



YOU AND YOUR PROPERTY

BY RESIDENTIAL PROPERTY LAWYER
MICHAEL HOFMANN-BODY

My prior articles have commented on the red-hot property market. The market has not changed in the early part of 2021. Because of the increased demand for property the developers have been out in force. These developers are huddling over computers looking at aerial photography and matching that with topographical plans to identify properties that would be capable of development. Large sections with small houses on them are optimal for these developers. The developers are then making direct approaches to the landowners asking if they wish to sell. These developers have no interest in the houses built on the land, they only want to know the development potential of the land. In my experience the bulldozers arrive the day after settlement to remove the house. Speed is critical to a developer obtaining the best possible financial outcome.

Local authorities have, quite sensibly, liberalised development rules to allow more intensification of housing in some parts of the city and developers are taking up that opportunity to respond to the increasing demand for “affordable” housing. Lower Hutt has been well served by a number of local developers who have built properties in the area over many years. Since the housing crisis has escalated developers

from outside the region are now expressing significant interest in the region and recognised what locals have always known, that the Hutt Valley is a great place to live and work.

What should you do if you are approached by a developer who is interested in purchasing a property? The first step is to get advice. Never make a hasty decision. If a developer has identified your property as suitable for development that potential

will not change. The developer will remain interested until they have reached capacity. It may be that the developer is approaching multiple parties at the same time. It is possible they will only make an offer to you for a limited period however, if one developer was interested, another developer is likely to be equally interested.

Developers buy property based on financial projections. They will offer up to a

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level that makes economic sense for them. Given they operate purely on financial considerations it is in their best interests to reduce the purchase price of your property to a minimum. For this reason, it is critical you get information regarding comparative sales to determine whether or not the price being offered for your land is fair. I recently advised a client who was being offered \$700 per square metre when I knew that similar land had been sold at more than \$1400 a square metre. I do not begrudge the developers for trying to get a good price for the land however, when I'm acting for a vendor I want to make sure my vendor client is fairly remunerated.

If you are approached by a developer you should identify whether or not they have already acquired or obtained an interest in neighbouring land. This increases your opportunity to obtain a premium price for your land as your land will open up and improve the developer's ability to leverage the neighbouring land.

The other important factor to consider when selling to a developer is that you will more than likely need to buy another property. In a red-hot market that property is likely to be expensive and you may have to compete for that property. Any contract for the sale of your property should be for a price that will ensure you will have no difficulty purchasing a replacement property for yourself and your family. Further, you should make sure the contract gives you enough time to acquire another property. I usually add a provision to these contracts that states settlement will be six months

after the date of the agreement but the seller can bring the settlement date forward on 20 working days' notice.

Lastly, if you are in the final years of your working life, you would want to be confident you would be able to obtain any additional finance you may require to complete a subsequent purchase. The banks are less enthusiastic about borrowers coming to the

end of their working life.

I have acted for a number of parties who have sold to developers in recent months. These clients have had outstanding outcomes. Houses that were in poor repair have literally turned into gold and clients have been able to upgrade to modern houses that will serve them for many years to come. Obtaining advice is the key.

"If you would like a copy of previous articles on property written by Michael email him on michael@homelegal.co.nz."

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