
Off plan Investment Property Guide

Experienced property investors know that buying off plan properties (ie, agreeing the purchase of a property before its been built, usually from a large developer) can be an easy way of making a useful capital gain, without the hassle of refurbishing or converting.

In the UK, investing in off plan has been extremely popular, especially in big cities where large blocks of flats have been sold almost exclusively to investors, all hoping to make a gain on the value of the property by the time it has been built. This is all very well in a rising market, but in a flat or falling market, this strategy can get you into lots of trouble.

Unfortunately, if you do purchase a property in a flat market, when your property comes to fruition, you may find you cannot sell at a profit and the property may also be difficult to let, as everybody else in the block might be trying to do the same...

For this reason, we often deter our clients from becoming involved in off plan property in certain countries, where we believe there is not enough growth left in the market to provide worthwhile gains. However, we still believe the concept of purchasing off plan can be extremely lucrative in the right market, which has all the fundamentals for a worthwhile investment.

How does it work?

It's really quite simple!

To purchase off plan property abroad you will pay a relatively small holding deposit (usually about £2k) to the developer, normally followed by a more substantial payment (typically 30% of the purchase price) in about 30 days. After that you will pay regular stage payments during the course of the build programme, followed by your final payment at the end, when the property becomes yours. This payment is often linked to the 'snagging' of your property, where any issues with the now completed property can be raised.

However, it is often the case that you can alter this payment schedule in favour of the developer, in order to achieve extra discount, or ancillary benefits.

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When completion is reached, you can sell, let or occupy the property as you see fit, though it's the first option most people who buy off plan will be interested in.

Why am i likely to make money?

There are two principle reasons.

The first is that in a popular area or development, the developer will inevitably raise prices as the development progresses. He needs to price his product keenly at the start to get it off the ground, but as it becomes more 'real' he can afford to increase his prices. Most people are cautious and will not invest until they see others doing so.

For a similar reason, a finished property will almost always command a higher price than one which is just a drawing on a piece of paper. There is the risk element, which we will touch on later, plus the fact that many people do not have the foresight or vision to be able to relate to a property which does not exist. When they can actually see, touch and smell the property, they buy, regardless of the fact it might cost them 50 or 100% more than if they had bought it two years ago 'unseen'.

What are the risks?

The biggest risk with an off plan investment property is that the developer will go bust or not complete the project. This is why it is vitally important to choose a substantial developer with a strong track record. We are continually amazed that people will entrust their money to a builder in a foreign country they know nothing about, having made no checks whatsoever and with no security for their hard earned cash.

Because we invest our own money, we always undertake thorough 'due diligence' on the companies we entrust our cash with. In some countries, such as Turkey, a bank guarantee to secure your investment, is not available, so it is doubly important to deal with a strong company.

As an example, in a recent development, we were able to secure a cross guarantee from another substantial company in the developer's group of companies, so providing additional comfort. Additionally, we will always try to arrange a charge over the land in the client's own name from payment of the first tranche of funds. Then, by inspecting the build progress on a regular basis, the safety of your money is as secure as it is possible to be.

Nevertheless, it has to be accepted that nothing is 100% safe and one of the reasons off-plan properties are cheaper is that there is still an element of risk involved. Only

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you can weigh up whether the low price is worth that risk. The other risk is that the market will not continue to rise. Again, it is important to choose your market carefully, knowing there is plenty of growth left for you to benefit from. We would not advise the extremely cautious investor to buy offplan. We would recommend instead that you consider a 'leaseback' property.

Conclusion

Of course you can spend many hours, weeks and months doing your own research both into off plan investment property overseas and in the UK, as we have. Or you can rely on our expertise and recommendations, which is what our existing regular clients do and have done for many years.

What you won't find on this site is hundreds of potential off plan properties or developments. We prefer to recommend a selection of properties, which cater for all differing requirements - including a small number of very desirable investment opportunities, which we are absolutely confident will be secure and profitable for our valued clients. Whilst this might mean we sell far fewer properties than some of our competitors, our clients value us and use us on a regular, long term basis. Please see our 'testimonials' page for examples of this.

For details of our current 'off plan' offerings, please use our comprehensive property search, which can be found on any page of the EFIP website - selecting off plan in the property status field. Having said this, it always pays to contact us as some of our recommendations consist of only a very small number of units which sell out almost instantly as they usually come with very lucrative discounts.

The above information and estimates are prepared to the best of our knowledge. Edison Ford accepts no liability for errors or omissions.