or subsidence.

3. Have Your Lawyer Search the Title

The lawyer acting for you will search the title and advise on any matters that you need to know about. What they are looking for are things like restrictions and other impediments (called encumbrances) on the title. Of particular importance are the contents of rights called easements where there are shared services and rights of way for access.

4. Make sure you can insure the property

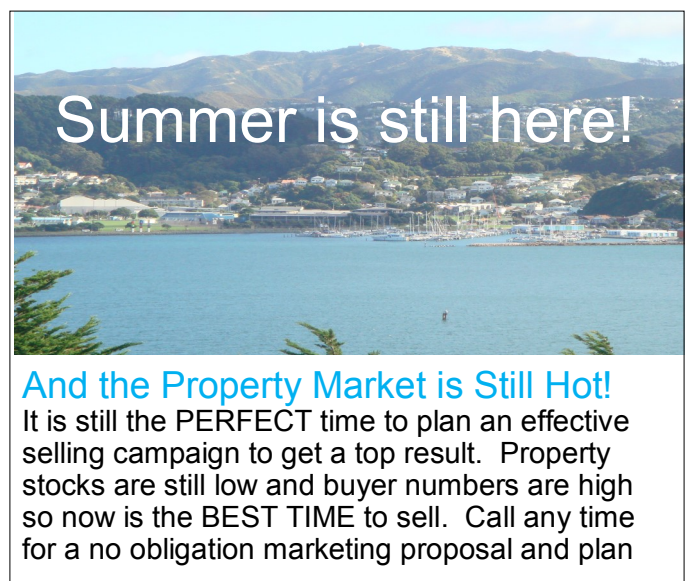
It is recommended that you make sure you can insure the property as part of the background work you do before confirming your agreement unconditional. Your bank will not let you have your mortgage money on the settlement date until they have confirmation that the property is insured, so it is better to organise that early to avoid any issues closer to the settlement day.

5. Make Sure You Have Arranged Finance to Buy the Property

No matter how perfect the property is, you may not be able to follow through with the purchase without some borrowing. You can shop around and find the lender that best suits your needs, or get a mortgage broker to do this for you. You should ensure you have any offer of finance in writing. Please be aware that a general "pre-approval" is not an unconditional offer of finance and you will still need a finance condition in any Sale and Purchase Agreement.

Following these key tips will help prevent nasty surprises before you are contractually bound to purchase.

(Rainey Collins)



Summer is still here!

And the Property Market is Still Hot!
It is still the PERFECT time to plan an effective selling campaign to get a top result. Property stocks are still low and buyer numbers are high so now is the BEST TIME to sell. Call any time for a no obligation marketing proposal and plan

Latest Harcourts Sales Statistics (January to February 2016 Sales)

- 82% of properties sold for more than RV
- The average sale price was 18.5% over RV
- Highest sale price over RV was 55%

Tiling your shower may require a Building Consent - Yes Really!

Tiled showers have the potential to become the new “leaky” issue for unsuspecting vendors and purchasers. The current trend in bathroom renovations (particularly in homes considered more upmarket), is to replace stainless steel or acrylic shower trays and liners with fully tiled shower cubicles and/or wet rooms. The potential problems caused by incorrectly installed tiled showers and wet rooms should not be underestimated. A failure of the waterproofing system behind tiles can lead to significant water damage within a home, which worst case scenario may not only require the entire shower to be replaced but may cause extensive damage not just in the bathroom itself but to other rooms, and can leave a repair bill for the homeowner running into thousands of dollars, if not more.

In our experience, when tiled showers are installed as part of renovations of existing bathrooms, building consent is not usually obtained. This appears to be because either the homeowner’s mind is not turned to the question of whether building consent is required, or else the homeowner and/or builder mistakenly believe that the exemption in the Building Act applying to replacement of existing bathroom fixtures applies to replacing a liner style shower with a tiled shower. As a result, many unsuspecting vendors are leaving themselves wide open to breach of warranty claims by purchasers, regardless of whether the waterproofing behind the tiled shower fails or not. Enquiries we have made with major city councils confirm that most councils are following the Ministry Guidance and agree that building consent is required when replacing a tray and liner style shower with a tiled shower. The current edition of the Ministry of Business, Innovation and Employment’s Guidance to Building Work (“Ministry Guidance”) makes it clear the Ministry considers that *“installing a tiled wet area shower will require a building consent”*. The reason given for this approach is that construction of a wet area shower generally includes critical building work that is not limited to sanitary plumbing, such as waterproof membranes and carpentry work for structural modifications to the floor. The Ministry’s advice is that this critical building work is outside of any of the stated exemptions in Schedule 1 of the Building Act. Enquiries we have made with major city councils confirm that most councils are following the Ministry Guidance and agree that building consent is required when replacing a tray and liner style shower with a tiled shower. While the Building Act itself does not explicitly state that tiled showers require building consent, it would be prudent for home owners to follow both Ministry Guidance and council policy.

Installing a tiled shower without a building consent can have long-term implications for homeowners. The biggest impact is likely to arise when they decide to sell their home with a renovated bathroom, including the tiled shower. The REINZ/ADLS standard agreement for sale and purchase contains a warranty from the vendor that where the vendor has done or authorised any work to be done on the property that required a building consent: (a) the vendor obtained a building consent; (b) to their knowledge, the works were completed in compliance with that consent; and (c) a code compliance certificate was issued by Council for those works. Vendors who choose to stay silent and give the standard vendor warranties run the risk of being in breach of the vendor warranties in the agreement and having a purchaser take action for breach of such warranties. A homeowner who has replaced their tray and liner style shower with a tiled shower and not obtained building consent, will not be able to comply with the above warranties. It is possible to amend the standard vendor warranties and disclose the issue to potential purchasers, but this may have an impact on the purchase price and/or saleability of the property. Even if the shower does not leak and has been installed correctly, there is still a possibility of a purchaser claiming they have suffered a loss, either because the lack of a building consent has resulted in a loss of value to the property or on the basis that the only appropriate form of compensation would be for the shower to be removed, a building consent obtained and the shower reinstated. When entering an agreement for sale and purchase it would be prudent to consider specific queries as to whether the bathrooms have been renovated and tiled showers installed and if so, consider whether changes need to be made to the standard vendor warranties. (taken from article by Joanne Chilvers, Senior Associate, Hesketh Henry - Dec 2015)

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