

Leave yourself some breathing room when buying property

First-time homebuyers should have a clear idea of what they can comfortably afford on their home repayment each month before starting to look for a property, says Adrian Goslett of RE/MAX.

"It is important to remember that while it seems like the current interest rate hiking cycle is coming to an end, it does not mean that the homebuyer won't have to deal with rate hikes in the future. It is for this reason that an allowance has to be made to buffer any future rate increases of at least 1% or R100 for every R100 000 that the homebuyer has borrowed from their respective lender," says Goslett.

"A homeowner extended to the financial limit is in a vulnerable position, especially if they don't have a contingency plan in place."

He adds that buyers can use an affordability calculator online or for a more in-depth accurate measure they can consult with a bond originator who will be able to assist them to determine what amount they can afford. "Because banks place a heavy reliance on creditworthiness, an originator can also pre-empt corrective measures for the purchaser to take before they submit a live loan application to the banks. This will ensure that the buyer has the best possible chance of obtaining the finance when they apply," says Goslett.

According to Goslett, before submitting their bond application, prospective buyers should focus on reducing or entirely doing away debt and store credit accounts, reconsidering insurance policies with little or no value and ensuring that their credit record is favourable.

"Ideally, there should be no late payments reflected on any accounts and the buyer should have some cash in the bank at the end of each month. Financial institutions will check buyers' credit records as far back as six months, so buyers will need to ensure that their record is clean for at least this length of time – preferably much longer," Goslett advises.

Buyers who have checked what they can afford and are ready to move onto the next phase and look for a property need to consider and prioritise location.

"Location directly impacts the home's potentially growth in value, so buyers should look at the property's proximity to amenities such as shopping malls, medical facilities, good schools and access to major transport routes. The orientation of the property should also be considered, with a north-facing property the better option. Orientation has an impact on certain elements such as the swimming pool, as it is better for a pool located on the western side of the property. Other aspects for buyers to look at are whether there is room for improvement, extensions or renovations" says Goslett.

He notes that additional elements to look out for are pre-paid electricity meters which are good to have, as well as any solar installations which will reduce the energy costs associated with running a home.

"Before making a final decision or signing any offer to purchase, buyers should have the property thoroughly inspected to ensure there are no major defects. Aspects they should pay close attention to include the roof, load-bearing walls for structural cracks, sagging floors or ceilings and damp walls. Once the overall condition of the home has been assessed the buyer will be able to determine whether the required repairs are manageable and within their budget. If too many things need to be done to make the house liveable, the buyer knows it's time to walk away from the deal," says Goslett.

When the right home is found, and all the necessary paperwork has been signed, there will be some additional costs buyers need to consider during the transfer process. According to Goslett, buyers will need to be prepared for the bond costs and the transfer fees.

"It is dependent on the purchase price of the property and type of property, but normally the transfer duty is the largest portion of the costs involved in the transaction. These costs are required to be paid fairly soon into the transfer process, so buyers will need to have it beforehand. Other costs include the attorneys' fees, which are negotiable in some instances. The seller appoints the transfer attorney, while the bank appoints the bond attorney," he says.

"When the buyer transitions from tenant to homeowner, they will have the additional monthly cost of rates, water and electricity. Buyers should request that a reading of their water and electricity meters is taken on occupation. They should also take into account services costs, insurance, maintenance and furniture removals to name a few other expenses."

Goslett concludes by saying that buyers should take their time and only buy a property when they are truly ready. He notes that buying a property is a long term investment with many advantages, but only if done in the right way.

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