

BUYING OFF-PLAN PROVIDES A MAJOR SAVING IN TRANSFER DUTY

In the recent national budget, transfer duty costs were again hiked up to what must be amongst the highest in the world. The top end of the residential property market has been affected the most.

According to Mike Deacon, director of property developers Equity Estates Cape, buying off plan is now even more advantageous. The developer, who is the seller, pays VAT at 14% and there is no transfer duty payable by the buyer.

Deacon says, "The differences are huge. Transfer duty on a R6 million property would be R85,000 up to R2.25m + 11% of the sale price over R2.25m, which is R412,500, making a total of R497,500. At sales over R10 million the position is even worse, being R937,000 + 13% of the value over R10 million.

Deacon adds, "We can use as an example our current upmarket development. What does this mean when purchasing a unit at New Court at Steenberg in Zwaanswyk Road, Tokai? First, in a normal property transaction you need to take transfer costs into account, possibly with quite a few renovation costs. On that basis the end cost of buying an existing home at a little over R8m, now, paying transfer and some fixing up, equates to approximately R9.5m.

"Compare this to buying a unit off-plan at New Court at Steenberg, where no transfer duty is payable. There is a 20% deposit payable, with the balance due on completion. In terms of not having to pay transfer duty, with the cost of the units from R8,590 million, and using the example of the percentages above, there is a total saving of R782,400."

The construction of the 18 luxury units and other project infrastructure at New Court at Steenberg is on track for completion in November 2016, with more than half of the units already at roof level. 66% of the units have been sold to date with a number of prospective buyers. A new site office will be completed soon, providing visitors with plans, 3-D unit renderings, audiovisual and other aids to enhance the visual experience and assist in making a buying decision.

"Property has been one of the best performing asset classes this past year, with only rand hedges having been better. Markets have endured a rough ride both domestically and globally, with particularly poor performances in most other sectors. However, not only has residential property out-performed other investments, but the demand for property in South Africa has exceeded supply. The trend for buying property off-plan has also gained momentum. This is especially the case in security estates and cluster homes," says Deacon.

Deacon concludes, "Now is the time to buy, as we predict a rapid appreciation in the value of the properties once they are completed and handed over. Buying off-plan provides buyers with opportunities to maximise their returns on their investments right up front.

"Another benefit is that some buyers want something modern, innovative, secure and customisable. This is the logical alternative to the hassles associated with building a new house or renovating an existing one."

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