

How to Buy Well Remotely

Hi, I'm Alan. I'm a chartered accountant and long time property investor. I'm mad about property, and love helping people make money from it, live in it, and run their businesses from it. That's what Erskine + Owen is about, using property to help achieve people's goals. The great thing about property is that despite what the media might say about property prices on any given day, the long term story is one of steady price growth. So whether you are living in it or just investing in it, you can rest assured that if you are in it for the long term, your wealth will be protected.

I've done my obligatory OE on the accounting ticket, and know what it is like trying to get things done here in New Zealand while sitting on the other side of the world. Fortunately these days we have the internet and that makes business conducted remotely so much easier. The internet is particularly good for property acquisitions. Its graphic, you can see what you are buying, you can find plenty of information, and email is great for communication.

But the internet itself is not the answer to finding a great property. Like anything we still need to get the basics right. That's the purpose of this article. To highlight how to get the basics right when you are buying from afar. That's one of the good things about buying remotely - it forces you to think more carefully about how you will do it.

So, here are my tips for buying remotely really well.

Plan

Enhance your chances of success with a plan, even if it is on the back of an envelope. Set a goal. How much equity do you want to generate? Exactly what type of house do you want. and by when?

Not knowing what you are trying to achieve when remote will amplify time wasting. When you are local you can chat on the phone to an agent, hang up, do some digging, call back, quickly eliminate options (and agents!) and move to the next stage quickly. But when you are remote, unless you are focused, it is very easy for conversations to drag out over days. And they might even come to nothing.

Communication

Communicate with all parties what your communication expectations are, and get them to communicate back to you that they have understood your communication. So what I am really saying is communicate, communicate, communicate. Don't assume anything. Don't assume that because you've instructed a building inspector, he'll get the job done within three days. It's much harder to chase people from a different time zone.

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Line up your advisors and trades people before you need them. You don't want to be feeling pressured because you are scratching around trying to get a referral for a valuer. When a property comes up you are interested in, you want to be able to act without delay.

Finance

From experience this could be the biggest stumbling block. Not because you won't qualify, but because you don't get an unconditional offer of approval before your unconditional date. For example, you decide you want to buy a property so you get to the bank and get pre approved for finance. There are a few conditions, but nothing that seems too onerous, a few bank statements, some I.D, some payslips. No big deal. You go out and find a property and get it under contract. The contract gives you some days to investigate the property before you commit unconditionally to buying it. You order the valuation etc, then on day three you talk to the bank. They take a while to get back to you, and you remember the things you have to provide. They decide they aren't happy with the valuer you used, so you have to start again. Then they see the building inspection report and want some building repair works done before unconditional date. So unconditional date is upon you and the stress is mounting.

The message . go unconditional on your finance as soon as you can.

Legal and Tax Structures

Get your legal and tax structures sorted well before you get into a transaction. When I owned an accounting practice we had a policy to refer our offshore clients to cross border tax experts. It is a very specialised field and the consequences of getting it wrong can be greater for those offshore. This applies regardless of whether you are intending to remain offshore or come to New Zealand to live.

If you are looking for a tax expert, talk to us and we can refer you to one.

Research

Use the internet to your advantage. If you're an investor, hunt out the areas that promise great capital growth. If you're a home buyer, investigate the suburbs in your price bracket - the schools, the amenities, the shopping.

Then use the internet to find properties . www.realestate.co.nz and www.trademe.co.nz are two good starting places. But remember that not everything is on the net, so when you are talking to agents always ask them what else they have. Often they might have something just coming on stream, or there might be properties that simply haven't been put on the net.

Independent Verification

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Perhaps the most vital aspect of buying remotely. Get independent people to check out your property, importantly:

- A valuer to conduct a current, registered valuation. Don't use what is known in New Zealand as a government valuation. These are desktop valuations based on a square meter rate. Get a valuer to go out and see the property. Current means that it should be no older than three months. Most definitely do not be fooled by an eight month old valuation that probably doesn't reflect the value of the property whatsoever.
- A building inspection to highlight any issues with the structure. That way you'll know with reasonable certainty if there are any major issues. Small things shouldn't put you off, as long as you budget for them, or even better use them as a bargaining tool to reduce the purchase price.
- Review the contract, title and LIM (Land Information Memorandum). See our separate article on understanding LIMs

Time and Time Zones

Give yourself ample time when negotiating a contract and when conducting due diligence. Don't be rushed by agents that say you need to move fast because the vendor has the bank knocking. Great, let them sweat, the longer the negotiation process goes on the more likely the vendor will not want to walk away from the deal. And get as much time as possible for due diligence. Make the due diligence clause a wide ranging one so that you are not held to ransom, for example, on a finance clause.

Also, being asleep is a great way to force yourself to take time. While the agent is in New Zealand rushing around fretting about your counter offer, you can be in dreamland forest without a care.

Distance

Use it to your advantage. Get the agent to fax or email the offer through, don't talk it through over the phone, they'll just be trying to close you. They can't physically come in to your living room and try and close you. Respond in your own time, control the process, and don't let the agent drive it.

Action

Once you have a property that satisfies your due diligence and you've agreed the price, then act. Get on with your plan, move towards your goal. Don't let the distance scare you off investing!