



Guidelines to Home Buying

1. Introduction

The need to buy a home comes from a mixture of objective (financial) and subjective (emotional) reasons. When you have reservations on buying a home, gathering information is empowering and should always be your first step.

Reconsider if Home Ownership is For You

Home ownership is not for you if you have (1) a bad credit record, (2) a debt to income monthly ratio of higher than 30%, (3) job instability (create affordability issues) or will be relocated within a year or two to another city or area as it will create high transactional and legal costs you will not be able to recuperate with capital growth, (4) a dislike in upkeep and maintenance issues, and (5) when the bond repayment will be more than three times your monthly rental for a similar property.

2. Reasons to Buy

2.1 Sense of achievement, stability and security

The biggest reason for buying property is the pride of ownership people experience when they are fulfilling their dreams of owning their own home – gaining more control over their lives by simply being able to change the structure or color of their property at will and according to their personal taste. Home ownership gives the owner a sense of stability and security. It is making an investment in your and your family's future.

2.2 Appreciation of Value

Despite property cycles property has over the long term consistently appreciated up to about 10% per year. Many people view their home investment as a hedge against inflation.

2.3 Bond Repayment Builds Equity

Each month, part of your monthly payment is applied to the capital balance of your loan, which reduces your obligation or bond amount. The capital portion of your principal and interest payment increases slightly every month. It is lowest on your first payment and highest on your last payment. By repaying a higher monthly bond repayment you will repay the capital portion much more quickly – saving thousands of Rand over a period of time.

2.4 Equity Loans

With an access bond home owners can borrow against their home's equity for a lower interest rate than a standard short term loan. This they can apply for a variety of reasons such as home improvement, medical or starting a new business.

3. Defining Search Parameters for Price, Area and Property

The majority of buyers begin their home search on the internet by searching through online listings, sorting through photos and Google maps or aerial photos of neighborhoods. This search can be complemented by investigating the local printed media. The initial search period very quickly defines the buyer's individual parameters (area and price) within which he or she want or can afford to buy. By the time the buyer contact the estate agent, he or she is halfway down the path to home ownership.

3.1 Time frame required for Buying a Home?

Where motivated buyers and sellers meet – very quickly! Buyers not motivated can however take a few years. Select your agent according to how well he or she listens to your needs – i.e. only arrange to show you homes that fit your particular parameters. Your agent has to preview homes before showing them to you as well.

3.2 What are the maximum home viewings per day?

Prevent a brain overload by limiting your daily viewings to a maximum of seven homes. Eat healthy before going on a scheduled home tour – to improve your memory. By limiting the amount of properties you view, you will be able to remember specific details about them.

3.3 Home buying is unlike shopping in the Mall

Do not shop for a home the way you shop for clothes or shoes. When you find the perfect home, buy it. Do not try to “fit in” all the homes in the market – it is time consuming and a waste of your time.

3.4 How to rate the available homes

Bring a digital camera and begin each series of photos with a close-up of the house number to identify where each group of home photos start and end. Take detail notes of unusual features, colors and design elements. Pay attention to the home's surroundings – e.g. what is next door. Make sure you not only feel comfortable with but actually like the location. Immediately after leaving, rate each home on a scale of 1 to 10.

3.5 View Top Choices a Second Time before Making an Offer

After touring homes for a few days, you will probably instinctively know which one or two homes you would like to buy. Ask to see them again. You will see them with different eyes and notice elements that were overlooked the first go-around.

Instruct your buyer agent to find out more about the sellers' motivation and to double-check that an offer has not come in – i.e. establishing seller motivation and ensuring these homes are still available to purchase.

4. Making an Offer

Once you have decided on a home, your estate agent have to guide you through this sensitive home buying negotiation process. The type of market – i.e. whether it is a market “dominated” by buyers or sellers, will determine the offer you make. Avoid offer rejection by putting up a reasonable offer with a deposit and using counter offers to your advantage. The buyer and the seller have different goals. Rely therefore on your buyer agent and the selling agents’ experience and expertise to help both parties reach a favorable outcome.