Anyone Can Get On the Property Ladder!

David France’s Guide to Creative Property Selling and Buying Around the World

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I put this quick guide together for buyers and sellers who are having trouble either finding purchasers for their homes or having issues getting on the property ladder.

There is always a way to sell or buy and if the traditional methods are not working for you then all you need to do is be a little creative in your approach. For example some banks are now offering 110% mortgages in Spain, many private sellers in the Middle East, Europe and the US are selling on 10-20 year installment contracts directly to buyers with no deposit or credit checks required.
People may have trouble selling and need to sell for all sorts of reasons:

- Many people bought at the wrong time and may find themselves in negative equity.
- Maybe they bought in a country where there was a property boom and the prices have since crashed and continue to collapse.
- Maybe they have been a victim of the current economic climate and are having financial problems and possibly facing repossession or bankruptcy if they cannot sell.
- Perhaps they put all of their savings into a property that has since plummeted in value and see no way of recouping what they put in financially.
- They could be getting divorced and have a property that neither of them want or can afford to keep on their own.
- It could be a holiday home that seemed like a good idea at the time to buy but has not been used as much as initially envisaged.
- Bought by a property investor who thought that their return on investment would be significantly higher or that they could have quickly flipped the property after buying to achieve a quick return in a crashed market.
- The owner may be immigrating and have no time or desire to keep the property.
- The property might be located in an area where there is a massive over supply of properties and the sheer amount of properties on the market is driving prices down due to the competition.
- It could be a property that was owned by two business partners who have went their separate ways and do not want to be connected anymore through their property.
- It could simply have been on the market for a really long time and they are getting tired of nothing happening.

Ideally for everyone the best way to sell your house or apartment would be to put it on the market and sell it within a short period of time for the price you want. However, this is rarely the case, especially at the moment when mortgages are harder to come by than ever before; people are finding it more and more difficult to get onto the property ladder.
There are plenty of good buyers out there that may want to buy your property although they may not be able to just because a bank may not finance them. They could have an excellent credit rating and in a great job earning lots of money but the bank still turn them down for finance often without explanation. Maybe they are self-employed, living overseas, run their own businesses, have never had a mortgage before, lived at their address for under a certain amount of years, missed a credit card payment a while ago; for these reasons and many more they are often penalized by the banks and refused mortgages.

Some may be approved but the bank might charge them an unbelievably high interest rate or require a massive deposit in order to grant the mortgage; this in turn may be unaffordable and unrealistic to the buyers so they will decide against the property and continue to rent instead.

Property investors may also want to buy your home to add to their portfolio and see an opportunity where they could add value to the property and sell it on for a premium over time. They may be interested in buying your house or apartment in cash for a big discount to make the deal work for them, although this might not always be possible for you and most sellers definitely do not want to sell for 50% below what the property has been valued at.

So what do you do?

• Do you wait for more years in hope that a buyer comes out of the woodwork and offers you the price you want?
• Do you hope that the stagnant market suddenly has an influx of buyers to snap up all the vacant and empty properties that were over supplied and bought by property investors?
• Do you give in and get repossessed or go bankrupt?
• Do you try listing with another local agent who will probably promote it in the exact same way as the previous one?
• Do you do nothing and hope that it takes care of itself?
• Do you think of more creative ways to find a buyer?

If you have had the property listed for some time without success you will definitely consider more creative ways to find a
buyer.

To do this you have to understand what a buyer wants.

Buyers generally are looking for;

1. A property in what they consider a good location and can call home
2. A holiday home in a desired location
3. A property they see as a potential investment that they can add value to and add to their portfolio
4. A realistic and fair price
5. Easy and affordable monthly installments fitting with their budget to clear the balance
6. Access to the property as soon as possible

Buyers know how the market is at the moment and they realize that they do not have to pay top dollar to obtain a property that they want. Although they do realize that even if they get a bargain it is not always easy to get the finance to buy the property. Sellers also know the market very well and see how long it is taking with no sale and a severe lack of interest in the property. They realize that some other sellers are dropping prices by huge amounts just to get the property off their hands, so they know what they are up against.

We all know that people still want to buy properties, get on the property ladder and some want to invest and add to their portfolios.

So if the sellers are motivated and the buyers are motivated then what is stopping them from coming together and doing a deal together?

Is it the banks? If the banks are not lending to them then the deal is dead…or is it? Absolutely not, the deal is still very much alive. If you could find another way of selling the property to the buyer without relying on a bank then you would, right? Of course you would. Is it the lack of understanding on how to go about creatively selling the property?

Absolutely.
If you think about it; you have a buyer who wants the house, a seller who wants to sell the house, then there is a deal there to be done right? Of course there is. You just need to know how to negotiate it and how to complete it legally.

This is where the creativity comes in. People have been doing creative deals for years and it is important that any property deal that you do is undertaken using property lawyers experienced in your jurisdiction. This way you will know that your interests are taken care of and protected with the contracts that the lawyers will put in place. Property law can be different from country to country so it is important that you have a lawyer in the know.

So how can you negotiate a deal?

You need to negotiate something that will work for each party, a fair price and affordable payments to clear the balance to you.

A popular way of selling in today’s market is as a payment plan / installment contract / contract for deed. If you decide to go down this route you will agree a price with the buyer and a term of years.

So lets say you agreed on a price of 100,000 Euros as an example over a 15 year payment plan then the buyer would be paying you 555 Euros per month to clear the balance. You would keep the deeds in your name until such times as the buyer has paid you the full balance, once this is paid you would transfer the ownership onto them. They may decide to pay you larger installments at certain times to clear the balance quicker or as the term goes on they may decide to buy the property using mortgage finance if they were easier to obtain at that time.

You are protected here because the deeds remain in your name until they have paid you the balance in full. If the buyer was to stop paying you, or defaulted for consecutive months then you can make the contract null and void with your solicitor and you would not have to refund any of the costs that the buyer had paid you to date.

So lets say the buyer had been paying up the 100,000 Euros for five
years and had paid 50,000 Euros so far; if they decided not to pay anymore, went bankrupt etc then you would not need to refund the 50,000 Euros, so again your interests are protected. It is almost like you have become the bank.

Your solicitor will also create a contract that covers death, so that in the event that you or the buyer died then the contract could keep running. This is why it is important to have a lawyer on board to cover every eventuality.

During the term while the buyer is paying up the property to you they can usually use it as their own, so they may live there, use it as a holiday home, add value to it, rent it out and so on, depending on what is agreed in the contract.

The downside of selling in this way is that you are not getting the full balance in one go as you would if you managed to sell the property in one go on the open market, instead you are getting the balance in installments over an agreed term.

The upside of selling in this way is that you have a buyer who is committed to buying the property from you at a fair price, they have agreed the price with you and agree to pay you an amount each month to clear the balance. So you are getting money coming in every month and do not have to worry about the property. You may also be helping someone get on the property ladder or an investor grow their portfolio. You are well protected during the term as you still have the deeds and are receiving the payments directly from the buyer each month. You will be more hands off, so the buyer will normally take on all of the costs and responsibilities associated with the property during the term, maintain and run the property; so it can be a big weight off your shoulders.

There is a never-ending supply of buyers for this type of deal; it is a very attractive opportunity for buyers and sellers.

Other creative methods of selling depending on where you are based in the world can include lease options, lease purchase and delayed completions, these are similar to the payment plans / contract for
deed in the sense that the buyer will usually pay you monthly. Basically with the lease options the buyer is agreeing a price with you now and have an option to buy for that price within an agreed term, during the term they are leasing the property from you. With a lease purchase a price is agreed and the buyer pays the seller a lease each month that will be deducted from the sales price.

Whether you decide to sell as a cash sale, payment plan / contract for deed, lease option, lease purchase or delayed completion it is important to make sure that your contract is legally binding. So it is important not to cut corners to save a little bit of cash on legal fees, it has to be done properly.

If you are interested in selling or buying a property creatively then let me know I would be happy to assist you.

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