Property Types

When you start thinking about property investment, there are generally three major options:

1. **Traditional house and land packages**
2. **Apartments**
3. **Townhouses (typically low rise buildings with courtyards).**

Each of these may be purchased as:

- A completed property (ready for immediate settlement)
- Custom built (as a property that is made to order)
- Off the plan (where you buy an apartment based on the plans – and the building happens in the future)

Let's take a moment to think about the advantages of each option:

Buying a completed property

When you buy a completed property you immediately know what the value of that property is. Having a known value lowers your investment risk. Completed properties may also have a known rental return, and could have tenants already in place. Another benefit of buying a completed property is that you can claim tax benefits on your investment immediately after the property settlement. Settlement terms are usually quite short and take only 1-2 months to complete. Completed properties are often favoured by Self-Managed Super Fund investors.

Buying off the plan

Buying a property off the plan is a great way to get a low entry price into the property market. Many investors choose to buy off the plan as the entry cost at plan stage can be much cheaper than buying into a development once it is completed. Off the plan buying can also offer lower barriers to entry for investors as traditional deposits are not always required. Some developers will accept deposit bonds to secure the property instead. As the settlement for the property will be in the future, buying off the plan also allows investors to structure their portfolio mix in advance. Off the plan purchases can be used by property investors as a way of creating larger portfolios faster – however this requires a mix of strategies in order to be successful. When you buy an off the plan property you are also taking on the risk of future valuations. If the property decreases in value, it is up to the investor to make up the shortfall by increasing their equity contributions.

Buying a custom built property

Custom built properties give the purchaser the opportunity to customise the property's build and fit-out. When you custom build a property, you initially only purchase the land, which means that you only pay stamp duty on the cost of the land rather than the entire completed dwelling. This can save you thousands of dollars. While the property is being built, you will need to continue to make payments to your loan. It is currently illegal for an investor to finance progress payments to the builder under a complying 1-part contract for a SMSF. Instead, the developer and investor must enter into a type of joint venture agreement which is commonly known as a ‘builder's deed'. Under this scenario, the builder and land seller are both paid on completion.