

Offer to Purchase Tips and Tricks

Buying your first investment home is exciting! Don't let the excitement make you gloss over the small print, make sure you understand the offer to purchase thoroughly before you sign it!

What Is an Offer to Purchase?

The offer to purchase – or OTP – is a legally binding contract between a buyer and seller that contains all the conditions attached to the purchase of a house. Once you sign it, you cannot easily change it. It includes all the details around the sale of the property and once signed, the OTP can be accepted, declined or left to lapse by the seller. Of course, the seller may change your OTP to include a counter offer. You then need to review the updated OTP and see if you, as the buyer, agree with the new terms and conditions.

Who Draws up the Offer to Purchase?

Do not download an OTP from the internet and use that basic template! It is important to have your OTP drawn up by someone who is a property expert with a history of having written up such agreements. Think estate agent or attorney.

Go through the OTP VERY Carefully

Do not sign anything you don't understand, ever! If there is something you don't understand, ASK! Your estate agent or attorney can go through any of the clauses that are not clear with you until you understand exactly what you are signing.

Make sure the following details are correct:

- The buyer's and seller's details are correct;
- The property description is accurate and matches the title deed;
- The purchase price is as agreed;
- The date of occupation and any agreed upon occupational rental amount are correct;
- Any special conditions are included and accurate;
- A thorough list of defects has been included;
- Any and all fixtures are clearly laid out.

Permanent Fixtures refer to any structure, ornament, or equipment that is structurally anchored to the ground, is plumbed for water circulation, or too heavy or massive to be easily moved. Examples of permanent fixtures include:

- Alarm system
- Solar heating system
- Air-conditioning units
- Wendy house
- Shelving
- Safe
- Pool equipment
- Blinds
- A mobile kitchen island

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Clauses to include

When you sign an offer to purchase, you can specify certain conditions that need to be fulfilled. This is your opportunity to ensure that you, as the buyer, are protected.

1. Finance

You can specify that you require finance from a certain bank and at a certain rate. If you don't specify this, you might only be able to raise finance for 60% of the value of the property and at a very high interest rate which will result in you paying for tenant's lifestyle! Include something like:

Subject to the buyer securing finance from FNB at 8% for 75% of the value of the property."

2. Builder Investigation

If you haven't been able to get into the property with a builder to check on what work needs to be done, you can specify that the OTP is dependent on final quotes from the builder.

3. Subject to partner approval

You can sign an OTP saying you need to get your partner's approval first. This buys you time to do more research around the property before signing on the dotted line and if you find something that raises alarm bells, you can go back to the seller and say your partner declined the offer.

- Remember to stick to the timelines in all the clauses otherwise the clause will lapse, and you will be legally bound to purchase the property. Ouch!

Feeling even more anxious to sign your first OTP? Deep breaths, remember that by doing your research and including clauses that buy you more time to do your research and ensure it will be a good buy, you will be fine!

It is a BIG step, and I am proud of you for getting this far. Good luck!