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What do I need to know when buying a home?

Emotion plays a large part in your choice of a first home and even subsequent ones, but make sure you understand the financial implications and the legal process even before you commit to an offer to purchase.

1. Be prepared

Know your financial strengths and weaknesses before you decide to buy. And consider other factors such as your earning potential, your lifestyle, your priorities and your goals.

Then, armed with bank statements and details of your monthly income and expenditure, apply to a bank or mortgage originator for pre-approval of a loan, so you can house-hunt with a realistic idea of what you can afford.

Pre-approval does not guarantee you a loan, but it is a useful indicator of the loan you can get.

2. How to find your future home

You are likely to start with property advertising - online, in estate agency windows and in newspaper supplements.

But it is also useful to introduce yourself to estate agents in areas you are looking at. Estate agents work primarily for property sellers who pay them commission, but they need to find suitable buyers before their rivals. Making yourself known as a buyer could mean you learn about a newly available property before anyone else.

Estate agents are regulated by the Property Practitioner's Regulatory Authority (formerly the Estate Agency Affairs Board, or EAAB), must pass the Professional Designation Examination and undergo a year of mentorship and training in an agency before working alone.

They have agency support for the paperwork and the legalities of sales/purchases.

A good agent can tell you about recent sales, and brief you on supply and demand in the area.

The good news is that using an agent comes at no cost to you, the buyer.

When you find a property that interests you, the estate agent will answer your questions, arrange access, liaise with the seller on your behalf, and - ultimately - draw up the offer to purchase.



3. Be eagle-eyed When viewing a property you need to be very alert to potential pitfalls.

Defects in a property

Defects in a property are not always obvious - especially when you are attracted to what just might be your first home. Flaws may be hidden in the roof space, covered with paint or out of sight behind walls or fittings.

A professional home inspection is the surest way to avoid expensive mistakes.

If you can't afford an inspection, nit-pick: try all the taps, switch on extractor fans, turn on appliances that are included in the sale, look for signs of damp in the walls and ceilings, test windows and sliding doors ... and then go back for another look.

On 1 February 2022, it became mandatory for the seller to supply the sales agent with a defects disclosure form that can be made available to prospective buyers.

You should insist on seeing the form, but it is still up to you to make absolutely sure there are no hidden defects.

Property is sold "voetstoots" - which

means "as is", so that the seller can't be held liable for patent (obvious) or latent (hidden) defects ... if they were unaware of them.

If it is obvious that they knew about a defect and failed to disclose it, the voetstoots clause is invalid.

Planning permission

Some extensions and changes to properties require planning permission, so ask the seller to provide the approved plans and make this a condition of your offer to purchase.

Similarly, sub-divisions and boundary changes must be on record with the local authority, and walls and steps, and other fixtures that encroach on adjacent plots need local-authority permission and may be subject to monthly rentals.

Defects may not be a deal-breaker, but they may affect the price of the property. Or you can make an offer that is conditional on certain actions by the seller to rectify problems.

It's also worth asking why the seller is moving, in case the reason reflects on the property or the area.

Visit the property at various times of day to observe things like traffic noise

and disruptions caused by activity at nearby businesses, schools and restaurants.

4. Understand the costs

While the seller pays the agent's commission on the sale, the buyer of a property is responsible for:

The costs of securing and registering a mortgage bond or home loan (if a loan is needed); and

Registration of the transfer of ownership at the Deeds Office. This involves the following costs:

Transfer fees are payable to the conveyancer based on the purchase price of the property.

While the seller chooses the conveyancing attorney, the buyer pays the cost, which varies from one law practice to another, but is based on guidelines set by the Law Society of South Africa.

Transfer duty

Transfer duty is a tax on the sale of properties. It does not apply to properties valued at less than R1 million. On properties worth more than R1 million, the duty is calculated in tax bands

between 3% and 13%. Check the latest transfer duty rates in our tax tables.

Both registrations can be handled by the same attorney, or the bank may appoint its own attorney.

5. The all-important offer to purchase

The offer to purchase is the first legally binding step in the process of buying a home, so be sure when you make one.

A cooling-off period for buyers who change their minds only applies when properties cost R250 000 or less.

Cancellation of an offer on a more expensive house can be costly and could mean losing a deposit.

The estate agent will provide the basic legal document and it is up to you to ensure it contains the conditions you attach to the offer - for example:

If you plan to apply for a home loan or mortgage bond, your offer will be conditional on the loan being approved by a certain date. Some offers contain a 72-hour clause, which means that the seller can continue to market the property while a loan is pending, but must offer the buyer first refusal if a new offer is made during that period.

If you need to sell your existing home, you will need to set a time limit, so that the seller is not put at a disadvantage.

You might want to make the sale conditional on a professional home inspection giving the structure of the property a clean bill of health.

Make it clear which fixtures and fittings you expect to be included in the sale - for example, book cases, the stove and other kitchen appliances, a shed or playhouse, a built-in braai, mirrors and so on.

List any movables you want to be included in the sale - for example, curtains, garden furniture, lawn mower or the fish in the fish pond.

If you require early occupation (before the property transfer is completed and the house is legally yours), make sure the date is correct. The seller can charge occupational rent for the period before transfer, so make sure the offer reflects the agreed rent.

All residential property sales are subject to certain compliance certificates being supplied (and paid for) by the seller, for safety reasons. Electrical and gas certificates are required throughout the country, but Cape Town property transfers require a water installation certificate. Beetle infestation certificates are commonplace, though not mandatory.

If you are making your offer conditional on certain actions by the seller - such as repairing a leaking roof and replacing damaged floorboards - be very specific and put a deadline on the actions.

Any conditions can be added to an offer to purchase and accepted, amended, or rejected by the seller.

Take advice from your own attorney or estate agent when in doubt.

Once the offer to purchase has been signed by the seller, you can go ahead and apply for a home loan. The loan provider will verify the legality of the offer to purchase.

When the bond has been approved and other conditions have been met, the offer to purchase becomes a valid sale agreement. The documents must be handed to the attorney chosen by the seller for the transfer to take place.

This article was originally published on SmartAboutMoney.co.za, an initiative by the Association for Savings and Investment South Africa (ASISA)

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