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Facts at Your Fingertips

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You probably feel you can tell what sort of home is right for you, but what's really going on beneath that pretty, painted exterior? Is the property sound or is it on its last legs? Is the legal title unencumbered or does your next door neighbour have an ancient right to herd sheep across your front lawn? That sleep-out in the back garden looks cute, but is it permitted? And what about the price that they are asking; is it reasonable or laughable?

If you only do something four or five times in your life, odds on you won't be particularly good at it. Certainly you won't be an expert, but that's what you need to be if you are going to make smart decisions about the soundness of the new family home and how much you should pay for it. Are you looking at the home of your dreams or a money-pit that will keep you awake at nights. No-one wants to buy a lemon.

I'm always amazed at the number of homebuyers that simply don't bother to get any sort of inspection done before making an offer. There seems to be an inherent sense of trust or a she'll be right attitude that is plain naive. This is the era of leaky buildings; a mistake could cost you hundreds of thousands.

This is the realm of LIMs, PIMs, engineers reports, soil tests, building inspections and registered valuations. All very technical, compiled by apparent experts and utterly reassuring to the mug punter who wants to know they're not buying a pig in a poke. Oh, and all expensive, especially if you have to have them done for a number of potential properties, which can easily be the case if you keep missing out at auctions.

So what are the key reports and research sources available to the prudent home buyer? What do they tell you and what don't they? Which ones are recommended and which are a waste of time and money?

In an ideal world the vendor would supply a buyers' pack that contains all of the reports and certificates necessary to provide the buyer with peace of mind and that would support any asking price. Properties for sale by auction often do have such a pack – after all it's not possible to buy subject to any conditions at auction – but usually it will have the bare minimum, and it is very unlikely to contain a valuation, which is kind of useful if you are about to bid away your life savings.

LIMs

LIM reports (the acronym stands for Land Information Memorandum) are prepared by local councils to give a summary of the information the council holds on each property.

If you think a property has had buildings, like a garage or sleep-out, added recently, or has had work done that might have required building consent from the local council, like an addition or even a deck that's over one metre high, it's a good idea to get a LIM.

The onus to remedy any illegal work on a property is on the current owner, even if they had nothing to do with it. So make sure everything is above-board, before you buy.

The trick with a LIM is to spot the differences; they're not as simple to interpret as you might think. You have to note everything you may think

*“Is the legal title unencumbered
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is suspect on the property and see if it has a corresponding consent on the LIM.

If you find that a property has an illegal structure or has had unpermitted work done, you

can make it a condition of the purchase that this is remedied – this could mean anything from demolition, through to remedial work, to seeking a council Safe and Sanitary Report – this is in place of the final Code Compliance Certificate, which cannot be issued retrospectively.

Note that older renovations may not have a corresponding code compliance certificate because these were not required before the Building Act of 1991.

LIMs are required by the Building Act to include:

- approval status of Code Compliance Certificates: a final certificate of approval for building consents
- Compliance Schedule and Warrant/Statement of Fitness (for certain systems or features of commercial and multi-residential properties)
- details of operative and proposed zoning, road widening, height restrictions, view and tree protection, and any Historic Places Trust listing
- any outstanding requisitions or notifications from the local authority regarding any matters on that property that do not meet the council's specifications and which require action within a certain time frame.

They may also include some or all of the following:

- information on special land features or characteristics including potential erosion, falling debris, subsidence, slippage, flooding, presence of hazardous contaminants
- information on private and public stormwater and sewerage drains
- information on rates owing on the property
- details of approved building, plumbing/drainage and resource planning permits and consents.

It's important to bear in mind that councils are only obliged to include on the LIM, information which they have on file. If something isn't noted on the LIM, it could be because it isn't an issue for that property, or it could be that they simply don't know about it.

All LIM reports must be produced within 10 working days as specified by the Local Government Information and Meetings Act 1987, however your application may take less time. Prices vary from council to council but a typical cost is \$200.

The equivalent report for bare land is a Project Information Memorandum (PIM) – see chapter 11 To Build or Not to Build.

Pre-purchase home inspection

A pre-purchase home inspection, or a building inspection, is a top-to-bottom visual examination of the building's structure and systems, conducted by an experienced and impartial professional inspector.

The inspector evaluates and reports on the condition of the structure, roof, foundations, drainage, heating system, visible insulation, walls, windows, and doors.

Including a 'subject to a satisfactory building inspection' clause in your offer for the property gives you time to organise an inspection.

If the report reveals problems, choose to get out of the agreement or go ahead knowing exactly what type of repairs are going to be necessary. In some cases, the vendor may be willing to repair significant problems found by the inspector or reduce the asking price accordingly.

DIY checks

If you don't want to spend money on a professional pre-purchase inspection, you can always thoroughly check out a house yourself, or you may have a friend with building experience. Here's a list of problems to look out for:

On the roof:

- loose roof fixings
- holes, rust or other damage to ridging, flashing, tiles or iron sheet
- blocked or leaking spouting
- broken or sagging brackets on gutters

Outside walls:

- cracked, rotted or otherwise damaged cladding. Also flaking paint
- damage to wood, especially at joints or where it comes into contact with soil
- gaps between wood or other materials, especially on corners
- loose fixings or bricks, blocks, plaster and concrete
- crumbling mortar between bricks
- cracks in solid plaster
- loose putty on window glass
- overflowing toilet cisterns and hot water cylinder drain pipes

Under the floor:

- dampness: in the soil or on building surfaces. This could be caused by leaking pipes, blocked drains or gully traps, or surface run-off going under the house
- rotting, sagging or broken structural timbers
- gaps in the insulation
- damaged or unsupported pipes
- corroded metal fixings: tie wires, staples, nail plates, bolts
- loose structural bolts
- gaps between piles and bearers
- cracks in concrete foundation walls
- rotten timber piles

In the roof space:

- condensation on underside of roofing paper or roofing material
- wet or displaced insulation
- leaks or water stains
- corrosion of metal fittings or roofing
- signs of active fungus or borer infestation
- sagging beams or rafters
- evidence of rats, mice or birds
- insecure header tank or hot water cylinder (this is an earthquake risk)

Inside the house

- evidence of dampness – mildew; water stains; finishes not adhering to surfaces (paint, floor vinyl, wallpaper); sagging ceilings; rotten window frames
- squeaky floorboards
- jammed windows
- sticking doors

In the kitchen and bathroom:

- lifting, loose or cracked tiles
- rot in wet wall linings, especially around taps and the shower head, and along bottom edge
- degraded sealant around baths, tubs and basins
- dripping taps

Outside, check driveway, paths, fences and retaining walls for:

- cracks or subsidence in concrete
- deteriorating edging
- poor run-off
- blocked culverts or drains
- rotting structural posts
- rot in timber palings which are in contact with the ground

What's a CV?

The CV – or capital value – of your home, is the estimated value of the land and the buildings on it (excluding chattels), as assessed by Quotable Value (QV), or another valuation service provider, on behalf of your local council. This valuation is undertaken for the council to calculate rates payable by the householder.

Each council decides how often they will have properties revalued. By law, it must be at least once every three years, and that's the period most councils choose. Taupo and Wellington revalue each year.

CVs are not market values – particularly by the time they're almost three years out of date. However, by comparing recent sales prices with their CVs it is possible to estimate the premium above CV that the neighbourhood is attracting. So, for example, if 10 similarly sized homes in the nearby area have an average sales price of \$600,000 each but an average CV of \$500,000, then the CV premium for the area is 20%. If the house that you are interested in has a CV of say \$400,000, then you could reasonably add 20% to get a rough estimate of market value, ie, \$480,000. If the asking price is significantly above this figure you should ask the agent why this is the case.

Registered valuation

When you're buying, the impartial opinion of a registered valuer can be extremely useful in making sure you pay a fair price in the current market. Although agents should have a very good idea of the market, their main aim is to achieve a sale, and while the CV of a property is always available it may be out of date or unreliable.

Registered valuers are familiar with all of the issues affecting a house's value, including property titles, legal matters, resource management and town planning concerns, council plans for the area and the physical features of the property.

They will also do a comparative sales analysis for the area, looking at recent sales for properties similar to the one under consideration. Finally, they will give an educated opinion about how much a willing buyer might agree to pay for the property. Also, if you are planning on major renovations, they can project what value the improvements will add to the house.

Local knowledge is vital, so always look for a local company which specialises in residential valuations.

Certificate of Title

The Certificate of Title (CT) for each property contains information about the size and general shape of the section, ownership, whether the land is freehold or leasehold, and whether there are mortgages, leases, rights of way or other interests registered against the title. Usually when you are considering buying a property, the real estate agent will give you a copy of the title. You can also get a copy of the CT yourself or ask your lawyer to do so.

The CT may also include covenants and easements (restrictions and obligations on the use of the section, usually put on the title by the developer who subdivided the land).

Covenants may dictate the materials, size (especially height, and particularly if there's a view) or construction time for a new building, protection of trees, restrictions against operating a home business from the property, or on pets and their numbers.

Common examples of easements are a right-of-way giving access to the rear section, or the right to pipe water across one section to the other.

Checking the certificate of title for potential problems and restrictions is part of the work your lawyer does during conveyancing.

QV reports

Quotable Value (www.qv.co.nz) has a variety of on-line property reports available for a fee, including:

- **e-valuer:** an instant estimate of market value, based on recent sale prices for comparable nearby properties, plus: rating valuation, floor area, owner's name (if available), and property age.
- **local sales reports:** you can search for sales using the standard search criteria (sales within the past 6, 9, 12 or 24 months, sales price range, property type), or by using the optional advanced criteria (such as, within the same street, various distances from the selected property, whether the land is vacant or not). The report displays each sale on a map, along with details including sale date, sale price and capital value at the time of the sale.
- **essential property guide:** including property details, rating valuation, sales history, e-valuer, property trend graph, local sales, school zones and demographic profile for about \$70

WORD TO THE WISE

In these days when auctions are so popular as a sales method, it's quite possible that you may end up bidding for as many as five or 10 homes before you are successful. With each one you need to know that you are not bidding too much. It's unrealistic to pay for five or ten registered valuations at \$700 a pop. If you are bidding at auction or making an offer on a house for sale without a price get an e-valuer estimate from www.qv.co.nz. It's not as accurate as a full valuation but it's 10 times cheaper and will at least put you in the ballpark.

Terranet

Terranet (www.terranet.co.nz) also has a range of online property reports for sale, including:

- sales reports: containing information about the property's location and its sales history since 1 July 1995.
- report of sales within 1km in the past 12 months
- building consents reports
- aerial photograph and property boundary reports: an aerial photograph of the property, with the legal property boundaries superimposed
- home valuer reports: an automated valuation service similar to QV's evaluator.

Comparative sales reports

Ask your agent for a copy of the most recent comparative sales report for the neighbourhood, or the street, you're interested in. While they should have these reports at hand for free, they won't necessarily offer them without your request (unless it supports their case for the asking price).

Council reports

Since each council offers a different range of information, in different formats and for different fees, it makes sense to contact your local council and see what reports they have. Aside from reports like LIMs, these might include:

- building consents reports (a summary of all the building consents for a selected property, with details including the date of application, a brief description of the consent, and the status of the consent)
- neighbourhood reports (an overview of building activity planned or in progress within a 100m radius of your site, as well as any licensed activity such as liquor licences, brothel licences or street trading licences).

Every property in New Zealand should have a corresponding file of information kept at the local council. Going through that file can make fascinating reading and may reveal something relevant about the house you want to buy that isn't included on the LIM.

Traditionally, getting this information would involve visiting the council and dredging through the property bag. Some councils now offer to send you PDFs of the information, online, for a small fee (around \$50). The file might include things like: building compliance schedules/WOF; building consents; land use and subdivision consents; swimming pool inspections as well as general information like drainage plans.

Testing the land

Sandwiched between two vast oceans, New Zealand can't help but be a rainy nation. Every wet winter there are news reports of slips that threaten houses, or wash away people's back lawns. Around our extensive coastline, there are some people literally watching their front gardens being eaten away by the sea.

If you've employed a house inspector to check out your property, that inspection should also include a visual check of the land and any retaining walls etc. If something suspicious is found (say, a waterlogged section of the garden or cracks in retaining walls), it may pay to commission a geo-technical engineer's report.

While that report may be expensive, it's preferable to watching your house disappear over a bank (or feeling it disappear over a bank in the middle of the night with you still in it).

IN A NUTSHELL...

- **Don't scrimp on inspection and LIM report costs.**
- **A building inspection will reveal any problems and enable you to bail out or negotiate a better price.**
- **If you don't know comparative sales figures get a proper valuation.**
- **If you are bidding at auction or making an offer on a house marketed without a price get an e-valuer estimate to at least put you in the ballpark.**