

Pre-sales contracts

What do development funders want to see in pre-sales contracts at the moment?

We recently have been involved with development funding with one of the main banks. The requirements for the pre-sales contracts included:

- Purchasers needed to be **NZers** (residents or citizens) and **independent** third parties.
- Each purchaser could only acquire **one lot**.
- **Sunset dates** needed to be capable of being complied with and at least **6 months** beyond the expected completion dates.
- **Plans** had to be attached to the contract that were compliant with the resource consent requirements.
- **Specifications** had to be attached to the contract for any works to be carried out by the developer.

If you are looking for development funding off the back of pre-sales contracts:

1. get the **form** of pre-sales contracts right;
2. be careful what you give away in **negotiation** with purchasers; and
3. collect more information about the **identity** of your purchasers when putting the deal together.

As an aside, the bank's **quantity surveyor** was asked to provide a number of certifications. If you are a quantity surveyor in this situation make sure you consider whether your professional indemnity **insurance** will cover the certifications and that you have backed your **liability** off by seeking confirmation from the appropriate parties.

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