

### Is off-plan a good idea?

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The recent spate of new developments and the increase in demand for new property creates opportunities to buy property off-plan.

This has been mainly prevalent with new sectional title developments; especially since new developments tend to be more inexpensive in comparison to established properties. The purchase of property in this form has been advantageous, to both the developer and the purchaser.

The purchaser signs a purchase and sale agreement and secures the sale by means of a deposit and a pre-approved bond and/or a bank guarantee, only payable on transfer of the property. One of the most significant advantages to the off-plan purchaser is the increase in the price of his property, without bearing the responsibility of monthly bond installments. It also gives the purchaser time to build resources whilst the property is being built. There is also a saving on transfer duty, as these transactions are subject to Vat.

Another advantage that the off-plan buyer can rely on, is the amended Home Builders Code of Conduct regulated by the Housing Consumers Protection Measures Act 95 of 1998, which has been amended on 1 February 2008 to make provision for the protection of housing consumers and the regulation of the home building industry.

The most significant amendment in favour of the consumer is that contracts may not contain terms which remove consumers' common law or statutory rights.

Furthermore, a deposit paid in respect of a contract which is not an installment sale shall be kept in trust by an attorney or an estate agent, until the property is registered in the name of the consumer or the contract is validly cancelled. This ensures that the consumers that buy off-plan are protected by the code of conduct.

Then lastly, the ultimate protection to the consumer arises when the property is mortgaged. In this instance the bank's valuers will inspect the property, and all building documentation in respect of a development, before approving the building. This ensures that the banks security in terms of the loan is not at any risk, and the off-plan purchaser has his property independently assessed by valuation experts.

High interest rates and an uncertain volatile property market certainly make this option a very viable one.