

How to buy a house when sellers are in charge

When there's a shortage of well-priced housing stock as there is in SA now, buyers have to learn to deal with more competition for those homes.

"For several years after the 2009 recession, there were more homes for sale than buyers," says Shaun Rademeyer, CEO of BetterBond Home Loans, SA's biggest mortgage origination group, "and buyers got used to being able to pick and choose between several options and being able to take their time over purchasing decisions.

"But historically low interest rates and steadily rising demand have absorbed just about all the excess stock and, with developers having been so cautious about bringing new projects to market for the past few years, a clear shortage of homes for sale has now arisen in many popular areas. And the result is that an increasing number of buyers are finding themselves in the unfamiliar position of having to compete with other prospective buyers for the properties they want."

However, he says, a home purchase is still a complex transaction, and they should take care not to make mistakes in the heat of the moment that could cause them many years of financial regrets. "The most common mistakes that buyers in a competitive market make, is to go into that market without enough cash.

"A lot of lower-priced homes are now being sold for cash to buyers who have spent the past few years preparing for home ownership by ruthlessly eliminating debt and saving up every spare rand so that they won't have to take out a home loan. It is very difficult to compete with such buyers unless you, too, have cash in hand – at least for a sizeable deposit and all the transaction costs."

BetterBond also strongly suggests, he says, that buyers who do need home loans to finance their purchases clean up any blemishes on their credit records and work with a reputable bond originator to obtain pre-approval for a home loan before they go house hunting. "This definitely helps to give sellers the confidence that if you do make an offer to purchase, you will be able to obtain the necessary loan and go through with the transaction."

Another mistake that prospective buyers make, says Rademeyer is to put the car before the home. "Your debt-to-income ratio is one of the first things lenders look at when it comes to assessing how well you'll be able to afford mortgage payments, so it's very important to have as little debt as possible before you go looking for a home to buy."

Next, he says, prospective buyers should be sure to actually visit the areas they are interested in, and find agents they can work with who are familiar with these markets and the actual selling prices that are being achieved there – before they start going to show houses and making offers.

"Being able to go through home listings online is wonderfully convenient, and enables you to narrow down your choices to homes that look like they will meet your needs and your budget. But just as it's wise to visit an area at different times of the day and week to get a feel for what it's really like – there really is no substitute for a trained and reputable agent who really knows the local property market and is prepared to share this expertise."

Then, no matter how competitive the situation is, Rademeyer says, buyers should take their time when viewing properties - and not hesitate to call in a professional home inspector if they have any doubts or questions. "It's all too easy to miss things that could be very expensive to repair in the excitement of finding a home you like and the heat of a 'bidding war' with other buyers.

“But you should never, ever let yourself be pressured into making an offer unless you are absolutely satisfied that the property is sound and in good condition.”

And finally, he says, homebuyers should try to leave their emotions out of things when viewing properties and making offers. “For one thing, this is a major financial decision that will undoubtedly affect their lives for many years, so they should try to make it with a clear head. And for another, it is worth bearing in mind that most sellers are hoping for an offer from someone who is calm and collected and serious about buying their home.”

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