

# 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.
2. Does the builder have home owner warranty insurance? It may be legally required, but overlooked or ignored by the builder. It may not be legally required, e.g. for some multi storey buildings. However, it is very beneficial, as it may provide a remedy if building defects are identified and the developer and builder are insolvent.
3. 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? 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?
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.
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.
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.
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 give the developer the right to make changes to the apartment or building and does it give me adequate rights if this happens? Permitted changes may be excessive and a right of rescission may be inadequate.

**Prepared by Bannermans Lawyers**

**24 April 2015**