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## Purchasing off-the plan: is it the right way to go?

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### What is it?

Purchasing “off-the plan” involves buying an apartment, house or townhouse prior to the completion of construction.

This can be advantageous if you want to save up money for the purchase since there is often a long gap between the development and completion of construction. This is particularly attractive to first-home buyers. But, where’s the catch?

### Risk 1 – An unreliable developer

Don’t forget to do your homework on the developer! It is a good sign if the developer has completed a significant number of projects. This reduces the possibility that the developer could go into liquidation or become bankrupt, leading to the project to remain incomplete. Purchasers have had to pay a 10% deposit at the beginning when the contract was signed. The risk of an incomplete project could lead to losing this deposit entirely. Use the developer’s last project as your case study and of course don’t forget the big things like getting your solicitor to search if the developer has had or is currently facing any legal proceedings against them.

### Risk 2 – Forgetting about the little things in life

Don’t be concerned to ‘sweat the small stuff.’ In off-the plan contracts, there is usually a clause which permits the developer to substitute fittings and inclusions of equivalent quality. If you are dreaming about that fine Italian marble kitchen bench top, make sure you let the developer know so they don’t swap it out for something else. Request a list of all fittings and inclusions to avoid any surprises. Discuss with the developer what would be done in the case that certain materials are not available.

### Risk 3 – You don’t know the dimensions

True dimensions can be distorted when agents provide brochures detailing a “large block of land” to the purchaser when that may not even be the property you are purchasing. Carefully check the contract for current areas and layouts of the property. Get an accurate floor plan. In most contracts, developers reserve the right to vary the size or change the layout of the property. If this is beyond 3%, then you should renegotiate the purchase price of the property. Have your solicitor consider capping the percentage at a reasonable amount in the initial contract (usually 1-3%).

### Risk 4 – A bad location



Make sure you are educated about the location in which you are purchasing the property. It would be extremely unpleasant if you realise you have just moved into a house right next to a garbage dump or if your view of the water is obstructed by high rise buildings. Asking the Council about any future developments in the area could be a good idea.

### **Risk 5 – A not so sunny sunset date**

A sunset date is a date stipulated in the contract by which if the property is not completed, the contract may be rescinded by either party without penalty. Purchasers have had contracts rescinded or asked to fork out excessive sums of money to keep properties. However, recent changes under the Conveyancing Act 1919 have provided a base safety net for buyers against developers who intentionally delay construction.

### **Risk 6 – A lacklustre warranty**

There should be a warranty in the contract for the developer to rectify any defects that may become evident after settlement. Purchasers should be aware of warranty conditions in the contract and the relevant timeframe for warranties to apply after settlement.

So what should you do?

Before purchasing off-the plan make sure you are well-informed of all these risks and do your homework so you don't end up with the raw end of the deal!