



# Your Guide To Buying Real Estate

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*Professional Real Estate Consultant*

# starting the process...

Finding your perfect house can be an exciting and challenging experience. We all have our dream home but unfortunately we need to also think about what is realistic, and affordable.

Choosing the right home for you comes down to knowing what you need and what you can afford to buy.

## knowing what you need...

Although it seems obvious, the type of home you buy should reflect the lifestyle you are planning for the future. Think about such aspects as household numbers, proximity to local amenities, including schools, the sorts of work and leisure activities you like and the length of time you expect to live in the home.

Use the included check list for "Needs and Wants" as a buyer...it really helps you to realise what you are really after. Even better, have your partner do one separately, then compare notes and see if you are thinking along the same lines.

## knowing what you can afford...

**Do this first!** Speak with your mortgage specialist at your bank or consult a mortgage broker to pre-determine your budget level and obtain pre-approval from the lending institution prior to going out 'to buy'. This puts you in a position of knowledge at where your budget is set.

## the hunt...

This is the fun part although it can take a while sometimes. You are going to see some interesting things, some will make you laugh, some will make your eyes water, some you will just love and some will make you want to give up!! But it is worth sticking to it, but remember why you started in the first place.

There are plenty of places you can find houses advertised for sale.

On the internet these sites are the most popular:

- ◇ trademe.co.nz
- ◇ realestate.co.nz
- ◇ open2view.co.nz
- ◇ raywhite.co.nz

trademe.co.nz is the most popular site and the best place to start. You will also find private sales on this website. Although Ray White lists all their properties for sale on trademe.co.nz, some companies don't. The next best place to go is realestate.co.nz.

If you are serious you have to check out the Property Weekly which is issued every Friday. It is a great publication and most real estate companies advertise in it.

# the process...

## open homes & viewings...

Now you should have a list of houses you would like to view.

Open homes, which are usually run on the weekends, offer a good opportunity to view a house. Alternatively you can ring the agent and arrange to view the house at a time suitable to you.

For most homes take advantage of open homes for first viewings and then make an appointment for a second viewing if you are interested and want to have a thorough look. If you think that the house sounds perfect before viewing, skip the open home, contact the agent, and make an appointment for a viewing. This will give you a chance to have a really good look around, and if all goes to plan, be first in with an offer.

Try to ignore the house contents - sometimes it is the contents of the house and its presentation that appeals (or doesn't!) and not the house itself - stay rational.

A good tool to use is the included check list. It really helps you remember the finer details when you get home later.

Don't be afraid to ask the agent questions:

- ◇ Are you aware of anything not permitted or without a code of compliance on the property?
- ◇ Why are they selling?
- ◇ How much will they take?

(How these are answered will tell you how hard the agent works for the owners)

Though the most important question is:

- ◇ What other things should I be aware of regarding this property?

An agent is obliged to tell you anything about a house that they are aware of that could affect its value, whether this be building issues (leaky building!) or local development (childcare centre is opening next door).

Be aware that private sellers are not so obliged to disclose everything!



# you've found the perfect home...

You've found the perfect home, so what do you do now? Simple –tell the agent you would like to make an offer.

There are a few things to think about before making an offer though:

- ◇ The price to be offered ("purchase price").
- ◇ How much the deposit will be (normally 10% of the purchase price)?
- ◇ The settlement/possession date (the day you pay the purchase price and take possession and ownership of the property).
- ◇ Chattels/furniture to be included (you need to stipulate all chattels/furniture that you expect to receive as part of the purchase price).
- ◇ Conditions to be included (see below).

## what is the agreement for sale and purchase...

The sale and purchase agreement is a contract between you and the vendor that agrees the details of the sale.

The form of agreement for sale and purchase commonly used is a form jointly prepared between the Real Estate Institute of New Zealand and the Auckland District Law Society.

This contains the terms of your offer to the seller.

When you sign, it is an offer by you, to the seller, to buy the property on the terms set out.

Once accepted by the seller it is a legally binding contract which neither party can withdraw from unless the conditions contained therein have not been satisfied or, in certain circumstances, when the seller is in breach.

The agreement is usually prepared by the real estate agent on behalf of the vendor. If it is a private sale, you should get your lawyer to prepare the agreement although you can actually prepare a sale and purchase agreement yourself. Just make sure you know what you are doing!

If in doubt with any agreement, have your legal representative check it first.

# conditions...

When considering making an offer you need to decide whether you should include special conditions or not. The real estate agent or your lawyer can help you with these.

Common conditions are:

- ◇ Your solicitor approving title
- ◇ You obtaining satisfactory finance
- ◇ You selling your existing home
- ◇ The vendor agreeing to complete certain works.
- ◇ You obtaining a satisfactory LIM
- ◇ You obtaining a satisfactory building report

Each of the conditions will have to be satisfied within a certain time period and it is the buyer's obligation to take all reasonable steps to ensure that they have satisfied those conditions within that time period.

If a buyer does not take such reasonable steps to satisfy such conditions then the buyer may not be able to withdraw from the contract if those conditions are not satisfied and could, in fact, be in breach of contract. You should discuss these matters with your lawyer if uncertain.

## title...

Your lawyer will search the title and provide you with a copy. Your lawyer will advise you about any legal issues that arise in relation to the title.

A title check establishes:

- ◇ Who the owner of the property is
- ◇ Type of title i.e. freehold (fee simple), cross lease, leasehold, company share or unit title
- ◇ Any covenants or right of ways
- ◇ Any easements
- ◇ Boundaries
- ◇ Any other interests in the property (e.g. mortgages)

Getting this check done is especially important if you are buying through auction or tender. Commonly, the normal vendor warranties (promises) about features of the property and the purchaser's right to requisition (raise objections to) the title are deleted from the sale and purchase agreement in the case of auction or tender.

This means you need to get your lawyer to check the title and any other reports on the property before the auction or the lodgement of a tender as you have forgone your legal right to raise objections by signing an agreement with the vendor warrantee clause crossed out.

# conditions...

## confirming your finance...

Your mortgage specialist or mortgage broker will require a copy of the agreement. If you have done your homework prior and had your loan amount pre-approved this should all be a formality.

If you have pushed the level a little higher than planned your broker may require further information such as the price you want to pay in comparison with the rateable value or any other reason that they think is relevant to their risk exposure.

In some cases the lender may require a property valuation to be obtained before they can approve the finance clause.

## selling your home first...

You can make an offer subject to selling your current home but you will need to decide how long you would like the opportunity to purchase your new home to last.

A time frame of 4 – 12 weeks is typical and can be determined by a number of different factors:

- ◇ current market conditions, ie: how long properties are taking to sell
- ◇ is your property currently on the market or will you need time to get it on the market
- ◇ the purchaser's needs
- ◇ the vendor's needs

The vendor will normally require a 'Cash Out Clause' to be inserted in the agreement as well. This will give you first right of refusal on the property and usually 3 or 5 working days to come up with the money if a cash buyer comes along.

## work to be completed by owner...

You can require that a vendor completes certain works before the possession/settlement date although this is not normally a condition of sale. It's usually an assurance that the work will be done for you before you take over the property.

This can be as simple as a wall being painted, a fence being removed or on the more complex side, a code of compliance being issued for unpermitted work.

If the agent or vendor is suggesting a warranty for something like a code of compliance issue it is advisable that you consult with your legal representative before you enter into an agreement so that you can be aware of potential problems that could arise.

# conditions...

## land information memorandum (LIM)...

A LIM is a Land Information Memorandum. It's a document that, by law, a Council has to provide for any property within its borough within 10 days of request.

A LIM is a document produced by a territorial authority (Council) that contains a summary of any relevant current and historical information held by the council about a particular piece of land or property.

The report can include a lot, or a very small amount, of information depending on the history of the property; where it is, and when and how often there has been council involvement with the property.

The comprehensive report should contain everything the Council knows about a property and can include:

- ◇ Valuation data
- ◇ Yearly rates payable for the property
- ◇ If there are any unpaid rates
- ◇ Any charges for water
- ◇ Information about Building Permits and Consents for the property
- ◇ Any information in regards to whether it is a protected or historic building, or site, and if there are any protected trees
- ◇ Any Resource Consents issued for the property
- ◇ Any relevant planning issues or planning zones that impact the property
- ◇ Any Resource Consents issued in the immediate neighbourhood
- ◇ Information on subdivisions and developments affecting the property and the immediate area
- ◇ Drainage information relating to both private and public sewer and / or storm water on the property
- ◇ Special land features including potential erosion, coastal hazards, avulsion, falling debris, slippage and possible hazardous substances
- ◇ Consents, certificates, notices, orders or requisitions affecting the land or buildings
- ◇ District Plan classifications that relate to the land or buildings

For further details regarding what a council is required to provide you in a LIM, check out the Local Government Official Information and Meetings Act 1987.

The LIM will be up-to-date and contain a summary of all the information a council has on its files as of the day it is issued.

It's a good idea to look over the LIM with your lawyer when you receive it. Your lawyer's experience and expertise regarding LIMs, combined with your knowledge of the property and your thoughts on what you intend to do with the property, will ensure that the LIM is understood and the full implications of any aspects of the LIM are realised.

Take your personal knowledge of the property, its buildings, retaining walls, land use and the surrounding properties and the area and consider that against the information contained in the LIM. You should ask questions of the seller and the council if you find differences.

# conditions...

## land information memorandum (LIM)...

The council won't report on information that is not relevant nor reliable. There may be a lot of information about a property, but the report will only include what is legally required to be in a LIM. Finally, there could be information regarding the property that the council just doesn't know, so keep this all in mind!

Councils are not legally obliged to hold information relating to building work prior to the Building Act 1991. In older properties it is possible that Council records prior to 1991 are incomplete, and consequently Councils do not accept responsibility for the accuracy or completeness of those records.

Additionally, the council will not carry out a visual inspection of the land or buildings to verify the accuracy of information or determine the current condition of the property. For example, the survey measurements of boundaries may not be accurate on council records. Also, Councils will not show illegal or unauthorised work on the property if it is not known to them.

Some agents may pressure you to reduce the time to obtain a LIM down to 10 days. Doing this only benefits the real estate agent and the Vendor. You need to do what is right for you. You can always go unconditional earlier if you get your report promptly and are comfortable with proceeding.



# conditions...

## pre-purchase building inspection or building report...

A pre-purchase building inspection is a visual, non-invasive inspection of a property.

The inspection attempts to identify significant defects, overdue maintenance, future maintenance issues, gradual deterioration, inferior building work, and/or other areas of concern. The building inspection takes into account that you are doing the inspection with the intention of buying the house, and the inspection focuses on details relevant to this decision.

A house is an expensive purchase and money can be tight once you move in. If you have any doubts at all you should really get an inspection done.

You could regret your decision to buy a house if faced with unexpected repair bills that weren't in your budget. A building inspection will give you information regarding existing and potential building problems.

A building inspection may identify issues that even the vendor is unaware of i.e. the hot water cylinder is starting to leak and will need replacing.

Building inspectors have seen hundreds of properties, and know all the problems that come with buildings of various ages and styles. They can look for tell-tale signs of these issues, and in addition are usually building professionals that can spot sub-standard building work.

Building inspectors can't guarantee they will find everything wrong with a building. They are limited to a visual inspection of a building unless the owner agrees to remove such things as wall-linings or floor boards. That is unlikely, so the building inspector will only check areas of the building that have safe and unobstructed access.

A good inspector should use some sort of non-invasive moisture meter to test for any hidden moisture in the walls.

Some inspectors, for an additional fee, will also check to see if the council has issued any resource consents, building consents, code of compliance certificates, etc for any work carried out to the property and make sure they match the existing buildings.

Keep in mind there are no formal or legal restrictions to become a pre-purchase building inspector. However, a building inspector should be a qualified building professional who is experienced in assessing residential buildings and follows best practice for the industry. It is also important that the inspector has up-to-date public liability insurance and professional indemnity insurance that covers damages and legal costs.

Some inspectors are members of professional groups that formally recognise the qualifications and experience of its members. In particular, some of the members of New Zealand Institute of Building Surveyors (NZIBS), New Zealand Institute of Architects (NZIA), New Zealand Institute of Quantity Surveyors (NZIQS), or Institution of Professional Engineers New Zealand (IPENZ) would be suitable for building inspection work.

# conditions...

## pre-purchase building inspection or building report...

The New Zealand Institute of Building Surveyors is an organisation that specialises in coordinating and regulating pre-purchase building inspectors. If your building inspector is a member of NZIBS they will have a relevant background; a qualification and will complete your inspection and report using *New Zealand Standards NZS 4306:2005 Residential Property Inspections*.

Before you employ an inspector you have to ask yourself:

- ◇ Are they qualified to give me an opinion on the building?
- ◇ Are they independent from my real estate agent and the person selling the home?

Often people use a friend or relative that is a builder to do the inspection for them. This tends to be an informal arrangement and possibly the cheapest. Ultimately it depends exactly what you are concerned about however just be aware the quality of inspection may not be as good as a professional inspector.

Now that you have all the facts, no matter how bad they are, you may still be happy to proceed with the purchase. Keep in mind there will always be something show up in the inspection report.

If the findings of the building inspection have majorly affected your desire to buy the house, the decision may be obvious...you no longer want the house and the deal is off! This can be a very hard decision to make as by this stage you have invested time, money, and emotions into the house.

If you still really want the home but there are some major concerns there are a number of options open to you. You could enter negotiations with the seller again to reduce the agreed price, to take into account the cost of repairs. Alternatively, you could ask the seller to have the repairs done, at their cost, before you take possession of the house. Although your real estate agent may help you with this these negotiations do need to be formalised by your lawyer and included in the sale and purchase agreement.

# terms...

## the deposit...

The deposit is usually 10% of the purchase price but is negotiable.

The deposit is due to be paid when/if the contract goes unconditional and is paid into the real estate agent's trust account, or the vendor's lawyer's trust account if it is a private sale. Make sure the payment is made out to a trust account.

## the possession/settlement date...

The possession date, usually the same as the settlement date, is the day that you will take possession of the house. It is also known as the settlement date because it is the day you pay for the house and this process of transferring money is known as settlement.

This date can be determined by a number of things.

Most often the vendor has a possession date in mind based on their situation i.e. the date they can move to a new house. They may not be prepared to move on any other date.

It is always best to start with a possession date that suits you, if you are flexible, this can be a point of negotiation; you may be able to agree on a lower price so that the vendor can set the possession date.

Alternatively, if the vendor has a set possession date, agreeing to this date can make your offer more attractive to them in a competitive offer situation. If you are flexible on the date, ask the agent what date the vendor wants and put this date in your offer.

If the possession and settlement dates are different for some reason, the implications of this should be carefully considered prior to finalising your agreement - for example you may need to agree an amount of rent if you are agreeing to take possession some time after settlement.

# your offer...

## your offer has been submitted...

Once your offer is submitted it will either be accepted, rejected, or you will start negotiations with the vendor and it is usual for those negotiations to be handled by the agent.

Every time the contract form is amended and submitted to the other party, it is, in law, the rejection of the previous offer and the making of a counter-offer. Only when the document is accepted without amendment and signed is a contract formed.

Sometimes it may take a long time for the agent to get back to you once they have left with the offer in hand. This should not be the case unless the agent has told you otherwise. A good agent should be keeping you informed along the way so you can sleep at night.

## your offer has been accepted...

You have nearly bought a house! If you made a cash offer and it was accepted - congratulations you have bought a house! If you made a conditional offer, you still have a little way to go.

Your real estate agent will send a copy of the signed sale and purchase agreement to your lawyer. It doesn't hurt to ring your lawyer to confirm.

Now that your offer has been accepted you need to work through your conditions.

Double check with your solicitor who is ordering the LIM etc and liaise with your agent in regards to getting the building inspector through.

Once you have satisfied all your conditions, notify your lawyer of your findings and it is then the job of your lawyer to advise the vendor's lawyer that the sale is unconditional. Congratulations you have just purchased your new home.

# going unconditional...

Time to pay your deposit.

Law says the deposit has to be held in the trust account for 10 working days before it can be released. Sometimes the vendor can request an early release so that can use the funds for their next purchase. If unsure whether you authorise this, check with your solicitor.

If you choose not to settle on the property the deposit is forfeited. There is a common misunderstanding that this is all that you will lose if you choose not to go ahead with a sale. This is not the case, the vendor has a legal right to make you uphold your side of the contract.

## what now...

Sit back and relax. Not quite, still some work to do!

Arrange for any of your funds to be paid to the solicitor so they are ready for settlement day. Your lawyer will tell you what the exact amount is in time to do this. The bank will take care of their part.

Make sure you advise your insurance company that you have a new house and if you have a mortgage your solicitor will need proof of this.

If there is more than one person buying the house, discuss with your lawyer the best way to structure the ownership.

Make a will or update your current will.

Arrange to see your lawyer and sign on the dotted line - you will need to sign:

- ◇ An authority for your lawyer to complete the transfer of the title.
- ◇ The home loan agreement(s) from the bank (if you are borrowing money).
- ◇ The mortgage documents from the bank (if you are borrowing money).

This is usually done before settlement day so that all the documents can be processed. These documents will all be available to sign via your lawyer, and your lawyer will explain them all to you before you sign.

Arrange a final inspection a day before settlement to ensure that no damage has been done and to check that the property and all chattels are in the same condition as at the date of signing the contract. If the inspection reveals any damage or missing chattels then notify your lawyer immediately - you may need to with-hold some money on settlement day.

Find out where the keys will be. They are usually at either the real estate office or from your lawyer. They will release the keys to you once they get confirmation that you have settled.

That's it, nothing else left to do except sit down and relax! Oh, you did remember to pack and move everything right? What about the unpacking?.....that can wait a few hours!





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Complete this form online at: [www.brentpalmer.co.nz/wantlist](http://www.brentpalmer.co.nz/wantlist)

**Please complete the following and return to Brent Palmer so that he can better help you.**

**Name:**

**Email:**

**Cell Phone:**

**Home Phone:**

**Price Range you are looking in:**

**Preferred Area(s) you would like to purchase in:**

WANTS & NEEDS	Must Have!	Would Be Nice	Not That Important	Comments
<b>Internal</b>				
Prefer Single level				
Prefer Multi level				
Number of bedrooms				
Number of bathrooms				
Is an ensuite required				
Separate toilets				
Do you require a bath				
Do you want open plan living				
Do you want separate living areas				
Do you require two living areas				
Outdoor flow from at least one living area				
Do you require an office or study				
Do you need a rumpus room				
Is a modern kitchen important				
Do you want gas facilities				
Do you prefer a heat pump for heating				
Do you prefer a wood fire for heating				
Security system				
Separate laundry				
Is a laundry area in the garage ok				
Do you require garaging				
<b>External</b>				
Fenced section				
Flat section				
Easy walk & drive on access				
Room for children to play				
Room for a dog				
Established garden				
Low maintenance garden				
Extra off street parking for boat or camper				
Is a view important				
<b>Other considerations</b>				
What is your preferred style of home				
Do you want a do-er-upper				
Do you want a low maintenance property				
Are you prepared to do any renovations				
Are you prepared to do any redecoration				
Have you talked to a mortgage specialist				

**Other Notes:**

Property Address: \_\_\_\_\_

Take notes and rate each feature on a scale of 1-10

	Score	Comments		Score	Comments
<b>Location</b>			<b>Kitchen</b>		
Good neighbourhood			Floors		
Nice houses on street			Walls		
Street parking			Windows		
Sun			Window Coverings		
Other			Lights		
<b>House Exterior</b>			Size		
Street appeal			Heating		
Driveway			Bench		
Off Street Parking			Cupboards		
Access			Pantry		
Fully Fenced			Stove		
Garaging			Cook Top		
Gardens			Microwave Space		
Lawns			Wastemaster		
Dish or Aerial			Rangehood		
Roof			<b>Master Bedroom</b>		
Cladding			Floors		
Windows			Walls		
<b>House Interior</b>			Windows		
<b>Entrance</b>			Window Coverings		
Floors			Lights		
Walls			Size		
Other			Heating		
<b>Lounge 1</b>			<b>Wardrobe</b>		
Floors			Walk in		
Walls			Size		
Windows			<b>Ensuite</b>		
Window Coverings			Floors		
Lights			Walls		
Size			Windows		
Heating			Window Coverings		
<b>Lounge 2</b>			Lights		
Floors			Size		
Walls			Heating		
Windows			Towel Rails		
Window Coverings			Vanity		
Lights			Shower		
Size			Bath		
Heating			Toilet		
<b>Dining</b>			<b>Bedroom 2</b>		
Floors			Floors		
Walls			Walls		
Windows			Windows		
Window Coverings			Window Coverings		
Lights			Lights		
Size			Size		
Heating			Heating		

Property Address: \_\_\_\_\_

Take notes and rate each feature on a scale of 1-10

	Score	Comments		Score	Comments
<b>Bedroom 3</b>			<b>Office</b>		
Floors			Floors		
Walls			Walls		
Windows			Windows		
Window Coverings			Window Coverings		
Lights			Lights		
Size			Size		
Heating			Heating		
<b>Bedroom 4</b>			<b>Other Rooms</b>		
Floors			Floors		
Walls			Walls		
Windows			Windows		
Window Coverings			Window Coverings		
Lights			Lights		
Size			Size		
Heating			Heating		
<b>Bedroom 5</b>					
Floors					
Walls					
Windows					
Window Coverings					
Lights			<b>Other</b>		
Size			Pool		
Heating			Spa Pool		
<b>Laundry</b>			Hot Water Source		
Floors			Wiring		
Walls			Plumbing		
Windows			Piles		
Window Coverings					
Lights					
Size					
Cupboards					
Location					
<b>Bathroom</b>					
Floors					
Walls			<b>Chattels</b>		
Windows					
Window Coverings					
Lights					
Size					
Heating					
Towel Rails					
Vanity					
Shower					
Bath					
Toilet					