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New Zealand: buyer beware

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While a slump in the Kiwi housing market may mean better deals for homebuyers, expats should be aware of potentially expensive flaws in houses built between 1996 and 2004, warns **Sangeeta Anand**

Strange things are happening in the New Zealand property market. Whereas one house might sell for half its market value another can go for double the price. While some homeowners, desperate to escape mortgage foreclosures, are throwing their houses on the market, others are adopting a more conservative wait-and-watch approach.

All this can be quite confusing to newcomers to the country who don't have much historic knowledge of the property market. While one agent says that "now is the time to buy" another suggests "the prices will come down".

The market is certainly going through a difficult stage. In the past three years interest rates have risen by 3%, the price of petrol has doubled and inflation is bordering 4%, but people's salaries have not kept up with inflation. Into the confusion jump expats. Lured in by some of the sinking property prices, they often purchase a house without knowing about or carrying out the proper research.

New Zealand is currently plagued with a unique phenomenon called leaky homes, a problem originating in untreated timber in houses built during the late 1990s and early 2000s. The nationwide bill for repairs to leaky homes is estimated at over a billion New Zealand dollars.

New Zealanders will be living with the legacy of leaky homes for another two decades, says Greg O'Sullivan, a building surveyor. "The problem is down to the architects, builders and councils – and also because the forestry groups promote untreated pine and the Building Industry Authority mistakenly approves it."

A lot of expats find themselves with repair bills as high as half of what they paid for the house. And because of the stigma attached to leaky homes, these houses are difficult to sell without incurring a major loss.

When migrant Chris Sung bought her first home she had a pre-purchase inspection carried out but she still got a rude shock. "After I moved into the house I discovered it had multiple leaks. Not only was the roof flat and the house old, but also the flasing [building material] wasn't done properly," she says.

She struggled to find the right tradesperson to fix the problem. "After a major hunt and merry-go-round I finally found someone to repair it. I was quoted a minimum figure of \$18,000 [£6,600]."

Ignore a potential problem at your peril, warns O'Sullivan. "Contact the [building surveyors institute](#) and employ a surveyor with a 'weather-tightness' certificate; the best will be registered on the remedial panel." Greg also cautions against buying homes built between 1994 and 2006, unless they are single-level and of weatherboard and/or brick construction.

Newcomers to New Zealand are often surprised to find that houses are not centrally heated. Many only have a wood stove for heating, and it can get very cold at night during autumn and winter. The average national mortality rate increases dramatically in the winter. With energy prices escalating, a lot of people can't afford to keep their homes adequately heated.

Philippa Howden-Chapman, a professor at Otago University, says that cold houses are more likely to be damp and mouldy. "And these are factors that contribute to the decreasing level of respiratory health in New Zealand," she says. She recommends installing non-polluting heat pumps, wood-pellet burners or flued gas heaters in the bedroom.

Homebuyers should imagine what a house will be like in all seasons. "Just because it's a bungalow doesn't mean it will be warm," Howden-Chapman says. "Will it get sun? Does it have insulation in the roof and under the floor? Is there a draught? These are important questions if you want a warm and healthy house."

It's important to check what materials were used in the construction of the house.

Look out for exterior walls made of single-layered bricks supported by a wooden frame. Also, while wooden weatherboards were once common they have now been replaced by cheaper alternatives. These are fibre or cement sheeting, mostly known as Fibrolite, Hardiplank or monolithic cladding. (Hardiplank is known to have contributed to the leaky homes syndrome.) Check for roofs made of galvanised steel and tiles of bitumen, pebble or cement. These materials, while saving on cost of construction, often compromise the durability of these houses.

That's not all. In New Zealand, a lot of insurance policies don't cover termite damage or structural problems, making repairs expensive. Many an expat, ignorant of the facts, has been duped by this.

So beware, a property market that appears exciting and cheap from afar can be fairly deceptive on closer scrutiny. Detailed research and learning from other people's mistakes is a good start. Don't rush into a decision. The cost of trawling through books, magazines, newspapers and websites is minor compared with the expense of a big mistake.

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