



Buying Off the Plan

Buying off the plan can go horribly wrong or wonderfully right, so what can you do to ensure the scales tip in your direction?

When buying a property that has not yet been built, it is important to prepare thoroughly before you commit and engage your mortgage broker early on in the process.

Knowing what you are up against and what might go wrong can give you the winning edge. Here are some of the issues you may encounter.

DROP IN VALUE

If property values fall in the period between deposit and settlement, your property may be valued at less than you paid for it. This means topping up your deposit to meet the loan to valuation ratio, or making a new arrangement with your lender, an option that has become more difficult following changes to the lending environment.

Avoid this scenario by buying well in the first place. Research the growth potential and trends for the location, looking at statistics on employment, demographics, median apartment price growth, vacancy rates and rents. Is there transportation and infrastructure? Any other planned housing developments?

VARIATIONS IN DESIGN AND QUALITY

The finished project may differ to what you anticipated. Even if you view display suites and artists' impressions, the developer may later change the design and finishes.

To safeguard yourself against disappointment, it's essential to have a comprehensive contract that sets out in plain English the details of the proposed development plans and quality of fixtures and fittings. The brand and model of the fittings should be clearly outlined, as well as information about whether the buyer can select appliances and what happens if an item is unavailable.

Did you know?

You've heard about the risks of buying off the plan, now here are the benefits...

- Government concessions like stamp duty exemptions and grants
- Capital gains from the property value rising during construction
- Low initial outlay with deposit as low as 10%
- More time to save because you don't have to pay the balance until construction is complete
- Choice of apartment type and option to customise floor plans and finishes
- Potential tax and depreciation benefits if you are purchasing the property as an investment

The contract should answer questions like: what are my rights if the design is altered? Can I make changes to the finishes? Can I visit the site during construction?

CONSTRUCTION DELAYS

The development may never get off the ground or it may be delayed by planning approvals, poor weather or bankruptcy.

It's important to check out the credentials of the developer, builder and architects - find out about past projects and financial performance. Obtain proof of insurance from the developer and know that the builders are licensed and qualified.

Seek independent legal advice to ensure that the contract of sale contains all the relevant terms for the exchange, such as your rights if the construction is delayed, if the building doesn't proceed or you withdraw from the contract.