



OFF-PLAN PURCHASE



About Off-Plan Purchase

Newsletter Issue: Nov 2017

Off-plan Purchase is buying the property before a structure has been constructed or Buying a house or flat before it's been built. Generally, a lot of people will go for this type of acquiring property due to the high price of real estate and the long time taken to deliver units. The buyer buys the property of the plan or at design stage in the development. It has become increasingly popular as the prices of the property sold are much lower than the market price and can be up to 30 percent less than the price of a completed house.

Investors and property speculators like to purchase property this way in order to make substantial capital gains. Usually this comes in the form of a discount in response to the sale plan. Furthermore, there is ample opportunity for capital growth in a rising market and with a development cycle of typically 18–24 months.

In a rapidly rising housing market, buying off-plan enables investors and home buyers to buy a property at a lower price than if they wait for construction of their chosen property to be completed. In addition, buying off-plan may be the only way to get a property within a specific location or set of features as choice may be limited once construction starts.

It is important to note that for off-plan property to be attractive, there must be a high level of other infrastructure and social amenities in the immediate area such as Schools, Roads, Railway line, Airport etc. either already built or due to be built within the next few years.

Things to Consider

When purchasing property using this mode, it should be noted that there are key things to be considered which involves

Project Due Diligence:- Visiting the project site to have a feeling of the area where the property will be build and also visiting the developer's office to get more information concerning the project status. For example, has the project been granted all the necessary regulatory approvals? What are the tentative timelines for the approval if not yet granted and when is the expected groundbreaking and delivery of units ?

Contracts Due Diligence:- Having a binding agreement with the developer just to ensure that whatever will be taking place is legally agreed upon.

Booking:- Paying Deposit is needed at the time of signing the contract then the remaining amount will be paid as the property is being developed.

Benefits:

- Allows the buyer to acquire a future asset at today's price which at the time of its completion, the price will have appreciated by over 30 percent.
- The modes of payment are flexible enough to enable the buyer to acquire property and pay for it slowly depending on the agreement with the developer. This allows individuals without the financial muscle to purchase houses immediately to acquire homes they would otherwise not afford.
- The buyer is able to select the best location for his or her house and can also get to pick the finishes of the house and hence get a house that is in line with their preference.

Risks

- Delay in delivery of the units. Sometimes, construction might take a longer than anticipated times due to other factors which were unforeseen at the time of the design; this can affect the buyers' plans.
- Market conditions may change or the new government policies and regulations might affect the developer's plans or the facilities envisioned in the project.
- Sometimes developers use very attractive brochures to advertise but deliver substandard products.