



Step by Step Guide to Purchasing Property Off The Plan

Strategic Investors Australia Pty Ltd

Telephone : 1300 475 995

Hello@StrategicInvestors.com.au

www.StrategicInvestors.com.au



What to expect when buying a property investment 'Off-The-Plan.'

Important Fact: The majority of new properties purchased in Australia are purchased 'Off-The-Plan'.

As an investor, buying 'Off-The-Plan' can be a nerve-racking experience if you don't know what to expect. The developers will select only build these types of properties and have been doing so, in the majority of cases, for more than 10 years, and they are very experienced.

That's why we've prepared this step-by-step guide that explains the process because it's always easier when you know what to expect. Our goal is to limit any confusion you may have when purchasing 'Off-The-Plan' before signing the contract.

The good news is that Strategic Investors will be there, at all steps along the way, to make sure that the ride is as smooth as can be.



Step 1: Instruction to proceed

Now you've selected your property, the first step you need to take is the completion of [Strategic Investors Property Reservation form](#).

This is simply a form that indicates your intention to purchase the property - it means that you are ready to proceed to the next stage of the process.

The Reservation Form is **not** a legally binding document but a sign of good faith between the seller and the buyer who are indicating the desire to proceed with the preparation and signing of the contract. As with all real estate transactions, including 'Off-The-Plan' purchases, time is of the essence, and only contracts signed by all parties are legally binding.

Step 2: Initial Holding Deposit

Once you have completed and signed the Reservation Form, the seller [developer] will require an initial holding deposit. The amount will vary depending very but generally speaking, it is often between \$1,000 or \$2,000 and in some cases may be as high as \$5000.

Your Strategic Investors' Concierge will supply you with the Sellers Trust Account details. Please make sure you quote your name and a Lot no./ Estate when you're making your deposit. This way, your deposit won't get lost.

Please send a copy of your receipt to the Strategic Investors' Concierge as extra insurance.

When your Reservation Form and holding deposit has been received, the property will be removed from the market by the seller. This means the property you have selected has now been reserved for you while the contract is being prepared.

Suppose for any reason prior to signing the contract and the transfer of the full deposit, you are unable to or do not wish to proceed with the appropriate purchase of the property. In that case, your initial deposit will be fully refunded.



Step 3: The Contract

The contract is prepared and sent to you - or your solicitor/conveyancer, depending on who you have nominated in your Reservation Form. If you have selected your Solicitor to receive the contract first, they will examine the documentation on your behalf to ensure accuracy. Your Solicitor will usually provide you with a summary review of the agreement, bringing specific dates or requirements to attention prior to signing.

The contract documents that will be sent to your solicitor/ conveyancer vary depending upon;

- the property type [house and land, townhouse, apartment, SMSF or NRAS]
- the location/ state the property is located in [Real Estate rules vary from state to state]

Two copies of the contract, a PAMD 30C form; warning statement, [in QLD] and BCCM version 14; Body corporate management statement. [If applicable]

Two copies of the Disclosure: The disclosure document for the 'Off-The-Plan' purchase is the seller's disclosure to you, the buyer of the property, both before the development and following construction. Essentially, the document ties the land and potential construction together to create the final property at settlement. Therefore, the document includes building development and all relevant plans, including site plans, floor plans, the community management statement, body corporate fees, and lot entitlements.

Two copies of the PAMD D27C: the PAMD 27C is a selling agent's disclosure to you, the buyer. The purpose is to make you aware of the selling agent's relationships and the benefits that your selling agent and other affected people gain on or benefit from the sale.

Two copies of the Buyer's Acknowledgement: This one-page form outlines the documents which were issued to you signing. This may be signed by you or by your Solicitor.

Please note these are legal documents that your Solicitor will explain to you in detail. They are for your protection, as well as the sellers.

Step 4: Solicitor Reviews Contract

When your Solicitor is satisfied with the contract, they will make arrangements with you either to;

- to come into the office to sign the contracts or
- send the contract to you for execution - you will go through the signing process over the phone.

Step 5: Purchaser Signs Contract

Once you are comfortable with the contents of all the documents, you must sign the contract where indicated and return them to your Solicitor promptly - generally within seven days.

Remember, time is of the essence, and you would have not legally secured the property until the contract is signed and returned.

Even at this stage, the seller is quite entitled to sell the property to someone else if they feel you are taking unnecessary time to complete the contract without providing a reasonable explanation for the delay. If, however, there are details in the contract that you still do not understand or if you feel any of the information is incorrect, you need to discuss these issues with your Solicitor immediately.

Step 6: Seller Signs Contract

Once you have signed the contract, your Solicitor will forward them to the seller, or the seller's Solicitor, for the contract signing, the execution of the contract. Until this time, the contract is not legally binding, and it is only when the Seller signs and dates the contract that the contract is alive in binding.

Please note that only the last one who signs a contract is a person who can apply the date of the contract. Of course, when even after everyone who needs to sign the contract has actually signed, the contract is still conditional on the purchases and the seller completing their obligations under whatever specific terms and conditions are included in the contract.

Step 7: Cooling Off Period

In most cases, real estate purchasers have a cooling-off period of five days after the actual contract date. During this time, you can decide not to proceed with a contract for any reason whatsoever. Different States have varying legislation regarding real estate contracts. At the expiry of the five-day cooling-off period, the contract will still be conditional upon both the buyer and seller meeting any contract obligations included in the contract documents.



Step 8: Pay the balance of the deposit

Sellers usually require 'Off-The-Plan' purchases to pay a full 10% of the purchase price as a deposit. The balance of the 10% deposit, that is, 10% of the purchase price less initial holding deposit, is generally acquired within 14 days of the contract date.

So, what would happen to your deposit if the seller were unable to deliver a finished or completed product?

Many mistakenly believe that the seller keeps the deposit monies during the construction. This is not the case -all deposit monies are held in trust for the purchaser or in a solicitors' trust account. If, for any reason, the seller cannot complete the contract by delivering the property, then all cash deposits are refunded to the purchasers. Of course, the charges you may pay for the deposit bonds or bank guarantees bank cannot be refunded.

Step 9: unconditional contract

After the seller has received a full deposit and all other contract conditions have been satisfied or met, the Contract of Sale will become unconditional. Once this occurs, there is now a legally binding document in place, and all parties, buyer and seller, will be legally bound to the contract.

In the event of the purchaser in this instance deciding that they do not want to proceed with the purchase, the seller has every right to claim the purchaser's deposit and any other costs that may have been incurred. Notwithstanding this, most sellers will allow a purchaser to exit the contract without penalty if there is a genuine reason - such as a death of a party to the contract.



Step 10: Finance

For house and land packages

When buying 'Off-The-Plan', you will be usually required to pay a 10% deposit on the total package. This may be broken up into two separate payments for the land and one for the build. Once one settlement of the land occurs, you will be required to make progress payments on the build on the various stages; Slab, frame, lock-up, completion. This varies from builder and state. These payments are drawn down from your approved investment loan.



For Apartment and Townhouse purchases

When buying 'Off-The-Plan', it is essential to understand that banks will only provide approval in principle for finance. Generally, the settlement of the property is too far in the future to approve a loan. Some banks will even pre-approve your finance for 12 months but still require an update of your information prior to lending you the money and settling the property.

For this reason, many of the 'Off-the-Plan' contracts are not subject to finance. Putting aside, you should still speak to your bank or finance broker before signing a contract to determine if your current financial situation would allow you to purchase the property. If you believe your situation at the time of settlement will be the same or improved, it is then appropriate for you to proceed with the contract.

Once the contract is signed, we encourage you to contact the financier regularly throughout the contract period. At a minimum, you must be in close contact with your financier at least two or three months prior to the expected date of settlement.



As the property is near completion, you will be advised of the official settlement date. You will need to organise your financial arrangements in readiness for settlement.

During this process, the bank will most likely order an evaluation of your purchasing property.

Generally, banks will lend up to 90% of the property valuation, should you pay for lenders mortgage insurance. If you're borrowing 80% or less of the value of that property or if you are providing additional security to the bank, for example, another property and the total borrowing of the combined security (the two or more o properties) are less than 80% or less, and then lenders mortgage insurance won't apply.

Lending conditions for the purchasing property through SMSF or under NRAS do vary. To avoid disappointment, especially when using your own broker, it is advisable to adhere to your Strategic Investor's Concierge instructions as to which lenders have the most favourable policies.

Once you have secured finance to the property, you are ready to settle.





Step 11: Settlement

There are two phases in settlement when purchasing 'Off-The-Plan'.

The first phase occurs upon practical completion, and this triggers the issue of Certificates of Classification, which indicates that the building can be legally occupied.

The second phase occurs when the titles are registered, and this leads to settlement, which usually occurs 14 days later.

As you may have noticed, there are two significant differences when purchasing a property 'Off-The-Plan'.

The first is in the contract details. The contract purchasing 'Off-The-Plan' will be much more detailed given the construction may not have been commenced or may have only just begun. In this case, the contract will include everything from proposed body corporate assets and expenses to an outline and schedule of finishes for each property.

The second difference is in the settlement phase. When settlement for an existing property generally occurs 30 days from the contract date, purchasing 'Off-the-Plan' allows more than time between contract date and settlement. For House and Land or townhouse packages, this may be between 16 to 34 weeks; this can be from 12 to 18 months or more for apartments.

Settlement dates can be advised on a case-by-case basis for properties where construction has already commenced.

Strategic Investors pride ourselves on providing the highest customer service throughout this process. Our buyers are kept informed every step along the way with regular Purchaser updates that provide you development status as well as details required to keep in mind for settlement.

This process doesn't need to be complicated, and with our assistance purchasing, 'Off-The-Plan' can be relatively stress-free.

In conclusion, we have this step-by-step guide that will help you clarify the buying process.

Disclaimer

The information contained in the ebook is presented for illustrative and educational purposes only. It is not presented, nor should it be treated as real estate advice, legal advice, investment advice, or tax advice. Any investment involves risk and potential loss of money. If you require advice in any of these fields, we urge you to contact a suitably qualified professional to assist and advise you. Your personal individual financial circumstances must be taken into account before you make any investment decision.

Strategic Investors, its author(s), its authorised distributors and licensees, their employees and speakers do not guarantee your past, present or future investment results whether based on this information or otherwise. The information supplied is accurate at the time of press but is always subject to alteration without notice. Strategic Investors and their authorised distributors, licensees, associates and employees may hold shares and/or obtain fees and/or other benefits from the companies presented and promoted. All reasonable care has been taken in the preparation of the information. To the best of our knowledge, no relevant information has been omitted. However, Strategic Investors and their affiliated companies disclaim all liability should any information or matter in this document differ. Strategic Investors disclaims all liability for clients' purchase decisions. Photographs are illustrative only.



STRATEGIC INVESTORS

Creating Smarter Investors

Strategic Investors Australia Pty Ltd

Hello@StrategicInvestors.com.au

<https://www.StrategicInvestors.com.au>

1300 475 995