

Guarantee product growing and easing cash deposit woes for buyers

THE FIRST quarter of the year has marked tremendous growth for Deposit Advantage, a deposit guarantee company, says managing director Antony Solomon.

“We have experienced a 411 percent increase in product adoption this year compared to 2010. The first four months bode well for the rest of the year and we expect to maintain this steady growth,” he says.

Premiums increased from R149 081 in the first quarter of last year, to R676 000 for the same period this year. The

number of guarantees issued increased from 10 to 27, and guarantee value increased by 153 percent, from R6 584 850 last year to R10 115 381 this year.

Deposit Advantage is part of the Lombard Insurance Group and issues guarantees in lieu of the cash deposits required in property transactions. This means residential, off-plan residential and commercial property transactions can be secured without buyers having to part with cash until transfer takes place.

“The global recession has

taught us to look for innovative and cost-effective finance solutions. If a client’s capital is tied up in investments or an existing property, our guarantee can be a considerably less expensive option than accessing funds through bridging finance, a bond, shares or a fixed deposit,” says Solomon.

Carollize Laing, head of residential and affordable housing at FNB Commercial Property Finance, says the product has been approved by FirstRand (FNB and RMB), which means that any off-plan sales sup-

ported by Deposit Advantage guarantees will be accepted by the bank as valid pre-sales, which will in turn enable developers to kick-start draws on development finance.

The product offers an alternative to buyers buying off plan, especially in the light of the higher deposits required by banks. Other banks have followed suit by approving the Deposit Advantage product, says Solomon.

The product is not restricted to residential developments, but can be used across the spec-

trum of property, including buying land for development, or industrial and commercial purchases where transfer is delayed for a few months.

“In recent months, several developers have resumed or launched new developments, but this renewed activity is coupled with a cautious approach, which means developers are looking at innovative and cost-effective solutions,” says Solomon.

Riaan Roos, chief executive of MSP Developments, says: “A number of developers are offer-

ing the Deposit Advantage deposit guarantee product to their buyers. This means developers can now sell off plan and sell faster.

“The rise in cost of living often means that buyers don’t have the dispensable income at hand when purchasing their first home or upgrading to a larger property. A deposit guarantee removes the immediate cash-flow pressure and enables many more people to buy their own homes,” says Roos.

Arthur Case, general manager of Amdec Property Group,

says the product has allowed buyers of retirement properties to delay selling their homes until construction of their retirement units is nearing completion.

“This means moving house once rather than twice – a big advantage for retired people – and the Deposit Advantage team can turn an application around in 24 hours,” says Case.

Devco Holdings recently acquired a 300-storage unit complex in Stikland in the northern suburbs, and chief executive Deon Winterbach

says Deposit Advantage helped close the gap between the initial funding needed and the full price. “It fits into transactions from the time of signing a deal up to needing to pay the balance of the price. The big plus is the cost and the short processing period of the deposit guarantee,” says Winterbach.

Solomon says the product allows buyers to secure their properties for periods between three and 36 months at a once-off, fixed fee.

See www.depositadvantage.co.za or call 0860 110 313.