

**HAMISH HEARD**  
Key editor

**T**HE idea of spending half a million dollars on something you may not lay eyes on for two years would leave most people feeling a little uneasy.

After all, you wouldn't buy a wedding dress without trying it on for size.

But as more and more Victorians embrace apartment living, a growing number are prepared to take a punt on buying off the plan.

The market is awash with horror stories of such buyers picking up the keys to their new apartments only to find a few nasty surprises.

But it is hard to ignore the cash sweeteners included in most off-the-plan sales pitches.

Mirvac Victoria chief executive John Carfi said the company sold almost \$700 million worth of apartments off the plan last year.

He said off-the-plan buyers were either motivated by the prospect of saving money or by a shortage of established apartments on the market in premium locations.

Regardless of the arguments for and against, buying off-the-plan is a minefield unless buyers go in with their eyes wide open.

## THE PROS

In addition to bypassing the bulk of stamp duty payments — which for the median Melbourne apartment worth \$463,215 would be around \$21,000 — off-the-plan buyers can win big during

periods of strong capital growth.

John Meagher (above), of the development services agency 360 Property Group, said in recent years the lag between committing to an unbuilt apartment and picking up the keys had delivered six-figure windfalls to many savvy buyers.

"The way it works is you commit to a price and you pay your 10 per cent deposit, with the remaining 90 per cent of purchase price payable on completion and settlement," Mr Meagher said.

Assuming Real Estate Institute of Victoria median property prices hold true, a buyer who bought a median-priced apartment off the plan in June 2008 and did not settle on the completed dwelling until June this year, would have made almost \$100,000 in capital gains, but would not have been paying hefty bank interest.

## THE CONS

Catherine Cashmore of JPP Buyer Advocates has simple advice for clients considering buying off the plan: "Just don't do it".

"There is no guarantee that what you see on the glossy brochures are what you're going to get," Ms Cashmore said.

She said it was common for buyers to find a long list of

deficiencies after picking up the keys.

"You may walk in and notice the windows are smaller, the natural light is virtually non-existent, the ceilings are low or the fittings and fixtures are of a very low standard."

Ms Cashmore said most off-the-plan offers were overpriced to begin with.

"Even with stamp duty and savings taken into account, you will find nine times out of 10 that the property is priced higher than one in an already

end up paying in body corporate fees.

"The disadvantage of having a lot of facilities like rooftop barbecue areas, gymnasiums and pools is that you end up paying more," Mr Meagher said.

Amounts will not normally be set until completion, but expect to pay between \$2000 and \$12,000 per annum.

## 3 What is included?

Go through the specifications and query what



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JOHN MEAGHE, 360 PROPERTY GROUP

established block of similar proportions, size and quality," Ms Cashmore said.

Mr Meagher said buyers could minimise their risk by asking the right questions before committing to a purchase.

## 1 Do you trust them?

Research the developer and ensure they have a proven track record of delivering on promises.

"If you want peace of mind, reputation is everything," Mr Meagher said.

## 2 Can you afford it?

It is important to have a good idea of how much you will

is included as standard and what is an additional extra.

"It's not always clear on the brochure and you don't want any surprises come settlement," Mr Meagher said.

## 4 How high is it?

"You have to ask about ceiling heights, which are a really important factor in determining the spaciousness of a room and you do not get a sense of that just by looking at a floorplan," Mr Meagher said.

## 5 Does it breathe?

Check that wet areas and kitchens have adequate ventilation to ensure that both steam and cooking smells can

escape properly. "You want a fully ducted system rather than a filtered system that recirculates air through the apartment."

## 6 Is it hidden?

Air conditioning condenser units can be unsightly, noisy and take up valuable balcony space. "Better quality apartments have condenser units hidden in basements or on the roof."

## 7 What's the clause?

Familiarise yourself with the sunset clause specifying the date within which the builder must finish the project.

"You are committed to the purchase until the expiry of that clause, so you want to make sure it hasn't been set too long," Mr Meagher said.

## 8 How is the view?

"You've got to understand the aspects and what is being built around you so you want to check any town planning applications that may be in the pipeline for adjoining sites," he said.

## 9 Will they fix it?

Make sure there's an adequate defect rectification period so any faults that arise will be fixed under the contract.

## 10 Is it legal?

Ms Cashmore said contracts of sale often contain traps that can be avoided with good legal advice.

"You want to consult a solicitor with experience in dealing with these types of contracts," she said.