

A modern multi-story apartment building with balconies and large windows, illuminated from within, set against a dramatic twilight sky with clouds. Lush green trees are visible in the foreground and to the right. The building features a mix of grey, white, and vibrant yellow-green vertical accents.

SEQ
PROPERTY

Key questions
to ask when
buying off
the plan

Today, buying property off the plan is becoming a more popular residential housing choice for Owner Occupiers and Investors alike. It's becoming increasingly easier to buy property off the plan, with the constant advances in technology.

Buying off the plan property also offers a far more affordable way to enter the property market, due to only requiring a 10% deposit and not having to pay anything until completion, which might be a year or more away. This added time frame gives buyers more time to save a larger deposit and helps avoid paying Lender's Mortgage Insurance (LMI).

So, before you purchase property off the plan, there are many key questions you need to consider and ask first to ensure you don't buy a lemon. Property bought off the plan is a completely different experience to buying an established property and it's important you understand the whole process, no matter whether you are an Owner Occupier or Investor, as it could save you thousands of dollars in the long run.

Here are our top questions you need to ask when buying off the plan

What is off the plan?

Firstly, an off the plan property is one which has yet to be built, or is currently under construction. You are relying on floor plans, renders, price lists and other related property documents to make your purchase decision. To buy an apartment off the plan you need to sign a contract and typically pay a 10% deposit although sometimes this could be less.

Why buy off the plan property?

There are a number of reasons why you should consider buying off the plan. Firstly, they tend to be more affordable compared to an established property, or newly completed dwelling, whilst if you are an investor there are a number of tax savings to benefit from. You can benefit from capital growth due to having to wait a year or more for completion, and property prices tend to increase over time, depending on their location.

How much deposit do I require and is it secure?

Buyers of off the plan property typically require a 10% deposit to secure the property. The deposit can be paid in a number of ways including cash, bank guarantee or sometimes a deposit bond. Your deposit will be held safely in a solicitors trust account until the project has completed, or the sunset period expires.

Will my apartment be similar to the brochure?

It is important to keep in mind that your finished property will not exactly match what you saw in the brochure. Firstly, the images provided are based on an artist impression and the finished product can certainly change; however, it shouldn't change dramatically. You can refer to your schedule of finishes to check what your apartment should include, as well as your contract if there are any huge changes. Your Property Consultant will also carry out a settlement inspection to note down any defects which the property might include to be fixed by the developer asap.

When is settlement?

Settlement differs per project and depends mainly on the size of the development. The smaller the development, the faster the build time. A larger development, complete with communal facilities such as rooftop garden, pool and landscaping could take approximately two years to complete. Once complete, the remaining balance of the property purchase price is required.

What tax benefits are there?

If you are buying off the plan property as an investor, then there are two main tax benefits to be aware of. These include depreciation and negative gearing. Depreciation savings are highest in year one where you can claim on the building as well as the fittings and fixtures such as appliances, blinds and carpet. It is best to get a reputable quantity surveyor to create a depreciation schedule for you so you can ensure you are saving as much as possible. Plus, a Quantity Surveyor's fees are also tax deductible.

Negative gearing is also another big tax break for investors, especially those on a higher salary. This is where you have a shortfall where your rent etc. does not cover all your mortgage repayments so you have to make up the difference from your own pocket. You can claim this shortfall against your tax return at the year or throughout the year from each pay packet.

Are there any incentives?

Buying property off the plan also provides you with a number of incentives which you are unable to receive when buying established property. Firstly, if you are a first home buyer then you could be eligible for the first home owner grant. This differs per state, but you could save around \$10,000 in QLD. You can also save on stamp duty, again saving you thousands of dollars. Its best to check on the local state government website to determine how much you could say.

When is the best time to buy off the plan?

There's no real best time to buy a property off the plan. Ideally you want to be buying within a rising market before the peak of the cycle to capitalise on this growth. However, it's not timing the market; it's time in the market that really matters. If you have the funds in place and can afford to buy a property today, then now is the best time to buy. The longer you wait, the greater the property prices will grow and the harder it will become to enter the property market.



Where is the best place to buy off the plan?

Believe it or not, but location really does play a huge part in the growth potential of a property. Buy in the wrong area and you could see stagnant or backwards growth; however, buying in the right place can see huge rewards. Purchasing a property close to a train station, shops, restaurants and schools is a major plus, as everyone prefers convenience on their doorstep. Speaking to a Property Consultant at SEQ Property can also assist and highlight key growth areas worth investing in right now.

Is buying off the plan safe?

Off the plan property is a very safe investment type and less volatile compared to shares for example. However, it is important you do your thorough research first, know who you are working with and ensure this property sits comfortably within your budget, helping to avoid financial risk. You should also consider the sunset date and ensure you use a reputable solicitor who is familiar with off the plan to carefully review your contract.

What is the Sunset clause?

The sunset clause includes the sunset date of which the project needs to be completed by. This protects both the buyer and the developer. If the project cannot be completed within this time frame, then the deposit can be returned in full to the buyer, or new contracts can be drawn up. However, this is not ideal as you would have lost time in the market, so before you purchase try to find out whether the developer already has DA Approval and identify when they are expecting completion. Time is money so always be aware that the Developer will not want the process to be slow either.

What happens if the market changes?

Because off the plan properties generally take at least a year or more to complete, market conditions can change during this time and interest rates could rise. It is therefore important to bear in mind that under the contract you are obligated to settle. To help mitigate risk you might want to consider fixing your interest rate, whilst you should ensure that the property sits comfortably within your budget to avoid financial strain and stress. Remember that property cycles go up and down, but as this is an investment you should take on a longer approach and look at holding the property for a minimum of 10 years or more.

You should also create a plan from the start to know how you will deal with these types of situations if these were to arise.

How much are body corporate fees?

When you purchase within an apartment development you also need to consider the body corporate fees. This is the fee that you need to pay to the Owners Corporation for the upkeep of the building and common facilities. A development with no facilities will have a lower body corporate fees compared to a high rise development with swimming pools, gyms, private dining areas and more. Ensure that you work this in your budget. You might prefer a boutique development with lower body corporate to begin with; however, a development with facilities could be attractive to future buyers and rental tenants.

How can I ensure I get good tenants?

As an investor you want to ensure you have good quality tenants looking after your property. If you use a Property Manager to look after your property for you then be sure that they do thorough background checks on potential tenants, whilst it is always a good idea to take out landlord insurance. This will cover you for potential loss of rent if tenants default on their rental payments, or if they cause accidental or malicious damage and public liability. You should also research your Property Manager to ensure they are reputable and have enough time to look after your property effectively.

Working with a Property Consultant can also make this off the plan buying process far easier and our Property Consultants at SEQ Property are here to help you every step of the way. We deal with off the plan purchases every single day and thoroughly understand the property market and can find a suitable property tailored to your needs and requirements.

To find out more about buying off the plan or to ask further questions, why not get in touch with SEQ Property Services today. Give us a call on 1300 789 956 to learn more.





Home \home\ n.

A dwelling place together with the family;
an environment offering security and happiness.

Welcome Home