

A quick guide to occupational rent

Once the sales agreement has been signed it still takes a number of weeks (generally around 12) for a property to be transferred from the seller to the buyer.

Depending on how quickly a buyer's property sells, or on when their current lease agreement expires, they might decide to take early occupation of their new home.

"Buyers need to note that there is a difference between taking ownership and occupation," explains Bruce Swain, CEO of Leapfrog Property Group, "Once a buyer has taken ownership of a property it legally belongs to them to do with as they see fit - living in it, renting it out, selling it etc. Taking occupation merely means that the buyer is allowed to live in the home while the sales transaction is concluded."

The pros and cons of occupation

"Depending on the buyer's situation it may be necessary to take occupation, as opposed to having to rent accommodation elsewhere and in effect moving twice for example," explains Swain. In these cases, or where relocation to a different city is required, it may well be the best option for buyers to move in to their new home before the transfer process has been completed.

"Buyers need to think about taking occupation quite seriously as occupational rent is usually set at around 1% of the purchase price, per month, which may not be the most cost effective option depending on the buyer's budget", says Swain.

On the other hand, sellers may occasionally need to remain on the property, even after the transfer has gone through due to a work contract, renovations being completed on their new home etc. "If the buyer is willing the seller will be the one paying occupation rent in this case."

Taking care of the details

"If the seller will be staying on past the transfer date, both parties will need to agree on a moving date, as with a normal rental contract", Swain recommends.

In most cases the municipal rates and taxes are paid for by the property owner (whether that is the seller, or whether the transfer has gone through and the buyer is now the owner) and the consumables like water and electricity are paid for by the occupant.

"It is in the best interests of both parties to clarify who will be responsible for which costs before occupation takes place to avoid later conflicts", says Swain.

Swain goes on to advise both buyers and sellers to stipulate that the seller will continue their homeowner's insurance until the transfer of the property is complete; "This guarantees that the property is ensured against fires, floods etc. while the sales process is being finalised."

Another good tip is to ensure that the buyer cannot store items at the property while the seller is still living there or the seller, once the buyer has taken occupation so as to avoid damage disputes that may arise.

"As with every other part of the property sales transaction it is imperative that both buyer and seller communicate their needs and expectations clearly in writing, before signing any agreements. A qualified estate agent can guide both parties, pointing out potential conflicts and complications well in advance," believes Swain.

Leapfrog Press Release