

The background is a blue-tinted image of a document. It features a line graph with a solid line and a dotted line. A pen is visible in the upper right corner, pointing towards the graph. The overall scene suggests a professional or financial context.

# Real Estate Trends

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AND BUYING OFF THE PLAN

# Real Estate Trends

House prices have increased significantly over the last 18 months.

- Low supply and high demand
- Low interest rates - bringing people into the market earlier and / or people found that lower interest rates meant that buying a house was now an affordable option
- Cost to build has gone up – the cost of timber, in particular, has increased
  1. The shipping cost to get timber into the country has increased
  2. As there is a huge demand for timber – the prices have gone up

As a result, “buying off the plans” has become increasingly more appealing to first home buyers.



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# Buying off the plan

Buying “off the plans” means agreeing to purchase a property from a developer when it is still in the process of being built.

The change in zoning laws have seen an increase in “buy off the plans” developments – including apartments, terrace houses and townhouses.

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# Positives and Negatives

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## Positives

- Brand new property
- Locked in price
- No auction stress
- No valuations, LIM reports, builder's inspections (to then lose out on the sale)
- Little to no maintenance

## Negatives

- Unsure of finished product
- Little control
- Agreement will favour the vendor
- Tend to be small
- May have body corp fees

# Tips and Tricks



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- The worst in the development are sold first – request the site plan, chose the one you want and ask if the developer will bring it to the market (9 times out of 10 they will)
- You must be quick; these tend to go on the market and within a couple of days contracts are signed - but once you have signed you get a due diligence period to complete your research and decide if you want to go ahead
- Most contracts will include a due diligence clause of 5 working days – note that you can ask to amend this clause, 10 or 15 working days is the industry standard
- Most agents won't answer any questions you have about the property until you have signed a conditional agreement
- Walk through an open home – it will give you a feel for the size of these properties and the layout.

# Most Important

- Apart from all the questions you may have that are specific to you and your requirements the most important questions / things you need to research
  - Reputable and quality builders
  - Reputable developer (that this is not their first development)



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# Questions to ask about the developer

You should undertake thorough research of the Developer and their other developments to ensure that they have the resources to undertake the development

- Do they have a record of finishing projects on time and that the finishing of their units is up to a good standard.
- Have they done other developments?
- Do they have access to sufficient finance to complete the development?
- It is possible that the vendor will be wound up on completion of the project which means that if there are any long term defects associated with the building you will have limited recourse.
- Do you know who the builder is and if any third party building guarantees will be available at settlement?

# Risk and buyer protection

- There is an inherent risk in buying off the plan and as a result, the purchase price should be cheaper than what you would pay for a completed house to reflect these risks.
- The vendor's lawyer will hold your deposit as stakeholder and if the development is unable to be finished then they will return your deposit to you plus interest.
- There should be a sunset clause. Allows both parties to get out of an agreement if the build is not completed by a certain date. Sunset clauses are usually there for the purchasers' benefit rather than vendors.
- There should be a clause that states if the vendor cancels the contract at any point in time, the buyers receives their deposit in full plus interest.