

Top 10 Tips for Buying A Strata Unit “Off The Plan”

Buying a strata unit “off the plan”, before it has been built, has long been common.

As compared with buying an existing property, there are many potential benefits, e.g. good pricing offered by developers needing to satisfy finance requirements, potential capital gain during the period between signing the contract and settlement, possible government first home buyer assistance, flexibility regarding floor plan and inclusions and more time to arrange your affairs before moving.

However, there are many potential risks. Some of the most important things for intending buyers to consider:

1. Am I comfortable with the builder and developer? Do the developer and builder have a track record of quality work? Are they financially solvent? These things can be checked easily with online enquiries. Building defect issues are invariably expensive and stressful to resolve. If either becomes insolvent, the project can be cancelled or at least substantially delayed. This can be quite stressful for a purchaser, especially in circumstance where they are relying on the timeframes for completion provided by the developer and vendor.
2. Does the time frame under the contract work for me? How long do I have to settle after the strata plan is registered (often as little as 14 days) and is that enough time for my bank? Most contracts will impose significant penalties on a purchaser, such as with the payment of default interest on the balance of the purchase price, and creating a right of rescission of contract for the vendor if the purchaser is unable to complete within 14 days of the date stipulated by the vendor.
3. How long do I have to wait for the work to be completed? What happens if it isn't completed by then? Do I have to wait that long if it becomes clear that the time frame won't be achieved? Whilst most off-the-plan contracts will impose significant penalties on a purchaser for failing to complete the contract on time, they will give a builder/developer ample time to complete the construction of the building and call for settlement, often several years. It is important for a purchaser to understand these timeframes, and their rights under the contract.
4. Has the developer provided sufficient information to understand what I am really buying? It can be hard to visualise a completed unit from plans and specifications of inclusions, especially if they are vague. Often, most contracts will contain a clause allowing the builder or developer to make variations to the layout, schedule of finishes and location of various car parking or storage spaces. Most times, a purchaser will assume that what they see is what they get, which is often not the case.

5. Do I have a proper understanding of the likely running costs of the building? A buyer can have an unpleasant surprise if levies are underestimated and increase sharply after settlement. Often, the running costs for a building will be lower during the first few years after construction, and may increase substantially once maintenance and upkeep is required.
6. Is the proposed unit entitlement of the apartment appropriate? A buyer's share of future levies and voting rights will be based on this and it can be difficult to resolve issues down the track as the larger the unit entitlement, the larger the strata levies and voting rights applicable with respect to the property
7. Will the project be complete on settlement of my purchase or will there be further sales activities or even construction work continuing after that?
8. Will the building be independently managed, in terms of strata management and building management or does the sale contract give the developer power to lock the owners corporation into contracts?
9. Will the building have satisfactory by-laws or does the sale contract give the developer power to impose these? These could restrict use of parts of the common property to particular owners or impose other undesirable restrictions, e.g. in relation to pets.
10. Does the contract contain sufficient provision to allow sufficient time for me to obtain finance approval? It is important to note that most off the plan contracts either provided for no cooling off, or a ten business day cooling off period. Given the delays between the signing of contract and completion of the contract, changes in the lending space can affect a purchaser's ability to obtain finance. In a worst case scenario, if a purchaser cannot complete the contract due to being unable to obtain finance, they may be required to forfeit 10% of the purchase price to the vendor.

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Updated 6 April 2022