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Purchasing PROPERTY



Before house-hunting, know what you can afford by using a cost calculator from Savage, Jooste & Adams Inc.

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Buying a home is a substantial investment that requires financial forethought, writes **Gina Hartoog**

Own your home provides security and stability, and is probably one of the biggest purchases you'll ever make. So, whether it's your first home or a subsequent one, it pays to understand what costs you'll need to cover.

"Financing a new home goes far beyond just making an offer to purchase and having it accepted – it is a significant long-term financial commitment," says Grant Smee, managing director at Only Realty Property Group. "Even if you are making a cash offer, you still need to factor in the additional upfront costs of buying a home, such as conveyancing fees, and, depending on the property

"You'll also need to consider running costs for the upkeep of your home."

cost, transfer duty. You should also have money set aside for any repairs needed on any latent defects and ongoing maintenance on the home."

BOND APPLICATION

"In the South African market, the terms home loan, bond or mortgage are used interchangeably to mean a loan granted to purchase a property. It is a secured loan where the property itself is the collateral," explains Keshnie July of Investec Private Bank, lending product owner.

Even before house-hunting, you should apply for pre-approval for a home loan from a mortgage provider. "It gives you a view of what you can afford and the price of the property you should be buying," says July.

A deposit, usually around 10% of the purchase price, may be required based on certain criteria and your profile. Once the bond is granted, the provider will charge a bond initiation fee to open a home loan account in your name. You'll also pay a monthly fee on your account, which, in some cases, may be waived by the mortgage provider based on qualifying criteria.

"If the property transaction exceeds R1.1 million, transfer duty (tax) is payable to SARS and calculated on the property value."



Fairooz Abdul Kader, Savage, Jooste & Adams Inc.

TRANSFER COSTS

Fees are also payable to the conveyancing attorneys and the South African Revenue Service (SARS).

"Conveyancing costs vary according to the value of the transaction and are based on recommended guidelines provided by the Legal Practice Council of South Africa," says Fairooz Abdul Kader, junior director in the conveyancing department at Savage, Jooste & Adams Inc. "These costs are payable by the purchaser in respect of the transfer of the >



Grant Smee, Only Realty Property Group.



Keshnie July, Investec Private Bank.





Consider the running costs and maintenance of the property.

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property into their name and in respect of any mortgage bond registered over the property being purchased.”

Total costs payable include attorney fees, Deeds Office fees and admin sundries. If the property transaction exceeds R1.1 million, transfer duty (tax) is payable to SARS and calculated on the property value.

FUTURE COSTS

If you have a bond, building insurance is mandatory to cover repairs or replacement of the property in an unforeseen event. You need sufficient cover to rebuild the home.

The mortgage provider may offer coverage, but it is within your rights to choose a company and product of your choice. Rhett Barker, CEO at Barker Insurance, says: “A reputable broker can assist with appropriate cover for the specific building at the best premium. It can be administratively challenging for a new bondholder to obtain their own building cover; our advice is to

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– Grant Smee

ask your broker to assist you in dealing with the bank as they are familiar with the process.”

You’ll also need to consider running costs for the upkeep of your home. These include rates and taxes payable to the municipality, levies (for a complex or estate) and funds for maintenance and repairs when needed. 🏠

With thanks to Barker Insurance, Investec Private Bank, Only Realty Property Group, and Savage, Jooste & Adams Inc.

ADDITIONAL COSTS

- **Occupational rent.** Payable from the buyer to the seller if you take occupation of the property before registration. Fairouz Abdul Kader says it’s generally 1% of the purchase price, but can be negotiated.
- **Utilities.** Depending on the type of property, you may need to pay a deposit/connection fee for water and electricity to the municipality.
- **Renovations.** Any changes or refurbishments you want to make to the property. Consider costs for window treatments and flooring, where applicable.
- **Moving costs.** Based on distance and the type of service you require.
- **Security.** Monthly armed response payment (freehold properties) or if it does not form part of a levy.



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