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LOOKING TO THE FUTURE.

Recent management changes at Prendos New Zealand reflect the company's renewed focus on the future and the continued growth of the business. We talk to new CEO Fiona Gavriel and Chairman of the Board Sean Marshall about 'where to next' for Prendos.

When former Prendos General Manager Fiona Gavriel stepped into the role of Chief Executive Officer last month, it was with the firm support of newly appointed Chairman of the Board, Sean Marshall.

"Sean and I have worked together for 18 months now and have a great working relationship," says Fiona. "We each bring different strengths to the table, which is why my new role is so complementary to Sean's appointment as Chair of the Board. What's more, we share the same vision – to see Prendos continue to develop and become more diverse. We want to grow our market share, but in the right way through providing products and services that add value to our clients."

As Chairman, Sean will work with the Board, Directors and CEO to set the strategic direction of the company, while Fiona will head the organisation from an operational perspective. Their joint focus on growth will see them continue to cultivate the company's successful track record of the past thirty years.

"Prendos is celebrating its 30th anniversary this year," explains Sean. "Since we began as a small property valuation and consultancy business in April 1988, we've grown to become a full service company with a network of offices across New Zealand. We've brought industry experts on board from around the world and today offer a true end-to-end service covering all aspects of the property industry."

Sean has been part of the Prendos team since 2004. As an internationally experienced project manager and chartered building surveyor he's been pivotal in developing and refining the company's approach to property and construction consultancy.

Fiona, too, is no stranger to the construction industry. Previously CEO of Master Plumbers, Gasfitters and Drainlayers, she gained a real insight into the challenges of the sector and its complexities and was keen to apply her experience to the commercial sector.

"I'd worked in the not-for-profit sector for some time and was keen to move over to the commercial side of things, so when I saw the original role of General Manager at Prendos it immediately appealed. I'm now really excited to be appointed CEO – I'm used to making decisions and being held accountable for the outcome."

So what decisions will be first on the agenda? For Sean and Fiona, being successful into the future means playing to the company's strengths.

"Our success over the past 30 years has come down to hard work, proven quality, the breadth and depth of our team's knowledge, and our focus on the client – not just the building," explains Sean.

"We value our broad and diverse client base and we're proud of our ability to provide end-to-end solutions that meet their needs. To continue to be successful we need to constantly look for new areas to add value and expand our offering. Prendos has a strong reputation in the marketplace and a diversity of professional services that we hope to continue to extend."

One of Prendos's key strengths lies in its people. With a very diverse workforce comprising over 20 nationalities, it's a multi-disciplinary, multi-cultural environment that brings together different skills, views and perspectives.

"Our people are at the heart of what makes Prendos successful," says Fiona. "Having such a diverse workforce means we're constantly learning from one another and always have fresh ways of approaching things. As a multi-disciplinary property and construction consultancy, the complementary specialities of our team mean we can



offer a one-stop-shop to meet our clients' needs."

"One of the big things Sean and I want to focus on is upping the game in relation to company governance – recognising that our Directors must bring different skills and attributes to the table. We're keen to develop a pathway for new blood joining the company, as well as a route for existing staff to be able to progress through the ranks. I've had a lot of experience working with Boards and ensuring the right strategy and the

“Our people are at the heart of what makes Prendos successful.”

right team are in place to add value to the company in order to meet strategic goals."

As property and construction specialists, Prendos is well known for taking on complex, difficult jobs – the ones other companies may shy away from. They're also known for recognising the needs of the market and offering specialised services to suit.

"Our clients rely on getting expert advice and solid solutions from Prendos, no matter how difficult the situation," says Sean. "Our experience across all types of projects has given us a real understanding of the property and construction industry and where it's heading, and we make sure our services meet the needs of our customer base. And because we're nationwide, we're able to offer specialised services to meet the specific requirements of each area. One example is our Christchurch



office's focus on insurance claims over the past few years.

"We want to continue to read the market and broaden our offerings to meet demand. This will also mean continuing to grow our offices as required. In fact one of our first focus areas will be developing our Wellington office, where we believe there is significant opportunity to add value."

One of Fiona's key objectives in her first year as CEO will be to focus on Prendos's systems and processes –

“Our success over the past 30 years has come down to hard work, proven quality, the breadth and depth of our team's knowledge, and our focus on the client - not just the building.”

something that she believes is the foundation of any successful company.

"There are many basics of business that remain the same no matter where you are: ensuring efficiencies in the way you deliver, continuing to listen and react to client feedback, making sure staff know what is expected of them, and celebrating successes. If we can get these things right we'll build the best foundation for the business to continue to grow and flourish. Prendos is here for the long term and I'm really excited about what the future holds."



EARTHQUAKE PRONE BUILDINGS: THE RISKS

If you own a commercial building, assessing and addressing its ability to withstand an earthquake should be at the top of your priority list. But, safety aside, what are the risks of having a building deemed 'earthquake prone'? Prendos Head Valuer Gordon Edginton talks us through the legal requirements and wider ramifications when it comes to value.

New Zealand's recent seismic events – from the devastating Canterbury quakes in 2010/11 to the more recent Kaikoura quake in 2016 – have seen kiwis become more aware of seismic issues and the ability of buildings to withstand earthquakes.

But what exactly deems a building 'earthquake prone' and when is rectification required? As Gordon explains, it's not as cut and dried as you might think.

"The 2004 Building Act states an Earthquake Prone Building is one that would be likely to collapse in a modest earthquake. Existing buildings must be at 34% of New Building Standards (NBS) when it comes to earthquake strengthening – anything lower than that requires an upgrade."

Assessing a building's earthquake strength requires a registered structural engineer or, better still, specialist seismic engineers like the team at Prendos. They'll prepare Initial Seismic Assessment reports, including an Initial Evaluation Procedures (IEP) assessment, which looks at the building's structural performance.

If the findings show the building isn't

at 34% NBS, an upgrade is required. However as Gordon explains, a grey area exists where – while you're not legally required to upgrade the building – you may find it beneficial to do so.

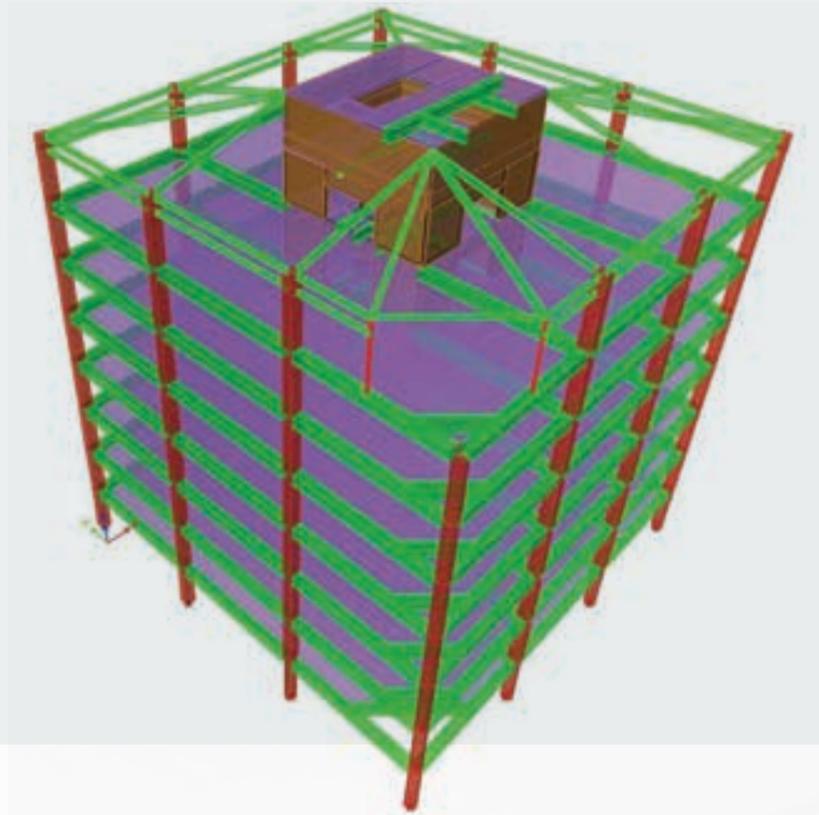
"Buildings with an NBS rating between 34% and 67% are deemed moderate risk and there's no statutory requirement to strengthen them. However, with the heightened market awareness of seismic issues, the marketability and value (both from a leasing and sales perspective) of earthquake prone buildings has been negatively impacted."

Market effects

It's clear that market resistance to buildings with low IEP ratings does exist.

While 34% NBS is the legal minimum threshold for a building to be considered safe, both the occupational and investment markets are generally adopting a level of 67% NBS when it comes to decision making and discounting.

Tenant demand is increasing for buildings with an earthquake rating of 67% NBS or better, with many



tenants including earthquake resistance as one of their considerations when selecting a property to lease. Some Government and blue chip tenants even have policies in place which don't allow them to renew leases in buildings with an IEP score of less than 67% NBS – with many requiring 80% to 100% NBS.

"Modern buildings with a higher earthquake resistance are seeing increased demand, and this is likely to positively impact their value as investors and tenants become more discerning of these characteristics,"

“With the heightened market awareness of seismic issues, the marketability and value of earthquake prone buildings have been negatively impacted.”

says Gordon. "Older buildings are losing attraction unless they've undergone seismic upgrading."

Because older buildings incur increased insurance costs (as well as potential upgrading costs in the future), they can become more

costly to lease, especially where the building operating costs are paid by the tenant. This negatively impacts demand when they are compared to more modern, cheaper space.

Lending and Insurance Issues

Banks and insurers are also becoming more wary of older buildings with low IEP scores, which is impacting the ability to reinsure or raise finance for a purchase. This in turn impacts on demand and value.

Banks are concerned with how the IEP rating impacts on the security

upgrading and market reaction will impact on value.

"We're aware of some instances where banks simply won't loan against a property with a low IEP, which means the asset can only be purchased by a cash buyer, not a buyer raising finance against the asset. Most banks need properties to have a 67% NBS rating for any new business and require IEP reports for any lending. If a building has a low IEP rating, the lender will likely take into account the impact of the future costs required to bring the building to a minimum of 67% NBS."

Insurers are naturally risk adverse, so it's never a certainty that insurance will be easily obtained. For example, it's now very difficult to get cover for pre 1935 buildings. No insurance means no bank loan – which not only reduces the liquidity of the asset, but the number of potential buyers it will appeal to. Even if insurance can be obtained, earthquake prone buildings will attract higher premiums and higher excess payable on any claim.

"Market evidence is wide ranging on the subject," says Gordon. "Some sales show a clear drop in value due to poor IEP ratings, while others show no discounting – but these may be sales to overseas or poorly informed investors, or for properties sitting on valuable redevelopment land."

"At the end of the day, a building's earthquake resistance will impact upon its value in the future, and I'd certainly expect more discounting in price for buildings with a poor IEP."

Disclaimer

This is a summary of general information relating to seismic issues affecting property. It is not a complete description of the issues affecting real estate and is provided for general information purposes only. Prendos strongly recommends you contact a suitably qualified engineer for advice on seismic issues relating to a particular property. Prendos does not accept any liability for loss or damage which may result either directly or indirectly from any advice, opinion, representation, information or omission whether negligent or otherwise contained in the above material. There is extensive information available online and we recommend reviewing the Building Performance Publication prepared by the New Zealand Government "How the system for managing earthquake prone buildings works".



PRENDOS LAUNCHES THIRD PARTY ASBESTOS AIR MONITORING SERVICE.



“
*It's important to be sure
the (site) is secure...
throughout the entire
duration of the job. This is
where air monitors are so
invaluable.”*

With recent asbestos legislation coming into place in April this year, the onus is on building owners and property managers to get their premises surveyed. To support the process, Prendos is offering a new third party air monitoring service that's the quickest way to ensure your property is free from airborne asbestos fibres during the removal process.

As licenced asbestos assessors, the team at Prendos are experts at identifying asbestos and developing Asbestos Management Plans. In some instances the decision is made to remove the asbestos using a licensed removal contractor. Asbestos Team Leader Freddy Kruger says the new air monitoring service not only ensures the removal job is done properly and in compliance with the new law, but ensures the safety of everyone involved in the process.

“The air monitoring service comes into play after we've surveyed a property and confirmed that asbestos needs to be removed. At that point the client appoints an independent asbestos removal company, and Worksafe are notified that asbestos removal is going to take place. They require documentation stating where the asbestos has been found, what type of asbestos it is, who will be doing the removal job and who will issue the clearance certificate once complete – something Prendos can do as registered Worksafe asbestos assessors.”

On the day the removal begins, Freddy carries out a site inspection. The removal contractor will have set up a 'bubble', or an enclosure containing the area where asbestos was found. This could be as small as a room or as big as an entire warehouse.

“My job is to check that the bubble has been set up correctly and doesn't leak. I use a smoke machine to release smoke into the enclosure. The only place it should escape is through the negative air unit – the system that sucks air from the bubble through a fine Hepa filter to capture any asbestos particles. Typically there won't be any leakage or failure of the bubble, but it is possible – particularly where strong winds or heavy rain weaken the structure.”

Once Freddy is certain the enclosure is secure, work can begin. However, that's not where the safety checks end.

“It's important to be sure the bubble

is secure and filter is working properly throughout the entire duration of the job – and this is where air monitors are so invaluable. While Prendos is not in charge of the asbestos removal works, it's our role as third party to ensure the safety of the removalists and the workplace. We set up air monitors at the exhaust side of the negative air unit which capture air to check that no asbestos fibres are escaping the Hepa filter.”

Air monitors also play a crucial role in checking the effectiveness of the 'three stage decontamination unit' – the unit that anyone leaving the enclosed space must go through to ensure they're free from asbestos fibres.

“There are three parts to the unit,” explains Freddy. “Firstly, the person – still in their full protective mask, suit and boots – must step into a shower. Secondly, they move into an area where their washed garment is removed and discarded as asbestos waste. Thirdly, they step into another area where they wash their hands

and face. It's a rigorous process, but is absolutely essential to ensure no asbestos fibres come out with them – and it has to happen every single time they leave the area, whether to get a tool or have lunch. The air monitors are placed at the end of the three-stage unit to ensure it's doing what it should.

“To get a proper sample, air monitors must capture around 480 litres of air per hour. The filter within the monitor is then sealed and taken to a lab. Results come back the same day – which allows us to give the OK that the job is safe to continue with. If results show more than 0.01 fibres per millilitre of air, Worksafe must be notified and the site is shut down until the problem can be rectified. This testing process happens every day of the removal job – which can take days, weeks or even months.”

Once a removal job is complete, Freddy and the team are brought back to check the job has been done properly and issue a clearance certificate. At this point the air

monitors can be brought back in to do a final check on the quality of the air – but only in cases where the client requests it for peace of mind, or where Freddy has concerns.

The other way air monitors can be used is for reassurance testing. This could be in an emergency, where asbestos is unexpectedly found at a workplace, or where fibres are found and it's unclear whether they're asbestos or not.

“Sometimes, a business might be undergoing routine maintenance, in the ceiling cavity for example, and they find what looks like asbestos fibres. The crucial thing in this instance is to check what the fibres are and whether they have made their way into the workplace or store below – putting the health of workers and/or customers at risk of fibre inhalation.

“With results coming back within the day, the air monitoring system is the fastest, most reliable way to check whether or not asbestos is present, and whether it's safe to reopen your premises.”

If you're interested in finding out more about asbestos testing, management plans or the new air monitoring service, give Prendos a call on 0800 773 636 or email freddy@prendos.co.nz

TECHNICAL DUE DILIGENCE.

A health check for your commercial property



Committing to a commercial property lease or purchase is one of the biggest decisions your business might make. We talk to Prendos Chartered Building Surveyor Geoff Matthews about choosing the right property, and how Technical Due Diligence can help you avoid some of the pitfalls in the process.

If you're looking at leasing or purchasing a new business premises, chances are you've done your homework. Where you want to be based, how much space you need, what transport and parking options are available... and you'll certainly have a lawyer and an agent on board.

But, the reality is, lawyers and agents can only go so far in protecting your business interests. That's why, before you sign on the dotted line, it's important to ensure you fully understand the condition of the property you're dealing with by going through the Technical Due Diligence (TDD) process.

"Conducting Technical Due Diligence on a commercial property is a bit like giving it a 'health check,'" explains Geoff. "Essentially, it's the inspection of a building prior to purchase, or of specific parts within a building, led

by a qualified Building Surveyor. It's not only essential for owner/operators but for investors too. You need to do your homework."

Many people think getting a builders' report on a property will suffice. However, commercial buildings can have a multitude of issues that are often overlooked and simply wouldn't be picked up by a standard builders' report. These can prove immensely costly to resolve. Things like whether a property is earthquake prone or doesn't meet fire safety regulations, or whether it might be contaminated with hazardous materials like lead or asbestos. Equally important is whether the building is actually suitable for your intended use without requiring major modifications.

So what does the TDD process involve and what's the best way to go about it? As Geoff explains, it looks at all aspects of a building – delving far deeper than any builders' report.

"Firstly, we look at basic information like the building's construction plans and consents, environmental reports, size or net lettable area, and details of significant modifications or future development restrictions. After this desktop analysis, we do a thorough building survey to assess the current condition of all core building elements. For this we work with our own in-house specialists, as well as external professionals, to check mechanical, electrical, fire and other building services."

The survey will identify any significant defects to the structure,

“

It's better to spend a little initially and know what your risks are, than have them unexpectedly derail your business plan in five years' time."

fabric, finishes and grounds. Findings are compiled in an easy-to-read report, identifying any defects and key considerations, along with appropriate guidance on maintenance and remedial works where required. The surveyor will also review the statutory requirements around property ownership and occupation; which may include asbestos risks, building code compliance, accessibility and energy efficiency.

"The TDD report can be very informative for potential purchasers,

identifying key risks prior to acquisition.

The level of technical information it contains can be used to calculate potential capital and maintenance costs, and when these costs are likely to occur.

"So, while it might cost slightly more up front, it saves you money in the long run – giving you leverage to negotiate the lease or purchase price, or make an informed decision about whether to go ahead at all."

Buying off the plans

If you're looking to buy or lease premises that haven't been built yet, you may be concerned about the risks. After all, there's nothing physical to look at and interpreting plans, even for the initiated, can be complicated.

In this instance, Technical Due Diligence will assess the building design against your requirements and identify any design, construction or procurement risks before you sign on the dotted line. And, as Geoff says, it's something particularly suited to the skillset of Building Surveyors.

"As Building Surveyors it's our job to have a technical understanding of how buildings work (and fail!), how they are maintained, and the cost of doing so. By understanding your current and future needs, as well as your proposed lease obligations, we can assess the suitability of the building and whether it will fit the specific requirements of your business, so you avoid any nasty surprises.

"At the end of the day, smart would-be tenants and investors do their homework. It's better to spend a little initially and know what your risks are, than have them unexpectedly derail your business plan in five years' time."

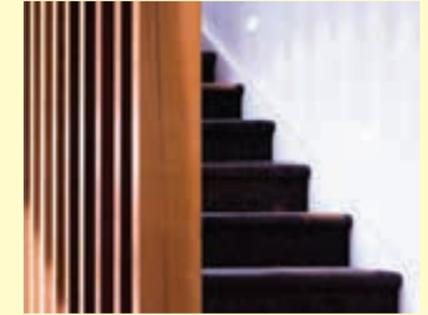
~~STRIKING~~ A BALANCE: great design on a budget



When it comes to construction projects, residential or commercial, your eyes can be bigger than your wallet. The challenge for an architect is to balance budgetary constraints with functional, well-designed spaces and appealing aesthetics. Respond Director and Head Architect Natasha Cockerell shares some of her tricks for creating great architecture on a budget.



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"A common theme across all our projects – whether residential, commercial or developer led – is a limited budget and a wish list that's generally bigger than the budget will accommodate," says Natasha. "For developers and commercial clients it's all about return on investment. For residential clients, the budget is typically determined by how much they can comfortably borrow, and they want to get the best house for their money."

So how do Respond's architects find this balance between cost and creative, functional design? Here are six tips on getting the most bang for your buck.

1. Start with the site

Your site is quite literally the foundation of your project. Earthworks are hugely expensive and, if you're working on a sloping site, 'getting out of the ground' can easily form up to 30% of project costs. The more you can work with the existing site contours and features the better. Rather than cutting into a slope and forming retaining walls, can your building step down the slope or float over it on a pole structure?

2. It's about space

Generally, the bigger your building, the more it will cost. Keeping control of the floor area and ensuring the size of the design doesn't balloon out of control is one way of sticking to your budget.

Try designing spaces for flexibility and multiple uses. Do you really need a spare bedroom, a study and a third living area? Why not combine them into one flexible space of 16m² instead of three areas covering 48m² and save yourself around \$100k? Likewise, in many new office spaces designers are blurring the line between public and private, combining staff lunchrooms with informal client meeting and

waiting areas. Using clever additions like large sliding doors will allow open plan spaces to be closed off, becoming private if need be.

Look at your hallways and corridors and consider whether they're really needed. Often they use up a lot of space and can feel pokey and dark. Instead, try designing spaces that flow off one another, letting the rooms themselves serve as circulation space. Where a hallway is required keep it short, try not to subdivide it with too many doors and, if possible, give it a gallery/breezeway feel by adding some windows at high or low level.

3. Be critical with the floor plan

When looking at the floor plan, many clients worry that the spaces aren't big enough. Trust your architect – they know what they're doing. Rooms can be generously sized without being wasteful of space. Do you have extra wide corridors or transition areas, or strangely proportioned rooms with dead spots which won't be utilised? A good design will ensure all space has a purpose.

4. Use light and proportion

Modest sized spaces can feel generous and airy with clever use of natural light and balanced proportions. A judiciously placed skylight over an entry, kitchen island or shower for example will create drama and a sense of height for very little cost. Similarly, standard 2.4m high ceilings can seem higher when paired with over-height doors/windows or pendant light fittings which give a sense of volume.

Using the same floor finish throughout living and circulation areas will help tie the spaces together and make them feel bigger. Conversely, tiling an open plan kitchen when the adjacent living area is carpeted will cut the space in two and make it feel smaller.

5. Set your priorities

Think carefully about your project brief and decide what's most important to you. A guest bedroom and bathroom may only be used a few times a year, while your kitchen will be used every day and is the heart of the home. Think about whether you really need that guest suite – could visitors sleep on a pull-out couch and share the family bathroom? Perhaps it would be better to invest the money in the perfect kitchen, or a covered outdoor room which the family will live in over summer.

Also think about how important that huge garage space is. At the end of the day, it may be more beneficial to invest in high spec insulation and central heating to keep your family comfortable, rather than a space to keep your cars dry.

6. Trust your architect

Utilise your architect's skills by not telling them what to do! Instead, let them know what you want to achieve and how you'll use the building, and leave them to do what they're trained to do. By not restricting their creativity with your own preconceptions, you'll be surprised at what they can create.

An architect may cost you slightly more than a draftsman, but the value they'll add (if you pick the right one) will pay back your investment many times over. Architecturally designed properties often attract a much higher value, and many of our clients have told us they didn't understand the value of an architect until they worked with one.

By placing your trust in a good architect it is possible to create a home or workplace with pleasing, functional spaces and pared back architectural features – even on a budget.



THE ART OF STRENGTHENING BRICK BUILDINGS

When Cathy Thomas joined Prendos in 2013 as a Senior Structural Engineer, she was faced with a number of jobs involving the strengthening of brick, unreinforced masonry (URM) buildings. At the time, it was a relatively new area - information was scarce and there were few guidelines to follow.

"When I began working on URM buildings, there were certainly no books you could read on the subject," Cathy explains. "I decided the most sensible approach was to follow best practice, so I read current papers and contacted Professor Jason Ingham from Auckland University who was seen as the expert on the subject."

The story goes that Professor Ingham, having researched the structural characteristics and behaviour of URM buildings, headed to Christchurch to give a seminar on the topic. It was February 2011 and Professor Ingham and his colleagues were supposed to be in and out of Christchurch in a single day. They had 84 people coming to their afternoon seminar and were just preparing to begin when the big aftershock struck.

While all presenters and attendees were OK, the destruction and death toll left behind that day were a harsh reminder of the susceptibility of so many New Zealand buildings - particularly brick ones - to seismic events. Professor Ingham's knowledge, combined with the timing of the quake, saw him become an expert on the subject.

"Jason was one of the most knowledgeable and respected experts in the country when it came to URM earthquake strengthening. With little guidelines on the subject we had to use the best information we had - and that was Jason and his research papers! Despite being very busy, he assisted me with my work on specific projects and shared unpublished draft research papers that were really beneficial."

No stranger to building strengthening, Cathy had also been involved in the assessment of Christchurch buildings since the quake in September 2010. She saw first-hand the impact of the quakes and developed a 'gut feeling' for how best to reinforce and strengthen older buildings. Closely following the advances in this very specialised field, she learnt even more and became somewhat of an expert herself.

"The most important thing I've discovered through strengthening

buildings of all kinds, is that it comes down to the connection. That's where a lot of buildings fail - if they're not well connected they're not secure. That was certainly the case in Christchurch."

“The most important thing I’ve discovered through strengthening buildings is that it comes down to the connection. That’s where a lot of buildings fail - if they’re not well connected they’re not secure.”

While it was already common knowledge in the industry that URM buildings perform badly in large earthquakes, it became apparent that the biggest causes of building failure in Christchurch were the original brick parapets and the lack of connection between walls and floors.

"Old brick buildings simply weren't created to resist lateral forces. They were designed in an old English

fashion - for gravity loads only. In Christchurch it was identified that the majority of casualties were caused by the failure of URM facades, or building fronts that were not connected properly and collapsed into public areas."

This knowledge is what forms the basis of Cathy's approach to brick building strengthening: securing parapets, strengthening walls and providing adequate connection to roof and floor diaphragms.

"Unreinforced masonry has great bracing capacity in-plane, so the goal is to utilise this where possible. The diaphragms serve to distribute the lateral earthquake loads to these walls acting in-plane, which then adds restraint via the floor/roof diaphragms. Brick walls typically have an outer leaf with a cavity between them and the structural walls. These are tied together using high performance, stainless steel Helifix ties."

Since the February 2011 quake in Christchurch there has been a big push to fix façades nationwide. The Earthquake Strengthening Bill sees the country divided into risk areas, with Christchurch, Napier/Hastings and Wellington deemed 'high risk'. In these locations the timeframes to assess and address earthquake prone buildings are shorter than in



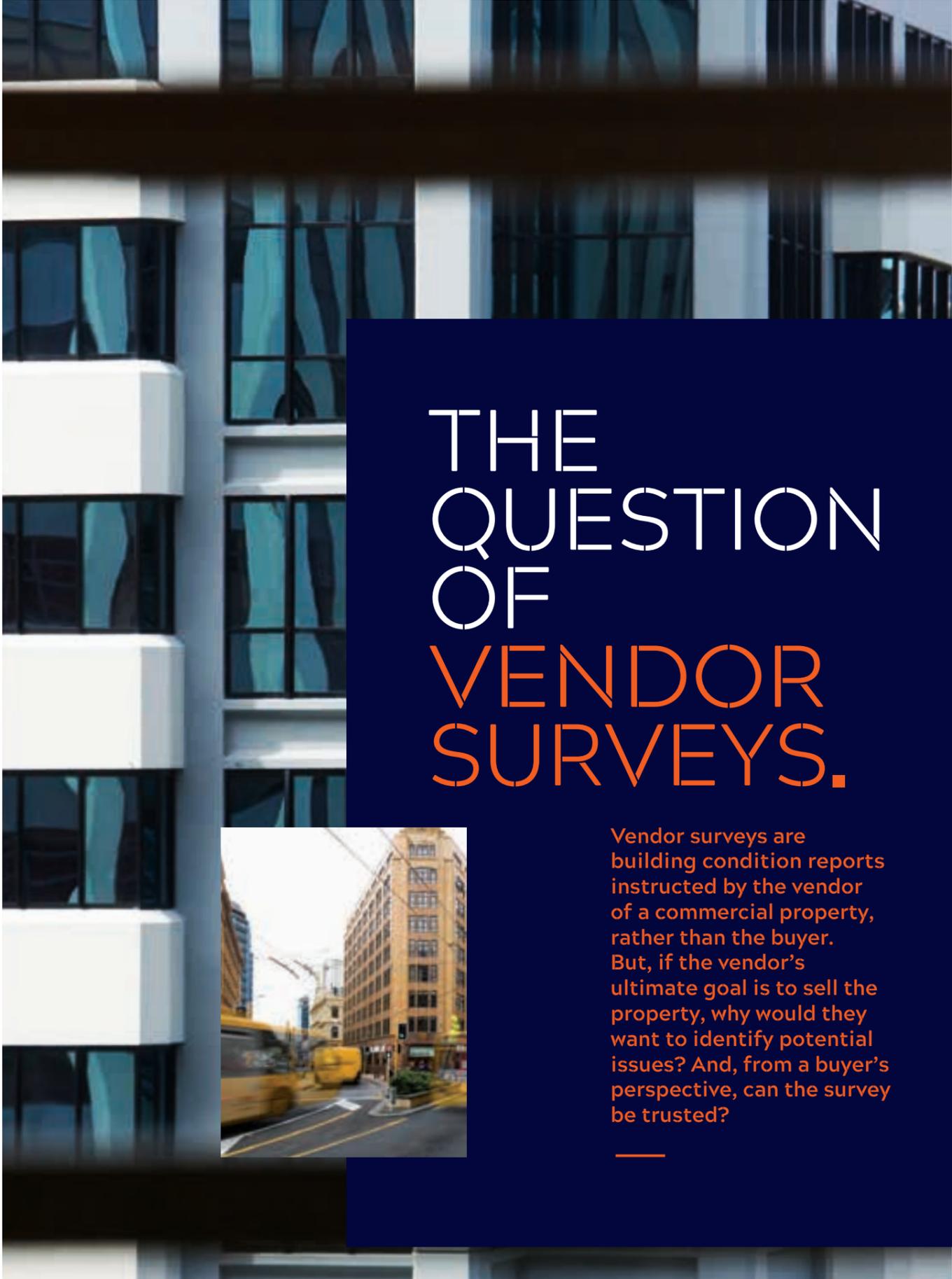
low risk areas such as Auckland. This timeframe is then halved for buildings seen as a 'priority'.

"Priority buildings are those with unreinforced masonry such as façades or parapets that could fall into a public area. So there's certainly a sense of urgency to get these sorted."

Since her first URM strengthening jobs, Cathy has learnt a lot. The industry, too, has advanced and evolved, and there are now guidelines available which can guide engineers and builders through the process of strengthening brick buildings.

However, as Cathy warns, the work is not suited to everyone.

"URM building strengthening really is such a specialised area. It can be difficult, messy work and can take anywhere from months to years to complete. To be good at it, you not only need to be technically innovative, but have a feel for where to look and how to enhance the existing structure without damaging the building's heritage. It's an art really. I love it, but it's not everyone's cup of tea!"



THE QUESTION OF VENDOR SURVEYS.



Vendor surveys are building condition reports instructed by the vendor of a commercial property, rather than the buyer. But, if the vendor's ultimate goal is to sell the property, why would they want to identify potential issues? And, from a buyer's perspective, can the survey be trusted?



When an owner wants to take a commercial property or portfolio of properties to market, they have the option of providing a building survey report to potential buyers. This could be as simple as a high-level summary, or it could go further – identifying defects, recommending repairs and even estimating repair costs.

While paying for a report that could highlight problems seems somewhat counter-intuitive for a vendor, Prendos Director and Chartered Building Surveyor Rory Crosbie argues that vendor surveys certainly have their place.

“Vendor surveys work well when the owner wants the sales process to be as quick as possible, with minimal re-negotiation. Commercial investors or business owners will put a price on risk. The less uncertainty, the more a buyer may be prepared to pay. The more uncertainty, the more a buyer will want to build in a contingency.”

Other situations where a vendor survey works well is when an owner is selling a business where the property is secondary – such as care homes or student halls of residence. It also works where the owner wants to maximise interest and value at an auction or deadline sale.

“In this case the vendor can do an ‘open-book’ sale, where they provide a large amount of information to potential purchasers before they bid. The benefit is that it gives buyers confidence that the owner is proactive and positively engaged with the management of the property. It also shortens due diligence periods and reduces the chance of the sale falling through.”

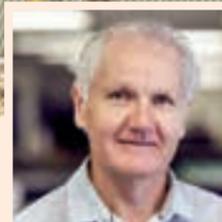
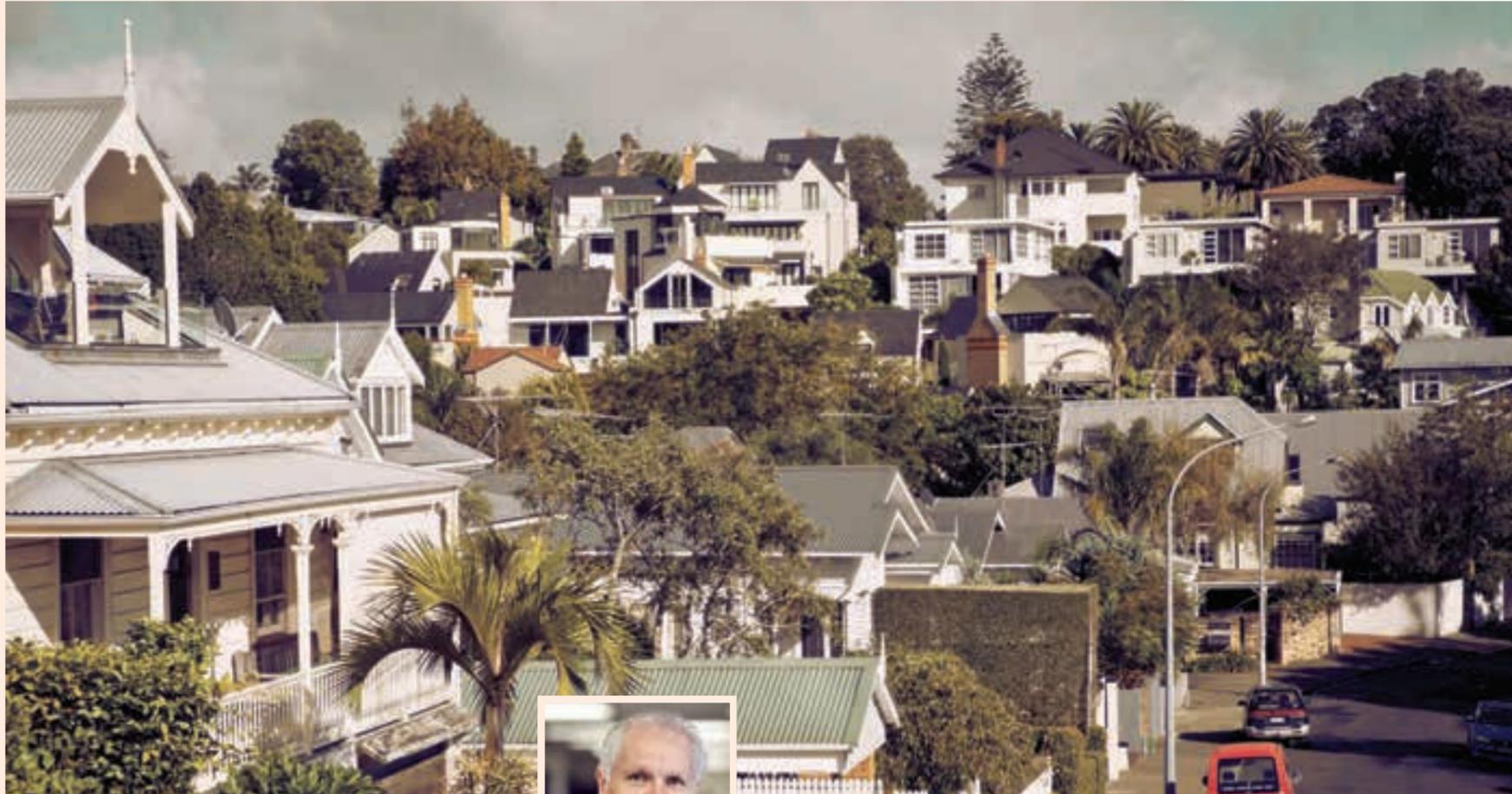
If the survey identifies defects, then the owner has more opportunity to address them before they go to market, or to be upfront with potential purchasers about the cost of fixing these issues themselves. The report can also guide the vendor's decision making process around how to approach the sale.

So can a vendor survey be trusted by a potential buyer? In the past, such surveys have sometimes been viewed as biased. That's why it's essential they're conducted by independent surveyors like the team at Prendos, rather than by an ‘in-house’ surveyor.

“Vendor surveys must be completed by someone neutral to the transaction,” says Rory. “As a vendor, if you provide an impartial report, you're ensuring all parties are better informed upfront, showing potential buyers that you're serious about selling, and enabling a better decision making process.”

Even if you don't go as far as a vendor survey, Rory says it's a good idea to gather all relevant property information before going to market. This might include service records, maintenance contracts, asbestos registers, fire evacuation plans, details of warranties and guarantees, code compliance certificates or seismic assessments.

“Providing transparent, high quality information at the beginning of the sales process will not only speed up the negotiation and sales process, but help to foster a sense of trust that will hopefully be reflected in the ease and price point of the sale.”



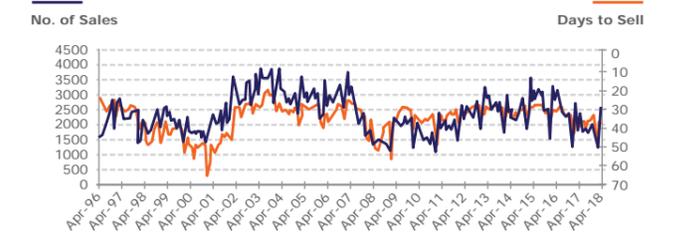
AUCKLAND'S HOUSING MARKET

Slow but steady

After enjoying a 'rock star' economy over recent years, the Auckland house market is now well into a cyclical slow down. But is it simply cooling, or are we heading for a collapse? We talk to Prendos Head Valuer Gordon Edginton about the state of the market and whether we'll see a change in house price affordability.

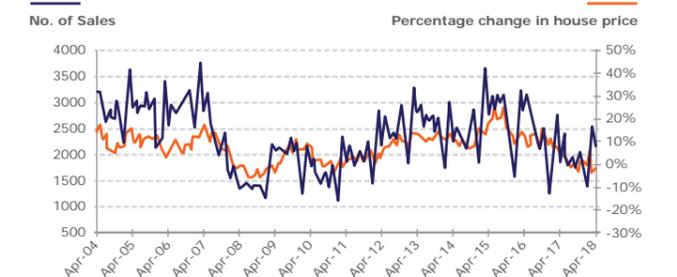
"So you could say 2018 market activity in Auckland has been 'steady but slow'. This is also indicated in the average days to sell in Auckland, currently sitting at 41 days, up from the historical average of 28-36 days seen in boom years."

HOUSE SALES VS DAYS TO SELL

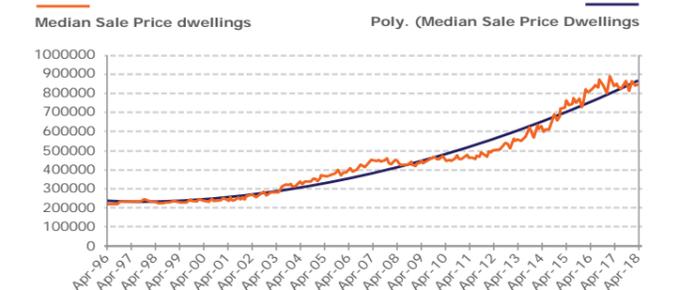


Sales volumes and prices are closely linked, so the lack of price growth over the past 18 months comes as no surprise given the very muted sales numbers going through. Prices in Auckland have remained flat since the peak of late 2016 when the median price hit \$868,000. Since then, the median has ranged between \$825,000 and \$865,000, sitting at an average of \$840,000 over the last year and a half – down 3% from the peak.

HOUSE SALES VS PERCENTAGE CHANGE IN PRICE

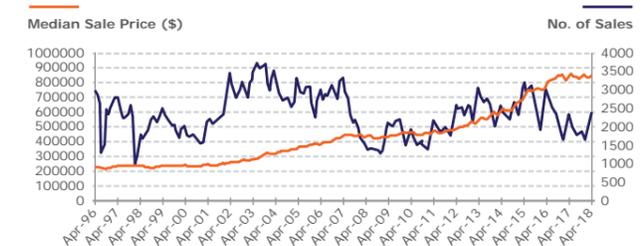


MEDIAN SALE PRICE ACTUAL 1996 - 2018



Auckland's softening housing market is a reality. But while sales volumes are down on the strong activity of 2012-2016, Gordon says the bottom is not likely to fall out any time soon.

NO. OF SALES/MEDIAN SALE PRICE



"Auckland monthly sales in 2017-2018 are averaging at just under 1,950 properties sold each month, down around 25% on boom years. Sales numbers of around 3,000 per month represent a booming market, under 2,000 show a very flat market and 1,500 per month is recession territory.



All in all, the Government policies proposed to fix Auckland's housing affordability issues have very uncertain outcomes, which is derailing market and investor confidence."

However, despite the figures, Gordon believes strong continued migration, an ongoing supply shortage and low interest rates will support the market and halt any crash. Holding the market back are LVR restrictions, tight bank lending rules, restrictive government policy changes and the remaining high price of housing.

"While migration gains have fallen to around 66,200 from the peak of 72,400 in July 2017, numbers are still very high by historical levels and will continue to underpin housing demand. And even though they're slowing, we certainly won't see a radical change. In fact, skilled offshore tradespeople are now being encouraged here to help fill our construction sector labour shortage.

"There's also talk of LVR restrictions being eased, but this seems unlikely. Even if they are eased, it will only stimulate demand, not supply which is the real problem when it comes to housing affordability."

Government policy changes

So how is the Government hoping to address Auckland's housing affordability issues? Recent policy changes are intended to ease house prices, but they seem to be offering little relief.

One major policy change was to the bright line test tax which came into force in March. Investors will now be taxed on capital gains made from the sale of a house if it's sold within five years of purchase – up

from the previous timeframe of two years. While this is expected to take a few investors out of the market, most are in it for the long term, not a 'quick flick'.

Later this year, a ban on foreign purchases of residential property will come into force, however this is already being watered down from what was originally proposed. Australian and Singaporean buyers are now exempt, as are foreign students, and foreigners will now be allowed to buy up to 60% of units in new complexes of over 20 units as long as they rent them out to unrelated parties when complete.

"This relaxation of the foreign buyer ban is essential, as bank funding for large projects is dependent on high pre-sales of units," explains Gordon. "Developers rely on pre-sales from overseas investors to achieve the prerequisite level of sales, as achieving this solely from Kiwi buyers is nearly impossible – especially for large apartment developments."

Negative gearing by property investors will start to be phased out by next year. This means any loss incurred, such as costs of ownership being higher than rental income received, cannot be offset against personal income. These losses are to be 'ring fenced' and can only be used against the investment when it ultimately becomes profitable.

"All in all, the Government policies proposed to fix Auckland's housing

affordability issues have very uncertain outcomes, which is derailing market and investor confidence," says Gordon. "The key drivers underpinning housing demand are strong immigration and low interest rates – both of which aren't likely to change anytime soon. In fact, low interest rates look to be embedded for a very long time, as the Reserve Bank is unlikely to tighten or raise them because of our low inflation rate, slowing economic growth and worsening international conditions as a result of things like US trade wars, Brexit and slowing growth out of China."

Gordon believes Government initiatives need to go further to solve the housing supply problem, and suggests a focus on bringing down the cost of land.

"One of the key issues has been the under supply of new housing and the wrong type of houses being built – mostly larger four to five bedroom homes priced at over \$1m, well beyond the reach of first home buyers. Builders and developers are driven to maximise their building size and footprint due to the high price of the underlying section. It's simply uneconomic to build a smaller more affordable home on a section that costs \$700,000.

"The price of land needs to come down in our new 'greenfield' subdivisions, and intensive housing development needs to progress more quickly. Key barriers are the



restricted supply of land, delayed provision of infrastructure, high construction costs and the overly burdensome Council-driven consent process. There seems to be no quick fix!"

Section market

On the supply front, there are a significant number of sections currently being brought to the market. A drive around some of Auckland's outer suburban 'greenfield' areas shows the amount of development underway for new subdivisions – and it's huge. From Flat Bush, Drury and Takanini in the south to Whenuapai, Hobsonville, Orewa and Warkworth in the north and west, vast areas are under development and there's a huge supply of sites in the pipeline.

A fair proportion of these new sections have been pre-sold off plans in 2016 and 2017. But, as

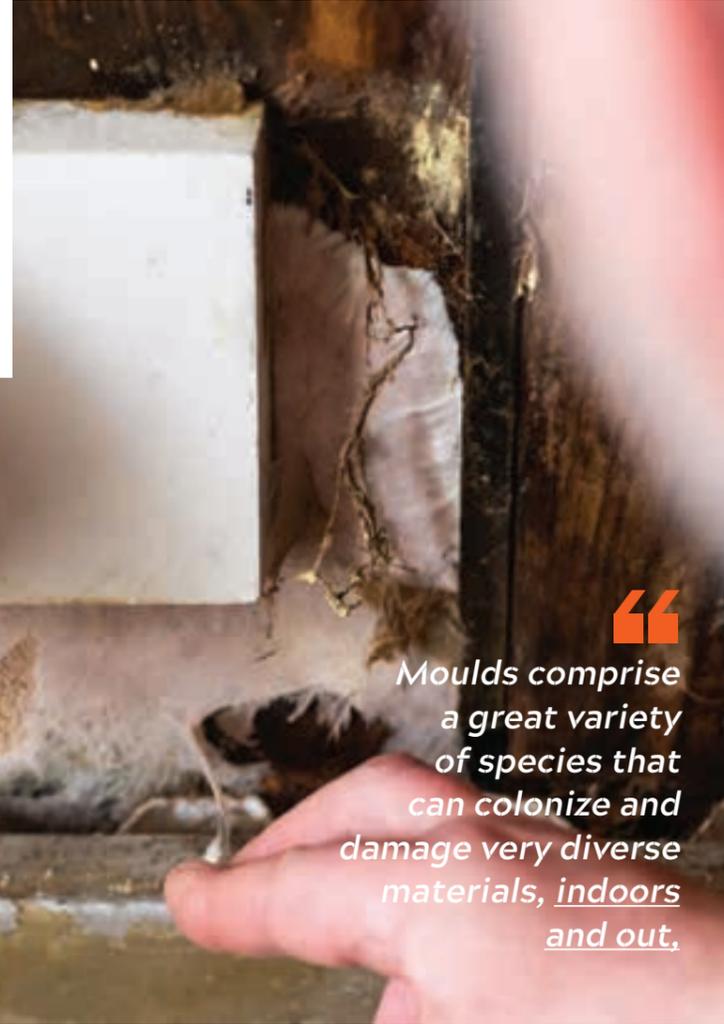
Gordon says, market activity has shifted this year.

"Subdivisions released last year were being sold in a matter of weeks, while this year it's taking weeks to sell just one site. A new subdivision in Flat Bush, for example, pre-sold 70 sites in 2017 but sold only another six this year. The market has completely stalled and developers are having to offer far more competitive prices to get sales. We're seeing section prices in many of the subdivisions down by 10% to 15% from the peak of 2016."

So will this repricing see a solution to Auckland's inequitable house prices? Gordon says yes, but it could come at the cost of developers' profits.

"Any serious correction in section prices, coupled with the volume of sections coming to market, the slowdown in buying activity and

rising project costs, could easily erode any profit margin and lead to quick sales being made at knock down prices. Developers are looking to create smaller, more affordable sites within their subdivisions to meet this price change and satisfy market demand for cheaper housing. This will hopefully mean sites will be easier to sell at lower prices, and a wider variety of affordable housing will be available for lower-end buyers."



MOULD: MORE THAN JUST AN EYESORE.

Whether in homes or commercial properties, mould is something often encountered in New Zealand. But how does it affect your health, when does it indicate a leaky building, and what should you do about it? Prendos Building Surveyor Dirk Stahlhut tells us about the ugly side of mould.

New Zealand is mould heaven. Blessed with warm, moist conditions (particularly in the North), our country provides the perfect incubator in which microbial organisms can thrive. It's no surprise then, that a recent survey showed over a third of New Zealand houses have mould in at least one room.

"Moulds comprise a great variety of species that can colonize and damage very diverse materials, indoors and out," explains Dirk. "They require an organic food source and moisture to grow, so you'll generally find them in poorly ventilated, often dark and damp places where cellulose rich materials, dust or some other 'food source' is present. However even in the most weathertight homes, mould can find its way into the corners of ceilings, backs of curtains, shower areas or leather items in wardrobes. This could be because of frequent showering, certain cooking methods or inadequate airing of rooms locking

moisture into homes for long periods of time."

Leaky buildings are particularly affected by mould, as their design or building faults allow the ingress of rainwater. Many leaky buildings also lack adequate wall ventilation, which means materials can't dry out once wet – causing mould growth to move quickly.

Health effects of mould

Different types of mould affect our health differently, and every individual's response varies. Every day we breathe in a huge range of fungal spores, none of which are harmful. It's only when this exposure goes into overload and the mould is of a particular type that problems occur.

"There are four main mould species that grow in leaky or damp buildings – Stachybotrys, Aspergillus/Penicillium, Cladosporium and Fusarium. The

latter two are commonly found outdoors, while Stachybotrys is the black toxic fungus linked to leaky buildings and is the most worrying to occupant health."

Stachybotrys has major health implications – particularly for the young, elderly and those with compromised immune systems. Heavy smokers, drinkers or those on a poor diet are also shown to be more at risk.

"Health implications include allergenic reactions or allergic asthma, inflammation such as acute bronchitis, as well as toxic effects, fever and respiratory problems. Basically you may feel sick or fluey, have a streaming nose or eyes, develop a rash or have problems breathing. In extreme cases infection can occur due to the growth of disease causing microorganisms in body tissues. Studies indicate that exposure of young children

to excessive levels of moulds may contribute to later allergies."

When does mould indicate a leaky building?

The definition of a leaky building is one that has design or building faults allowing the ingress of rainwater into the wall structure. Growth of microorganisms is usually confined to this area for many years, with no signs of fungal spores appearing in living/working areas. Sadly, detection of leaks is not easy, but there are some tell-tale signs from a mould perspective.

"Finding mould doesn't immediately indicate a leaky building, but the presence of black Stachybotrys signals a prolonged leak as this species requires an extended saturation time. Other signs include obvious leaks around windows or doors, a distinctive musty smell, discolouration of carpets or walls (particularly in the corners

of rooms) and symptoms such as headaches, breathing problems or itchy eyes.

"If you're concerned, it's best to get a building surveyor to come and take a look. We can point out design faults, detect hidden leaks, and find the areas where mould may be growing. We'll also take material and air samples to determine the type of mould and assess whether there's a health risk."

What to do if you find mould

It's best to avoid touching or smelling mould, and to wash your hands if you have come into contact with it. If it's just a small area and the damage is superficial you can remove it yourself wearing rubber gloves and a mask, washing the contaminated area with warm, soapy water and drying well. Don't use bleach as it can bind with organic compounds to form chlorophenols – irritating your eyes and throat.

12 tips to prevent a damp home

1. Install insulation in roof & under floor
2. Eliminate sources of moisture (ie, leaky roof or pipes)
3. Increase ventilation (open doors/windows regularly for short periods of time, install extractor fans)
4. Maintain ambient temperature in winter to keep rooms dry & prevent excessive condensation
5. Don't use un-flued gas heaters as they pump out moisture
6. Paint/varnish timber surfaces
7. Ventilate bathrooms & kitchens, duct clothes dryers to the outside
8. Use a squeegee to clean shower walls after each use
9. Don't put clothes away damp & don't dry them inside
10. Repot pot plants regularly – soil can get mouldy
11. Clean, vacuum & wipe the house regularly
12. Do a full spring clean once a year!

“Moulds comprise a great variety of species that can colonize and damage very diverse materials, indoors and out,”

A large area of mould requires total removal of the affected materials – best carried out by a trained operator. The contaminated material must be removed in sealed plastic bags and care should be taken to prevent any dried fungal spores from becoming disturbed and contaminating the air.

If you have concerns about your home or commercial space and want an expert to take a look, contact Prendos on 0800 773 636. Our building surveyors can quickly identify whether there's a problem, and how best to sort it out.

1. Do Damp & Mould Matter? Health Impacts of Leaky Homes, Philippa Howden-Chapman, Julie Bennett & Rob Sibers, 2009
2. How to Survive a Leaky Home. Risks, Remedies and Repairs, Yvonne van Dongen, Hachette New Zealand Ltd 2010

IGNITING THE TOPIC OF FIRE SAFETY.



London's Grenfell Tower tragedy has highlighted the topic of fire safety here in New Zealand. Prendos Chairman Sean Marshall explains how building managers, owners and occupiers can ensure their property is prepared if the worst should happen.

The fire that destroyed Grenfell Tower in June 2017 was one of the UK's worst modern disasters, resulting in the loss of seventy-two lives. It highlighted not only the risks associated with materials used in the construction process, but also failings in its basic fire safety processes, equipment and procedures.

Whilst regulations do exist around fire safety in New Zealand, it has recently become apparent that there are shortcomings when it comes to existing fire safety systems. As experts in the remediation of buildings, Prendos has in the process discovered many cases of deficiencies with regards to passive fire protection – for example, service penetrations through fire walls or floors.



Whilst regulations do exist around fire safety in New Zealand, it has recently become apparent that there are shortcomings when it comes to existing fire safety systems."

Prendos is currently working with a number of clients where the issue of fire safety is a re-occurring topic. From overseas investors and tenants through to local authorities and design and construction companies, well informed clients are becoming much more aware of issues such as ACP cladding and passive fire shortcomings.

Prendos can provide fire / GAP analysis reports and fire safety risk assessments. A GAP analysis

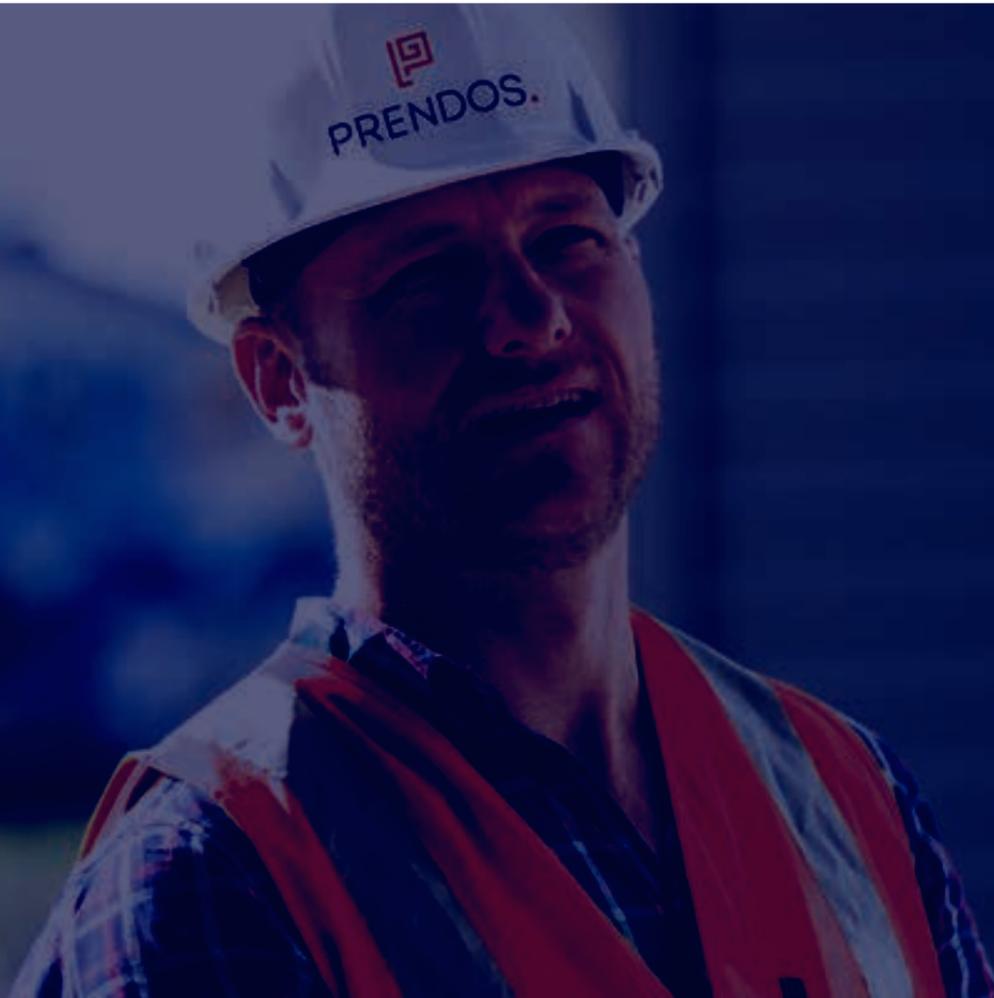


compares current fire design requirements for an existing building. For example, a fire alarm may be installed but the current regulations require the building to have a sprinkler system.

A fire safety risk assessment is an inspection process that identifies fire safety deficiencies and recommends the best way to rectify these.

An example of a deficiency might be where fire doors are wedged open, or a new air conditioning duct has penetrated a fire wall without any appropriate fire stopping measures.

If you'd like to find out more about Prendos's services, please call us on 0800 773 6366.



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INTELLIGENT PROPERTY SOLUTIONS.

At Prendos, we've built our business around truly understanding our clients. Every day our specialist consultants provide structural engineering, fire engineering, building surveying, property valuation and project management advice and support across New Zealand.

Please contact us for any level of enquiry or more information.

THANK YOU FOR YOUR SUPPORT

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