

# Guide to buying a house

This guide has advice on how to approach the process of purchasing a house. It goes through recommended steps for deciding what you want, and also has information about what to do when you find the house you want to buy.

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# 1. Deciding what you want

## What you can afford

No doubt you want a perfect home in the perfect location, but it's important to understand what you can compromise and afford.

Make a list of must-have's, like-to-have's and what is not so important. Things to consider include:

- How close do you want to be to friends, family, work, shops, school, public transport and parks?
- How big a place do you need, number of bedrooms, number of bathrooms, rumpus room, study, a section for the kids and/or pets?
- Is a view important?
- Do you want a private, quiet or secluded home?
- Do you need a garage/carport – if so, for how many cars?
- Is all day sun important?
- Do you want a low maintenance property and/or garden?
- Are you prepared to renovate?

## Arranging Finance

There are many financial institutions that offer home finance, such as a bank or building society.

Often you can get an indication from them in advance as to the value of property you can finance based on your deposit, your income and what you are buying. Apartments often require higher deposits, for example. You will need to supply salary details, the value of your other assets, the details of other debt commitments, etc, for them to tell you what they can loan you.

# 2. Sales methods

## Buying Privately

This process involves dealing directly with the seller or their lawyer. It is very important to use your lawyer at each step, and to pay your deposit to your lawyer so they can arrange for it to be held safely in a trust account.

## Buying at Auction (not the Trade Me sort of auction)

This process involves the seller setting a reserve price (the lowest price they will sell for). Only the auctioneer knows this. If the highest bid is over the reserve, the property will be sold. If the reserve is not reached, the home is 'passed in'. It may however, sell by negotiation straight after the auction, and if you are highest bidder, you have first chance to negotiate.

When you buy at auction it is unconditional, so you need to have everything sorted out first and you need to be absolutely sure that the property is the place that you want.

Before the auction you should:

- Register your interest with the agent
- Talk things over with your lawyer, and ask them to do all their checks, such as property title
- Get a copy of the auction contract
- Arrange your finance
- Get a valuation
- Any other information or report that you need done
- Decide on your top price

You will also need to make sure that you have money ready to pay a deposit to the auctioneer on the day if you are successful. This is normally 10% of the sale price.

### **Buying by tender**

With a tender you make a written bid for the property. It needs to be your best offer, particularly in the case of a competitive closed tender.

The seller looks at all the offers together and may accept the highest bid or negotiate with the person whose offer they like the best.

You may have to include a deposit when you put your offer forward. This deposit is refundable if your bid is not successful. If your offer is accepted you are from that point on committed to purchasing the property, and have a set amount of time to meet all the sale conditions.

## **3. The inspection**

Often the property will have an open home that you can attend. Alternatively you can contact the owner, if a private sale, or the real estate agent to arrange a convenient time to view the property.

When viewing the property keep in mind those important features that you have determined are must haves to help you decide if the property fits your requirements. Also some things to be aware of include:

- Sufficient storage
- Level floors and sound piling
- Good water pressure
- Insulation
- Chattels that are to remain
- Traffic, aeroplane or industrial noise
- Noisy or troublesome neighbours
- House movement (look for cracked window sills or walls)
- Leaking roof (look for stains on wallpaper or ceilings, check in access space above ceilings and look for rust or light coming through holes in the roofing)
- Dampness (smell and/or mildew)

- Heating – what options are available?
- Electrical wiring – check the meter box for old or worn wiring
- Security – is there an alarm, safety catches on the windows, etc?
- Take a walk around the block and get a feel for the neighbourhood
- Visit the property at different times of the day to determine when the property receives its first and last sun
- Questions that you can ask the seller or real estate agent include:
- Why are the owners selling?
- How long has the property been on the market?
- How much interest has there been in the property?
- What is the Rateable Valuation?
- How much are the rates?
- What have other places nearby sold for?
- Are there any major development plans for the area?
- What type of title does the property have?
- Are there any covenants (restrictions) or easements (rights)?
- Are there any protection orders over the trees or buildings?
- Where are the boundaries?
- Have there been any recent alterations, and if so, do they have consents and certificates?

Remember a home is a large investment so revisit the property as often as you need to and ask as many questions as required to ensure that you are happy with your decision whether to purchase or not.

## 4. Getting a lawyer

We strongly recommend that you get your lawyer (or solicitor) involved as early as possible.

You'll need to find a lawyer. Your lawyer is responsible for the conveyancing (i.e. the change of ownership paperwork) and can be a useful advisor.

You can locate a lawyer through My Conveyancing, a service of White Fox & Jones, Lawyers. Call them on 0800 650 016 for advice on the buying and selling of property.

Your lawyer will:

- **Deal with the Sale and Purchase Agreement.** This is the legal contract between the buyer and seller. Make sure you read the contract and understand the 'fine print'.
- **Deal with the seller's lawyer.** Your lawyer will ensure all of the conditions relating to the sale have been met.
- **Advise you on any legal issues**

- **Manage the possession and settlement process.** Your lawyer should manage the exchange of money and keys, as agreed between you and the seller.
- **Assist you in establishing your mortgage.** Your lawyer will assist you with your bank in arranging any mortgage that you may require on the property.
- **Send notice to the local authority.** Your lawyer will advise your council of the change of ownership. Also the lawyer will arrange for the apportionment of local rates charges between the buyer and seller.

Make sure that your chosen lawyer has plenty of experience with conveyancing transactions. If they don't, keep looking.

Check the following with your lawyer:

- Their availability -particularly if you are buying your house over the Christmas/New Year period.
- Check who their back-up is if they are away.

A lawyer should be involved in buying your house whether you are buying it privately or through an agent. The lawyer will likely cost between \$700 and \$1200 for the entire process.

## 5. Valuations and reports

### Obtaining a valuation

Getting a valuation report done by a registered valuer will give you a good feel for the 'market value' of the property, as well as some useful information about the property. Your lender will probably want you to get one completed and could recommend someone.

For a quick idea of values, check out Quotable Value.

### Builder's Report

Getting a building consultant's report is always a good idea. It will tell you if there are any potential problems or defects, and how much maintenance work you might have to budget for.

Your bank or lawyer may have someone they can recommend, or contact the Building Research Association (BRANZ) for information.

### LIM Report

You can apply for a LIM (Land Information Memorandum) from your local council. To do this you will need to provide a copy of the title of the property. The LIM report will give you the information the council knows about the property, such as flooding, consents, drainage, etc. You should ask your local or regional authority for information about the area and any future plans, such as zoning, building heights, road development, etc.

## Engineer's Report

You may want to check any structural or land issues, such as a steep or unstable section. Choose a registered engineer, or one belonging to the Institute of Professional Engineers (IPENZ).

## 6. Negotiating

### The Sale and Purchase Agreement

The sale and purchase agreement outlines your offer, the date of settlement, and any conditions that must be met before the sale goes ahead. The agreement is prepared by the real estate agent, if one is involved, or by your lawyer in the case of a private sale. In both cases you should discuss the terms and conditions outlined in the agreement with your lawyer before you sign it.

### Unconditional Offer

This is an outright offer to buy the property. You should be 100% certain that this is the property you want, and that you have access to the money to buy the property. Once the seller has accepted your offer you are legally obliged to go through with the sale. To be able to do this you should have your finance already confirmed. You can talk to Westpac about a pre-approved mortgage.

### Conditional Offer

A conditional offer is also a binding contract; provided that all of your conditions are met. You can only back out if one or more of your conditions are not satisfied. Talk to your lawyer about the conditions you should include.

Common conditions include:

- Subject to title search – your lawyer will do this for you. This means that the sale will only go ahead if there are no ownership, access or other claims recorded on the property title.
- Subject to valuation – this means that the sale will go through if the valuation is acceptable to you and your financial institution if one is involved.
- Subject to finance – this means that the sale will go ahead if your financial institution approves your finance.
- Subject to a Land Information Memorandum (LIM) report: Your lawyer can do this as well. This means the sale will only go ahead if the property (including any alterations) complies with all building regulations.
- Subject to a builder's or engineer's report: This means the sale will only go ahead if you are satisfied that the house or land it is on are sound.

You may wish to set other conditions. For example, subject to certain repairs being carried out. Talk to your lawyer about anything you are unhappy or unsure about. Don't sign your sale and purchase agreement until you are happy with the conditions.

## **Negotiation, acceptance and deposit**

The vendor may accept your offer straight away or may negotiate on the price or other aspects of the sale. The real estate agent, if one is involved, will act as the “go-between” until you and the vendor reach a happy medium. In a private sale you will need to do this negotiation yourself or rely on your lawyer. If you cannot agree on a price you can withdraw your offer. Remember that if there are any changes to the sale and purchase agreement, you should let your lawyer know before you sign. Once both you and the seller have signed the agreement it is legally binding.

You will normally be expected to pay all or part (10%) of your deposit directly to the real estate agent or to the seller’s lawyer on signing the agreement. The deposit will be placed in a trust account until all conditions relating to the sale and purchase have been met.

The sale and purchase agreement will state the amount of time you have to settle the conditions. When all conditions are met, the offer becomes unconditional, the sale will go ahead and the property will be yours.