



TotalCHOICE

home loans

What to be aware of when buying off the plan

The rise of new apartment developments in our cities provides greater opportunities for potential home owners to buy off the plan. There are benefits to this, but also a number of things to be mindful of. We look at some of the things to consider when buying off the plan.

The benefits

A major benefit of purchasing off the plan is that you'll own a brand new property. There are also financial benefits. For example, you'll have the security of knowing how much you'll pay for the property in the future, even if its value increases. Construction usually takes a year or two, so there's time to save before you settle.

If you need to borrow money for the deposit, speak to your broker about how to best structure the purchase. Most home loan lenders won't approve a loan for a long settlement period, but a broker can provide advice about what assurances you can get regarding the amount you may be able to borrow when it comes time to settle.

Depending on which state or territory you're in, you may have access to stamp duty and tax concessions, or government grants. If you're purchasing the property as an investment you may also be eligible for tax benefits. You should consult with your accountant for personal financial advice specific to your circumstances.

Things to look out for

Off-the-plan contracts try to cover future issues. Check that certain scenarios, such as construction delays or if you want to withdraw, are clearly addressed. Once the building is complete it might not meet your expectations. Speak to a legal advisor before signing the contract to avoid any surprises.

Find out whether the developer has taken out home warranty insurance. Depending on the relevant state or territory laws, builders may be required to include a certificate of insurance in the contract. Even if this isn't the case, you can ask the developer for proof of insurance before you settle. Your broker or home loan lender may help with this as part of the lending process.

The property might be everything you dreamed of, but there's always a risk the market may have changed by the time you settle. While you can't avoid this, you should do some homework before you buy. For example, look at properties being built in the area to work out if there's likely to be an oversupply. Some lenders may look at the value of your property, rather than what was paid for it when considering how much they will lend you. It's worth speaking to your broker about how your property may be valued and what your home loan options are.

By exercising a little due diligence you can minimize the risks and reap the benefits of buying off the plan.