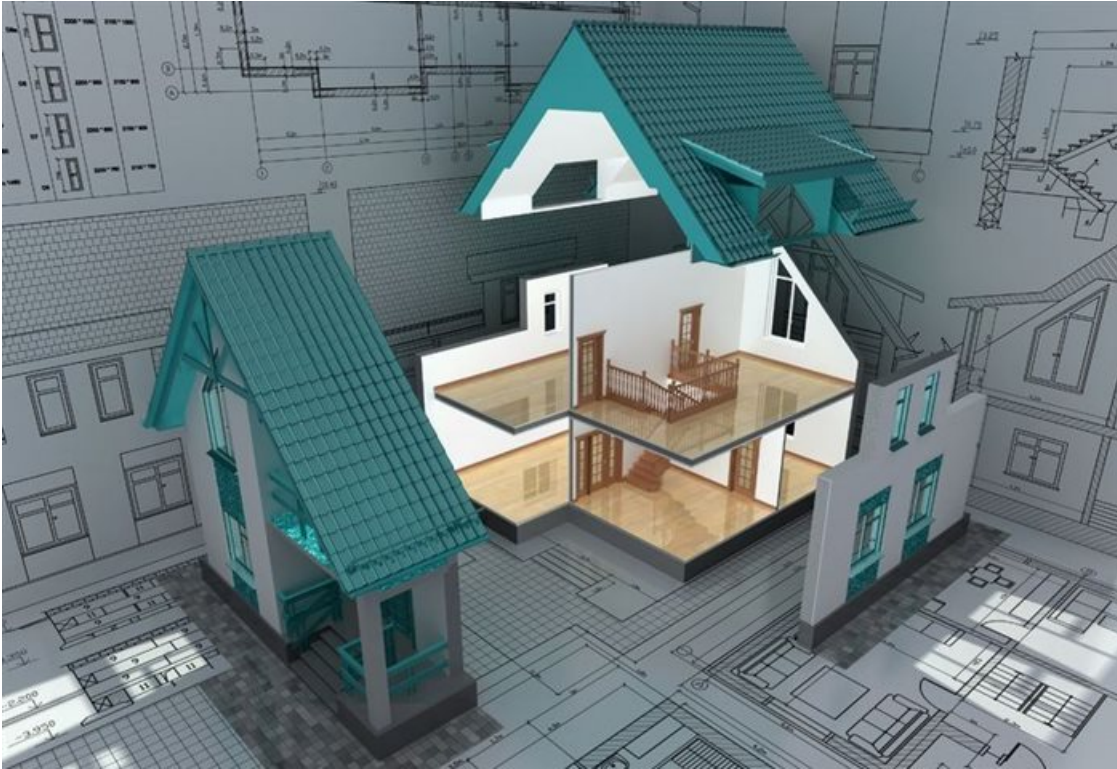


Buying property off-plan has its advantages, but do your homework

Buying "off-plan" refers to the purchase of a property that hasn't yet been built and is an attractive option, particularly for first-time buyers, due to the financial benefits, including the fact that VAT is included in the purchase price.



Source: Valerijis Kostreckis © 123RF.com

"Buying off-plan has become recognised in South Africa as somewhat of a more affordable way to enter the property market as there is no transfer duty payable on off-plan purchases, a factor that can mean the difference between whether the buyer can afford the property or not," says Bruce Swain, CEO of Leapfrog Property Group. Furthermore, since the property is yet to be developed and built, the buyer purchases it at today's price but only starts paying once the property is complete, which means they are locked in at a lower price.

"In the period between when the property is purchased off the plan and when the owner takes occupation, there may be capital appreciation on the asset, which is a great advantage," Swain shares.

Purchasing off-plan also offers the advantage of owning a property that has never been occupied so it's brand new, which is a great drawcard for many buyers. Developers typically make allowance for the buyer to specify some level of customisation to the property, such as choosing the fittings and finishes they desire. "In some cases, developers allow the buyers to tailor the layout of the property to suit their needs, though of course this doesn't mean complete free rein," Swain says.

Do your homework

As with any investment, there is an element of risk to buying off-plan, though there are a number of ways in which this can be managed and mitigated. "Naturally, some buyers are concerned about paying for something that they can't yet see and that the final product won't be what they were sold in the development phase. These are legitimate concerns, which is why it is important to approach this kind of investment with an open mind and armed with the right information," Swain believes.



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The off-plan property buyer's checklist should include the following:

Check the credentials of the developer

Start by verifying the legitimacy of the developer by checking whether they are registered with industry bodies such as the Master Builders Association or the National Home Builders Registration Council. Secondly, look at other work that the developer has done and enquire whether the project was completed on time and within budget. "These days, it's easy enough to find reviews about an individual or company's work online, which should give you an indication of who you're working with. Similarly, there is nothing wrong with asking the developer for references or to point you to examples of their work," Swain advises.

Stay close to the project

Rather than purchase the property and forget about it until it's ready for you to move in, Swain recommends taking an active interest in the development of the project but visiting the site regularly, engaging the developer about progress and generally staying on top of where things are at.

Swain also notes that many building agreements make allowance for a 5-10% deviation from the approved plans without having to consult the buyer. "This could mean taking ownership of a property that is as much as one-tenth different to the place you thought you were getting. Rather make it your priority to follow the progress of the project to avoid disappointment when it's too late to change anything."

It is also often helpful to inspect the demo model to get a sense of the quality of workmanship and the quality of materials and finishes used.

Understand the fine print

It's always a good idea to familiarise yourself with the contents of a contract or agreement that pertains to the purchase of a property. In the case of off-plan property, pay special attention to things like choice of materials, date of occupation and the buyer's rights to cancel the contract if the developer does not fulfil their mandate in time. A trusted property expert will be able to offer advice and guidance in this regard.

Finally, it is useful to know that buyers are covered by the Consumer Protection Act, which means there is a measure of recourse in the event of things not going according to plan. "This is helpful, but I strongly advise rather doing your

'homework' from the start to avoid having to go this route," Swain concludes.

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