

Why Investors & Home buyers SHOULD BUY A NEW BUILD PROPERTY

LOWER LOAN-TO-VALUE REQUIREMENTS (DEPOSITS)

New Build property that is sold “off the plan” only requires 10% to 20% deposit for a new build loan (sometimes even less than 10%).

Better lending conditions tend to be available with new builds as they are exempt from the stricter LVR requirements that existing property require.

This is the same whether you are an investor or home buyer.

BETTER QUALITY PROPERTIES

These days there is a growing emphasis on warm, dry, healthy and environmentally friendly dwellings, particularly if they are rental properties.

New builds use the latest construction techniques and have to comply with a host of building regulations and standards.

This means they are more energy efficient, environmentally-friendly and healthier than existing properties.

With new builds and compliance risks are mitigated as building regulations mean it should already have insulation and heating to the required standard.

EASY CAPITAL GAINS

It isn't unusual for new builds to increase in value during the build giving you easy capital gains. If the property increased 10% during the build that would be a nice 100% return on your deposit investment!

New builds also tend to out perform a second hand property in the first few years in the right locations.

VALUE FOR MONEY

Conventional wisdom has it that existing properties offer a better value proposition but this is no longer the case. People underestimate the cost of tradies, materials, time and energy that it takes to complete a renovation.

Also in hot markets like Auckland, Wellington, Christchurch trying to find a “good renovation project” can be near impossible. Existing stock is now completely over-valued when compared to new builds.

EASIER, CHEAPER MAINTENANCE

New builds require much less maintenance work. This makes for much reduced maintenance costs for many years and this, in turn, is better for cash flow for home buyers and investors alike. In the event something does go wrong with a new build early on, there should be warranties and guarantees to fall back on.

The reduced maintenance requirements are also great for time-poor investors, or lock up and leave home owners. Additionally, the risk of large one-off repairs in the first 10-15 years should be almost non-existent– which is a common worry when buying existing stock.

HIGHER RESALE VALUE

New builds tend to have higher resale value as they are more sought after due to the reasons in this post.

BEAT THE MARKET.

You lock in the price now and pay a 10% deposit, this then allows you to keep saving to reduce your mortgage on completion. Even better you'll have a set timeframe to work towards. This allows you to set goals to lower your mortgage when you take over the property at completion.

TAX BENEFITS

Investors can claim depreciation on chattels, fixtures and fittings. With new builds, they will be at their highest value on purchase and will depreciate from there.

That means that tax rebates on a new build will, for the first few years, be at a greater amount than they would be for an existing property of the same price.

HIGHER RENTS

Having a warm, dry, new home attracts higher quality tenants who are happy to pay more for the privilege.