

Real Estate Key Facts

Property in Mexico

Buying property in Mexico, whether its land, a serviced apartment or a house, can offer good value for money in comparison to prices in the U.S. although prices in some areas have risen dramatically in recent years and care should be taken in assessing a property's true value. Mexico's land costs can be lower, building and maintenance is cheaper, cost of ownership (taxes, utilities) is very low, and although there are 'horror stories' associated with buying property here (as in every country in the world?), the overwhelming majority of all real estate deals go through legally and smoothly. The reasons to buy property in Mexico come down to a personal choice, and depend on your individual circumstances. Perhaps you will be living in Mexico for some years and you see long term rental as 'wasted' money, or perhaps you're looking for an overseas property investment that will surrender a rental income, while providing you with a place to stay on holiday. Property values in Mexico tend to increase year-on-year, as they do in most places, but in many places (with notable exceptions in popular cities and coastal areas) not as significantly as prices have risen in the U.S. and Europe in the last few years. And as with all property, the relative value and appeal of land and property in Mexico comes down to the three key factors: location, location, location.

Property Ownership

Mexican Law provides for private ownership of land by foreigners, and its law is very specific about the way in which land rights should be transferred from seller to buyer, and also what type of lands are not eligible for public ownership. Your Lawyer and/or Notary Public will guide you through the details of these, but generally:

- Property may be purchased and owned outright for residential use by foreign nationals outside of the 100km restricted land border zone, or outside of the 50km coastal zone;
- Inside of the restricted border/coastal zones, foreign nationals may own land through a fidecomiso (a trust) which is set up through a bank and provides for ownership of the land and property in all but name.

The Mexican Constitution previously banned foreign nationals from owning property that was within the restricted border zones. This old law was intended to protect Mexican soil from foreign invasion. Because the Constitution cannot be altered in this respect, the Government introduced a system of land trusts, so that foreign nationals could invest in property inside of the 'restricted' zones. So now, if you as a foreigner, want to buy a dream home with a Pacific beach view, you now can, except that it will be by means of a trust, set up through one of the main banks in Mexico.

The trust holds the deeds to the property, and you and/or other named persons which you specify are sole beneficiaries to the trust (and therefore the property). You have full rights to do whatever you like with your property: it can be developed (in accordance with local planning regulations), rented, leased, sold, or given away. In other words, you own the property in all but name. The trust enables you to name a beneficiary upon your death, and you do not need to have a Mexican Will in order for your wishes in regard to the trust to be executed. You do not have to be resident in Mexico to own property there, so there is no need to qualify for resident status under immigration laws in order to have a property investment in Mexico.

Mexican Law on property ownership is comprehensive and provides protection for the seller and the buyer in all property transactions, provided that the law is followed, and you ensure that all necessary documentation is present and that the procedures are adhered to. Your Notary Public (see below) is an important person in this process, and he/she will guide you.

Title Insurance in Mexico

When you buy real estate in Mexico, you would do well to consider taking out Title Insurance on the property. Title Insurance covers you should the property you buy subsequently turn out to have liens associated with it. This especially relevant if the property you are buying has been privatized, having previously been classified as being "Ejido" lands (see below), but even if this is not the case, Title Insurance will protect you if any other previously unforeseen lien or charge is brought against the property before you took possession of the Title Deed. Rates for Title Insurance are around US\$5-US\$5.50 per US\$1,000 of the property's value; pay-able once only at the point of purchase.

Ejido Lands

Ejido (Agricultural) Lands Ejido lands have a long history in how they came into being. Essentially, they are similar to "commons land"; after the revolution, communities and peasants were handed strips of land, in the main, to grow crops on, and they are called "Ejidos".

You can buy Ejido land, but the sale requires the agreement of the whole community that 'own' it, the process is arduous and risky. Some big property developers may negotiate to buy a big plot of Ejido land, with a view to "fractionalizing" it (usually introducing mains water, sewerage and electric to the land as well), to develop property and/or to sell off the individual plots to small property investors. Under these schemes, the land is often re-classified and made available for private ownership. The process is usually undertaken by professionals who understand Mexican property law intimately and the procedures can go on from a year to several years. The current advice is: double check to make sure that the land you are buying is not Ejido land and if it is, avoid it.

It is advisable to purchase Title Insurance if the property you are purchasing is ex-ejido land (although regardless of the type of property, Title Insurance is a shrewd investment).

Your Lawyer and the Notary Public is the most important person you will deal with when you make a property investment in Mexico. Do not confuse the role of the Notary Public in the U.S. with its counterpart in Mexico: they are quite different. In the U.S. for example, almost anyone can become a Notary Public. Not so in Mexico, where the role is appointed directly by the State Governor. The Notary Public has the power to witness and certify important business documents which require absolute authenticity. The appointment also holds responsibility for the management and secure storage of original records. Notary Publics must have a degree in Law, have 3 year's work experience at a Notary Public office and they must pass a stringent exam. Those who pass, in time, are appointed as Notary Public by the State Governor.

Under Mexican Law, the deed to the property must be prepared by a Notary Public. As a buyer, it is your right to choose the Notary Public, and it should be your second port of call after the Notary Public.

Your Lawyer will ensure that all documentation and permits are in order so that the transaction can proceed.

Everything official to do with your transaction should be done via your Lawyer and/or Notary Public: Do not take anyone's word about documentation (like property deeds) being valid - take copies to your lawyer for official verification. We will be able to advise you on such matters.

Common Checks that should be made

The Notary Public and/or your lawyer will do a series of checks on the property and ensure that the property has a 'clean' history, and that there are no liens on the land (e.g. an old unpaid mortgage). Under Mexican Law, liens are passed on with title of the land. Your Lawyer should also check that all land taxes have been paid during the last five years (if applicable) and that utilities (electric, gas, water and phone) have also been paid during the last two years. By Law, you are not liable to debts after these times. Other items to be checked include: Checking all buildings are on tax registers and have the required building permits, utilities were legally installed and payments are up-to-date, the property is not jointly owned, or if it is, that both (or all) owners agree to the sale, and that the seller/s has/have the right to sell. The Notary Public is legally responsible to ensure that all documents are in order and that all legal procedures have been adhered to. He will do a thorough check and will not destroy his reputation by hiding any problems, or potential problems from you.

Property Purchase Procedure in Mexico

The exact process will vary in each case, but you (or your lawyer) will follow a process that goes along these lines:

- Find a property you like; agree a price verbally;
- An agreement to sell/buy, with detailed costs, inclusions and exclusions, as well as deadlines, is set out in an initial "*Contrato de Promesa de Compraventa*" (sale agreement), at which point a deposit (5-10%) is paid by the buyer and cancellation penalties are set (usually equal to the deposit) if either party pulls-out;
- If the property is inside the 50/100km coastal/border zone, you will need to set up a trust;
- If you are buying from a developer (e.g. a Real Estate Development) notify the Notary Public who will ensure the developer's permits are in order;
- Get a copy of the Land / Property Deeds from the seller. The Notary Public will check these out. Ask the Notary Public to check that the land is not Ejido land, as discussed earlier in this guide;
- An official appraisal of the Land (*Avaluo*) needs to be carried out; your Public Notary can arrange this.
- Your lawyer will ask for official documents that can include (but are not limited to): Photo ID (passport), Birth Certificates, Marriage Certificates (if appropriate), and your visa (could be a Tourist Permit) to prove that your stay in Mexico is legal;

- The seller will need to present to the Notary Public documents including (but not limited to): original property deed, up-to-date tax receipts for the property, public utilities bills (shown as paid), plus up-to-date details of land-service fees (shown as paid);
- Capital Gains Tax is paid by the seller, unless you have agreed to pay CGT as part of the buying agreement. The Notary Public will state how much this is;
- Payment is made at the time when the deed is signed over to you, and this is done at the Notary Public's office;
- The Notary Public's fees are paid at this time as well, as well as other taxes associated with land purchase.

Payment: Whether you are paying with cash or via some kind of financing you (or your lawyer representing you) will need to have the agreed funds available for hand-over at the Notary Public's office on the date the deeds are signed across to you.

Buy, Build or "Fixer-Upper"?

Buying land and commissioning a house on it will provide you with much better value for your money: The price of land and construction will be less than an equivalent house bought built.

The downside of this, of course, is that you have the additional time, effort and expense of project managing a build. You would do well to be in Mexico for the duration. Architectural firms can be hired who will design, build and finish your house for you. They usually work on a multi-stage payment basis, and guarantee that the price they have quoted you is the price you'll pay, or within 10% (either way) min/max. The choice of whether to buy or build will again be a personal one, and probably also based on what you are looking for and what is available. When you do the math, you'll probably find that you'll get more for your money than by buying something built, but keep in mind the additional effort you'll need to invest; for convenience, it may be better to buy something already built, especially if you can't be in Mexico for the duration of the building period to keep on top of events.

A special note about buying land

Be sure, if you buy land, that it served by a reliable water source. Ideally, your plot should have a mains feed, but if not, it could include a well, or water from a neighboring plot - if it does, make certain that this arrangement is in writing and that the additional costs, if any, are clearly stated. Land without a consistent and reliable water source has very little value.

The "Fixer Upper" is a shell house in need of serious maintenance. These enable you to buy the property at the 'shell' value, and create a home, almost from scratch. Some "Fixer Uppers" include old colonial buildings, that can polish up into magnificent homes, if you have the time and resources to dedicate to them. These days, the people who own these 'shell' homes do not underestimate the value of the property once it is renovated, they have learned from previous experience, so unless the seller is desperate to sell, you may not be able to buy your 'shell' property as inexpensively as you may think or hope. Shop around and think carefully about the costs you don't know that you don't know about when embarking on this kind of project.

Valuing a Property for Tax Purposes

If you own a house in the USA, Canada or Europe, you are required to pay tax to the government, usually based on a rate-able value of the property. In Mexico, the Rate-able value is known at the *Catastro*, and is set by an officer of county; no onsite inspection is required.

The *Catastro* value will vary depending on the area in which you intend to buy, and can be a fraction of the commercial value of the property. This *Catastro* is used by the Notary Public to assess the value of the annual equivalent of the "Local Property Tax", known in Mexico as the *Predial*. The *Predial* is payable annually, on January 1st or soon after. You don't get a bill; you just know you have to pay it in January, and you show up to do so each year. You will find the *Predial* is very low (and could border on insignificant) when compared to say, property taxes (even at the lowest rates) in U.S. or the annual rental value of the property.

This is one of the reasons why cost of property ownership is low in Mexico. Although the *Catastro* is an essential number for working out tax liabilities, in practice it serves of no use in assessing the commercial value of a property.

Commercial Valuation

In Mexico, values are not determined or measured on number of bedrooms; as a measure of value people instead look at a price per square meter of land and then per square meter of construction on that land as they do in the USA, Canada and Continental Europe. For example, you could have a 300 square meter plot with 500 square meters of construction. The garden is likely to be small, or even, just a patio, in this scenario. "Construction" is based on outer measurements, wall-to-wall and includes garage, covered patios and out-houses or other buildings, not just the main living areas.

Some Common Valuation Models

Here are some of the more common ways in which properties can be valued:

Investment Value

This is deduced by determining how much the property would fetch monthly from a rental (based on similar rentals in the neighborhood / area) and multiplying by a factor. This factor is usually calculated by taking into account the cost of maintenance and applicable property taxes. If you wanted to see a return in 6 years (which is about average) then your formula would be: (Monthly Rental x 12 + Annual Maintenance (Including Service Fees) & Taxes) multiplied by Years (6).

Similar Recent Sales

If you are buying in a neighborhood where houses / land plots are similar, then you may be able to get an indicative commercial value from prices paid for similar size and type properties in the area during the last 12 months. An estate agent would be able to guide you in this respect.

Replacement Value

Another way of determining the commercial value of a property is to take the commercial value of the plot (land), and add to it the cost of construction, should you build it today (this is usually expressed in cost per square meter of construction) and depreciate this value according to the age of the house. You would then add on the value of any special features.

Features that can Add Value

Values of property can escalate when the following features exist on or near the property (remember that features attached to the property are subject to depreciation factor, mentioned above):

- Property is well served by local infrastructure (e.g. good roads, airport);
- The property is near a body of water; river, lake ocean (but watch out for rising water levels!);
- The property has good panoramic views of the area;
- Property is in good condition and requires little or no immediate maintenance;
- Property has a swimming pool / whirlpool Good landscaping, driveways, garage, water pressure system, parabolic satellite system;
- Any furniture: Homes in Mexico are often sold fully furnished, but not always - check.
- Local security - for example in gated areas - where all residents in the community pay an annual fee to a security management company for 24x7 vigilance;
- Any features which make the property unique and added to the cost of construction and / or take up additional land; e.g. a large ornamental fountain.
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Negotiating / Bartering

Try to find out what the history of the property is: who owns it, for how long and why are they selling? Are they in a hurry? Do they need cash fast? How far would they be willing to negotiate or barter - especially if you can close quickly. How much discount you can negotiate will depend on each individual situation. However, you should not offer the asking price and be prepared to walk away (and show that you will) - at the risk of losing the house - if you cannot get a deal that you think represents value. Ultimately, the value of real estate, like the value of anything, is what someone is willing to pay for it. If you fall in love with a particular plot or house, you may be willing to pay extra for it. If you can, keep emotion out of the equation, and if you can't, certainly make sure that you don't show any emotion as it will be immediately sensed and will erode your negotiating position.

Costs and Taxes

When you buy property in your home country, you are usually faced with the associated costs like agent fees and taxes. Mexico is no different, although the net value of these costs as a percentage of the property values may be lower overall, but this is not guaranteed as professional fees have risen recently too.

Acquisition Tax: This Tax is paid on the sale value of the property and is equivalent to about 2% depending on the State in which you buy. This tax is paid whether the property is sold, transferred, donated, placed into trust, split off or merged.

VAT (Sales Tax): No Value Added Tax (Sales Tax) is payable on residential property. Commercial Property transactions are liable to VAT at the current rate in addition to the Acquisitions Tax.

Appraisal Tax: The Tax Authority may choose to perform a commercial appraisal of the property after you purchase it. If the appraisal value is more greater than 10% of the price you paid for it, you will be asked to pay 20% tax on the difference between the two amounts. This sum is due within 15 days of the date of the appraisal report.

Registry Fee: In order to have the Public Records updated, a 1.3% fee (based on the value of the transaction) is paid by the buyer.

Public Notary Fees: You will be required to pay fees for services provided by the Notary Public. These are about 1.5% of the transaction value, plus the cost of the official appraisal (as described in Valuation section, for tax purposes).

Bank Trust: If you purchase property within the 50/100km restricted zones, you will need a bank to set up and manage a trust for you. Shop around, as prices vary from Bank to Bank. Set-up fees can cost up to US\$750, with annual service charges between US\$300-US\$500. The annual service fee will cover legal obligations (e.g. the filing of necessary documents annually) by the bank on your behalf.

Lawyer / Attorney Fees: If you hire a lawyer / attorney, you will also need to pay him/her with fees for services they undertake on your behalf. These should be negotiated in advance.

Land / Building Surveys: If you need to undertake any land or building surveys, these will have to be paid for separately. Cost will depend on type, extent and complexity of surveys undertaken.

Foreign Office Permit: Your permit from the Mexican foreign office will cost around US\$150.

Service Fees: If you are buying a house in a gated community, or an apartment, be sure to check on the annual service fees, and have these put in writing. Service fees can range from US\$100 a year to US\$1000+ a year, depending on location, number of houses or apartments in the enclosure and amenities offered.

Title Insurance: When you buy property in Mexico, you would do well to consider purchasing Title Insurance. Rates are based on the sale value of the property and are charged at around US\$5-US\$5.50 per US\$1,000 of the value.

Costs and Taxes: Selling

When you sell a property in Mexico, you will be subject to the fees of any professional services you contract, plus the following taxes and fees:

Income Tax on Property Gains: If the home has not been your main residence for at least the last two years, will be required to pay income tax on the property. You may either pay 20% on the gross amount of the transaction, or elect to pay 40% tax on the net profit obtained from the property. This law prevents short-term speculation on the property market. Commercial property is taxed at above rates, regardless.

Agent Fees: If you employ an agent, expect charges of around 3-6% of the value of the sale as a fee, but you may want to negotiate on this beforehand. You will also need to pay VAT (Sales Tax) on agent fees.

What is an 'off plan' investment in Mexico?

Buying a property 'off plan' in Mexico is like buying 'off plan' anyplace else in the world: it is the investment in a property which has not yet been built, that is, it is simply at the 'planning stage'; therefore you are buying it "off the plan" so to speak. Property developers like off-plan sales as it helps their cash-flow: a building is partly paid for before construction begins. It also helps them to gauge interest in the market and even the price level which people are prepared to pay for properties of a particular project.

There is an additional element of risk with off-plan purchases which does not exist when buying a pre-built home. In return for the additional risks, off-plan investors are enticed with a number of incentives. The most prevalent are a discount on the sale price, a detailed or tailor-made choice of decorations and furnishings, and the opportunity to pick from the 'best available lots' within the development complex.

Off-Plan investments have become more popular as property buyers have become more affable towards investment risks of various types in return for a potential reward: usually in the form of a generous discount against the estimated market price, proffering the potential of a bigger capital gain from the outset.

Making a profit in a rising market is straightforward with off-plan investing; however, care must be taken to gauge market conditions and you must have an excellent understanding of true market values locally in order to negotiate the right level of discount for the additional risk you assume as part of the contract.

The process of buying 'off-plan' in Mexico

Like other countries, the process of buying 'off plan' in Mexico is straightforward: you agree to buy a certain property, based on an architect's plan, usually with staged payments. Payments are completed in agreed stages, with a final payment stage usually held back until you are fully satisfied with the delivery of the property and facilities you expected under the terms of the contract. Be cautious if a developer insists on being paid a very large sum (percentage) up-front. Most off-plan contracts are sold 'by invitation' only, although it depends on the buoyancy of the local market at any given time. The people invited to buy off-plan are invited as guests at an opening event or party hosted by the developer.

These occasions are usually expertly hosted and include an array of visual and audible displays, professional presentations delivered by trained sales people, and a friendly, energetic atmosphere. If you attend one of these events, by all means enjoy the occasion and get yourself informed also take a step back and reflect upon what is being offered and compare that with your personal needs and goals. It's a good idea to take someone impartial with you to these events, that is, someone who has no emotional or financial interest in the proposed investment.

The 'off plan' events are as much a testing ground for the developer as they are a negotiating ground for you. You will have the opportunity to ask questions, negotiate lower prices, agree more advantageous stage payments or additional extras like furnishings or appliances that may be included in the price. Clearly, there exist additional risks to off-plan property investment, but these may be offset by the potentially greater rewards on offer. Many people have bought and continue to buy properties successfully 'off-plan' in Mexico and enjoy the benefits of this type of investment. Read the next section for a check-list of considerations which are relevant whether you are buying off-plan or once the development is complete.

Key Considerations for Buying a New Build Home in Mexico

There are number of important considerations to reflect upon when you approach a property investment in Mexico and additional considerations when buying from a brand-new home from a development project.

Check the Developer

Check out the developer. What other projects have they worked on? What projects are they working on now, other than this one? When were their projects scheduled for completion and when did they complete? What is the local reputation of this firm? What are previous client's experiences of dealing with the Developer. Don't be afraid to ask for references.

Don't take prominent or extensive advertisement placements in magazines and newspapers as proof of establishment or reliability. Ask locally and do your research. Don't be afraid to ask incisive questions which put the developer on the spot about their reputation and track record.

If you are buying off-plan:

Here are some additional pointers if you are buying off-plan:

- Remember that when you buy off-plan you are taking a commercial risk on the development as well as the developer;
- Check the developer's credentials, permits and licenses;
- Get an experienced professional to draw up a proper contract that is very specific about what happens if things don't go to plan;
- Remember that you are handing over cash for something that only exists in concept but the money you are handing over is real;
- Do your homework and be knowledgeable about the developer and the local market.

Check The Development Plans.

If you are buying off-plan, be sure to have the plans checked thoroughly, preferably by a legal professional with extensive experience in the field of 'off plan' property investments. It sounds obvious to say 'check the plans', but some people really do buy on the face value of the marketing brochures and pretty model mock-ups on display at the sales office or launch event. It may work out fine, but not checking the plans increases the risk of your investment.

Some plans never get approval from local authorities, some plans come up against a plethora of other complications, too numerous to mention here -- but suffice to say that a plan is just that: a plan, a proposal, and you need to stay rooted with that truth when you sign the contract. When you are buying a pre-built property, your Notary Public and/or lawyer should check the plans and permits carefully and tell you about any legal problems that may be present with them. In all cases, the developer's permits and licenses should be verified. This is done by the Notary Public when you buy a pre-built property -- the same diligence should be exercised when buying 'off plan'.

Check the Location and the Locality

Consider the location for your personal and, perhaps, professional needs. When you are happy with the location, check the locality where the development is situated (or planned to be situated). Also check the surrounding neighborhoods. The nicest development in the world won't bode well in the wrong place.

Take time to visit the area, eat at the local restaurants, talk to people at the local cafe, buy something from the local shops and try to get a feel for the place. Get informed about local issues, and if you can, connect with locals at the bars or cafes and find people who have bought in the area before you to absorb knowledge from their experience: most people who have purchased locally will be pleased to share their experiences. Doing this will help you to make informed choices about your investment and learning from others may help you to avoid potential setbacks.

The locality of a property development will have a significant impact on the value of the property over the long term. If you are buying off-plan, it's even more important to double-check this consideration. Getting informed mitigates risk and helps you to better value (price) the property you are investing in. Internet research is a fantastic way to find opportunities and conduct your background checks, but there is no substitute for visiting the area personally and spending some time there. Don't just take the developer's word on the potential. Look at the other developments being constructed nearby and consider their impact, positive and negative, on your investment.

If the locality is good, chances are that the potential for other quality projects being developed exists too (along with a buoyant market for those). Also consider what the secondary market (i.e. selling your property on to others in the future) will be like now and in future -- characteristics of the locality will affect this, too.

Check the Rental Yields

A rental yield is a simple calculation that works out how much "gross interest" you are earning for your money (in this case, the investment in the property purchase) through rental income.

For example, if you spend \$100,000 on a property and rent it out for \$10,000 a year, that is a gross yield of 10%. It's a good idea to compare this figure against other asset incomes, including cash or bonds, to give you an idea of the value and risk of the investment. Remember that the gross yield does not take into account operational costs (e.g. agency and maintenance fees) or interest on any financing you use to acquire the property.

You'll need to make this (gross yield) check if you are buying the property as a rental business: i.e. you plan to rent it out for part or all of the year.

To make the calculation you'll need to make a very good estimate of the rental income. If it's a brand new property the only way to do is to compare rents in the location AND locality of similar-type properties to the one you will rent. Be realistic with your comparisons and be prudent with your forecasts. Remember that even advertised rents are negotiable, so the sums you see in the local paper may not be a true reflection of what people are actually paying in rent.

Checking for Snags on Delivery

When you buy from a property developer, you are buying a brand-spanking-new property. Like anything bought new, you can expect a certain standard of finishing (in line with the price and category of the development). When you take delivery of your new home, be sure to check it thoroughly for 'snags'. Just as you would check a new piece of clothing or a new appliance to make sure it is in perfect order and working, so the same diligence is required with your new home.

The Snagging List

Be methodical with your list: go around every inch of the property and check for 'snags'. Developers are often working to tight deadlines and they miss things or accidentally damage something while they are putting something else in place.

Small snags may include places that need a lick of paint, or need 'making good' after a scrape or incomplete finish. Check doors, windows and their frames. Check bathrooms, toilets and around basins for leaks, gaps or cracks, check the kitchen area for leaks and craftsmanship too. Most snags are not serious and only require some re-decoration, repainting or professional finishing to put things right.

Serious snags include incomplete installations of basic services (plumbing, electric, gas) incomplete or non-functional furnishings or appliances (e.g. fitted kitchens or dishwashers), missing features promised in the contract, or even structural problems. Some snags may not be noticed until later, for example, when it rains you may discover that part of the roof leaks.

Make a detailed inventory of all your snags. Give each snag a reference number, any number will do, something to identify it when you are corresponding or talking with the developer about it, so you both know which snag is being referred to and, when it fixed, you know exactly which one is cleared. Without numbers, you may end up getting confused about similarly labelled snags in different places, confusing yourself and the developer. Using reference numbers ensures that the inventory of snags is properly logged, managed and discharged.

You need to actively manage your snag-list as well as the developer until the list is clear and you are completely satisfied that the property and its furnishings are delivered to the standard you expected and/or contracted for.

Advantages and Disadvantages of Buying a New Build Home in Mexico

As with any type of investment, buying a new home from a developer (instead of buying in the secondary market) has its pros and cons.

Advantages

Tailor-Made Decor: Buying a brand-new home enables you to choose the interior decor right down to the last detail in many cases. Some developers also work with companies who will provide a complete decorating and furnishing service for you if you want it. However, despite the flexibility, some buildings will require you to keep the wall coverings simple while the building settles and dries out. This can take up to two years, depending on the local climate.

Modern, Energy Efficient: Most new build developments use the latest techniques and modern materials which make the property energy efficient. As mentioned earlier in the guide, some even have eco-friendly features like rain recycling and solar panels built-in to the design. Many modern designs also allow large quantities of natural light to pour in to the building, lessening the reliance on artificial light -- but do check as each development is unique.

Minimum Logistics: No one has to move out of the property before you can move in and a good developer will have everything arranged for you on your closing date. The property will be ready for you to move into, and in some circumstances the whole place may be furnished right down to the last teaspoon.

Community Benefit: When buying into a development, you are often buying into a community. This means that you may have access to shared services and facilities as part of your normal maintenance fees which you would otherwise need to pay for, e.g. a golf course, a swimming pool, a lake, parklands, etc. Some gated communities also offer local 'focus points': a club house, a gymnasium or spa, or other facilities where residents can meet and socialize.

Safer, More Secure: Modern homes have the latest electricity and gas safety technologies installed. They may have water filters plumbed in and smoke alarms fitted throughout the building. Fire escapes and emergency exits are usually more ample than those found in old buildings. Security lighting and security systems may also be built-in to the design. The wiring and plumbing will be new, and they will be free of asbestos and other known-hazardous materials, for example, like lead-based paints.

Easier Finance, Cheaper Insurance: If you are financing your home with a mortgage, some finance houses will look more favorably upon modern homes when making a lending decision. In fact, getting a mortgage on some older homes or historical properties (however beautiful) is sometimes impossible because of the additional inherent risks older properties carry. Insurance premiums are usually lower on newer properties too, although it does depend on where the property is located and what you are insuring against.

Staged Payments: If you are buying off-plan you will be able to pay for the property in pre-agreed staged payments: but beware of the additional risks and seek professional legal advice.

Lower Maintenance: Maintaining a newer property is much less expensive than maintaining an old one. Over time, as the property ages, your maintenance costs will rise, but you will have had the advantage of a few years of very low (or virtually non-existent) maintenance costs.

Warranty: Although some developers offers warranties of various kinds, these may be difficult to enforce in practice. However, you can produce a snagging list (see earlier section in the guide) and insist the developer makes good on the snags before making your final staged payment.

Disadvantages

Buying Off Plan : You cannot see what you are buying and you never know what the finishings will look like until they are physically in place. Do try and get contractual commitments about the detail of any off-plan investment, especially if you are paying more for up-scale finishings, furnishings and decorations.

Delays in Delivery: If the property is not completed (or purchased off-plan) you may not have a home to move into for up to 18 months or even two years. This compares unfavorably with a pre-built property (whether a development or otherwise).

Prices May Be Less Flexible: Developers may feel disinclined to offer a lower rate on a unit, especially early in the sales cycle, as doing so would lower the estimate price for all other units in the same development. That's why developers usually offer 'upgrades' or higher-grade finishings or furnishings as part of a package deal instead.

Maintenance Costs: Condo developments and gated communities usually have annual maintenance fees to cover communal facilities and services. Golf courses, tennis courts, swimming pools, lakes, et al, they all need paying for and it's up to the new owners to continually fund the maintenance for these. The advantage of this system is that you get access to facilities which would normally be out of reach to most people if they wanted to acquire the facilities privately. Remember, too, that the costs for additional services and amenities only represent value for money if you plan to actively use them on a regular basis or if they add additional rental value / desirability to a property.

Higher Cost per Square Foot: Usually (but not always) the cost per square foot of a new build home is higher than that of a pre-owned home. Some of this additional cost may be off-set by the advantages, for example, better efficiency, higher safety, amenities, community services, etc. It's a trade-off and one that needs to be considered as part of your wider lifestyle and investment choices.

Moving in During Build: Some Developers release certain units while other units (whether it's a condo or a house) are still being built. This means that you may have to experience building work going on around you for a number of months or even years. Most developers will attempt to keep the disturbances to a minimum but you should check with the developer about the stages of build and how these may affect your living circumstances in the early months or years.