

New sales model: property-based pension

**Property-based pension, that's selling your home while keeping your right of abode.
Monthly instalments make for a greater liquidity in old age.**

Home or apartment owners can look forward to a considerable growth in assets due to the substantial price increases throughout the last couple of years. However, the funds are tied to the property, and running costs for repairs, insurances, and maintenance can quickly make a property a burden, especially for older people. Usually, selling the property is not an option, as it would come with the inconvenience of moving into an entirely new environment. A very appealing solution is the property-based pension: This model allows the property owner to continue living there, while additionally receiving a monthly pension. Depending on the model, the pension can be arranged in the form of a **life annuity**, meaning until the end of the owner's life, or in the form of **temporary annuity**, such as a time period of ten years for instance. During this time, the seller pays for the operating costs as hitherto, while the buyer pays the pension to the owner, and bears all maintenance costs.

So, what's in it for the buyer if they cannot make use of their asset right away? They pay the amount that was determined by a sworn expert, resulting from the market value minus the usufructuary value. This way, particularly buyers with a higher income, can **pay for the property using their current revenue**, with no need of drawing on costly bank loans, as it would usually be the case. There is a benefit for the seller as well, as they can turn their property "into money" during their lifetime, while continuing enjoying their familiar environment. Another peculiarity of selling a property on annuity basis lies in the variation possibilities of the model – making a down payment or selling the property while re-leasing it at the same time, are possible options. The prerequisite is in this case, is that the property is entirely, or at least mostly, free from debt.

Despite this model being relatively unknown, it has **already been applied multiple times** at David Borck Immobiliengesellschaft. The owner of a **semi-detached house in Zehlendorf**, for instance, had lost her husband, and was unable to bear all the costs for the real estate by herself. The value of the home amounted to € 690,000. - but for as long as she was still living there, this value was entirely notional. So, she decided to sell her property on a temporary annuity basis. She will continue to live inside her home, while receiving a monthly pension payment of € 2,925. - for the next 10 years, before moving to a retirement home.

Another home owner lives in a single-family house in Zehlendorf, but likes to spend the winter months golfing in South Africa. He would need additional assets to pay for the running costs and expenses of the property during these months. So, this 68-year old owner sold his 1.4 Million single-family house using the life annuity model. He will receive a down payment of € 400,000. - at the time of the conclusion of the contract, and an additional monthly pension payment of € 2,696. - for the rest of his life. This way, he can comfortably afford spending the winter months in South Africa, while saving money in the bank.

"This model allows for liquidizing assets that are tied to a property", explains Inga Rück of David Borck Immobiliengesellschaft, adding: "The model is a particularly attractive option for older people, who this way can enjoy additional pension payments, while continuing living in their familiar surroundings. The transparency of this transaction is ensured for both, the seller and the buyer, thanks to the close support

that is provided to them by us and the independent expert's office, as well as the customized purchase agreements that are drafted by a notary."

About the David Borck Immobiliengesellschaft:

When founding the David Borck Immobiliengesellschaft mbH back in 2010, the managing directors Caren Rothmann and David Borck already had substantial knowledge in the real estate industry. Their vision was to market real estate on an individual and innovative basis, while offering a one-stop solution for all provided services. For this purpose, they drew on an extensive network of agencies, financing experts, appraisers, lawyers, and banks. Whether it's a pre-WWII or new construction building, a villa or condominium, global or individual sales – the company takes care of the entire project marketing, while developing customized marketing strategies. Since its founding, the David Borck Immobiliengesellschaft has been able to successfully sell more than 1,600 units this way. In 2016, the David Borck Immobiliengesellschaft has once again been awarded top grades by the "Capital" broker compass, and has been distinguished as the TOP real estate agents by FOCUS in April of 2017.