Is buying of the plan right for you?

Explore the Advantages & Disadvantages

With a large number of Australians now residing in apartment blocks—a trend that has been on the rise for the past 25 years—it's evident that purchasing property off the plan is not going away anytime soon. While it's common to hear about concerns surrounding construction errors and building defects, it's important to shed some light on the realities of buying off the plan.

Though stories of buyers let down by poor construction can evoke frustration, there are numerous precautions you can take when embarking on this journey. Whether you are an owner-occupier seeking quality features, a first home buyer hunting for the best price, or an investor aiming for strong rental yields, it's vital to weigh the pros and cons before making a commitment.

The Benefits of Buying Off the Plan

Financial Flexibility giving you time to Save: Purchasing off the plan allows you the opportunity to save more towards your mortgage, buying costs, and ongoing maintenance expenses. By the time settlement comes around, you might find yourself borrowing less, resulting in lower ongoing loan repayments.

New Property Condition reducing Maintenance Costs: New properties typically require less money on repairs or maintenance in the short term. Additionally, energy efficiency in new builds means savings on utility costs.

Tax Benefits for Investors providing Depreciation Opportunities: Investors can maximise tax deductions through depreciation claims on fixtures and fittings, provided they consult a qualified quantity surveyor.

The Drawbacks You Should Consider

Extended Timelines: When building off the plan, unexpected delays often arise due to factors such as supply chain issues or weather conditions, leading to extended timelines. As a result, initial estimate timeframes are not met, causing frustration for those who anticipate timely completion.

Market Uncertainties: While buyers may benefit from rising markets during construction, today's financial landscape can complicate the expected gains.

Financial Risks: There's a risk that your finance may not be approved at settlement, especially as lenders' pre-approvals usually last only 3-6 months. An unexpected decline in your financial situation / borrowing capacity or fluctuations in the property market may impact your ability to complete the purchase.

Valuation Concerns: While hoping for an increase in property value upon completion, be prepared for the possibility that the bank may assign a lower valuation than your purchase price. This could require you to cover the difference, putting your deposit at risk if you're unable to settle.

Navigating Sunset Clauses: Off-the-plan contracts often include a sunset clause, which sets a completion deadline. Recent changes in Australian law mean that developers may not automatically rescind contracts for delays without adequate justification, offering added protection for consumers. However, it is vital to understand that regulations can differ across states.

Assessing Structural Quality: Purchasing off the plan means you won't have the opportunity to inspect the property until it is built. Conduct thorough research on the developer's track record—do they consistently deliver quality projects on time? Have you seen previous developments they've completed?

Secure Your Future with Informed Decisions

Buying off the plan can be a rewarding option, but it requires diligent research and an understanding of the potential risks involved. The value gained from seeking professional, independent advice before signing a contract is invaluable in protecting your investment.

Have you considered what your priorities are when purchasing an off-the-plan property? Do you have specific questions about the process? Don't hesitate to reach out for personalised guidance tailored to your unique situation. Your investment journey deserves informed decisions for a secure future.

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Do it once. Do it right.

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