

Questions from the Avonside residential red zone workshop

29 March 2012

Property and Real Estate

Answers provided by REINZ

1. What is the process in regards to transferring insurance?

It is now not a simple matter of calling up an insurance company and asking for insurance. Your agreement should be conditional upon you being able to obtain insurance on the property. A mortgage is contingent on obtaining insurance. It is common at the moment to try to take over the Vendor's insurance (known as an assignment of insurance). New insurance is difficult to obtain and there is no guarantee you will be able to get it. To be sure, you should check with the vendor's insurer what restrictions might be applied to the policy transfer and discuss these with your lawyer.

2. What reports are required when purchasing a property in order to get insurance?

Encourage vendors to supply reports. i.e. geotech report. However, it's ultimately up to vendor and in some situations, the buyer prefers to arrange their own report

It is not mandatory but if you have concerns it is suggested you obtain a geotech report on the land before purchase. Also ensure the house meets usual regulations and has a building code compliance certificate.

3. What are the clauses to be considered in a sale and purchase agreement (e.g. deposit)?

When the seller and buyer have agreed on all aspects of the Sale and Purchase Agreement, a deposit is usually paid to the real estate agent by the buyer. This money is initially held in the agent's trust account. The amount is usually five to 10 percent of the sale price, but is a matter for negotiation between the parties.

4. Where is the availability of similar size sections at similar value to the one we currently own?

Many of the currently available sections do not meet the needs of red zoned property owners, who want smaller lots, closer to their existing locations and less restrictive covenants (e.g. the rules regarding size and materials you can use to build your new dwelling on a section).

Subdivisions are being planned and developed throughout the region with some that cater for smaller sections.

The other source of smaller lot sizes, with little or no covenants, are existing sections within developed areas of greater Christchurch.

This includes L2 & L3 zoned medium density living zones plus larger L1 sites that have a potential to be sub-divided into 2 lots.

5. Where is there property available under \$300k?

New sub-divisions are providing sections plus land and house packages. These are smaller sites than the traditional section size coupled with a house package marketed around \$300,000.

The Christchurch City Council and Selwyn District Council have recently updated their website to provide information on land availability.

The purpose of the page is to help people find out what developments are happening that will provide residential sections and how to contact developers with sections for sale.

There are two interactive maps available to indicate current and future land availability.

The Waimakariri District Council is looking to provide similar information regarding land availability in the near future.

6. Is there a way of getting our RV revalued?

The only ground for an RV review are if improvements involve consented building work that increased the floor area of the house or other buildings and those works have not been recorded in your RV, or the land or improvements area stated in your RV is incorrect. Please be aware that only a difference over 5% will be considered and there will be a cost to you for the review. You should also be aware that there is risk that a review could actually result in a lower RV.

7. The market is increasing but RVs stay the same, what is the expected market outlook?

The first quarter of 2012 has seen good demand for residential property in the greater Christchurch region continue from the strong finish of 2011.

Sales volumes have now exceeded 500 homes in Christchurch City for February and March. Part of this increase has been made up from increasing sales in the least affected areas of the eastern suburbs.

Buyers on the current market are a mix of people transferring into Christchurch, owners of red zoned properties and first time home buyers. Insurance coverage is continuing to be an issue but the transfer of the seller's house cover to the buyer is how most existing property sales are affected.

The Christchurch rebuild has yet to gain real momentum with insurance coverage still being the major obstacle. Some of the larger building companies in the residential sector are obtaining builders risk cover with an on-going coverage after completion.

Around the outer areas of Christchurch the development of residential sections is a hive of activity. The impact on existing homes both in terms of price and sales once volume of sections and land and home packages reach the market will be an interesting trend to observe.

The projections on the number of trades people required in Christchurch coupled with the requirements to service the population growth will continue to be the driver for housing demand. Availability of rental properties and rent levels alongside continuing low interest rates is encouraging first home buyers into the market.

8. Is there any land available that doesn't have covenants or restrictions?

Subdivisions often have covenants against sections having relocated houses placed on them.

The existence and details of covenants for individual properties can be obtained by your lawyer.

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9. Where are available sections to relocate a house to?

Most new sub-divisions do not allow existing dwellings to be relocated on to lots and some local authorities also restrict where the dwellings can be relocated to. There are also insurance and building compliance issues to consider.

There are specialised house relocation companies that can assist if considering this option, advising on costs and potential locations. Seek the advice of your lawyer before making any binding commitments. CERA is working with key stakeholders including REINZ to increase the visibility of sections that may be suitable for relocated houses.

10. Should we get a geotech report on property we are interested in?

Encourage vendors to supply reports. i.e. geotech report. However, it's ultimately up to vendor and in some situations, the buyer prefers to arrange their own report

If you do not intend to arrange your own geotech report, but instead rely on the vendor's geotech report you should discuss this with your lawyer first to understand what restrictions might apply in using or relying on the report.