

Buying off the plan

What is it?

Purchasing real estate prior to, or during construction, is commonly known as “Buying off the plan”. It means you enter into a contract to purchase a property before the property title is created and the building is constructed.

Buying off the plan can include the sale of vacant land, house and land packages and strata properties.

For some purchasers buying off the plan, the time spent in construction may give you a chance to save for future repayments and may see the value of the property increase at time of settlement.

Also, off the plan purchases can realise significant depreciation tax savings that are greater than those available on existing buildings if purchased for investment purposes.

With these advantages also comes disadvantages. Before signing a contract and committing funds, it's important to research the proposed property, complete inspections, ask questions and seek professional advice.

Here are the key steps that you'll need to take to finance a property “off the plan”:

Step 1: Speak with a Mortgage Choice Broker

We'll meet with you to understand your financial and lifestyle goals. We'll search through hundreds of home loans to find the one that's right for you, calculate your borrowing power, work out repayments and answer any questions that you may have.

Step 2: Funding your deposit

Buying a property off the plan usually requires a 10% deposit of the contract price. Some developers will require a bank guarantee, while others will allow you to use a deposit bond or cash deposit. Depending on your circumstances and any requirements listed in your contract of sale, we can help you organise your deposit and manage the process for you.

Step 3: Obtaining your pre-approval

To obtain your pre-approval, the lender will need to verify your current financial position. We make this easier for you by preparing the paperwork, lodging the application and doing all of the follow up on your behalf.

Step 4: Engaging with your Solicitor

While you are working with your builder, we will take care of the legwork and liaise with your solicitor to ensure that we are fully aware of the timing for the registration of title and your exact settlement date.

Step 5: Finalising your loan

As a period of time will pass while your property is under construction, we will meet with you to reconfirm your financial position and reapply for pre-approval if required.

In order to finalise your mortgage and move to unconditional approval, your lender will need to value the property. In some instances that valuation will come back short. If it does, you have three options. In the first instance, you can show your lender that you have sufficient funds to cover the shortfall and allow them to lend you the rest. If you don't have sufficient funds, you can ask us to compare valuations with other banks to see if there is a possibility of a higher valuation with another bank. Depending on whether you can borrow with that bank, you may have an option to choose a different lender. If neither of these options works for you, your third option would be to use equity from another property – either another property you own or ask a family member to go guarantor on your loan by using the equity they have in their property.

Six weeks prior to settlement, we will prepare and lodge a full home loan application seeking unconditional approval for your purchase. Once you have signed and returned the loan documents to the lender, we will liaise with them and your solicitor in relation to settlement.

Step 6: Settlement

Your solicitor will attend settlement along with your builder's solicitor and the lender.

If along the way you have any questions at all, just give us a call.

Important considerations

Remember, that when you buy off the plan you are committing to purchase a property that may be different from your expectations. You should bear in mind that property values also change over time, and can fluctuate, even during the construction of your new property. It's important to speak to your solicitor before signing the contract.

Why choose Mortgage Choice?

- There is no charge to you for our home loan service because the lender pays us after your loan settles.
- Our brokers are paid the same rate of commission regardless of which home loan you choose, as long as it's a residential home loan with one of the lenders on our panel.
- We can provide you with access to up to 28 of Australia's leading lenders, including the major banks.
- We make it easier for you by preparing the paperwork, lodging the application and doing all of the follow up on your behalf.