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Demystifying Cayman real estate law: Off-plan property purchases

APRIL 2024

Understanding the risks involved with off-plan property purchases

Off-plan purchases can be a rewarding way to invest in real estate as the value of the property could increase between the date you agree to purchase and the date of closing. However, it is important to understand the terms of the contract and how this can affect your investment.

Buying off-plan is usually where you agree to purchase a new property from a developer before construction of that property has completed, or even commenced. The buyer commits themselves to purchasing the property from the developer once construction has been completed - which could be anything from a few months to a few years away. This commitment is documented in the purchase contract.

The property contract, as it does with every real estate transaction, documents the parties' obligations, rights and commitments as well as setting out the timeline for the sales process. It is important to understand the terms of the contract to ensure it correctly reflects the agreed terms and suits any financial requirements you might have.

The role of an Attorney is to assist buyers with understanding the process, ensuring they have answers to all the relevant questions and highlighting any risks associated with the purchase.
Questions often asked are:

- What are my options if I change my mind?
- I have finance agreed now, but what happens if I can’t secure funding at closing?
- Can I request changes to the property?
- What if construction is delayed?
- Can I pull out of the purchase down the line and get my money back?
- What happens if the developer asks me for more money prior to closing?

These are all valid questions, and it is not always clear from the purchase contract how these concerns are addressed. It is an Attorney's job to identify the key provisions and ensure the buyer understands what their contractual position is.

It is not uncommon for off-plan contracts to be presented as final documents with no amendments being accepted. Whilst common in the current market, this makes it even more important to correctly understand

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the effect of each element of the contract so you can manage your expectations.

Attorneys are not here to dissuade you from purchasing the property. We are here to help. Our aim is to ensure you understand what you are signing, the risks involved and any potential stumbling blocks so you can make an informed decision.

If you have any questions on this topic please contact a member of the Cayman Real Estate team.

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