

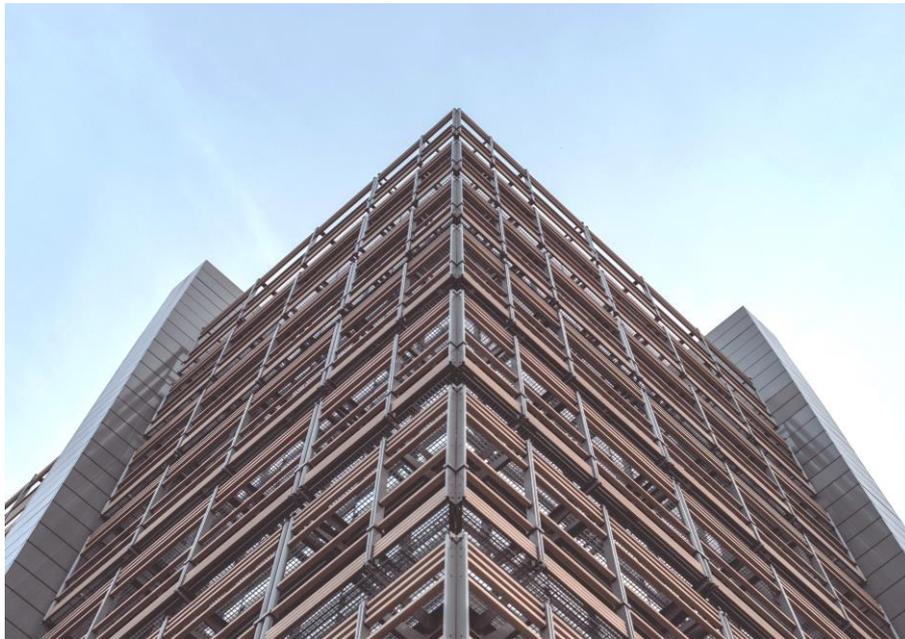
Buying an off plan re-sale apartment

Mark Jones, Director and Head of our Conveyancing department considers the risk to the unwary buyer.

London property is proving to be continually popular with overseas investors who view the stability of Sterling versus the Euro and the reliability and protection of Britain's property law system. One of the side effects is the voracious demand for off plan investment property. Most developments see all their stock contracted to be sold long before the completion of any of the development, thus helping to fund the construction. It clearly pays large developers such as Galliard and Berkeley to encourage off plan sales to investors as it reduces their borrowing needs and raises their profit potential.

A lot of these investors do go on to complete their purchase, but many having agreed to buy a year or more prior to build completion of their apartments, choose to offload them before completion of their purchase. This way they save themselves what will often be a very sizeable stamp duty charge, and they cash in on what may be a substantial gain on the price they agreed with the developer at the time that they initially signed up.

Off plan re-sales or "assignments"



That's where you potentially come in.

You are ready to buy a new home for yourself or possibly helping your children on the first rung of the property ladder or even as an investment. There are relatively few affordable and desirable properties available on the London market which means that these off plan properties are a large part of the available stock.

How does buying one of these properties differ from a usual purchase?

The answer is that they differ in several ways.

Firstly, the terms of the contract are already agreed and you have no opportunity to negotiate any changes to that contract. What you may be agreeing to needs careful consideration before you are happy to accept what the developer has agreed with your seller.

Secondly, your choice of lender is severely restricted as most lenders will not lend on a property which is yet to be completed. Those that do lend in such circumstances have strict criteria to be met before the loan will be agreed.

Then you will find that you are not dealing with just the seller and their representatives but the developer and their own agents and lawyers. Matters are understandably more complex in such circumstances and the paperwork needs careful scrutiny to make sure that you purchase what you are expecting.



One of the benefits of an exchange of contracts is that you set a fixed date to move. In these transactions there is no fixed completion date because you are dependent on the property being finished and passing local authority planning and building regulation requirements. Once certification is in place then the developer will serve a notice to complete and you will have very limited time to produce the balance of the purchase price.

Usually you can expect to pay a ten per cent deposit at the time that you exchange contracts. In re-sales, the buyer may well have paid more than ten per cent and you will be expected to refund the whole deposit (between 15 and 20%) as well as the uplift or profit to the buyer. This could easily amount to 30% of the actual price and that cannot be borrowed.

If you need to borrow to complete your purchase then you must be completely confident that you will have finance available at the time the property build is complete. If you do not have ready funds available for when the time comes for completion to take place, after notice has been served, you could lose your deposit.

Our involvement;

We do not act for developers. We have acted for many clients purchasing assignments from buyers in such circumstances and for their lenders in all areas of London and in other developments in places such as Croydon and Brighton.

Gedye and Sons is a Conveyancing Quality Scheme (CQS) and Lexcel accredited firm and has been since each of these schemes were introduced, a prerequisite for most lenders.

Our central London office, situated at 15 Old Bailey, has proved to be well located for client interviews and meetings for those buying in the city. Our head office in the Lake District, where most of our property department is based, means we are more cost effective than most city legal advisors.

We operate a paperless office and can communicate with you electronically for most purposes.

If you would like details of what legal costs you could face for us to act for you in such a purchase please contact Nick Davis directly on 020 3427 5081 or by emailing nick@gedye.co.uk