

YOU AND YOUR PROPERTY

IN EACH ISSUE RESIDENTIAL PROPERTY LAWYER, MICHAEL HOFMANN-BODY COMMENTS ON A PROPERTY CASE WHICH HAS COME BEFORE THE COURTS. IN THIS ISSUE HE TAKES A BREAK FROM HIS CASE REVIEWS AND TALKS ABOUT HOMELEGAL ONE YEAR ON AND THE CURRENT RESIDENTIAL PROPERTY MARKET.

The end of July marked the anniversary of the launch of HomeLegal. It has been an exciting year notwithstanding the difficulties which have confronted the residential property market.

HomeLegal was created as a specialist division of property, trust and commercial lawyers, Gillespie Young Watson. It followed changes in the law which opened up conveyancing to non-lawyers, and a comprehensive review of market research we commissioned into the way conveyancing services provided by the legal profession were being perceived. The research disclosed a perception residential conveyancing was largely a routine form filling process involving relatively low level legal skills. The problem (as regular readers of this column will appreciate from the cases I have reviewed) is that there is, in fact, a significant legal component in a home conveyance. It is usually the most complex legal contract document most people complete. The new REINZ contract in multiple parts is 28 pages long. Home contracts are also usually by far and away the largest in dollar value that you are likely to encounter as individuals. Get it wrong or if issues arise, then as the cases show, there can be serious consequences.

The challenge then in setting up HomeLegal was to retain the level of quality legal input the transactions demand while at the same time addressing the issue identified by the research i.e there were other components of the transaction which were process and did not need to be handled by a lawyer. The solution we came up with was a hybrid model. I head a team of six experienced residential property lawyers. Our lawyers handle the key legal aspects of the transaction including settling contract terms, condition related negotiations,

disputes and security documentation explanation and execution. All transactional tasks are dealt with by our registered legal executive support staff unit. We have concentrated all residential conveyancing within HomeLegal.

At the same time we introduced a raft of new systems including document preparation and management processes. The research also identified the traditional methods of communication with clients – telephone calls, letters and facsimiles, although they still have their place, needed to be supplemented. We have incorporated KeyTrack which is a very clever system sending out text and email messages to clients and agents as various contract milestones are achieved. Clients have personal access codes which enable them to view the status of their transactions 24 hours a day, seven days a week wherever they are in the world. The overall outcome has been a personalised but high quality service at an attractive price. My property law partners are now only involved in residential transactions to a limited extent. They are kept informed of transaction milestones and remain available if required where we need the benefit of their experience. Now separately branded HomeLegal operates as a division within the parent firm. The HomeLegal model has been very well received by clients and we are delighted with the positive feedback received and new client referrals from agents and mortgage brokers.

Enough of us, now to the current residential property market. The cliché in property circles has been “no one rings the bell at the bottom”. Talking to agents and monitoring home sale figures, there seems to be a general feeling if there was a bell ringer, he would be warming up. The market remains difficult. It is hard for first home



buyers with bigger deposit requirements and stricter lending criteria. Nervousness about job security can make the home buying decision fraught. Against that, prices are the lowest they have been for several years and interest rates are the lowest they have been for more than a decade. People in secure jobs with incomes at good levels are able to service greater debt. We are seeing more parental assistance being provided through deposit funding, collateral security and personal guarantees. Such assistance, although helpful, can end in tears unless appropriate safeguards are put in place. In the next issue of Vibrant Hutt, I will be commenting on one such case recently before the Courts.

Some property owners with equity in existing properties and well placed financially are taking advantage of the low interest rates and holding rental levels to purchase residential investment properties. Some of the late entries to the residential investment market, who bought before the crash at the top of the market, have experienced real pain including some mortgagee sales. Often the properties purchased were at the lower end of the market where tenants have been most affected by the recession.

Many vendors took their properties off the market rather than take what they perceived to be a loss which cut back supply and helped to hold market prices at a level above that they might otherwise have dropped. The market remains characterised by uncertainty and caution although activity levels are higher than might be expected with keen competition for many properties.

Michael Hofmann-Body is a principal of specialist residential property lawyers HomeLegal, Westfield Tower, Lower Hutt.