

Buying a Property 'Off the Plan'

Off the plan contracts can be a great way to get yourself into the property market however there are a few risks you need to be aware of before you sign an 'off the plan' contract.

When you purchase a property 'Off the Plan', you are signing the contract to purchase the property, and paying a deposit now. As you are signing well before the property is built, you are signing a contract well before you can apply for the finance approval. Therefore you are signing an unconditional contract and your deposit is at risk if the finance approval is not granted once the property is complete. Therefore there is a risk that the finance may not be approved when the property is ready to be settled. We like to make sure you are aware of all of these risks before signing a contract off the plan:

1. Depending on the building, some lenders require a higher deposit amount depending on if they see the property as a higher risk to them or not. The postcode of the property can also alter the amount a lender will lend in certain areas.

2. The lender will complete a valuation on the property when the property is complete. If the valuation comes in lower than your contract price, the lender will only lend to their maximum 'Loan to Valuation Ratio' (LVR). If the valuation did come in lower than the purchase price, then you would need to contribute more deposit than if the valuation comes in at the purchase price. As an 'Off the Plan' purchase can take varying amounts of time for the property to be fully built and completed, the property market values can change which is where the valuation amounts can differ from the contract price.

3. Similarly to the above, as properties can take several months to in some cases several years to be built, lenders policies and government policies can change in-between time, which can affect your ability to borrow the money to complete the contract purchase when the property is complete and ready to be settled.

Overall, it will come down to the property itself, the expected timeframe for the property to be built, and checking your ability to obtain finance under current lending conditions that will assist you in deciding if you wish to sign a contract for an 'Off the Plan' property.

BEFORE you sign an unconditional contract, **ALWAYS** allow us to check your ability to gain finance under the current lender policies, to have you prepared as much as possible.