

Buying an Apartment 'Off-the-Plan'

A First Home Buyer's Guide



Your first step onto the property ladder

Buying your first home is one of the biggest decisions you will ever make, and being equipped with the background knowledge you need to take this first step is crucial in ensuring you are happy with your purchase.

This booklet contains some helpful information about the property purchasing process and the support and financial assistance that is available to you as a first home buyer.

A leg-up for first home buyers

Buying your first home can seem like a huge and daunting step but it doesn't have to be. Like with most big things, the easiest way to tackle them is by breaking them down into small steps.

The first and most important step to take is to ask the question – can I actually afford to buy a home?

Did you know that if you are currently paying rent, your rent payments might actually be similar to what the mortgage repayments would be if you were to buy your own brand new apartment?

The idea of saving a large deposit to buy a home can be overwhelming for many people and they often give up on their home ownership dream without ever taking the first step.

Don't give up! You may be surprised to learn that even if you don't earn a high income, with some sensible cash management and by making use of the available government and industry grants; you could be living in your own apartment before you know it.

What follows includes some of the many programs available to first home buyers.

First Home Owners Grant

The First Home Owners Grant (FHOG) is the most well-known assistance available for first home buyers of brand new homes. A State Government initiative, this grant provides first home buyers with \$10,000 towards their first home (for properties under \$750,000 in the Perth metro area).

In order to qualify for this grant, you need to meet some straightforward criteria which you can find through the website listed below. Criteria include being an Australian citizen or permanent resident, not having owned residential property in Australia before and a plan to live in the home as your principal place of residence for a continuous period of 6 months or more in the first 12 months of owning the home.

You can apply at the Office of State Revenue yourself but usually your home loan provider will also be an FHOG Authorised Agent and they will submit the forms for you so that the monies come to you at settlement (as well as reduced stamp duty - see First Home Owner Rate of Duty section for more information).

For more information about the First Home Owners Grant visit: www.finance.wa.gov.au

First Home Owner Stamp Duty Concession

The West Australian Government has a discounted rate of stamp duty for first home buyers who qualify for the First Home Owners Grant. When we refer to discounted, for most first home buyers we mean zero!

No duty is paid for purchases under \$430,000 and a reduced rate of \$19.19 per \$100 is paid for homes with a value between \$430,000 and \$530,000 (the maximum value).

Usual criteria for first home buyers apply and there is a form to fill out which you should do at the same time that you apply for the FHOG.

For more information about the Stamp Duty Concession visit: www.finance.wa.gov.au

First Home Super Saver Scheme

The First Home Super Saver Scheme is a Federal Government initiative that came out of the 2017 budget and was only recently adopted. It's designed to help first home buyers to save a deposit for their first home by boosting their savings inside their superannuation account which is taxed at a lower rate than your take-home pay. So pre-tax contributions are taxed at 15% and when you withdraw the money, you are taxed your marginal rate with a 30% offset.

This lower tax rate gives you an opportunity to boost your savings compared with saving through a standard deposit account. You do not earn at the rate of return of your super fund but you get a "deemed" interest rate of the 90 Day Bank Bill Swap Rate plus 3% which is currently around 4.5%. It might not sound like much but it is about double what you might get from most banks in a savings account.

You also have the option to salary sacrifice or make voluntary contributions of up to \$15,000 per year, up to \$30,000 in total over two years, to your superannuation account to purchase a first home.

The criteria are simple; you need to be over 18, not have used the Scheme before or owned real estate. You have up to 12 months after withdrawal to use these additional funds towards your first home. If you're buying as a couple, you can still take advantage of the First Home Super Saver Scheme even if your partner is not eligible.

For more information about the First Home Super Saver Scheme visit: www.ato.gov.au

REBA Home Buyers Assistance Account

There is also a grant available from the State Government's Home Buyers Assistance Account for property up to the value of \$400K. The grant is to reimburse some of the incidental expenses you may incur with the purchase of a first home. Provided you meet all the criteria, including living in the property for 12 months and buying the property through a real estate agent, you could receive a grant of up to \$2,000, which is usually paid around eight weeks after settlement.

The grant can be used to reimburse the numerous additional small expenses that occur when you buy a home, including mortgage registration fees, solicitor and/or conveyancing fees, valuation fees, inspection fees, establishment fees, mortgage insurance premiums and lending institution fees.

For more information about the REBA Home Buyers Assistance Account visit: www.commerce.wa.gov.au



Securing finance

Usually, when you buy an apartment off-the-plan, it can be 12, 18 or even 24 months before completion. You should talk with your bank or mortgage broker to obtain pre-approval before signing a contract to ensure you would be successful in getting a loan for the amount required to complete the purchase at settlement.

To qualify for a home loan, most financial institutions will want to see regular income and a level of savings history, which can be as simple as opening a separate account and depositing a regular amount into it each week. Speak to your financial institution about the level of savings required, as it may not be as much as you think.

While you only need to pay a deposit of 10% to secure an off-the-plan apartment from the developer, financial institutions like to see at least a 20% deposit for any purchase. If you are unable to achieve this, they may still grant you a loan but charge lenders mortgage insurance, unless someone (e.g. your parents) can act as a loan guarantor.

It is important to remember that as you get closer to your home's completion date, any pre-approval that you obtain usually only lasts for three months before you will need to re-apply. If the settlement date is delayed just keep an eye on whether you need to keep the pre-approval up-to-date.

Keystart Home Loans

If getting the deposit together seems like an impossible task or you want to avoid lenders mortgage insurance, Keystart is another little-known option. Keystart is a State Government-owned financial institution offering eligible people home loans with greatly reduced deposit requirements.

Depending on your level of income (currently, for those purchasing in Perth, up to \$90,000 for singles, \$115,000 for couples and \$135,000 for families) you can get a variable home loan to the value of \$480,000 with only a 2% deposit.

Once you are living in your own home and have built up 20% equity, you can then look to re-finance with another financial institution and shop around for the best interest deal available at the time.

For more information about Keystart visit: www.keystart.com.au

Key steps to buying your first home

Breaking a complicated process down into smaller steps makes it easier to understand.

Here are 15 key steps to consider when buying an off-the-plan apartment:



Find a place you like and do plenty of research to make sure it meets all of your requirements (i.e. close to work or public transport, has a gym in the development etc.)



Check to see that a financial institution will lend you the amount of money required in order to buy the apartment



Meet the sales agent and review the off-the-plan contract (see over the page for more information about off-the-plan contracts)



Shop around for a settlement agent to handle the exchange of your money for the title of your new apartment when it is time to settle



Sign the off-the-plan contract and pay the deposit



Choose the colour scheme that you prefer which relates to the colour of cabinetry, carpet, wood, and tiles etc.



Receive updates from the developer as to the status of construction and ensure you ask any additional questions you might have



When it is within 3 months of the expected settlement date, secure pre-approval from the financial institution again (usually valid for 3 months) and ensure their valuer views the apartment



At your pre-settlement inspection look through your newly completed home and note down any minor defects. You will usually have a timeframe after settlement to add any other defects you notice once you move in. Remember to take any important measurements for furniture, curtains or blinds etc.



The developer completes the development, receives the necessary approvals and the certificates of title are produced by Landgate (the government's land registry office.)



Settlement date is usually 10 business days from when the certificates of title are produced. You and your settlement agent will be advised of the settlement date by the developer's settlement agent



Ensure your settlement agent and financial institution are prepared and have all the necessary documents



Time to settle!



Collect your keys after settlement and confirm the procedures for moving in i.e. booking of lifts with the building manager, where the removal trucks can park, etc.



Move in and enjoy your fabulous new way of life!

Who's who when buying your first home

Sales Agents

Apartment developers will usually appoint an external real estate agent to sell a development or they will have directly employed sales representatives. Real estate agents are your contact to answer any questions you have and will be an important point of contact until settlement of your apartment.

The Developer

The developer is the company (e.g. Finbar) who is responsible for developing the land that your apartment will be built on. The developer will work with an architect, planner, builder and a number of other consultants to develop a concept for the development, obtain the necessary approvals from the statutory authorities and then oversee the process. The developer is also responsible for the marketing of the development and works with selected real estate agents to sell the units contained in the development.

Client Liaison Staff

Client liaison staff represent the developer and are your main point of contact throughout the process once you have signed the sales contract. They will usually keep you updated, take you through the apartment when it is time to do your pre-settlement inspection and they will arrange to let your financial institution's valuer through the apartment when it is complete.

The Builder

The builder is the company awarded the contract by the developer to construct the apartment building. The builder will work with many different trades (from forklift drivers, bricklayers and flushers, to electricians, painters, and plumbers) to bring the developer's concept to life.

Once the building is complete and you move into your finished apartment, you may need to liaise directly with a representative from the building company should there be any minor defects with your apartment during the defects period.

Settlement Agent

The settlement agent plays a critical part in ensuring that the process of settlement occurs smoothly when it is time to settle. You will appoint your own settlement agent and the developer will have theirs. The two settlement agents will work together with the respective financial institutions to bring about the settlement and finalise your purchase.

Mortgage Broker

A mortgage broker can be valuable if you have issues in obtaining finance or do not have the time to find available deals for your home loan. They liaise with financial institutions and will quote a range of loan products available.

Valuer

A valuer is appointed by the financial institution to independently value the apartment and check that the property value aligns with the contracted purchase price.

Off-the-plan contracts explained



An off-the-plan apartment sales contract is an agreement provided by the developer which represents a promise to deliver a strata-titled property to the buyer at a set price and specification at a future date when the developer has obtained all the required approvals and completed the building.

Apartment developments have recently been getting larger with more facilities and with a mix of residential and commercial space (e.g. cafes and offices). This means that the off-the-plan contract can often be quite large. Don't be daunted by a large contract; take your time to read it and don't be afraid to ask the real estate agent if you are not sure what something means, or you have additional questions.

The contract will contain important items including:

- Marketing plans – show what the development will look like once complete and the types of apartments available
- Strata plan – indicate which area belongs to you and the other apartment owners, and what is “common” or owned equally by all owners
- Management statement or by-laws – essentially the rulebook detailing the strata body's expectations of the residents living in the development
- Strata budget and levies – state how much it will cost to prudently run and manage the development, and how much each owner will contribute during the year
- Specifications – outline what is included in your apartment and in the rest of the development, from the brand of oven to the type of carpet or floorboards.

In order to secure the apartment that you have chosen, you will be required to pay a deposit (usually 10%) within a few weeks of signing the contract.

Your deposit will be placed in the appointed real estate agency's trust account. Make sure you stipulate the deposit is placed into an interest-bearing account with the interest paid to you. Every little bit helps!



Matt and Emma's apartment living dream

Matt and Emma earn \$75K each for a combined income of \$150,000 per annum and have managed to build up savings of \$50,700 over two years by using the First Home Super Saver Scheme and salary sacrificing up to \$600 a fortnight each. This provides Matt and Emma with over \$11,600 more than if they had saved the money in just a standard deposit account. In addition, Matt and Emma have been able to put aside another \$9,360 over the two years by topping up \$180 per fortnight of their savings into a separate interest-bearing account.

They decide to buy a two-bedroom, two-bathroom apartment in a Finbar apartment development for \$425,000 and pay the 10% deposit. They don't want to have to pay the lenders mortgage insurance at settlement, so they plan to ensure they have the 20% minimum required at settlement.

Importantly, Matt and Emma continue to save \$1380 a fortnight after they have signed the contract and paid the deposit, to take advantage of the fact that their apartment is estimated to be completed in 10 months. This will see them save approximately an additional \$27,600.

Matt and Emma's deposit (\$62,300 plus deemed interest), additional savings (\$33,960) plus the FHOG (\$10K) will provide them with a total of around \$94,060. With no stamp duty to pay as the purchase price is under the threshold for first home buyers, they have more than the 20% deposit required by the financial institutions. Their home loan will then be for approximately \$330,000.

Matt and Emma are paid fortnightly, so they want to also pay their loan fortnightly. The home loan requires them to

pay approximately \$727 a fortnight on a principal plus interest loan over 30 years at 3.99%. They still need to allow for strata fees which includes their water usage and the cleaning and maintenance of the pool, spa, gym, sauna and gardens. There is also the cost of council rates (approximately \$1,400 a year), power (approximately \$1500 a year) and water rates (approximately \$1100 a year).

Matt and Emma's combined fortnightly salary after tax is approximately \$4,424 so after they have paid their mortgage, strata fees, council and water rates, electricity, and all the other usual living expenses, they should be left with a little over \$1200 between pay cheques.

Matt and Emma will need to be careful with their money, but they now own and live in their own home. If they keep on saving as they have, they'll pay it off even quicker.

Why first home buyers are choosing apartments

Here are just some of the reasons why first home buyers are making apartment living popular:



A small upfront deposit

Buying an off-the-plan apartment lets you secure a property at the current market price with a small up-front deposit and nothing to pay until the development is completed and settlement takes place. This gives you time to organise your finances and build savings.



Location, location, location!

Buying an apartment can help you own a home in an area you want to live in that you may otherwise be unable to afford. For example, an apartment in a prestigious riverside suburb, with a median house price of over \$1 million, could potentially cost less than half the price of a house.



Entertainment on your doorstep

Apartment developments are usually located in inner city locations close to where people like to spend their free time. If you live in an apartment it is very likely you will be living just a short stroll away from the newest cafes and restaurants, and hottest bars and entertainment.



Be the envy of your friends

Your friends will be sure to come knocking when they hear about the range of luxury facilities available for residents of good quality apartment developments. Finbar's developments include a range of luxury facilities such as gyms, pools, saunas, spas, games rooms with pool tables, residents' lounges, private dining rooms, barbeques and more!



Day to day cost savings

Quality apartment developments with facilities like gyms and pools will save you money on things like gym memberships as well as the cost of maintaining these facilities. And with apartments situated in inner city areas you may find yourself living nearby to work or a train station saving on car-running costs, not to mention hours of commuting time.



Your free time is "me time"

No one wants to spend their free time after work and on the weekend mowing the lawn, weeding the garden, cleaning the windows, gutters or pool... the list goes on. If you own an apartment, your strata fees cover the maintenance of all of the common areas, which means that your free time is entirely yours to enjoy.

For more information about Finbar apartments visit www.finbar.com.au or visit our showroom located in the Finbar Loyalty Club at 181 Adelaide Terrace, East Perth.



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