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PURCHASING A RETIREMENT PROPERTY

Retirees must consider the type of rights which are attained when buying into a retirement scheme and retirement villages are ordinarily based on one of four ownership principles.

The first option is sectional title ownership and, in this case, registration of the property is concluded through the Deeds Office by a conveyancer and will give a purchaser outright ownership of the unit in the retirement village.

The second option is share block ownership. In this case, a company owns a building/s and assigns a number of shares to the purchaser. The owner of said share would have a right of occupation to a portion of the building. Ownership would therefore consist of ownership of a share and not a section of a building. The purchaser receives no title deed to the unit, but will receive share certificates reflecting their shares in the company that owns the retirement village. Shares in a share block scheme cannot however be used to leverage further investments, unless the investor owns an immovable property.

The third option is life rights. With life rights transactions, buyers have the right to live in the property in terms of the Housing Development Schemes for Retired Persons Act 65 1988, for the rest of his or her life. The purchaser does not acquire ownership of the underlying property. Ownership does not vest in the life right holder and what happens upon death, is regulated in the contract of sale between the developer of the scheme and the purchaser.

The fourth option is full title ownership, in which case ownership in the property is registered in the purchaser's name. Retirement schemes are however often managed by homeowners' associations for the maintenance of public areas and the provision of security and other services. Owners must adhere to the rules of the Home Owners' Association.

It is therefore important that retirees are aware of and obtain legal advice about the pros and cons of each of the above options before making a final decision.