

OFF THE PLAN PROPERTY TIPS

With so many Australians buying apartments and the many unknowns when buying off the plan, we give you our top tips to help you make the buying decision with more confidence.



ARE YOU PAYING THE RIGHT PRICE?

The property market can fluctuate, as can interest rates and lending requirements. The value of your property once it is complete may be less than the purchase price if purchased before a market downturn.

So do as much research as possible:

- Talk to real estate agents about recent new sales and upcoming developments
- Have a chat to your real estate agents and property advocates for their insights and experience
- Access two free suburb reports from Residex or call us for your own report
- Read industry analyst reports (for example Core Logic) to track data on valuations for off the plan properties

WILL YOU BE ABLE TO FINANCE YOUR NEW PROPERTY?

Given most loan pre-approvals are only valid for three to six months, obtaining a formal pre-approval won't assure your finance at completion.

- Are you willing to take that the risk that the lender's valuation may be less than the purchase price?
- If the valuation comes in lower, do you have access to other funds to 'fill the gap'?
- Are you confident that your personal and financial situation won't change during the building process?

Did you know?

On average, a build in Australia can take anywhere from four months to one year¹.

Most importantly, consult with us your finance specialist – we keep abreast of the latest lender requirements, interest rates, special finance offers and pre-approval time frames.

CHANGES TO BUILD PLANS

Sometimes the finished apartment or complex may not be the same as originally planned (for example some complexes have changed three bedders to one or two bedders in line with buyer demand and to increase sales). However, most established and reliable developers won't move the goal posts.

- Find a solicitor who has experience in off the plan contracts
- Check the terms in the contract that may allow for changes in the build plans
- Your solicitor or conveyancer should highlight the appropriate clause(s) in the contract
- Seek legal advice on other various legal aspects of off the plan purchases, including deposit, fittings, finishes and understand the defect process and timeframes are a few to gain advice for.

Did you know?

85% of new apartments built since 2000 have defects². Although it is common, many are small and not structural. It is important to know what approach and timeframe the builder has indicated to remedy building defects.

HOW MUCH DO YOU KNOW ABOUT THE DEVELOPER?

- Use the Fair Trading licence check to see if they have the appropriate licence and if there have been any historical complaints or actions taken against them
- Find out as much as you can about their track record
- Inspect previous developments to see the finished product
- Find out if their previous projects finished on time
TIP: Check projected versus actual finish time in their press releases and website.
- If the developer is not known to you, search the business name online at the ASIC Connect site. Be wary if the business name has been created in the last year or two

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- Research the builder they use. Check if they have used them before and what projects have they successfully completed
- Conduct a strata report on previous developments to uncover any issues – look at the sinking fund forecast and any remedial works that are planned or completed
- Check if the local Council has issued construction and occupation certificates

STATUTORY AND BUILDER'S WARRANTY INSURANCE

There are various warranties and insurances in place to help protect home and apartment owners. These can vary state by state:

- Statutory warranty – can be lodged with the state's building and construction regulator if defects are found
- Home builders and renovators are required to take out complying home warranty insurance for contracts over \$12,000 (\$3,300 in QLD)
- Premiums are generally paid by a licensed builder and proof of insurance submitted to the local council before the development or building application is approved. The statutory warranty period in most states is six years

Take the time to do your research. Pay for independent professional and legal advice before signing up to an off the plan property purchase. It is a small price to pay to help secure your future wealth.

Most people have an enjoyable purchase experience and have loved the opportunity to be the first one to live there. There are great negative gearing benefits for investors who purchase brand new properties and you may find tenants prefer new properties over old when renting. With every bad story, there are usually 10 unheard good stories.

So...

1. Be careful
2. Be prepared
3. Be open-minded to all information – the good and the bad

1. Choice.com.au

2. Lookupstrata.com.au