

Guides The ultimate off-the-plan guide: 5 property experts share advice for buying a new apartment or ...

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The ultimate off-the-plan guide: 5 property experts share advice for buying a new apartment or townhome

Dominic Cavagnino, Darren Maclean & [3 more](#) | Sep 29, 2020

Buying property is a significant and exciting milestone in life, so it's essential to undertake thorough due diligence and fully understand the property buying journey to ensure you make a sound investment. To help, we've sought the best advice for some of your most frequently asked questions from five [off-the-plan property](#) experts:

- *JIAHENG CHAN*, [BEULAH](#)

- *ANDREW WYATT*, [BLUEWAYS GROUP](#)
- *DOMINIC CAVAGNINO*, [BINNARI PROPERTY](#)
- *BRUCE GODDARD*, [PLACE PROJECTS](#)
- *DARREN MACLEAN*, [AUSSIE HOME LOANS](#)



1. How does buying off-the-plan work?

Buying off-the-plan is self-explanatory – buying off plans. That means you rely on computer-generated images, floorplans and the viewing of a sample home, known as a display suite, to form your decision. While it may sound a little unconventional, there are many reasons why off-the-plan is [so popular in Australia](#).

Beulah's Jiaheng Chan explains that one of the benefits of buying off the plan is the ability to secure a home with a smaller deposit.

"Purchasers will sign a contract of sale to obtain a chosen residence within the building and pay a 10% deposit with the balance payable upon completion. The benefit of this being that it gives purchasers time to prepare and finances their new home."

Buying off-the-plan means that you are also buying a brand new home, and you will be the very first person to live in that property. There's no mould, asbestos, lead paint or rotting floorboards to worry about.

Another drawback of buying off-the-plan is to know who has built and designed your house and having the ability to check out previous examples of their work. You can use the Urban platform to undertake thorough due diligence research and to find a developer and design team who have a wealth of experience and sound track record delivering high-quality homes.

And finally, buying off-the-plan comes with [many financial incentives](#). Since these properties are new builds, they're often eligible for first home owner grants and stamp duty concessions, depending on which state you're in. Developers are also likely to offer some great incentives during the marketing stages – from cashback offers, to free furniture!

It's evident that the benefits are proving popular among home buyers in Australia. Bruce Goddard from Place Projects explains that multi-dwelling developments now represent 50% of residential sales in most cities.

"Both small and large multi-unit residential developments are replacing much of the traditional areas of housing. New multi-dwelling developments have been increasing their share of the market and now account for around 50% of new residential sales throughout most cities. Generally individual residences within these new developments are sold off the plan, before and during construction."

The best way the rewards of buying off the plan can be redeemed is by purchasing a sound investment from a reputable developer and design + build team. Blueways Group's Andrew Wyatt tells us that one of the most critical steps in the off-the-plan home buying journey is research.

"When buying off the plan you simply can't do enough research. Buying off the plan is entering into the sale of a contract before the apartment or house has been built, therefore you must do your research as you will be required to sign a contract of sale and pay a

deposit upfront. I always recommend that even before you take this step, you should always seek good legal advice."

As Darren Maclean from Aussie Home Loans points out, it's important to note the timeframe of off-the-plan projects. If you're happy with a slightly longer wait time until your brand new home is available to move into then buying off-the-plan could be a good option for you.

"Buying off the plan involves making a decision now, to purchase a property that is yet to be completed. This means there can be quite a significant timeframe involved between the time contracts are signed, and the time you take ownership."

Dominic Cavagnino from Binnari Property explains that [once you settle](#), you're then required to organise final payments to secure your dream home.

"Once construction is completed, the remaining 90% of the property value must be organised. If this involves getting a bank loan, then this would be sorted out at the completion of the property rather than at the time of initial exchange. You're also required to pay stamp duty on the property when it reaches completion."



2. What mistakes do you think people make when they buy off-the-plan, and how can they avoid them?

DARREN MACLEAN, AUSSIE HOME LOANS: Not preparing for the unexpected. People are used to getting a home loan pre-approved prior to searching for and buying an established property. Still, in the case of off the plan, because of the potential long timeframe before settlement, any loan pre-approval done at the time of contract signing will typically have expired, and a new loan application required closer to the settlement date. This means that any changes to an applicants financial situation will need to be allowed for.

As we've seen with the current COVID-19 situation, unexpected things can occur that can potentially be an issue.

JIAHENG CHAN, BEULAH: The biggest mistake people can make and do make is not undertaking enough research before buying into a project. Use this research time to:

- Be sure you're buying from someone with a solid track record and understand everyone involved in the project team, from the developer, architect, interior designer, engineers, and builder (if they have already been selected for the project).
- Get a clearer picture of who they are, the projects they've worked on and any reviews/testimonials to ensure their reputation is strong.
- Compare the developer's previous track record of marketing materials vs. reality. This is something we always have on hand at Beulah as it helps showcase and exemplify the true quality of our projects and instils extra confidence in our purchasers that we will deliver what we promise.
- During this process – in addition to looking at the design credibility – avoid talking to too many people. It is about quality, not quantity! [Seek advice from the right people](#) in your life; after all, you are the one that is going to live in the property!

ANDREW WYATT, BLUEWAYS GROUP: There are typically three types of mistakes: finance, contractual and the property itself:

Finance

- Securing pre-approval to ensure you can afford the property

- Realising the lags involved – when does the finance offer end, when does construction start, when does the property settle
- Prepare for settlement as this will be required in 14 days of notification
- Being properly organised from placing the deposit through the period to settlement, construction and moving in – these time gaps require organisation and discipline (where to live, continuing to save, ensuring the loan is organised for the right time, etc.)
- Getting informed advice on the grants and stimulus available to them and for which the property complies – be wary of making assumptions and not knowing the detail

Contractual

- Understand and confirm the sunset clause

The Property

- Do not have experience in reading plans
- Consequently buying properties not suited to their lifestyle or circumstance
- Misled by agents as to when construction will start
- The main things people can do to avoid making major mistakes in this process, include:
- Not allowing themselves to be pressured into a sale
- Don't impulsively buy
- Do not fail to get adequate legal advice
- Don't spend wildly on discretionary items during the construction period and ruin your serviceability
- Make sure that the vendor you are purchasing from has a proven track record of delivery and a high standard of finish
- Make sure the purchase of the off the plan property suits your overall life plan outcomes and get good legal and accounting advice

DOMINIC CAVAGNINO, BINNARI PROPERTY: Many off-the-plan disputes arise from a gap

between expectations and reality, especially when it comes to things like the quality of the fixtures and fittings.

- Make sure you know exactly what you're getting upfront, including brand and model. Don't be afraid to ask lots of questions. This is also relevant to the size of an apartment. Arguably, this is the most important aspect of your purchase as it's the one thing which cannot be changed. There are many developments where apartment sizes have been compromised to maximise the number of dwellings within the project. Purchasing a property that's too small can really impact the long term desirability of that property.
- Another source of disputes is ambiguity in contract terms. Make sure your contract includes detailed information such as proposed plans, specifications and sunset clauses, so you don't get caught out. A good lawyer will ensure everything is documented properly, so you get what you paid for.
- Make sure you're buying from a reputable developer. Do your research and check they have a history of successfully developing projects similar to what you're looking to purchase.
- Make sure your deposit is held in a trust account and never let a developer take your money.
- It's really important to understand your borrowing capacity. Sit down with your mortgage broker and see if you're likely to qualify for a loan once the property is built. If your finance doesn't come through the developer can seize your deposit. If the property is valued at less than what it was at the outset, you can also run into problems. It's best to have a cash buffer set aside to cover you if needed, otherwise you may have challenges come settlement.

BRUCE GODDARD, PLACE PROJECTS: Some of the common errors made or problems that may arise are as follows:

- Make sure property is right for you – Does this property meet your planned wish list? Research the property and the area. Will it have long term appeal for you and for likely future buyers.
- Value risk – on signing a contract to purchase at a fixed price, the value on settlement is not known. Normally property values increase, and the cost of construction generally increases continually. However, the value on the completion of sale may be the same, or more or less than the contract date. Your obligation to complete the sale will be at the contract price.
- Contract of sale – be completely satisfied with the terms of both the contract and the disclosure statement. The disclosure statement details your purchase as well as the ongoing running and costs of the building. Discuss these issues with your solicitor.

- A buyer has the legal obligation to settle the sale. If the development is completed in the manner described in the contract before the sunset date, there is an obligation to complete the contract. Be aware of delays in the start of construction; know your "sunset date".
- If the buyer cannot settle the sale – the developer generally has recourse to take the 10% deposit and to enforce the completion of the sale, or to take legal action to recover the balance of the purchase price (after making another sale of the property) plus costs. (seek legal advice as to your obligations)
- Off-plan contracts generally not subject to finance – It is prudent to discuss your financing needs with an experienced off-plan broker before your purchase. A lender may indicate your suitability to be approved for a loan; however, normal practice is to arrange funding around three years prior to settlement.
- Bank funding process – Your lender will require a valuation which will be performed at the request of the lender once the building is virtually complete in the lead up to sale completion. This valuation may or may not be at selling price. The lender will typically lend an agreed percentage of the valuation amount.
- Insufficient sales to proceed – In the majority of cases, developers will require a certain number of off-plan sales to enable construction funding so that construction can commence. In some cases, if sufficient sales are not made, the project may not proceed. In this case, the deposit is refunded. This may result in lost opportunity for a buyer as they are out of the market for a period. A developer with a reputation for well-considered projects and regular delivery of completed projects is worthy of consideration.



3. What should you look for in a great off-the-plan property?

DARREN MACLEAN, AUSSIE HOME LOANS: Similar to purchasing an established property, you look for good nearby amenities, public transport, schools, parks etc. Things that you need if purchasing as an owner-occupier, and things a potential tenant might want if purchasing as an investment.

From a Finance point of view, any property that is 50 square metres or larger will allow you the greatest choice of lenders. Serviced apartments or Student Accommodation can be very problematic from a Lender perspective.

JIAHENG CHAN, BEULAH:

Design-specific

- From a developer's perspective, we are driven to create a building that is unique and completely different from other projects in the area. So, as a rule of thumb, this should also apply to purchasers.
- This point of difference has a flow-on effect and most definitely impacts the value of the property – not just the price, but also the lifestyle and quality of living.

- Another element to look for is clean floor plans. Avoid purchasing a property with wasted space. At Beulah, our apartments and townhomes have been designed to utilise every inch of space with little to no intrusion from structural pillars or the like.
- Understand and ask questions about the materials being used in the build. This is key to ensuring longevity, less chance of having to forgo more money for repairs at a later date and generally, ups the comfort level of a home.

Location

- One thing to look for, and arguably one of the most important elements of choosing an off-the-plan property, is location. At Beulah, we look to build in established suburbs as these areas almost always enhance a property's value and liveability.
- Covering several wishlist items for many, an inner-city locale enables residents to indulge in the best the suburb has to offer, whilst living in a contemporary building with superior privacy and security and significantly less building maintenance. This equals less stress, more time to relax and enjoy your new home and neighbourhood.
- With such a significant influence on lifestyle and quality of life, purchasers should consider if their chosen location caters to their needs, including: proximity to fundamental amenities, services and accessibility, distance to the nearest supermarket/s, schools, freeway, public transport and so on

Community

- Similarly, the way a building is designed and the shared amenities it presents can indicate the neighbours you can expect to share a building with. Likewise, it is important to consider the neighbourhood in the building and surrounding the project. Who lives in the area, and do they align with your lifestyle?
- This is important as generally speaking, living alongside like-minded people allows a strong community to form and can enhance your overall lifestyle, e.g. children for your own to play with, people to socialise with or perhaps collect your mail while you're away.

ANDREW WYATT, BLUEWAYS GROUP: The old mantra of location, location, location always holds true whether off-the-plan or otherwise – buyers should have confidence in the appreciating value of the area. This includes ensuring access to great amenities such as parks, recreation, retail, etc. and views if possible.

Some specifics buyers should be looking for in the property itself:

- Air conditioning and heating included
- Ceiling heights > 2400mm, 2550mm = good and 2700mm = Great
- Storage/linen cupboard
- Minimal ongoing costs - No lifts, No gym, or extra common areas as these cost to maintain
- Optimal room sizes bedroom, living and dining room sizes
- Master min 3.5m x 3.5m (exclude robes),
- Bed two and three bedrooms, min 3m x 3m (exclude robes)
- Dining 3.2m x 3.2m
- Living 3.5m x 4m

Further, buyers should be looking for a floor plan that works to maximise the lifestyle requirements of the intended renter or owner-occupier, taking into consideration flexible rooms to accommodate things like a home office and extra personal space.

Plans attached to the contract should be detailed enough to ensure that you are properly informed as to what you are buying. It is often best to have the sales contract vetted by a good solicitor to ensure it is not onerous and is balanced for both parties.

DOMINIC CAVAGNINO, BINNARI PROPERTY: It's best to avoid developments solely geared towards investors. These properties are the first to be affected in a downturn, and you may experience challenges with securing a tenant. This also means understanding the level of supply in the suburb which you're purchasing in. An over-supplied suburb is not only going to impact your rental performance but also dilute the potential price growth that's achieved over time. Property price growth is a function of supply and demand; therefore, it's critical to consider both current and future property supply before investing.

Typically, purchasing a property in a development that is targeted at owner-occupiers is a good idea as it will be of a higher standard. An owner-occupier is someone who will purchase a property for themselves to live in. A boutique development is often more appealing to an owner-occupier than a high-density building. Projects targeted toward an owner-occupier purchaser tend to have larger, more liveable floor plans and inherit a higher level of finish. This

can be compromised when a developer's target market is investors, particularly if they're overseas or interstate.

BRUCE GODDARD, PLACE PROJECTS

1. Appeal to immediately surrounding community
2. Centre around transport nodes or developing infrastructure
3. Have underlying population growth
4. Be price point driven
5. Be consumer-focused



4. How does buying off-the-plan differ across Australian states?

DARREN MACLEAN, AUSSIE HOME LOANS: Apart from various state-by-state stamp duty concessions that might apply to first home buyers (or someone purchasing as an owner-occupier compared to purchasing as an investor), then for a lender, there is not a lot of difference buying off the plan across states.

You may find though, that lenders might have some restrictions on certain postcodes where they will ask for a higher deposit than usual. There can also be restrictions on individual buildings that the Lenders deem to be 'high density'.

JIAHENG CHAN, BEULAH: Buying off-the-plan differs across Australia, as most states have different regulations across building standards, differing stamp duty rules and so on.

ANDREW WYATT, BLUEWAYS GROUP: Australia does not have a unified legal or construction framework where there is one rule of law. Each state has individual codes of conduct and laws regarding construction works, contract law and dispute processes. The best thing a buyer can do to protect themselves is to make sure that the advice received is relevant to that state's jurisdiction.

DOMINIC CAVAGNINO, BINNARI PROPERTY: Make sure you are familiar with the particular laws in your state, especially around things like cooling-off periods. Do your research into whether there are any grants or schemes available in your state which may be of benefit to you such as the First Home Owners Grant or stamp duty concessions.

BRUCE GODDARD, PLACE PROJECTS: The overall process is similar in that a deposit is put down, and the full payment only after a title is issued for the completed new property.



5. What are your top 5 tips for buying off-the-plan successfully?

DARREN MACLEAN, AUSSIE HOME LOANS

- 1 Try to avoid any changes in employment in the months leading up to settlement, or at least talk to your Broker before making any changes to make sure any loan application won't be jeopardised
- 2 Try and keep saving as much as you can while you wait for the project to be completed. This at least helps give you a buffer in case valuations have dropped between signing contracts and settlement date
- 3 Concentrate on putting yourself in a good financial position as possible in the lead up to settlement. Try to avoid taking out personal loans. Stay away from Afterpay, Zippay, Credit Cards etc. as much as possible. Minimise Credit Card limits if you can, and also rein in spending on any unnecessary splurge items. For any debts, you do have to ensure the payments are made on time. Everyone's circumstance is different, so some or all of the above may be more critical to some than to others. Again, close communication with your Broker will help
- 4 Take a good look at all the details available on the property you are considering purchasing. You can't see the finished product in advance, so you'll be relying on descriptions and information to try and envisage what the property will be like
- 5 Books are really heavy! Only use small boxes to pack them in when you're moving

JIAHENG CHAN, BEULAH

- 1 Buy from a reputable project team – do as much research as possible into the entire project team beyond just the developer. Also ensuring the developer has a strong service team that can follow through with requests and communication even once settlement has occurred. That is something we always pride ourselves on at Beulah, we never just disappear
- 2 Render vs. reality – Buy from a developer with a solid track record of delivering exactly what they say they will by researching comparison between marketing materials and reality. Further to this, be sure to collate as much information as possible to ensure a good grasp of the floor plans by measuring these out physically and by asking the developer for representation/understanding of view lines
- 3 Choose a project in an established suburb – align your lifestyle needs with a suburb that already has these amenities, services and so on, readily available. This will automatically

enhance your quality of living as soon as you move in

- 4 Find a point of difference – Buy something unique in design architecturally and interior
- 5 Think in the long term – consider how your lifestyle is going to change in future years. For example, if you plan to resell in the future, think about the unique attributes of this property that will appeal to future buyers in the second-hand market, whether it is the architecture itself, an up and coming area or there are proposed plans for other infrastructure that will increase property value

ANDREW WYATT, BLUEWAYS GROUP: In addition to the overarching requirement of feeling confident in the neighbourhood that you are buying into is a place you want to live and is appealing to others, some top tips to consider:

- 1 Plenty of storage
- 2 When receiving a floor plan, physically measure it out (use a tape measure) to get a good feel of the various room sizes
- 3 Confirm ceiling height (e.g. > 2400mm, 2550mm = good and 2700mm = Great) and wall coverings, height and area, e.g. tile to the top of shower or ceiling
- 4 Confirm what the developer's pre-sale requirement is to start construction
- 5 RESEARCH! This includes: the market, the developer, your personal situation; get good legal, accounting and financial broker advice; research plans, specifications and spatial requirements whether an owner-occupier or rental off the plan purchase, your life plan and how the purchase fits into this plan, and ensure you can settle!

DOMINIC CAVAGNINO, BINNARI PROPERTY

- 1 Understand your borrowing capacity and ensure you have a cash buffer
- 2 Research the markets and identify areas which meet specific criteria
- 3 Investigate the track record and reputation of the developers before jumping in
- 4 Make sure you know as much as possible about the property, the specifications and finishes upfront
- 5 Work with a good lawyer to ensure everything is correctly documented in your contract

BRUCE GODDARD, PLACE PROJECTS

- 1 Get yourself into financial order; know your financial position, your borrowing capacity and the lending policies of the bank in relation to different property types and locations. An obligation-free meeting with a financial broker experienced in "off-plan" sales is a great place to start
- 2 Do your research; don't buy the first property you look at. Understand the median apartment prices growth, vacancy rates, rents, employment statistics and demographics. Get to know the area, transportation linkages, and current and planned infrastructure projects
- 3 Research the development team, who's going to deliver this project? What's the track record for the builder, developer, architect and sales agent? Go and visit some of the builder and developers recent projects
- 4 Understand the time frames around the delivery of the project and the sunset dates in the contract of sale (the sunset date is the final date for the developer to deliver the building)
- 5 Develop an understanding of your property needs. This should include a basic overview of the number of bedrooms, living areas, outside deck area etc. You will need to consider your preferred quality of various finishes and fittings to be supplied. Cost will often be a factor, so it is suggested to consider a list of "must-haves" and a list of "nice to have"



Dominic Cavagnino

Dominic Cavagnino is the Head of Research and Acquisition at Binnari Property, a team of independent property investment professionals, who specialise in researching and providing advice on residential real estate investment properties for clients. His understanding and knowledge of the market is backed by his comprehensive research and analysis of property market data, providing clients with access to the best property opportunities around the country.



Darren Maclean

Darren has been a Mortgage Broker since 2006 with Aussie Home Loans. Member of MFAA and holder of Diploma Finance and Mortgage Broking Management, and also a Bachelor Degree in Science from Murdoch University. He currently resides in Melbourne and has seen many changes in the Mortgage Industry over his time, but despite these changes, the requirement for good personal connections to help guide people through the process remains.



Bruce Goddard

Bruce has 30 years' experience successfully marketing and selling major residential projects from the Gold Coast through to Cairns, with major focus on the Inner Brisbane area. Over that period, Bruce has led the sales and marketing teams for some of Queensland's largest residential, waterfront and mixed-use projects.



Jiaheng Chan.

Jiaheng Chan is the Co-Founder and Managing Director of one of Australia's leading developers, Beulah. Beulah creates spaces and experiences for present and future generations.



Andrew Wyatt

Andrew Wyatt is the Director, Development at Blueways Group and has been with Blueways Group since its inception. An experienced company director, he has a successful history working with government and private sectors in Greenfield Development, the construction, civil and communication industries.

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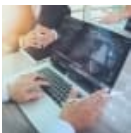
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