Welcome to 2016.

I hope that all our readers are as excited about the New Year as I am. As I write this fortnight’s newsletter, I have only been back in the office for two days following a mind-blowing trip to work with the Cambodian Children’s Fund (CCF) in Phnom Penh. John, Braden and I walked through slums, dealt with the filth, the smells, no access to clean water or food……..and then I return to Sydney to deal with issues like underquoting, new Strata laws coming in July, and off-the-plan sales being looked at closely in terms of sales practices. The contrast in priorities is stark!! So being mindful of what our daily priorities are back here in NSW – let’s have yet another look at off-the-plan sales.

Buying any property comes with risk. Every type of property and location have unique advantages and disadvantages and different levels of risk and potential rewards. Once a purchaser has determined how much money they have for a property purchase, then they decide on the type of property they wish to purchase, such as an apartment, townhouse, terrace, freestanding house. The next question is whether to purchase an existing property or off-the-plan. With the increase in the number of housing developments across Australia, it’s not unreasonable that many purchasers are considering off-the-plan properties.

So what exactly are the risks in buying off-the-plan ???

New versus Old

Many people are scared by the prospect of “purchasing a promise”. Over the past decade, there have been many instances of developers building an ‘investment product’ that they can sell quickly with a high margin, rather than a quality product at a high standard. This however, is definitely not always the case. I personally, have purchased a number of properties off-the-plan in the past 15 years, and each has been quality and without any significant problems.

In some instances, established older buildings have higher ceilings, fewer common walls and better floor plans, while more recent developments seem to be more focused on maximising the number of units at the expense of living space. Naturally, there is also a price-point issue in relation to size of the development.
Speculative Purchase

Any property that you purchase with a delayed settlement is a risk and the longer the settlement period, the greater that risk becomes. The dream that you are purchasing is based on the premise that the “value” of the property will increase by the time the property is completed. Naturally, the opposite could also occur, in that the value of the property could decrease........which causes immeasurable problems in relation to obtaining finance for the purchase and the possible loss of the initial purchase deposit.

All off-the-plan contracts also contain a variation clause in relation to a change in the plans, which allows between 3% to 5% changes (usually downwards in size) of the floor plan of the property, which is at the developer’s discretion. For example, if the property purchased is 120sqm and the developer decides to cut a few square metres from the bedrooms, there’s nothing you can do about it, if the total decrease in sqm falls under the variance percentage that is detailed in the Contract for Sale.

Sunset Clauses

At the end of last year, we discussed sunset clauses in our newsletter, and specifically the new legislation as of 2nd November 2015, that restricts the ability of developers to rescind contracts in an attempt to re-sell the properties at higher prices – particularly when the market has had a significant increase. These new laws should give purchasers a greater level of confidence in purchasing off-the-plan properties and reduce the risk of the developer rescinding.

Naturally, there is still a level of risk in relation to the developer going bankrupt, delays in construction and dissatisfaction with fixtures and fittings. A good idea of course is to maintain constant contact with the developer throughout the construction period and obtain updates of the progress of the building. As an agent, you can reassure your purchasers by obtaining the updates from the developer and then passing these to your purchasers on a regular basis throughout construction.

Comparable Prices

Whatever property a person is contemplating to purchase, it is good practice to check that you are not paying over market value. There are a multitude of programs available, and as agents you can easily provide your potential purchasers with information that will give them some comfort that what they are buying is a fair price for that location and that type of property.

With all the current media attention on off-the-plan sales, we recommend that you are well prepared with your information when selling this style of property. Not only have the glossy marketing brochures, but back this up with solid research about the area, its advantages and the current market trends.
CERTIFICATE OF REGISTRATION COURSES

Parramatta
Wed 20th – Fri 22nd Jan

Castle Hill
Mon 1st – Wed 3rd Feb

Bathurst
(Dist Ed + 1 day workshop)
Tue 9th Feb

Sydney
Mon 15th – Wed 17th Feb

Sydney
(Dist Ed + 2 day workshop)
Sat 20th – Sun 21st Feb

Bowral
(Dist Ed + 1 day workshop)
Thu 25th Feb

Newcastle
(Dist Ed + 1 day workshop)
Fri 26th Feb

Port Macquarie
Tue 8th - Thu 10th Mar

FINANCE AND MORTGAGE BROKING COURSES

Cert IV in Finance & Mortgage Broking
Sydney
Mon 29th Feb - Wed 2nd Mar

Dip of Finance & Mort Broking Mgmt
Upgrade for existing Cert IV holders
Sydney
Thu 3rd - Fri 4th Mar

Off-the-plan sales are here to stay in the property market, so take advantage of being a professional agent and assisting your purchasers in making solid and informed decisions.

‘Til next time,
Wishing you every success in your business ventures,
Rosy Sullivan

News from the Office

The College has reopened with a boom. We closed down for a much needed two week break and have come back refreshed and excited for a massive 2016. All areas of the College have been inundated with work, which has resulted in huge attendance numbers for our opening courses. We have already held a sold out Certificate of Registration, CPD Sales and CPD Property Management course. In addition, we have conducted three corporate in-house CPD courses and a public Strata CPD course. Very exciting times on the training front with our new 2016 CPD topics.

The College staff have been enthusiastically swapping their holiday stories and bragging about where they travelled. Rachelle went to Byron Bay, Kristin took off to Queensland, Megan travelled west to Perth, Red John went to Melbourne and the Central Coast, John Upton stayed in Port Macquarie, but most importantly Rosy, John and Braden did the big international trip to Cambodia.

The College Staff decided for Rosy and John’s Christmas present, that they would all buy pens, pencils, books and toys for the Cambodian Children’s Fund. This was delivered directly to the children when they were over there. Rosy and John have been supporting this fund for many years now and they like to head over there to see the great progression these amazing children are making.

The College would like to wish you all the happiest New Year and a very successful 2016.

www.acop.edu.au

Social Media
Do you want a Real Estate or Strata Management Licence?

- Are you 15 years old or over?
- Are you no longer at school?
- Are you living or working in NSW?
- Are you an Australian citizen, Australian permanent resident, Australian permanent humanitarian visa holder or New Zealand citizen?

If you answered YES to the above questions, you will be eligible for government funding.

Free Assessment
Send us your resume & copies of any qualification transcripts you may have for a free and confidential preliminary RPL assessment.

Complete the Eligibility Survey