

Buying Off the Plan in Australia – The Usual Buying Process

Investing Off the plan on brand new apartment project is by far the most common investment by overseas investors. The buying off the plan allows investors to get in early on a project and lock in current price, hoping to make capital and rental growth on completion. In certain State like Victoria, off plan saves substantial stamp duties.

Lets look at a typical investment cycle.

1. Some project starts with pre sales marketing when an Expression of Interest(EOI) is sought. An initial holding deposits of Aud 2,000 to Aud 5,000/= is common. This holding deposit is usually held in a solicitor trust account and usually refundable should the buyer change his/her mind.
2. The buyer will need to appoint a local solicitor to vet the contract of sale . The solicitor will suggest and negotiate any changes that they feel are in your best interests.
3. Once all legal issues are cleared, 3 sets of contracts will be signed. 2 sets will go to Australia (,one for each buyer's and seller's solicitors. 1 set will be retained for buyer's keeping).
4. Buyer will be allowed 21 Days for contracts to be signed and 10 % deposit transferred to a designated developer solicitor trust account. It is important to ensure the 10% is held in trust as the developer is not allowed to use the money until the project is completed. This will be specified in the contract of sale.
5. Once the contracts have exchanged (all parties signed), there will be **No progress billings** from the developer until the project is completed. Australia practises a Built and Sell concept to safeguard the interest of buyers.
6. A good developer will keep you up to date on the progress of the construction. Hence you will be able to plan your settlement financing and cash flow better.
7. Your solicitor will inform you a few months before property settlement or handover. Buyer will need to organize his /her mortgage and have the settlement date **falls within 3 months of approval in principle from the bank..** The buyer can apply to the bank directly or engage a mortgage broker to deal with various banks to get the best term of financing.
8. Prior to settlement, the investor may request a quality inspection of the premises and get all the buildings defects noted to the developer and have all defects rectified. You can do the inspection yourself or engage an independent builder (cost around Aud \$300.)
9. Upon settlement, the buyer will need to appoint an agent to manage the property. An agent will advertise and interview potential tenants on your behalf (1.5 week of rental will cover this leasing fee). The agent will manage the tenant, collect rents pay all council bills, attend to all the repairs and maintenance bills and bank in the balance rent into your account. (management fee is around 7% excluding Goods and Services Tax, you may get cheaper quote but as usual you pay what you get)
10. If you are not happy with the services of your managing agent, you can change at anytime by appointing a new agent to take over. There is no cost involved. A good agent will also perform inspection on your property to ensure the tenant is looking after your property. There is a Landlord Insurance to cover any damages or delinquency of tenant. This insurance is inexpensive and give you a piece of mind. Your managing agent will be able to advise on this insurance.