

# BUYING OFF THE PLAN

Expert advice for home buyers and investors.



## INTRODUCTION TO OFF THE PLAN

Buying off the plan simply means buying a property that has not yet been built. The term includes all types of properties from apartments to stand alone houses, however “off the plan” has come to refer mostly to off the plan apartments or townhouses. In this ebook, we’ll focus on off the plan apartments, and take an indepth look at the advantages and risks involved for purchasers.

## WHO’S THIS BOOK FOR?

This book is for first home buyers, upgraders, downsizers and investors looking to purchase a new property off the plan. It’s for those who want a low-cost property option that gives a lot back, whether that be quality of living or rental yields. This book is a balanced introduction to off the plan, providing you with the fundamental knowledge and advice on how to pick the perfect property whilst mitigating the risks involved.

## INSIDE THIS EBOOK...

- Discover the benefits of purchasing off the plan, from savings to tax advantages
- Get in-depth insights on advantages for investors and home buyers
- Learn about common pitfalls associated with purchasing off the plan and how to avoid them

## A BIT ABOUT THE AUTHOR...

Luke Craven – Managing Director, InterProperty

Luke has provided acquisition advice and undertaken due diligence for some of Australia’s largest Developers and lending institutions. In 2015-2016, Luke provided acquisition advice and undertook valuations on in excess of \$500,000,000 worth of real estate with individual properties ranging from \$300,000 to \$150,000,000. Luke’s academic qualifications and relevant industry associations are:

- Certified Practising Valuer with the Australian Property Institute (API)
- Associate of the API – Member No 63121
- Licensed Real Estate Agent
- Qualified Property Investment Adviser - Property Investment Professionals of Australia (PIPA)
- Bachelor of Business (Property) with Distinction - RMIT university
- Certificate IV in Real Estate – Swinburne University

**INTERPROPERTY PROVIDES FREE QUALIFIED  
ADVICE TO CLIENTS LOOKING TO PURCHASE  
OFF THE PLAN.**

**TO ORGANISE AN OBLIGATION FREE CONSULTATION**

**CALL LUKE CRAVEN ON 03 86 10 6360.**





## WHY CHOOSE OFF THE PLAN?

There are many advantages to buying an apartment off the plan for both home buyers and investors. It provides an affordable option for purchasers to be within some of Melbourne's most desirable suburbs at a fraction of the cost of purchasing an established house. Other benefits are detailed as follows:

### THE SAVINGS AND INCENTIVES

**VICTORIANS PAY EXTREMELY HIGH STAMP DUTY, AND BUYING OFF THE PLAN MEANS PAYING LESS STAMP DUTY.**

Generally, the earlier you buy within the construction phase of the development the bigger the savings. If you purchase before construction has started you only pay stamp duty on the apportioned land value component saving you thousands of dollars on your purchase. As of July 1, 2017, the stamp duty concession will be abolished for investors, however home buyers will be unaffected. First home buyers purchasing new off the plan properties valued up to \$750,000 are also eligible for a government grant of \$10,000, and for properties in regional Victoria, an additional \$10,000 for contracts signed from July 1 2017.

### TIME IS ON YOUR SIDE.

When purchasing off the plan, settlement can take up to 2 years, this gives you time to save for a larger deposit and if the property market grows and your property increases in value, then you have also made some good equity growth. The longer settlement can also be useful for owner occupiers who already have a home as it provides time to prepare your current home for sale and makes the whole process of buying and selling a lot less stressful.

## THE CHOICES

When buying an established property, there is often little choice and when you do find something you like there is usually multiple other parties that also like the same property. When purchasing off the plan you have a greater variety of properties to choose from and generally less competition as purchasers are spread over multiple developments and apartments.

Developers often provide purchasers with different finish options for their apartment for example the choice between a light and dark colour scheme. A purchaser may also be able to do some modifications to the apartment or upgrade some of the appliances, fixtures and fittings, however this is dependent on the development and how early you purchase.

## THE GREENERY

The Building Commission of Victoria has made it mandatory for all new dwellings to have at least a 6 star energy rating. This is not just great news for the environmentally-conscious new home buyer, it also means huge savings in energy bills.



### BUY NOW, PAY LATER.

When you buy off the plan, you purchase the property at today's prices but pay the majority later (upon settlement). You lock in your price and you don't have to pay any more even though your property might not be built for two years. This means if the value of your property increases, you earn instant capital without lifting a finger. And there's yet another surprise bonus: when you buy, your cash deposit is held in trust. Usually this money is invested on your behalf while you wait for the construction to finish, meaning you might get a few thousand dollars extra interest.

### LESS MAINTENANCE MORE SECURITY.

One of the big benefits of purchasing a new property is that it is less likely that the property will require repairs and ongoing maintenance.

New apartments also provide a greater level of security compared to older apartments or houses. Many now include video intercom systems and electronic swipe card readers restricting access into the development and property.

### ADDITIONAL BENEFITS OF BUYING OF THE PLAN FOR INVESTORS: CASH IN ON TAX ADVANTAGES

Being a new property, you can claim depreciation on off the plan apartments which is a major tax incentive popular with investors. This helps reduce the ongoing costs of holding the property and allows you to build a larger portfolio. Often an investor can claim depreciation on a new property in excess of \$10,000. The developer may provide investors with a depreciation schedule prepared by a quantity surveyor which will calculate the depreciation benefits you can claim at tax time. If the developer doesn't provide this schedule, InterProperty will organise one for you.

### BETTER QUALITY TENANT AND HIGHER RENTAL YIELDS.

New properties which enjoy the benefits listed above command higher rents and a better quality of tenant, maximising the investment return.

## WHAT CAN GO WRONG? COMMON PITFALLS OF BUYING OFF THE PLAN.

Purchasing any property, whether it be established or off the plan, is one of the biggest financial decisions you'll ever make. There are risks involved with purchasing off the plan as there are with established property, however you can minimise these risks through thorough research and due diligence. Below are some of the main risks involved and what you can do to minimise them. Call InterProperty for a no obligation chat about your property purchase.

### PAYING TOO MUCH

When purchasing off the plan there is usually a listed price the agent or developer wants for the individual property, however knowing whether this is a fair price that represents good value can be hard to establish. The last thing you want to do is pay too much, so what you should do is compare the property you're looking at purchasing with properties with similar attributes that have already sold. When establishing a property's value it's also important to compare prices with other apartments within the same development as well as other developments within the surrounding locality.

### OVERSUPPLY

In Melbourne there's been a lot of talk about increased supply of apartments over the last couple of years, mostly within the CBD and Docklands area. An increase in supply can lead to price growth stagnation, and for investors, higher vacancy rates and downward pressure on rental returns.

There are many drivers of supply and demand and it is a very complex issue and one that most property media commentators do not fully understand. One key area of confusion is the misrepresentation of the supply of apartments actually coming onto the market. The figures often quoted relate to the proposed number of apartments when in reality a number of those projects never get off the ground. Banks are making it a lot more difficult for developers to obtain funds to finance construction and thousands of those proposed apartments will never be added to the market supply.

Recent predictions from Independent Property advisory firm Charter Keck Cramer indicate supply has peaked and is in decline with apartment completions to further reduce in the short to medium term, putting upward pressure on prices and rents.

### DEVELOPMENT DELAY OR INCOMPLETION

Due to many factors, the delivery of your property may be delayed, or even worse, never completed. This can result in the loss of your deposit, not to mention the stress and valuable time wasted. This is why thorough research into the developer is critical. Steer clear of developers who have a history of incomplete or delayed projects, and look at the quality of their previous projects. You can also protect yourself by including a sunset clause into the contract of sale, which requires the developer/builder/vendor to complete the project by a specific date. At InterProperty we undertake due diligence on your developer to ensure they are reputable.

### POOR WORKMANSHIP

For various reasons the developer or builder may modify the property, meaning you can end up with something different to what was originally agreed upon when you purchased the property. Differences can be as minor as variations to fixtures and fittings or as major as balcony designs and floor plans. Some developers will also try to save money by using cheaper building materials or inferior appliances.

It's important to engage a solicitor and specify the features of your property in the contract down to the finest detail. The more detailed the contract, the less chance of variations and errors. The solicitor should also check the developers insurances and warranties to ensure you are covered.

Before settlement a purchaser is invited to undertake a final inspection. InterProperty recommend you engage the services of an independent building professional to inspect the property and make sure that all building work is complete to an appropriate standard and all specifications and contractual inclusions have been met before you pay the balance of the purchase price.

### SPRUIKERS

Unfortunately, the property industry is largely unregulated, therefore there is a number of companies and individuals who market themselves as property experts but don't have any formal qualifications. Spruikers particularly like off the plan property as it's easier for them to sell the dream of something that hasn't been constructed. Avoid spruikers by always checking the company or individual's qualifications. At InterProperty we are licensed estate agents/buyers agents, Certified Practising Valuers and Qualified Property Investment Advisors.

### SCRAMBLING FOR LEFTOVERS

When purchasing off the plan, you may find that all the good properties disappear quickly, leaving you with the less appealing choices. It pays to get in early so you have the choice of the best properties within the development. InterProperty has a large network of developers and agents ensuring our clients have access to the best properties and in some cases, we provide our clients with the opportunity to purchase within developments even before they have been offered to the general public. At interProperty we also have a live portal system where we can reserve properties for our clients on the spot, ensuring they don't miss out.

# INTERPROPERTY OFF THE PLAN SERVICE

## WE PUT THE TIME AND HARD WORK IN, SO YOU DON'T HAVE TO.

First home buyers, Upgraders, Downsizers and investors can all buy the perfect property off the plan and we help them do it. At InterProperty, we do all the research and due diligence so you can make an informed decision when you buy.

## QUALIFIED ADVICE.

Unlike many agents or developers who only sell their own properties, we have access to hundreds of developments and thousands of properties across Melbourne. We help you compare locations, developers, developments and even individual apartments and prices. For investors, we analyse rental yields, vacancy rates and suburb price growth rates to insure your investment dollars are protected so you get maximum returns. Furthermore, as certified property valuers with the Australian Property Institute, we're qualified experts in determining value. We analyse and compare all our clients' prospective properties on a \$/sqm basis, ensuring you get maximum value for your purchase.

## VIP ACCESS.

We have access to all development marketing materials, display suites, floor plans and price lists. We even have the ability to reserve a property on the spot for you, through a live reservation portal that means you get in before anyone else does.

**CALL LUKE CRAVEN - INTERPROPERTY MANAGING DIRECTOR- ON 03 8610 6360  
FOR FREE QUALIFIED ADVICE ABOUT BUYING OFF THE PLAN.**

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