WHAT TO LOOK FOR WHEN BUYING OFF THE PLAN

INVESTING IN LUXURY OFF-THE-PLAN PROPERTIES CAN MAKE A LOT OF FINANCIAL SENSE, ESPECIALLY IF YOU'RE SAVVY ABOUT THE DEVELOPERS YOU CHOOSE AND KNOW THEY HAVE A PROVEN TRACK RECORD. **RAKHEE GHELANI** ASKED SOME EXPERTS IN THE FIELD TO HIGHLIGHT WHAT TO LOOK FOR BEFORE SIGNING ON THE DOTTED LINE.

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Benjamin Kingsley

Location, location, location. It may sound somewhat cliché but this old adage still rings true when it comes to value. "Property prices don't always go up, especially if you purchase in the wrong area," says Rich Harvey, President of the Real Estate Buyers Association of Australia (REBAA). "This is particularly important now as some pockets are oversupplied. Tightly held areas are good investments because there isn't much stock."

Identifying areas susceptible to oversupply isn't easy. "Investors often get caught out if an area is being re-zoned to high density," explains Benjamin Kingsley, Chair of the Property Investment Professionals of Australia (PIPA).

Both Harvey and Kingsley recommend a visit to the local council to uncover the number of building approvals and planned changes in the area. Also speak to a real estate agent about the consistency of demand for rental properties. "A property must meet investment fundamentals," adds Harvey. "It needs to be close to shops, schools, transport nodes and the right amenities."

A thorough inspection of the neighbourhood will also tick these boxes and highlight any attractive lifestyle factors.

Scarcity can offset oversupply

It's possible to overcome the issue of oversupply by purchasing a property that's unique. This is where luxury developments have an edge over high-density complexes. "Uninterrupted

views of the Sydney Opera House always perform well in the re-sale market compared to homogenous Legoland builds," says Kingsley. "High-end developments usually have scarce features—a beautiful location or thoughtful floor plan design. They're rarely about maximising the developer's return."

Luxury residences often include exclusive features that are desirable but expensive to maintain—like a concierge. Ask the developer about body corporate fees and strata levies to avoid unexpected surprises after settlement.

"Ensure your rental return isn't soaked up by exorbitant fees by considering boutique properties," offers Kingsley. "They're often one out of only eight or 10, located in tightly held areas and aren't as heavily advertised. Calculate whether it's good value by taking the price, dividing it by the square metre and comparing this to other opportunities."

The developer's credentials are paramount

Regardless of the type and location of your investment, the developer plays a key role in ensuring it pays off. Don't be fooled by glossy brochures, it's not uncommon for these to bear little resemblance to the end product. As a property law partner at Holding Redlich, Vanya Lozzi has seen what can go wrong when contracting with developers.

"The pedigree of the developer is key," says Lozzi. "If they have a good track record for building quality product, they're likely to go above and beyond to ensure a great experience and manage defects or matters where the product doesn't meet your expectations in a 'customer's always right approach.'"

Don't be afraid to ask the developer pointed questions, suggests Kingsley. "For example, you might want to ask, 'How long have you been in business? How many successful projects have you built? Did any of your projects run over time? How many have increased in price?' That sort of thing."

Also, request to see one of their finished developments to assess the quality first-hand. A quick Google search of the developer's name can provide valuable information about common issues, and search legal judgments to see if there are any ongoing complaints against them. The relevant consumer association may also be a useful point-of-call.

Oasis by Crown Group, Ashfield

The devil is in the detail

Purchase contracts are complex documents that can confuse even the most seasoned investor, but some specific clauses require particular attention. "Clauses that allow the developer to change the floor plan, the brand or type of inclusions and the location of car spaces should be scrutinised to ensure the 'expectation gap' is reasonable," outlines Lozzi.

This expectation gap can mean you take ownership of a property that's up to 10 per cent smaller than anticipated or includes inferior appointments. "It's not sufficient for the contract to say you'll have stainless steel appliances. Does that mean Westinghouse or Miele? What about stone bench tops? Marble tiles? Floorboards?" Harvey points out. "Look for light access and the property's aspect to your views. How high are the ceilings? Will it have smart C-Bus controls so you can lock the front door from your bed?"

Features and fittings are not the only contractual items that investors need to consider. Large developments can take several years to complete and it's difficult to predict what may change or cause delays in construction. That's why purchase contracts contain a 'sunset date,' which can be up to four years after you sign.

"This is the date the developer must complete the apartment and register the title. The purchaser is usually entitled to pull out of the contract and receive a refund of their deposit if the developer fails to do this. The longer the period until the sunset date, the more likely that unforeseen events may affect the purchaser's ability to complete the contract," explains Lozzi.

Sunset clauses can also favour the developer, particularly if the project's value has increased. It's not uncommon for developers to delay projects so they can take advantage of more lucrative purchase prices. It's important to enage an experienced legal advisor to review the contract before committing yourself.

SIGNS YOUR INVESTMENT IS GOING TO PAY OFF

Benjamin Kingsley, Chair of PIPA

"The level of interest is a good indicator of future success. Is there a waiting list? How strong is owner-occupier interest? Owner-occupiers buy with their heart and this pushes the value higher."

Rich Harvey, President of REBAA

"A unique property is more likely to retain its value than one that's easy to replicate."

Vanya Lozzi, Partner at Holding Redlich

"Mitigating your risks is the best way to ensure your investment will pay off. Deal with a reputable developer and retain an experienced lawyer to negotiate on your behalf and ensure contingencies are in place."