

The Complete Guide for Safe and Successful Real Estate Transactions in Israel 2016

**Deal safely and get top of the market price when you
sell Real Estate in Israel**

Yaniv Or Attorney at Law and Notary



2016

Contents

3

Introduction

Forward by Yaniv Or
Attorney at Law And Notary

4

Real Estate Transactions might get complicated Be Cautious !

Selling an asset without Suitable Certifications
How much do the authorities charge?
What is the actual value of the apartment?
Choosing the wrong representative
Selling an asset overseas
Squatters settling in an abandoned asset

7

Before Money is exchanged – get a green light

What would the right attorney do ?
Legal Testing of the Asset
Ownership, Lease, company
Planning Test

9

Preliminary tax planning - save money

Betterment tax

What is a gain tax?

- Offsetting Expenditure Out of a gain tax
- Preliminary conditions for obtaining an exemption.
- Ways of obtaining exemption from a gain tax

13

Professionals make all the Difference

How to find the right agent?

What is the actual value of my property? (CMA)

What is the Importance of CMA?

How is a Comparative Market Analysis prepared?

15

The packaging is as important as the gift itself

10 fast ways to increase the value of the property

17

Marketing is the Name of The game

A property marketing plan that sets Competition over the property

19

Congratulations on signing your contract

Legal protection mechanisms within the contract
Legal protection mechanisms for foreign residents

20

Keys please

The process of handing over rights of the property

Welcome

Welcome to the third release of The Complete Guide for Safe and Successful Real Estate Transactions in Israel. The Israeli real-estate market is currently experiencing one of its highest peaks, characterized by record demand for real-estate in many areas of Israel. How long will the booming, bullish market trend persist is a question no authorized entity can answer with any certainty. Though the government's latest attempts in the form of building tenders with maximum prices set for new apartments hold some potential of bringing to a turning point in the Israeli real-estate market, only days will tell. The government's declared goal applies to all lots intended for saturated building throughout the country, as thus far the one to win the land has always been the bidder who offered the highest price for it.

The new format markets the lots to whomever offers the lowest priced apartments per built square meter. Indeed, a revolution that may truly produce a refreshing, stimulating change and give hope to countless young couples in Israel who dream of buying an apartment of their own. The real test of this change however, will as always be in its implementation, its persistence over time, and specifically in the scope of change it results in.

Concurrently, the Israeli real-estate market is about to undergo massive changes in the mortgage market as well, so that young couples, so it seems, will be able to obtain a mortgage amounting to 90% of the value of the property (compared to 75% that has been the standard thus far). It is well known that this revolution in the Israeli real-estate market is purpose driven, and largely directed at young Israeli couples, but our years of experience show that market forces form a mechanism that monitors and controls the market on its own, and a revolution beginning with young couples will likely end not only with them. In the upcoming period we are about to witness drastic changes that may drive the real-estate market

either upwards – with demand from young couples injecting fresh blood into an already booming market, or downwards – in which case the real-estate market will incur a severe blow capable of greatly impacting demand for second hand apartments and the market will take a painful turn to the negative. We are going to keep our ear to the ground in all that.



"

The Israeli real-estate market is currently experiencing one of its highest peaks, characterized by record demand for real-estate in many areas of Israel. How long will the booming, bullish market trend persist is a question no authorized entity can answer with any certainty. Though the government's latest attempts in the form of building tenders with maximum prices set for new apartments hold some potential of bringing to a turning point in the Israeli real-estate market, only days will tell.

Yaniv Or

Attorney at Law & Notary

In this coming guide we shall go through an insight revealing journey of the Israeli system of conducting real-estate transactions. Like any system in Israel, it is unlike anywhere else in the world, and knowledge of this system is key to success in a real-estate deal.

Why is it imperative to understand Israeli system? Because failing to understand the system results in failure to make money; if you don't speak the language of the market you'll simply get Lost, and I am not even talking about a waste of money and time, but about the risk of a bad deal. So In order to understand this unique Israeli system, let's figure out together what could go wrong because of the system itself?

Two important facts concerning the system before we touch on its innate complications. The first is that no matter who is right, the buyer or the seller, it is the seller's main concern that at the end of the process he/she has the money, and the buyer seeks to have the property registered on his/her name. Time is a critical factor in real-estate transactions as the longer it takes from the date of signing the agreement, the further the decline in the value of the money exchanged.

Real-Estate Transactions Might get Complicated – Be Cautious!!!

Selling an asset without required certification

One common thing to occur in real-estate transactions is that an asset is placed into a sale process, and only later, during the process, it is discovered that the property's documents are lacking in regards to requirements set for property ownership hand over. In such a case the sale process will be substantially delayed or possibly even completely curtailed. What does that mean? Can I sign an agreement without having the required documents? The answer is: yes, and you can get 25% of the sold property's value without any 'red light' turning on to indicate that the sale cannot be completed. Why? Because 25% of value is the amount of equity that the buyer is obligated to demonstrate to the bank financing his/her transaction, that he/she has. So how does that happen? The bank employs an appraiser on behalf of the buyer to inspect the property and confirm its value, that the building permit and blue print match, property's planning status, municipal zoning applying to the property, and the property's legal status. Note, this is done towards the end of the first quarter of the sale process, and suddenly a third party - thus far uninvolved – may turn on a red light and stop the process. The consequences are dire: the bank will not approve the mortgage. Put simpler: the buyer will not be able to complete the transaction. Who's right? The truth is that, not going to make any difference, because the seller will not get the funds, and the buyer will not obtain the property. And then law suits will commence; who's to blame, why, how much, etc.

Seller's lack of knowledge and assessment of additional expenses the sale of an apartment entails

Why? Because in Israel the sides sign an agreement without the state or anybody on its behalf being involved in the process until the agreement has been signed – so far, it sounds ideal – according to the system 90% of the buyer's capital can be transferred to seller without the seller knowing how much he/she will be charged by authorities for selling the property.

But this means that in terms of capital the seller still has a rather large variable to contend with. He/she has sold an apartment, signed a contract, 90% of the sale is behind him/her, and yet he/she still does not know how much will be owed to authorities. Bizarre, unmoral, we're all for change. By the way, why 90%? Because that's the amount the seller's attorney usually sets as a condition in the contract – so the final 10% shall be placed by buyer in seller's representative's escrow account until all documentation from authorities required for the transfer of ownership to the buyer are presented. If the seller knew, by the way, how much he/she would owe to the authorities, for better or worse, it probably would have affected the price of the house. Statistics show that 43% of law suits against attorneys are for lack of knowledge concerning additional charges property owner incurs; suits filed by sellers who found out about such expenses only after their agreements had already been signed. These charges can easily amount to several hundreds of thousands of NIS. What happens when the seller is surprised to discover these huge charges? He/she tries to stop the process, and the attorney representing him/her becomes the scapegoat.

How much is the apartment that I'm about to sell actually worth?

What am I basing my knowledge on? The fact that we're not physically in the vicinity of the property creates restriction of lack of knowledge as to demand in my property's neighborhood – is there? or is there not demand in my vicinity? To what extent are prospective buyers interested in purchasing in this neighborhood, and how much are they willing to pay? And on another note, what are the proper professional means needed to assess the value of an apartment? How do I even begin to collect information on which to base an educated estimate of the apartment's value? Quite a number of apartments in Israel stay on the market for too long, what ultimately leads to a substantial drop in value as a result of being on the market for too long. No one wants to buy something that's already been up for sale for a while, and least of all in real-estate, where reliability issues arise and an apartment offered for sale for long raises concerns of entering a process to buy a property that might not be, in some way or another, kosher.

" Quite a number of apartments in Israel stay on the market for too long, what ultimately leads to a substantial drop in value...no one wants to buy something that's already been up for sale for a while."

Choosing a representative who does not specialize in real-estate transactions in Israel for foreign residents is wrong – why?

Because when a deal can be signed on one side of the ocean and finalized on the other, Israeli authorities require a process that follows a unique procedure involving the local consulate of the country where the foreign resident current resides, and if it seems that local consulate might place obstacles in way of the transaction for whatever reason, a notary certified by that country of residence will be required to confirm signatures. Who are the bodies authorized to confirm my signature? And how does that actually work? One mistake in the process – possibly resulting from the wrong choice of professionals – and completion of the transaction might not be possible. Consider the implications.

Lack of appropriate response to interested parties and prospective buyers of advertised property – in short, lack of availability

Once you've advertised the property in various advertising media you must provide a response to dozens of callers that may not be serious about the property and agents that wish to view the property for professional reasons. Now consider that every one of them requires a considerable amount of attention – both on the phone and when physically visiting the property.

Then, the apartment needs to be prepared for viewing by prospective buyers – not once, but before each one of them comes. Physical distance automatically results in the lack of availability, and being less available to provide the initial response, prepare the property and

show it at its best, you ruin your chances of entering into negotiations with as many potential buyers as possible and thus maximizing the price you will get for your asset.

An unpopulated property is at real risk of invasion by squatters and unwelcomed parties that might become an obstacle to its sale. What does that mean?

Israeli system states that the last payment to seller shall be made upon transfer of rights to the apartment, with the apartment vacant and empty of any person or property. Usually, that happens about 3 months from the date upon which contract was signed. During this period, an invader might enter an unpopulated property and settle in it. As per section 18 to the law the seller does have the legal right to evict such person within a 30 days and with police assistance. But beyond this right and in the absence of attention to the passage of time, you will have to turn to the courts to prove not only that it is your property but that the squatters have invaded it illegally. Even if the law suit is filed swiftly, you will find yourself stuck in proceedings for quite a while until an actionable verdict is given enabling you to evict the squatters. Sound unreasonable? Every year, approximately two thousand law suits are filed including a request for an injunction for eviction of real-estate. Not all of these are due to squatters, but this is definitely a concerning percentage that draws attention to a growing problem. You wouldn't want to fall into this statistic.

So how, out of hundreds of professionals, would I choose the professional entities that would ensure that my real-estate transaction in Israel is successful? And I've purposely used the term 'professional entities'; the Israeli system gives me no guidance as to who to turn to first when I wish to sell a property, so the first and all-so-important step is: choose your attorney! Now, notice this interesting fact: 70% of the attorneys you'll meet and tell that you wish to sell a property will answer 'great, at what price?' (At this point the attorney is calculating his commission) Next, he/she will ask 'and who is the buyer's attorney?' (Because if the buyer doesn't have an attorney, he/she will want to represent the buyer too). The DNA is so set that the assumption is that you approach an attorney when you already have a buyer, a price has been agreed upon, and the process starts here. Is that right? As you've clearly learned from previous examples given here of possible complications – the answer is: No!!! Is this the attorney you want? The answer is unequivocally: No!!! and that's why the process of elimination should lead you to a professional experienced at working within this specific system, one that will see through your sale process before you put the property up for sale, all the way to its successful completion.

Before Money is Exchanged – Get a Green Light

What does the right attorney do? First, during the initial stage, he does two things that are critically important to the success of the process: conducts a legal inquiry and a planning inquiry to make sure you and the property have all approvals and documentation needed for the sale – this is called 'green lighting' the sale. Then, assessment of transaction's feasibility and tax cost.

The Legal Inquiry

You should know that there are 3 options for registration of an apartment in Israel:

Ownership

The apartment will be registered with the Land Registry (called Taboo) and sellers will be registered as owners of the apartment. In this case, a current Taboo document must be obtained. Anyone may request a Taboo document for a given property, according to block number, lot number and sub-lot (if the property is registered as a condominium) or search for the block and lot number using the property's address in Israel government's services and information website www.gov.il. The Taboo document literally reveals the 'property's I.D.' and enables verification of registered property owners and their personal details. It also enables seeing, as of that date, what is the property's registered square meter count, the size of the property as listed in the Taboo (usually net size), where it's located, who are the rightful owners of the property, are there any leans on the property, any warnings, foreclosures, various limitations and the like. If the property is in any way attached – it will be stated on the document (parking, joint property, roof, easement...if there is a lease on the property its end date will be mentioned). If the property itself is listed as a condominium, the condominium's documents should be requested from Taboo (provided on disc). In these documents, the order of registration of the condominium can be seen as well as the condominium's rules and the property's blue print in accordance with which the condominium was registered (It is recommended that you obtain a blue print from the municipality too). The potential buyer will need the condominium's documents, as required, as well as the Land Registry's documents in order to obtain financing from a bank – that is, a mortgage. Without these, a proper transfer of rights of the asset to the potential buyer, will not be possible. It is important to know that in a real-estate transaction the seller is responsible for presenting these documents, in order as required, so it's imperative that they are obtained in inspected before entering into the sale process.

" The potential buyer will need the condominium's documents, as required, as well as the Land Registry's documents in order to obtain financing from a bank – that is, a mortgage. Without these, a proper transfer of rights of the asset to the potential buyer, will not be possible. "

Leasing

Such is the case of an apartment that is not listed in the Land Registry (Taboo) – in this event you'd have to go over a document called 'Confirmation of Rights', which can be procured by physically showing up at relevant branch of the Israeli Land Authority and requesting information about property's owners and any limitations attached to it (mortgage, foreclosures, warnings, etc.)

You should be aware that the majority of properties in Israel are currently owned by the Land Authority and privately leased by those who have rights in it (in other words, the lessors who are selling it), and in cases where something has to be done concerning the property, such as: obtaining permits and building on it or the sale of the property and transfer of rights to it, the lessors (/sellers) are obligated to obtain approval from the Israel Land Authority in order to perform the transaction. So inquiries should be made beforehand to clarify whether or not such approval will be given and under what conditions.

Housing Company

A company (usually the law firm representing the contractor) that is responsible for registering sellers' and potential buyers' rights to the property until their registration with the Land Authority is completed.

If this is the case, when the apartment is sold the seller must obtain a document called "Confirmation of Rights" from the housing company that details his/her rights to the property and any limitations that apply to it, including mortgage, warnings, foreclosure, etc. In other words, this document kept in the company's offices and issued upon request by seller states in what conditions may the seller sell the property.

Property's planning inquiries

It is important to procure the building's file from the municipality's engineering department. To check whether the building was built in accordance with a building permit, what requests were submitted for building permits and what permits were actually issued. This is where you can detect if there any building violations were committed, injunctions, and confiscation or demolition orders. Also, the condominium's blue print found in the file should be photocopied and checked against the building as it is. In the building's file you can also review correspondence and see if any planning or building proceedings have been filed against property's owner, in which case you'd find inspector report/s, warning notifications to property's owner and the like.

You should remember that if there are any open planning and building proceedings against property owner, any liability therein will be transferred to buyer along with the rights to the property.

You may also approach the municipal committee and request a written detailed account of the property's planning status, which should include any plans pertaining to the property. These will clarify what possibilities for building rights exist, whether they were fully implemented, or there are yet some building rights they may be taken advantage of. And the zoning – residential, industrial or commercial.

Preliminary Tax Planning – Watch Your Money

Preliminary tax planning actually begins with a preliminary inquiry concerning:

Land betterment

Pay attention to the following "the municipality does not inform all property owners that they must pay Land betterment Tax whenever changes are made to the City Building Plan." I purposely put apostrophes here. Do you know where this astonishing sentence comes from? Believe it or not, you will find it on the website of every major municipality in Israel!!!

That's why in every transaction it's important to check with the municipal committee (usually located in city Hall or local municipality's offices) whether Land betterment Tax applies or is expected to apply. To find out where are the offices of the committee that handles the property you wish to sell, you can enter the website www.bonim.pnim.gov.il and look under the 'information about municipal committees' tab and find the correct committee and location of its offices.

Basically, this tax is imposed by the municipal committee upon property owners for approval of the City Building Plan, reliefs in building rights or permits for exceptional use.

Proper inquiry with the municipal committee does not lead to the imposition of the tax, but checks whether or not a plan was approved, at some point in time, that applies to the property though the property's owners are unaware of it – a situation that warrants charges of Land betterment Tax that might, in some areas, amount to hundreds of thousands of NIS.

It's also important to clarify that if the owner has decided at some point in time not to realize his/her right to obtain a building permit and build an extra room on the roof, a basement, an addition to building rights or a pool in accordance with a City Building Plan approved for the area of the property, he/she will still be charged Land betterment Tax. Of course, each case is considered separately and the law does allow for reliefs and/or exemptions in many cases, but that's a topic in and of itself.

The tax amount is set at half of the increase in the property's value resulting from the permit. Payment of the levy is due upon "exercise of rights", meaning immediately upon sale of the property. The Planning and Building Act sets in place several mechanisms for appeal of Improvement Tax charges, whether to appeal the charge itself (with legal claims brought forward by an attorney), or to appeal the amount of the tax (by a certified appraiser). Today, following amendment 84 to the act, this is done through a procedure of approaching the determining appraisers' intuition and municipal appeal committees responsible for Improvement Tax issues, which one must know how to deal with.

So, what have we learnt here? That there is a tax that few know about, that the Israeli system does not require anyone to inform you (a property owner) of it and that all of a sudden, out of nowhere, it can be imposed without warning. And what's unbelievable is that it can amount to hundreds of thousands – so this is an option we should be ready for, and rather than incurring the blow after having signed the contract, we'd best prepare for it before.

" So what have we learnt here? That there is a tax that few know about, that the Israeli system does not require anyone to inform you (a property owner) of it and that all of a sudden, out of nowhere, it can be imposed without warning. And what's unbelievable is that it can amount to hundreds of thousands. "

Tax planning also includes preliminary inquiries as to the amount of Gain Tax.

What is a Gain Tax?

The real-estate taxation law (Gain and acquisition) of 1963 ("the law") states the rule according to which the sale of any real-estate property, including an apartment, house, lot, building or anything set permanently onto the land is to be taxed.

Yet what is the amount of such tax? The tax is to apply to the profit – the difference between the price at which the property was bought, and the price at which it was sold, attached to the CPI. What is the rate of this tax? It could amount to 25% of the profit calculated as stated above. According to the real-estate taxation law, any seller of rights to real-estate must submit a statement concerning the transaction to real-estate tax authorities within 40 days of the date when the contract was signed.

Note, late submission of such statement will result in large fines.

The tax authorities often set tax amounts quite high, and the taxpayer has the right to file objections - with the assistance of both an attorney and an appraiser – that could significantly reduce his/her tax charges.

Just to give you an idea, in 2014 the state's income from gain tax alone amounted to about 2.5 billion NIS. So it's obvious why you should have preliminary steps taken towards reducing your charges.

To the extent there is gain (profit), expenses can be deducted, such as:

Attorney's fees for services related to the purchase and sale of the property

Agent's fees for services in the purchase and sale

Appraiser's fees

Betterment tax

Expenses related to renovation of property for the purpose of increasing its value.

Interest paid for mortgage.

These can be calculated in the Tax Authority's website at: www.misim.gov.il/svtvazmit under the 'independent simulation' tab. Once the transaction has been reported, to find out the status of the file you may log onto: www.misim.gov.il/svfilestatus .

If there was no gain, there is really no need to apply the exemption from Gain tax, and you shouldn't – you will want that exemption to be available to you if you sell another apartment in the future and do earn a profit on it. Now, assuming that you have gain after expenses were deducted, the next step is to check whether seller is entitled to an exemption from Gain tax on his/her sale, in accordance with the following:

Pre-condition to obtaining an exemption from Gain tax;

First condition for an exemption – a qualifying residential apartment:

Construction of the apartment has been completed (form 4 has been issued)

Apartment owner is a private person and not a company

Used as a residence

exception- legally, a kindergarten and a synagogue will also be considered as a qualifying apartment, though they are not used as a residence.

The exemption given will apply to an amount of up to 4.5 million NIS, and any amount above this figure shall be taxed.

A foreign resident will automatically be considered as a person who owns more than one apartment (and thus charged Gain tax), unless he/she presents to the Tax Authority documents from his/her country of residence proving that he/she does not own an apartment in that country.

" In 2014 the state's income from gain tax alone amounted to about 2.5 billion NIS. So it's obvious why you should have preliminary steps taken towards reducing your charges."

Second condition: seller follows an exemption path

Path 1 – only one apartment

The seller has rights to only one apartment, and has had these rights for at least 18 months since the apartment became a residential apartment.

Seller has not sold another apartment and received an exemption from Gain tax in the past 18 months.

Exceptions:

You are permitted to buy a new apartment before selling the old one.

Alternatively, the additional apartment is an apartment received through inheritance and qualifies as such.

Seller has less than 1/3 ownership of additional apartment.

Path 2 – inherited apartment

The seller is the partner or descendent (including grandchildren), or the partner of a descendant of the deceased who bequeathed the inheritance. Prior to his/her death, the deceased was the owner of only one residential apartment. If deceased was still alive and were to sell the property, he/she would be entitled to an exemption from Gain tax on the sale.

Note: an update as of August 2015 – an inherited apartment shall be exempt from Gain tax if inheriting parties sell it within two years; otherwise, profits shall incur Gain tax

Path 3 – a one-time exemption on the sale of two apartments for the purpose of buying one

The main conditions for qualifying for this exemption are as follows:

When the first apartment is sold, seller owns only one more apartment.

Seller has sold the second apartment within one year of selling the exempt apartment.

Seller has bought during the year preceding the sale of the second apartment, or alternatively within one year of selling it, an apartment instead of the two sold for a price amounting to at least 3/4 of the price of both sold apartments combined.

Seller has apartment 1 and an additional apartment 2

Seller has sold apartment 2 within a year of selling apartment 1

Seller has bought, either within 1 year before or after selling apartment 2, an apartment for a price of at least 3/4 of the price of both apartments (1+2).

Path 4 – sale with no income

Passing on the apartment as a gift to a family member – in accordance with conditions as provided by law – in the event seller wishes to gift the apartment to a relative, in accordance with the legal definition thereof, he/she shall be exempt from Gain tax. The buyer, for his part, shall pay 1/3 of the standard amount.

An example of Gain tax calculation:

Gain tax is to be calculated based on the difference between the sell price and buy price:

1,860,000 – price at which property was sold on 28.6.15

186,000 – price at which property was bought on 1.1.86

Buy price on 1.1.86 is to be attached to CPI until date of sale

186,000 = 1,319,982 (as of 28.6.15)

Therefore, the profit is:

1,860,000

-1,319,982

=

540,018

Profit is divided into the number of years between buy date and sale date = 29.5 years

$540,018 / 29.5 = 18,305$

The resulting amount is multiplied by the time an exemption does not apply beginning 1.1.14 and until the day contract was drafted 28.6.15, and that's our multiplier (as of June 2015 our multiplier shall be 1.5)

We multiply 1.5 times $18,305 * 25\% = 6864$ and that's the gain tax.

Beginning 1.1.18 = the gain tax will be: $18,305 * 4 * 25\% = 36,610$

It should be noted that you are allowed to benefit from the lower rate gain tax on the sale of no more than 2 apartments during the transition period (1.1.14 – 31.12.17)

Beginning 1.1.18 this lower tax rate shall apply to the sale of qualifying residential apartments without the limitation of sales to a maximum of 2 apartments.

So that's about it concerning the preliminary stage prior to the sale. Note, this is when the real work begins. Once you know you have a 'green light' to proceed with the sale, and you – as a seller – are aware of the costs you will incur for selling the property,

you can embark on the journey. This is when we put the attorney 'on hold' and...we'll get back to him/her later. Now we start looking for a real-estate broker.

Professionals Make All the Difference

How do you find the right agent or broker for your property – the one who will make the difference?

So, in Israel we all adhere to stigmas, and the stigma attached to all agents' is that they are greedy free riders, not to mention crooks. But you'd be surprised, there are real professionals. And to locate the real professional you have to begin with the license – according to Israeli law, only a person licensed as a realtor by the Ministry of Justice may act as an agent in real-estate transactions.

Now, there are 3 questions I ask agents in order to select the best of them, and depending on the answers I make my choice:

- What is the current value of my property and based on what? In other words, how much is my asset worth? And why?
- How can I boost my property's value, by spending a minimal amount in order to sell at a maximal price?
- How do you – as an agent – intent to market my property?

These are three questions that if you come across a professional real-estate agent you'll get the answer to, whether or not you actually asked them.

Getting started...

First, a professional real-estate agent will visit the property to get a sense of it. The house does not have to be in perfect condition, but it's important to remember that the condition of the property usually affects its price.

While touring the property the real-estate agent will ask you for physical details concerning the property beyond what he can see, such as: its size in square meters, whether or not it has a taboo registered parking space or storage and of course the date when it will be vacant (as these absolutely influence the property's value).

Also, a professional realtor will pick up on additional details during his/her visit without being asked to do so: Does the property get good sunlight? What are its air flow directions? In what condition is it generally? In what condition is the whole building? In what's condition are the surrounding buildings?

Once the visit is over, the agent will schedule another meeting, in which he/she will provide you with the property's value assessment, and what should you do in order to maximize the property's selling price. Meaning, improvements that will significantly increase the price. So, one visit and a meeting – that does not have to take place at the property. Actually, it's best to hold it in the realtor's office; that way, you have a chance to see his 'home base', his level of expertise and service.

CMA – how much is your property worth?

Value assessment or examination of the property begins with CMA.

Comparative Market Analysis is a term used by real-estate agents to refer to the in-depth examination of current value of the property in the existing market.

Just so you understand, in Israel a real-estate agent is not legally qualified to perform a value assessment of property; only appraisers can do that. Which is why we talk in terms of examination and analysis. So do you, as buyer, have to obtain a value assessment from an appraiser before you sell? The answer is: No! And according to the Israeli system, the value assessment you'll get from an appraiser prior to selling is likely to be 5-7% less. How come?

"what's the importance of the CMA? It allows you to set the maximum price for your property that on one hand will maximize your profit and on the other hand will optimally fit the market's reality and demand in the area where your property is located."

Why would a qualified appraiser give me a lower value assessment? He/she absolutely would, because he/she will be accountable to the banks and to his/her own institution. So an appraiser would prefer to be extra cautious and absolutely realistic. Don't misunderstand me, I'm not saying he/she will be mistaken, but the result that an appraiser will deliver will probably disappoint you. So given the way the system currently works, you definitely should go with a real-estate agent's assessment rather than an appraiser's assessment for your property.

What's the importance of the CMA? It allows you to set the maximum price for your property that on the one hand will maximize your profit and on the other hand will optimally fit the market's reality and demand in the area where your property is located.

Your property's price should be attractive; it should encourage interest, maximize the transaction's amount. How? By leading to competition over the property.

One more thing about CMA: Banks only approve mortgages up to the amount at which the property was valued by an appraiser, and not the amount actually paid for the property.

That's why the CMA provides a figure for the property's value as the market sees it, which is often higher than the value the appraiser assigns to it. The buyer will have to make up the difference using leveraged equity. You should be aware of that. In the Israeli system, occasionally there will be friction between the appraiser and the real-estate agent. A real professional realtor can provide tools for the appraiser and market forces that can influence the appraisal he forms exactly at the right moment in your favor.

How is a CMA prepared?

A complete CMA is presented as a report.

First, it specifies the examined property's details.

The CMA will focus on 3 properties recently sold in the vicinity of your property. Desired time frame is 3-6 months, and obviously in addition to being close to your property these 3 assets should be similar to it in their characteristics. All this will come under the title: Similar Properties Sold in Property's Vicinity.

This is the first indication that will help you get a sense of what your potential customer is 'willing to pay' for similar properties to your own, and will show you how much property owners actually got for their properties in the current market.

Another thing this will help you understand is the market trend; if we are close to the date on which the last property was sold, that property's price should be the highest, otherwise we may conclude that there is a problem and that prices in the vicinity of your property are either dropping, or the owner has sold below market price.

Also, the CMA will list some properties that are close to your property and similar to it and are currently offered for sale, and will state the date on which they were put on the market.

This too, is for two purposes:

The first is that we can see exactly what alternatives/options to your property serious buyers currently have.

The second has to do with the dates when properties were put on the market; this information will allow us to identify which properties have been up for sale for too long, probably as a result of either their asking price. Note that we should judge what is 'too long' considering the area and the average time frame within which a property in this area is usually sold.

Anyone can prepare a CMA for his/her property. Data concerning previous transactions are mainly procured from the Tax Authority website www.misim.gov.il under the tab 'Real-Estate Information'. Compared to what's found on other websites, these are the most reliable and accurate details. One should point out that in addition to the internet inquiry, it's imperative to verify the data by conducting a field inquiry so as to make sure that the information we are using is correct. .

"Banks only approve mortgages up to amount at which the property was valued by an appraiser, and not the amount actually paid for the property. That's why the CMA provides a figure for the property's value as the market sees it, which is often higher than the value the appraiser assigns to it. The buyer will have to make up the difference using leveraged equity. You should be aware of that ."

The packaging is just as important as the Gift itself

This is where we come to the second question the real-estate agent must provide you with an answer to: how do you increase your property's value before you sell it, using a minimal amount to boost selling price to its maximum?

It's important to maximize the property's value by renovating at minimal costs.

In Israel there is no legal requirement that the property's condition meets with any standards upon its sale. However, in order to maximize its value, you may want to consider a minimal renovation that could maximize the selling price you get for your property.

So, here are 10 ways to instantly increase the value of the property:

Obviously, the real-estate agent will refer to particular ways in which to boost the price of the asset given the visible issues found in the apartment.

Building's lobby and stairway

These are the 'business card', so to speak, of the building where your property is located. Buyers will start forming their opinions before ever setting foot in the apartment. So it's important, at this point, that we make sure that the lobby looks well-tended to and clean, that the lobby doors are closed to prevent dust or sand from blowing in, and if the building has an elevator - its mirrors and floor should be clean.

Gardening and enhancement of external features – in case of a private home

The investment in gardening of your yard, pruning bushes and caring for the plants can turn your front yard – the pathway the buyer takes to the door – to a pleasant, welcoming experience. Installing some simple innovative lighting fixtures could lend your yard a modern, charming atmosphere.

The entry door

The entry door to your home is akin to a 'shop window' – it forms a meaningful first impression and provides a clue as to what the interior might look like by giving a taste of dwellers' sense of esthetics and design. So at this stage you really should clear any obstacles from the entry area, grease the door hinges so it doesn't creak, remove any items stored behind the door that might prevent its full and easy opening.

Windows

Thoroughly clean your property's windows to fully allow the sunlight in. Imagine a buyer walking into your home and approaching the windows to examine the view visible from your windows.

Interior doors

Replacing the interior doors' knobs is an affordable change likely to visually upgrade the entry to rooms and appeal to your buyer.

Apartment's floors

Your apartment's floors must be cleaned. Imagine how a buyer might feel walking in your apartment from room to room on a squeaky clean floor. By the way, thorough cleaning of light colored floors also gives the impression that the rooms are bigger.

" In Israel there is no legal requirement that the property's condition meets with any standards upon its sale. However, in order to maximize its value, you may want to consider a minimal renovation that could maximize the selling price you get for your property "

The kitchen

If your kitchen requires a 'face lift', you should consider renewing the cabinets and handles including the space under the sink - it turns out that the kitchen is one of the rooms that impact the house's chances of selling the most.

The bathroom

Let's face it, we all spend quite a while every day in the bathroom, so it's not really that surprising that buyers want the bathrooms they are about to buy to be practical and esthetically pleasing.

A new toilet, sink and cabinet will likely be excessive unnecessary expenses in most cases, but small details such as thorough cleaning, fixing ceramic tiles, painting the walls and painting the ceiling (especially, as it accumulates mold) and adding some decorative items to the bath area may make all the difference.

Lighting

If an old lampshade is still hanging in your living room, it may be time to replace it. In a well-lit apartment it's much easier to see the advantages of every room, and the buyer will be engulfed in the lighter, more positive and warm atmosphere of an inviting home.

Painting

Simply painting the home will allow us to give the buyer a feeling of cleanliness, like the apartment's new.

Roof of internal systems

If you live in the highest floor of the building, in order to ensure that you are getting the highest offers to buy your property you should verify that there are no leaks from the roof or moisture in the walls. If there are – this is the time to repair them; don't hesitate to renew the tar layer on the roof – ultimately, it will be worth it.

Your home's internal systems, such as electricity and plumbing, should also work flawlessly. Buyers tend to avoid apartments where there are problems with these systems.

Marketing is indeed the name of the game

Getting to the third question – having accepted the answers to the previous two – the property's marketing price is attractive and the property's condition is now optimal for its sale. Working with a professional, the process will usually include a focused 180 day marketing plan managed by a single body, and aimed at encouraging competition over your property so that it end up selling at the highest price possible.

How does the real-estate agent do this? It involves exposure of your property to a maximal number of agents and potential buyers.

Professional photography

Shooting by a professional photographer who knows how to emphasize the property's best features; one picture is worth a thousand words – especially in the internet age.

A branded, professional sign

The sign should be seen by as many neighbors and passersby as possible, so they start talking of your property.

Color postcards

Postcards to be given to neighbors, distributed in nearby streets and commercial centers, showing how beautiful the interior of your property is.

Advertising your property through various media channels

Advertising in the local and national papers, professional publications, Facebook and the leading internet websites.

Exposing your property to the largest and most diverse buyer's pools as possible.

Advertising your property to as many agents as possible around your property and in neighboring cities, including local realtors and agents from the leading real-estate offices in Israel. Providing them with the property file, postcards, pictures, and set price, so all of them will be working to get your property sold for the highest price.

One of the most important aspects of the marketing plan is to continuously be updated by your real-estate agent during the process:

Market Analysis

Market analysis, such as we discussed above, with weekly updates of properties sold and offered in the vicinity of your property, will come in handy when you start negotiating with buyers, as well as providing you with a measurement of the demand in the area.

Scheduling meetings with agents and buyers

Organized scheduling, so your property is seen when it's tidy, clean and esthetically pleasing – the real-estate agent having taken care of preparing the property before it is shown. We have noticed this absolutely affects the price of offers submitted.

A good agent is someone who is personally available to take care of your property

The agent's responsibilities include:

Screening interested callers who are not serious, and making sure that people that cannot be trusted do not enter the property – so your process is safe and secure.

Bringing customers that will appreciate your property's advantages and features

" The process will usually include a focused 180 day marketing plan managed by a single body, and aimed at encouraging competition over your property so that it end up selling at the highest price possible "

And eventually, collecting offers to buy from several potential buyers, thereby creating competition over the property, and forwarding them for your consideration.

So that you may decide who you want to proceed with; this, I believe, is the most significant advantage of a professional, reliable agent handling the sale of a property. He/she produces competition that maximizes the price the property is sold for.

Important to mention – the legal aspect and the psychological aspect

The legal aspect is that according to the Israeli system, the agent is not permitted to draft any legal documents, include written offers of bidders.

From a marketing – or to be precise: psychological – aspect, in order to push for competition between bidders, visual proof in the form of written offers will work best to encourage the rest of the buyers to up their price. What should be done? Communication between the real-estate agent and the attorney – that is, the attorney will draft the offer, collection of potential buyers' written offers will be done by the agent, who will forward them to the attorney, and then attorney will bid one offer against the other in the presence of the agent, before bids are closed and the winning offer is proclaimed.

" From a marketing – or to be precise: psychological – aspect, in order to push for competition between bidders, visual proof in the form of written offers will work best to encourage the rest of the buyers to up their price. What should be done? Communication between the real-estate agent and the attorney"

Congratulations on signing the deal!

Now's the time to go back to the attorney who green-lighted your sale, conducted all of the checks that were required before the property was put on the market, and gave you an assessment of the expenses that you shall incur due to the sale, so that you may proceed with the sale process.

When signing the contract, the attorney's job is to set in place mechanisms that will protect the seller signing a contract with a buyer, which are called legal protection mechanisms, as follows:

Payment of an advance upon signing the contract

Make sure advanced is paid with a bank check – this is a check that cannot bounce – strict attorneys even make a phone call to the buyer's branch who issued the check to verify that it's kosher. The standard advance paid upon signing the contract is 10-15%. Based on the bank check, a warning in favor of the buyer is registered.

Irrevocable notarized power of attorney signed by the buyer to cancel the warning/mortgaging registered in his/her favor.

This is intended to ensure the cancelation of the warning registered in favor of the buyer in the event he/she is in breach of contract, as otherwise the only option to cancel the warning is through court, with all that entails in terms of time and money.

An 'agreed compensation' clause in the event of a material breach of contract

Agreed compensation in the event that the buyer commits a material breach of contract (for instance: backs out or is significantly late in making any of the payments, etc.) – usually an agreed compensation in the amount of 10-15% is set.

Irrevocable notarized power of attorney signed by the seller

If for any reason seller is prevented from performing any action needed for the sale (for instance: absence due to illness, accident, etc.) his/her attorney shall be able to sign the documents on his/her behalf, and thus delays or breaches of contract on the part of seller can be avoided, and the transaction can proceed as planned.

Seller's mortgage issues

The buyer should be given an appropriate document from the mortgage bank, which is called 'Letter of Intent'. In it, your bank commits that it will remove the lien upon acceptance of the balance of the settlement as stated in the letter by given deadline, with the buyer forwarding such payment directly to the bank (a suitable mechanism must be provided for in the sale contract). Once the mortgage has been repaid in full, you will get documents for the removal of the lien from the mortgage bank, which you should give to your attorney so that they may be forwarded to the taboo and/or mortgage registrar and/or to the Land Authority and/or to the mortgage company, depending on the situation. Later, you will have to provide the buyer with the appropriate confirmations (an updated taboo document / updated confirmation of rights / updated reference inquiry with the mortgage registrar / other – as relevant to your case) that prove that your mortgage has actually been completely and effectively cancelled. In the event of transfer of mortgage, you will have to make sure another asset is mortgaged in favor of the bank, only then and subject to such lien will your mortgage bank agree to remove the lien from the apartment being sold.

An additional mechanism, relevant in the case of people who permanently do not reside in Israel, is to consider the stage of signing the contract and the time it will involve.

A few words about the stage of signing the contract – undoubtedly, your attorney's experience is critical at this stage, as the documents must be forwarded to a foreign country and there they should either be verified by the local consulate or by a local notary –

" When signing the contract, the attorney's job is to set in place mechanisms that will protect the seller signing a contract with a buyer up until receiving all amount of money from the buyer in exchange for the property "

depending on and whether or not the seller is a former Israeli with a valid passport and whether or not he/she knows Hebrew – factors that have consequences in the process.

One more thing about this: the legal mechanism of the time factor as set in the contract is also important to consider in that the standard definition of 'full payment and hand over within

such and such months' should be changed so that payments be within such and such days from the day a warning was registered in favor of the buyer, so that time lines do not begin until all documents were returned to Israel and thus seller is not at risk of breaching the contract.

The keys please

Towards the hand over, you should make sure with your attorney that he/she has all required documents, and that he/she has received or obtained all required approvals for the registration of the transfer of rights to the apartment to the buyer, as you will have to present these for the receipt of the last payment upon hand over of the apartment.

These documents are:

Irrevocable power of attorney for the transfer of rights.

Deed (if the property is registered with the taboo) or transfer of lease bills (if the property is owned by the Israel Land Authority) – signed by the seller and confirmed by an attorney.

Confirmation from the tax authority that seller has paid gain tax – addressed to the Land Authority.

A document from the municipality or local authority confirming that there are no outstanding debts (that is, that seller has paid all taxes, levies and fees owed to the municipality) – addressed to the Land Authority and valid until the date the apartment was handed over to the buyer

Document from the Municipal Committee for Building and Planning confirming that there are no outstanding debts related to Improvement Tax - addressed to the Land Authority and valid until the date the apartment is handed over to the buyer.

In summary, this is the first guide of its kind in Israel, combining references to all professional service providers related to real-estate transactions, beginning with attorney and ending with real-estate agent.

It is a comprehensive and thorough guide, but there are other issues worth considering, which of course I can provide guidance on – in my regular lectures and through professional material my office provides.

Still, having covered the highlights, you now have the knowledge needed to guide you in your choice of the professional team that will safely help you make a successful real-estate transaction in Israel.

GOOD LUCK!