



BUYING A DEVELOPMENT WHAT YOU NEED TO KNOW

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Harcourts are here to help, wherever you are on your property journey.

BUYING A DEVELOPMENT? WHAT YOU NEED TO KNOW.

The idea of purchasing in a new development where the homes are still to be built can be both exciting and daunting at the same time. How exciting to put your own touches to a home in the way of choosing finishes or in some cases being able to have an input in to the actual design and layout. Understanding the process will hopefully make the prospect of buying a property that's not there yet less daunting. There's certainly a thrill to seeing your new home rise from the ground. Find out some information from your agent and the developer before committing and you could be on your way to a dream home.

Types of Ownership

Developments often fall in to one of two categories - sectional title or free hold / full title. With sectional title, you own a unit or section and have an undivided share in the land/common property. Examples of sectional title units may be flats or apartments, townhouses and duets. With full title, you personally own the land your home sits on and the building. Free hold / own title properties may be freestanding houses, clusters, and smallholdings. A body corporate regulates a sectional title complex, and a Homeowners Association (HOA) regulates an own title complex. You should certainly check out the rules and regulations in place for both types of estate before buying – there will be regulations on pet ownership, additions and alterations, conduct, and you will pay a monthly levy. The rules are there hopefully for everyone's benefit and to promote convivial living within a community.

Plot and Plan vs. Turnkey

A plot and plan purchasing option will mean that there are two contracts when you sign: one for the land itself, and one for the build portion. Normally the land must be registered in your name first before building can commence. Check with the agent or developer as to the expected timeframes for land registration, plan approval and the actual construction process. Plot and plan options are only offered on full title developments where an individual plot or erf can be registered in the purchaser's name.

A turnkey option is effectively offered on sectional title developments but can be offered by some developers on own title complexes too, although it is less common. Once completing an offer to purchase, you secure the finance and provide guarantees. Often there is a deposit amount that is paid in to the Attorney's trust account. The developer carries the cost of the build himself and only once the home is built can it be registered in the purchaser's name.

Transfer Fees

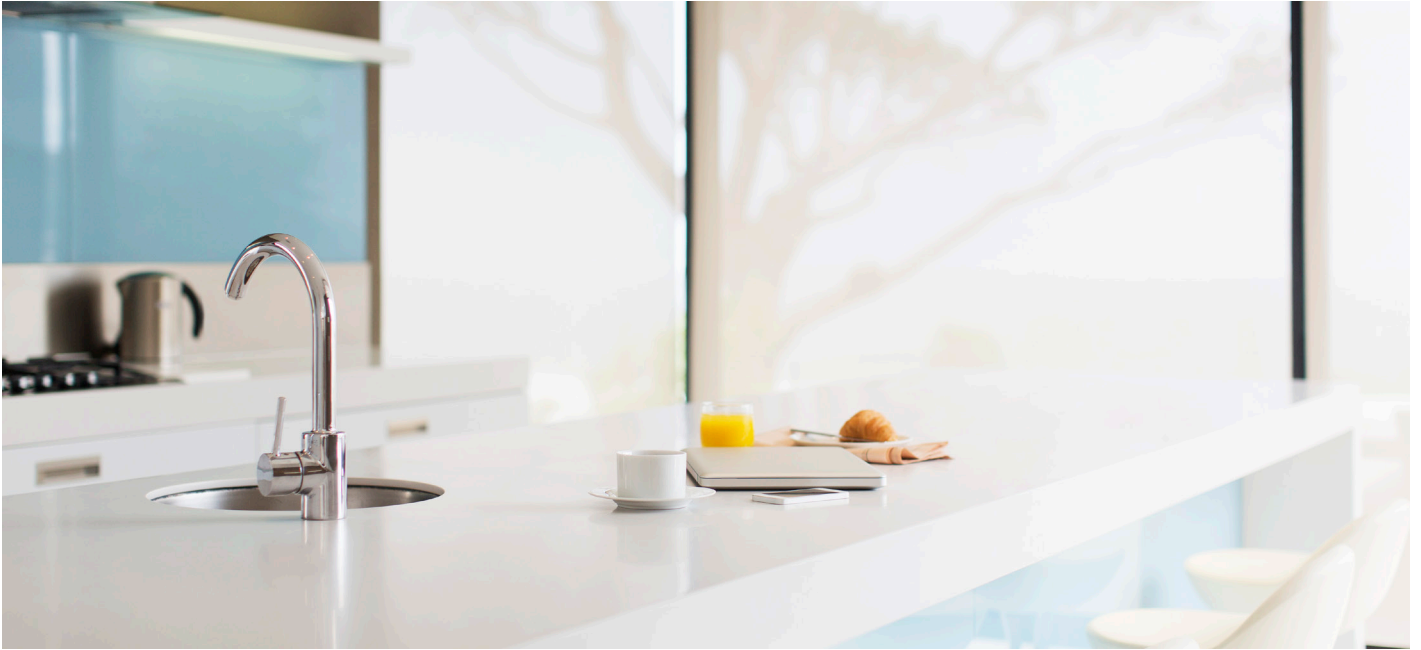
If the developer is VAT registered, the purchase price includes VAT, so no transfer duty is payable – this can be a huge saving and incentive to the purchaser. Some developers include Attorney fees and even bond costs, but make sure to find out from your agent/ developer what you as the purchaser are liable for.

Finance Options

With a plot and plan, the developer gets paid for the land portion of the total purchase price upon registration in the purchaser's name, and the construction company gets paid in draws during construction. If a mortgage bond has been utilised for the purchase, then the bank will register the bond at the time the land registers and pay out for the land portion. During the build, the banks pay out the remainder of the bond in draws at certain points of the construction. You as a purchaser will start to service monthly as a bond repayment the amount that the bank has paid out at any time during the process (called interim interest). The amount you service will increase between land registration and completion of the home until the bank has paid out the full loan.

Servicing a bond during construction of a plot and plan can be prohibitive if you are paying rent for somewhere to stay until your new home is completed. Talk to your agent and bond consultant though as there may be a bank product available at the time that can offer some relief. ABSA, for instance, currently offer a specific ABSA Building Loan designed for plot and plan purchases. This loan option effectively means they'll take all the interim interest due by you from registration of the land through to completion of the build and factor it back in to the remainder of the bond period after you can occupy your new home. It effectively means you don't need to pay out a monthly bond payment during the actual construction. With a turnkey, the bond will only register once the home is complete and transfer takes place. All the major banks should look at a turnkey offering.

DEVELOPMENT BUYING CHECKLIST



- Familiarise yourself with the whole development layout
- What does the estate offer in way of amenities, facilities, and security?
- Is fibre already installed?
- Check up on rules and regulations such as pet ownership
- Ask about expected timeframes from contract to completion
- Familiarise yourself how payment and finance will work
- What costs are included and what costs are for your account?
- Can you make changes to a plan and what will that involve?
- What options do you have in the way of finishes?
- Understand what constitutes a 'snag' and what processes are followed

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