

YOUR COMPLETE PROPERTY BUYING GUIDE

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Harcourts

At Harcourts, we believe in people first, doing the right thing, being courageous and above all, enjoying what we do.

Harcourts are here to help, wherever you are on your property journey.

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Buying a home is a big step! There's a lot to consider, from the merits of buying over renting, doing your research, inspecting a property, making an offer, contracts and settlement. We want to take the mystery out of the home buying experience, so the Complete Property Buying Guide will cover everything you need to know from start to finish.

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BUYING VS RENTING. WHICH PUTS YOU IN FRONT IN THE LONG RUN?

When it comes to the decision of buying a property versus renting one, there are a few factors you need to consider. On the one hand, buying a property certainly has significant immediate costs, but on the other, renting means you're effectively paying off someone else's bond. So if you're weighing up which option is right for you, consider both the short and long-term pros and cons of both.

Pros of buying

One day, you'll own your home

The obvious pro of buying versus renting is that once your bond has been paid in full, you'll have a home that you own. This means you won't have to consider the cost of renting into your retirement plan. If you plan to sell your home after retirement, there's the potential that the property has increased in value.

You can change the home to suit your needs

Even before you pay off your bond, the house is still yours to change as you see fit. This means painting, fencing, landscaping and large-scale renovations are up to you. This gives you a certain amount of flexibility too, if you buy a home in an area you love, but it's too small, or in need of work, then you can always address these issues down the track.

Whereas when renting, if the home doesn't fit your needs in the future, you'll be looking to relocate to another rental property.

Security

There's definitely a certain amount of security that comes from owning your home versus renting it. For instance, no one is going to tell you need to vacate because they've decided to sell the property or move back in themselves. There's no risk a rental agreement won't be renewed for any reason, or that certain conditions will change that may impact your lifestyle.

This security can make it easier to plan for your future and consider things like pets and children without the risk that your living situation may dramatically change through no fault of your own.

Cons of buying

Upfront costs

It depends on your location, but across the globe one thing about home ownership is generally the same, and that's the requirement of a lump sum up-front as a down payment or deposit. This means you'll need a hefty amount of cash just to enter the property market. Although in some cases banks may grant 100% loans.

There are other initial costs too depending on your country, like taxes, stamp duty, conveyancer bills and title fees.

The cost of upkeep

Unlike renting, the costs associated with the upkeep of your home falls to you. Depending on the age and state of your home, location and whether or not you have a free-standing home or apartment/unit will all determine how much you may be spending in maintenance costs over the course of owning your home. It's best to factor this into your budget before committing to a bond.

Your return on investment is not guaranteed

Of course it depends on your area and how this area fares in the long-run, which can be pretty hard to predict without a crystal ball, but the costs of owning your home versus how much of a return you'll receive if you decide to one day sell might mean you could make a loss at the end of the day.

Other things to factor in here are how long you plan to be in the home, how much work is needed on the property (could you see yourself taking out additional loans to cover things like renovations?), has the area experienced recent growth? What other long-term factors could impact the neighbourhood positively or negatively?

Pros of renting

Cheaper in the short-term

In a lot of areas, the option of renting property is usually going to be cheaper, at least up-front, than paying off a bond. Not to mention that in most countries, the only up-front cost is usually a deposit, a relatively small amount of funds kept in a trust in the event the home is damaged or unreasonably worn at the expiry of the lease.

This also means costs associated with owning a home, like land/property taxes, building insurance and maintenance are handled by the landlord.

Another plus is the ability to rent a home in a desirable suburb, close to transport, offices, entertainment and other lifestyle amenities as a rented home in these areas is usually within most peoples' budget versus the sale price of a home in the same area.

Flexibility

One of the obvious pros to renting is the flexibility of not being locked into a long-term commitment as you are when buying. At the end of your lease, you're free to move, or stay on if it suits. When it comes to selling a property you own, you're faced with the prospect of selling the home for the price you need - you're up for the costs associated with this, and you're at the mercy of current market conditions.

This kind of flexibility allows you to move jobs, travel or simply change your mind about an area with the opportunity to move relatively quickly.

In some areas, particularly popular ones, you may even be able to break your lease early if the property manager/landlord is able to find a replacement tenant easily, or for a pre-determined fee. In some cases, there are even rental clauses that stipulate acceptable reasons for breaking a lease, such as a job transfer.

Financial stability

When it comes to your monthly expenses as a renter, your budget can be more stable than that of a bond holder. Without fluctuating interest rates, taxes, and maintenance costs to worry about, and the cost of rent generally only changing upon renewal of some leases, you can potentially have more financial stability than a homeowner.

Cons of renting

The home will never be yours

It's true that at the end of day, the home you've been paying to live in will never be yours, whereas the bond repayments of the home owner will mean the home will one day belong solely to them. Whilst renting gives you flexibility, it can also mean that at a time when you're looking to settle down, you don't have the stability of a home of your own.

You won't be able to personalise your home

Things like renovations and home improvements usually can't be done on your rental property unless negotiated with the homeowner and even then, this could incur additional costs or a rent increase.

It could also mean that things like pets aren't permitted, and you're restricted to looking for properties that will allow animals.

If you're looking for extras, like air-conditioning or ceiling fans, or features like security screens, your landlord may agree to put these in only if you agree to a higher rent amount.

Renting long term has its pitfalls

If you decide to rent until retirement, unlike a homeowner who very well may have paid off their bond and will now have no ongoing loan repayments to make, you will need to be able to afford rent even after you leave the workforce.

Depending on your other investments, and how well you've saved for retirement, it may be feasible to continue renting for life. But if you're unable to continue renting in your area during your retirement years, you may only be left with the option of relocating to a less desirable area or a far more modest home.

It's your choice

At the end of the day, the decision to rent or buy is a very personal one, heavily dependent on both your short and long-term plans and goals. For most people, renting is the necessary option for at least a portion of their lives, with home ownership the long-term goal.

Weigh up the personal pros and cons of your situation to figure out the best option for you.

SORTING OUR YOUR FINANCES

Lenders may require you to have a deposit for your home loan. So if you're buying a home, you'll require a deposit and the cash for your transfer and bond costs. If you don't have much of a deposit and need to borrow a large percentage of the purchase price, you should speak to a mortgage adviser who can talk you through your options. At Harcourts, we're thrilled to be able to provide you with a complete service, from sorting out your finances, to moving into your brand new home. Talk to your Harcourts consultant about pre-qualification for a mortgage with our mortgage-originating partner, *ooba.*.

Budget

Create a budget to determine what you can realistically afford to spend on mortgage repayments. Your budget should include all your regular outgoing expenses along with estimates for the cost of ownership of a home (insurance, rates, interest on your mortgage, applicable body corporate charges and maintenance for your home). These costs will vary depending on where you live and the type of home you wish to buy.

Mortgage calculator

Once you've worked out your budget, you can use a home loan repayment calculator to get an idea of what your mortgage repayments would be. You can find some useful tools on our bond originator's website: www.ooba.co.za

It's probably a higher figure than you are used to paying in rent, but the benefit is that instead of being an expense, your mortgage repayment is paying off a capital investment.

If you're happy that you can afford to pay this amount each month, then you can start looking at financing.

Pre-approved finance

Approach lenders to get finance pre-qualification so that you know what price range you can look at for your new home. Given your income and financial commitments, banks will provide a pre-qualification amount (to which terms apply) beyond which they would not lend. This gives you a ceiling for the maximum you can spend on buying your first home. Be sure to note the loan-to-value percentage they will loan against. In other words, it's not just an amount, but also the deposit that you will need to have that's important to determine.

Mortgage advisors

Mortgage advisors or brokers can help you find the best deal from banks. Remember, the bank pays for the mortgage advisors' fees, not you.

A mortgage advisor has the knowledge and expertise to find the best option to suit your individual needs. Buying a home is one of the most significant investment decisions you will make and we're here to make sure that you know the different ways you can structure your loan and what the different banks will offer you.

Financing your home

Along with your savings, there are other sources of income that can help to supplement your deposit. You may also like to consider entering a shared ownership agreement or enlisting the help of a guarantor through friends or family if you don't have enough savings or a high enough income on your own.

If you already own a property, depending on its value, you may be able to use the equity in your current home to help secure financing for the purchase of your new property. Talk to your mortgage advisor about the options available to you.

Experts in home finance. ooba

DOING YOUR RESEARCH

Once you have your finances in place, you've worked out your borrowing capacity, and perhaps sought pre-approval on your home loan, it's now time to get to know the market.

Start to look at neighbourhoods that would suit your needs and your budget. A great place to start is online. There are lots of property comparison sites on the web that will give you an indication of the average sale price of houses, land and units in an area.

"A great place to start is online."

Also take a look at how a neighbourhood has fared over the last five to 10 years. Have prices steadily increased, stabilised or been in decline? These figures can help you to determine if the property will be a good investment over the long term.

Once you've found a location that fits your needs, and fits in with your average price range, start to look at properties on the market. Compare features, price and land-size. You can engage your local Harcourts sales consultant to help you find the perfect property for you. Consultants know the areas they work in very well, and can also give you advice on what the neighbourhood is like, if there are new infrastructure projects planned, and how prices have changed over the last few years.



INSPECTING PROPERTIES

Take advantage of an open home and use the time to perform a thorough property inspection. Later on, you'll want to engage the services of a professional to inspect the building's structure and for pests, but it's a good idea to use your initial tour of the home to perform your own inspection. So what should you really be focusing on in an open home?

The dwelling's structure

When inspecting a property, chances are the current owners are going to present the interior of the property in the best possible light. They will have cleaned and tidied, perhaps added a new coat of paint, or even had the home styled with beautiful furniture. Whilst these things will help you to appreciate what the home could look like for you, at this stage, it's more important to focus on the dwelling's structure.

Some things to look for include:

- Damage from pests. Recent termite damage in wooden structures is a huge red flag. Have a look for bores through wooden frames, or dirt tubes in the foundation or exterior walls that hint to termite infestation.
- Poor construction. Windows and doors that jar, or cracks in the walls around doors and windows are both signs of poor construction.
- Wet spots on walls or ceilings. Condensation within the home can lead to mould build-up, timber decay, leaks, corrosion and even loss of structural integrity.
- Cracks in the foundation. Some small cracks in a home's foundation can be harmless, but large cracks either running down the foundation or across could mean a home is shifting, which can cause significant structural damage over time.

If you're not entirely sure if what you're seeing is cause for concern, and you are interested in the property, the best course of action is to enlist the services of a qualified building inspector.

The neighbours

If you've got to the stage where you're inspecting the property, then you probably know a bit about the neighbourhood you're looking in, but what about the neighbours? Take a look at the neighbours on each adjoining border of the property for anything you might not be comfortable with in the long term.

- Are the neighbours' yards neat and tidy? It might not directly impact on the property you're considering, but what about when it comes time to sell the property? Would untidy yards next to yours reflect poorly on the area?
- Do they have pets? It might not be an issue, particularly if you have pets of your own. But look for problem pets. Is a neighbour's dog barking non-stop during the inspection? Are animals loose or roaming? Is there evidence of pet damage to shared fences or common areas?
- Do you have a comfortable level of privacy? Take a look at different angles around the home, particularly on smaller blocks or apartments. Are you too close to neighbours? Can you easily hear them through the walls? Are certain windows placed directly opposite a neighbour's window? Is the property fenced off from neighbours?

The location

Location means more than the general neighbourhood. You may be attracted to the area, but take a look at the property's exact location for things that may bother you in the long term, hurt re-sale value, or cause lifestyle issues. Is the property on a busy road? Is it next to a retail or commercial space, which could cause issues with local business traffic or additional noise? Are there unsightly power lines over the property? These are just a few considerations to look into when going through an open home.

MAKING AN OFFER

The best way to make a formal offer and avoid any confusion is to make the offer in writing. A sales consultant will most often provide you with a contract to start the process, which will also highlight any conditions of sale. The consultant will then present this offer to the sellers.

Common conditions of sale are subject to:

- Finance
- Sale of another property
- Specialist inspection or approval

The offer will be prepared on a standard approved contract and you will be asked to sign the required number of copies. Once this process has been completed the consultant will check whether any other interested parties are putting in an offer.

After your offer is accepted

If your offer is accepted and all parties have signed the contract, you may be asked to pay a deposit. This usually equates to 10% of the purchase price.

Once paid, this deposit is held in a trust account until the contract is confirmed, i.e. becomes unconditional in all respects. It is then paid to the seller. If the contract does not become unconditional, the deposit will be repaid to you.

Property purchase costs

Financial fees vary greatly, depending on such matters as the percentage of the property value that you will be borrowing, the amount of the loan, the amount of the purchase and which bank you are borrowing funds from. Possible expenses you may incur are:

- Bank fees
- Conveyancer charges may include legal searches (please consult your conveyancer)
- Transfer duty on purchase
- Miscellaneous costs (building inspection, rates, removals, etc.)

This system ensures the situation remains fair to all parties in a multiple offer situation.

The seller can accept your offer, reject it or counter sign it. Counter signing usually occurs when the seller is not satisfied with the price offered and/or conditions included and subsequently alters them. The contract will be brought back to you for your consideration.

If you accept, you initial the seller's alteration and the property is under offer to you subject to any conditions that the contract may contain. Alternatively you also have the right to counter sign. The consultant will continue negotiations between you and the seller until you are both in agreement.

Completing the purchase

Before settlement, your conveyancer will undertake the necessary searches with respect to the property and your financier will prepare the mortgage documentation.

On settlement your conveyancer will exchange with the seller's attorney:

- Monies
- Transfer documentation
- Keys to the property

Possession of the property usually takes place upon the date of transfer, which the seller and buyer can come to agreement on.

MOVING CHECKLIST

Remember to cancel

- ❑ Newspaper and/or milk delivery
- ❑ Telephone, internet and satellite TV
- ❑ Gas, water and electricity (arrange a final meter reading)

Organise for moving day

- ❑ Obtain supply of boxes (the supermarket can be one supplier)
- ❑ Get packaging tape and heavy marker pens
- ❑ Arrange for furniture removal (get quote, confirm time)
- ❑ Arrange care of your children on moving day
- ❑ Make suitable arrangements for any pets
- ❑ Arrange transit insurance and contents and fire insurance for your new home
- ❑ Organise shifting times with the purchaser of your old property and the previous owner of your new one

Notify your change of address to

- ❑ Bank, credit card and charge card companies
- ❑ Post office for redirection of mail
- ❑ Registrar of motor vehicles and drivers license
- ❑ SARS
- ❑ Insurance companies
- ❑ Hire purchase or finance companies
- ❑ Investment companies
- ❑ Local council
- ❑ Clubs and organisations
- ❑ Police (if you own and store firearms)
- ❑ Friends and relatives
- ❑ Magazine subscriptions
- ❑ Doctor, dentist, accountant, lawyer

Don’t forget

- ❑ Clean the stove and defrost the fridge/freezer
- ❑ Tidy the yard
- ❑ Disconnect all appliances
- ❑ Disconnect the TV aerial
- ❑ Return any borrowed items
- ❑ Throw out items that you don’t intend taking with you
- ❑ List valuable items for special care when moving
- ❑ Advise removal company of dangerous goods being moved (i.e. ammunition, petrol, spirits, chemicals)
- ❑ Securely pack all jewellery, money, special documents and papers (i.e. legal, tax, insurance etc.)
- ❑ Set aside items you will need on the day of the move so you can take them with you (i.e. food, drinks, cleaning products)
- ❑ Pack each room leaving the boxes stacked and labelled with the room they are to be moved to. It is a good idea to write on each box a list of its general content
- ❑ Clearly label boxes containing breakables as ‘fragile’ and identify these items to the removal people
- ❑ Pot and pack away the plants and cuttings you’re taking
- ❑ Explain your packing procedure to the removal people and be at your new home when they arrive

Don’t....

- ❑ Put breakables or liquid filled containers in drawers
- ❑ Overload drawers and make furniture too heavy to move (too much weight can damage furniture)
- ❑ Move netting, barbed wire, timber, wood, coal etc. without special arrangements being made
- ❑ Store perishable goods where they might be overlooked

Make arrangements to

- ❑ See your conveyancer to sign transfer documents / bond discharge documents
- ❑ Enrol children in new school
- ❑ Coordinate the forwarding of any files from the children’s previous school to their new one

Organise for your new home

- ❑ Newspaper delivery
- ❑ Telephone
- ❑ Internet and satellite TV connection
- ❑ Gas, electricity and water

The week before moving

- ❑ Remind and confirm move details with furniture removal company
- ❑ Confirm moving in/moving out details and key exchange with your Harcourts consultant
- ❑ Say goodbye to neighbours

One last check

- ❑ Nothing left behind?
- ❑ No clothes at the dry cleaners?
- ❑ Electricity, gas and telephone disconnected?
- ❑ Water turned off and no taps left running?
- ❑ Windows and doors latched?

After it’s all over

- ❑ Have spare keys cut
- ❑ Make an insurance claim if any damage has occurred during the move
- ❑ Teach children how to get to their new school
- ❑ Enjoy your new home and keep in touch. We’d love to hear how you’re doing

This guide is intended for general information purposes only. The content does not take your personal circumstances into account. You should obtain independent legal and financial advice before undertaking any transaction involving real estate.

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