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Purchasing an apartment in Israel

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(INGIMAGE/ASAP)

Purchasing an apartment in Israel is usually the largest and most complicated transaction a new immigrant will make in his new country. He/she will be required to invest a large sum of money, which he/she probably acquired by working for a long period of time. For young buyers, it will mean a long commitment, a mortgage repayable in 20 to 30 years. Because of the large sums involved when purchasing property, one is exposed to many financial as well as and legal risks because buying property involves making a binding contract.

This holds true for locals who have lived here for many years, but it is especially relevant for new immigrants who come to a real estate environment that is different from what they are used to. Consequently, extreme caution is recommended. It is very important to have a reputable lawyer to guide one through the torturous route of local mortgage and real estate practices.

Prior negotiations and signing a letter of intent

In Israel, as in other countries, a letter of intent is signed when the legal requirements may be lengthy and the parties want a document that specifies the terms of the agreement. One should be wary of signing a letter of intent; but if one has to sign one, it should be drafted by a lawyer.

In Israel, a letter of intent may in some cases be legally binding, even if the parties have not yet dotted all the i's and crossed all the t's.

Checking the legal status of the property

Before starting negotiations to buy a property, one should hire a lawyer to check the legal status of the property at the land registry office. This will eliminate fraud, such as someone selling a property that is not legally theirs. At the land registry office one can also find out if there are any liens on the property.

There is also the question of the ownership of land. Is it leased from the Israel Land Authority or is it freehold? If it is freehold, the land is more valuable. If it is leased land, it is less so.

When buying a property from a developer, one should check the land ownership.

The Israel Land Authority, which leases the land, is a very cumbersome bureaucracy. Many properties built years ago are still not registered in the name of the owners but in the name of the development company. This is common in Israel and should not be a cause to cancel a contract.

The location and physical condition of the property

It is important to view the property with one's own eyes and to check out the location. This is especially important because the price of real estate is based on location, location, location. One should see if the location is what one expects and wants.

Checking the planning status of the property

It is important that the purchaser or, better yet, a land appraiser, obtains from the local authority the file on the property to make sure that no illegal additions have been made to the property and to ensure that there are no impending litigations. If the current owner is being sued, it may prevent a transfer of ownership. If illegal additions have been made to the property, the new owner will "inherit" potential legal liabilities.

Escrow mechanisms

The legal requirements of purchasing an apartment may take time.

Consequently, a situation may arise in which the seller wants to be sure he/she will be paid, and the buyer wants to be sure he/she will obtain the property in the end.

One of the ways to handle this issue is by opening an escrow account. This is an account that specifies the conditions by which monies will be transferred to the seller.

Representation by an attorney

In real estate transactions, it is very important to be represented by an experienced attorney with malpractice insurance coverage. If an error on the part of the attorney causes a party to incur losses, he/she can be reimbursed by an insurance company. Some policies do not cover real estate transactions; consequently, one should make sure that the coverage is sufficient for any eventuality and that it includes real estate transactions.

I must point out that this article does not cover all eventualities in a real estate transaction. And it is certainly not an alternative to legal counsel. Every real estate transaction has its own unique aspects, and one should obtain legal advice at all times.

The writer is a senior associate at Afik & Co., attorneys and notaries specializing on commercial and civil law, including real estate. ■