

Take Five Steps to Make Your Israel Dream Home a Reality!

By Gedaliah Borvick

To buy an apartment in Israel - whether as your vacation home or primary residence - can be a thrilling and yet daunting experience, as you find yourself out of your “comfort zone,” confronted with many difficulties stemming from language and cultural differences. How can you successfully navigate the process of purchasing a home in Israel? The answer is, take it one step at a time:

Step 1: Budget

Determine how much money you can spend. When creating a budget, keep in mind that closing fees, including acquisition taxes, real estate agent, mortgage broker, appraiser and lawyer, can add up to 8% of the purchase price. Don't forget that upon purchase you may still need to do renovations and furnish the apartment, unless you plan to initially rent it out. If you anticipate getting a conventional mortgage, you can expect to receive up to a 70% loan to value.

Step 2: Community

Suppose you want to buy a home in Yerushalayim. Yerushalayim has over 75 neighborhoods! Where to begin? Take a deep breath. Now, let's determine what type of community will make you feel most comfortable. Are you observant? If so, would you define yourself as Yeshivish, Centrist, Modern, Chassidische? Answering these questions, you have already pared down your neighborhood choices to a manageable number. Let's now hone in on where, geographically, you want to live. Issues to consider include proximity to friends and family, religious and cultural institutions, shopping, transportation, and parks.

Upon choosing the neighborhood, create a list of your priorities. These can include apartment size, parking spot, sukkah porch, garden, views, quiet location, etc. Do you need a lower floor apartment or an elevator building, or can you climb up a few flights of steps? There's a lot of money to be saved if you can trek up the stairs. Once you have prioritized your wish list, you can then figure out how much it will cost to fulfill every wish.

Step 3: Usage

How will you use the property? If as a vacation home, then you may want to be within walking distance of the Kotel. Or perhaps the size of the kitchen might be secondary (as you may buy take-out while on vacation) to the need for a Sukkah balcony. However, if you are buying the property as an investment and plan on renting it out, proximity to the Kotel or the existence of a sukkah balcony might not be as important to you, as the premium paid for such benefits is usually not recouped in the apartment's rental rates. Another example: If you buy an apartment for your own personal use and enjoyment, it may be a great idea to buy a beautifully renovated unit. However, if you're purchasing it as an investment, you may prefer to spend less money on an unrenovated unit, as rental premiums achieved for renovated apartments have traditionally not been sufficient to make the upgrades financially advisable, nor do most tenants treat their apartments with the same kid gloves as would an owner.

Step 4: A Good Lawyer is Worth his/her Weight in Gold

You have found the right neighborhood and the right apartment; the next step is to surround yourself with honest professionals who have years of experience in their respective fields. The most important professional, at least at the outset, is your attorney. Unlike in the United States, there is no title insurance in Israel, so you need to have a seasoned attorney who is current on all real estate issues in your neighborhood. I personally know a story where there were two names on the land registration and it took years to clear up the cloud on title. What's worse, if you have a cloud on the title, you may have problems securing a mortgage, and unlike in the US, you cannot sign a contract subject to receiving financing approval. So a good attorney is worth his/her weight in gold.

Step 5: Post Closing

Once you own the apartment, you need to ensure proper oversight of your property. If it will remain empty between your trips to Israel, you should retain a property manager to collect the mail, pay your bills, inspect your apartment on a regular basis, find renters for your home (if you're interested), etc. And I haven't even touched upon the importance of working with the right banker or mortgage broker, accountant, contractor, building engineer, etc. This purchase is an important investment; you need to surround yourself with people who will help you buy, and then maintain, your property.

These issues may sound daunting, but don't despair. There are excellent and honest real estate professionals in Israel who will diligently represent your interests. If you surround yourself with the right people, they will help you avoid potential pitfalls and make your home-buying process a positive experience.

"My Israel Home" is a real estate agency focused on helping people from abroad buy and sell homes in Israel. To read previous articles, please visit Gedaliah Borvick's blog at www.myisraelhome.com. Gedaliah will be running complimentary workshops in Jerusalem's Prima Kings Hotel on Chol Hamoed Sukkos, Sunday October 16th at 5:00 pm and 8:00 pm. For more information, please contact him at gborvick@myisraelhome.com.