

Buyer's Guide How to Successfully Invest in A Home





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Buyer's Guide

How to Successfully Invest in A Home

RE/MAX Midlands

196 Chapel Street, Pietermaritzburg 3200
Republic of South Africa

First Edition

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RE/MAX
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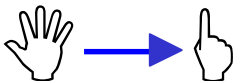
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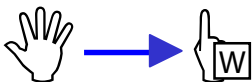
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Preface



Purchasing your home is probably the most important investment that you will ever make.

You may already have in your mind a picture of your future home: the number of rooms, kitchen, bathroom, decorations, outbuildings, etc. Indeed, you most likely have already imagined what your life will be like in your new home.

Choosing a home is an investment that will involve some of your deepest emotional experiences. We understand that you should feel comfortable and confident in reaching the goal: finding your dream home at the optimum price.



In our Buyer's Guide you will find a significant amount of information that will help you feel confident that you are being represented by a superior organisation. The guide explains how to choose the right property, how to budget for it, what the agent's involvement is, as well as giving many other useful tips and advice.

Reasons for Investing in Property



- Higher social status of owning a fixed property
- Security of tenure - no landlord hassles
- Home ownership is a durable (real) investment
- Historically, property has appreciated in value for decades
- Bond repayments become a solid form of investment
- Home ownership allows you to accumulate capital equity
- Home ownership offers you an opportunity to take control of your housing costs, i.e. tailor-made financial plans are available to suit your pocket
- Bond repayments are more predictable than rentals
- Ownership gives freedom of choice when choosing your community, architecture, interior decor and garden size
- Home ownership is the key to financial security



Buying from Private Sellers

A homeowner trying to sell his home privately usually does so in the hope of saving on the commission.

Coincidentally, this is the same reason a buyer wants to deal directly with the owner.

If you should see a Private Seller advertisement, but you want the advantage of an agent's service, let us contact the seller and set an appointment.

Often, a home owner will work with an agent (even though his/her home is not listed) if the agent introduces the buyer to the property.

If the home of your choice happens to be a private sale, we will handle the negotiations from start to finish. Our service fee will be settled by the seller. Contact us here.



How to Choose the Right Home



1. What Price Home Can I Afford?

The overall price is achieved by adding how much you can afford to borrow, to how much you have available for your deposit.

Banks allow you to pay no more than 30% of your combined income on your monthly installment. From this calculation the bank will arrive at a maximum loan amount for you. Add this loan amount to your desired deposit and you get the approximate range of home prices you can afford.

2. House Hunting - First Step

Your first step is to consult with your estate agent and outline a sound home search strategy. Next comes researching, with the agent's help, about areas, neighbourhoods, homes and financing.

3. How Do I Know What Kind of Home is Right for Me?

The best way to know what kind of home is right for you is to examine your lifestyle carefully. Ask yourself questions such as:

How much time do I expect to be at home? If you are a real homebody, you might think about a single family home with an inviting garden (that will take hours of care). If you are on the run a great deal, a sectional title unit, with no garden care, might suit you better.



Do I really like swinging a hammer? If so, an older home is a good bet.

Do I like having neighbours around but want a good-sized home, not an apartment? Perhaps a townhouse would suit you best.

4. What should I look for in a neighbourhood?

Some neighbourhoods speak loud and clear about themselves at first glance. The quality of life is apparent in its streets, parks, buildings, homes and yards. The folks you see will also give you a good idea what you can expect. You get a feel of it or against it just by looking.



An estate agent can, of course, give you specific details about the community, which are not so obvious at first glance. For example, he or she will tell you:

- where schools, supermarkets, libraries, hospitals, places of worship, fire and police stations are located;
- what zoning regulations apply;
- what community services are available;
- what construction plans are on the agenda;
- what shifts in transportation facilities are occurring;
- whether home values have appreciated or depreciated.

For a more intimate impression, you should walk around a neighbourhood that looks attractive to you. Visit the schools your children will attend to confirm district boundaries and comparisons with other schools. Talk with people at bus stops (ask about commuting schedules and costs) and in shops (chat about where the best stores are)

You might want to take photos as you tour the neighbourhood. These will help you later when you want to keep different streets and homes separate in your mind. Also take notes - you will later compare addresses and prices.



Inspecting a neighbourhood is as necessary as inspecting the home you may buy. An old real estate maxim says: "The best time to think about selling your home is when you're buying it". That is because location will be the prime factor influencing future buyers when the time comes to sell your home.

5. Benefits of Buying A New Home

New home construction is changing all the time as builders try to adapt designs to today's lifestyles, make the most of living space, and incorporate new technology, building materials or equipment while keeping prices affordable.

Buying a new home is an attractive option because everything is fresh and new, from floors to appliances. When a home is still under construction you can choose paint, wallpaper, tiling, carpeting etc.

Newness itself is a virtual assurance that your maintenance costs will be predictable. Also, a builder's warranty (highly desirable) guarantees freedom from actual flaws.

6. How Do I Evaluate A Resale Home?

Homes with a past have special appeal. An existing home is a settled place (literally). The foundation, the landscaping, the neighbourhood, including its services, are about where they are probably going to be for some time. The home has a lived-in look. Some rooms may be larger than in new homes, woodwork has mellowed, the garden is a generous size. The price may be lower (per square metre) and the financing possibilities more flexible than in new homes.

It is important, however, to be on the lookout for wear-and-tear. Consider the following:

- How firm is the foundation?
- How sound are the windowsills, walls, floors and ceilings?
- What kind of plumbing was installed, and when?
- What is the shape and extent of the electrical system?
- What are the monthly water and light costs?
- What will it cost you to renovate (especially kitchen and bathrooms), or to make necessary repairs?



If in doubt, or just for peace of mind, you can hire a certified building inspector for a professional opinion.

7. Buying

At this point you have narrowed your possible choices to one specific home. You are ready to make your first offer, negotiate with a seller, sign a contract, secure the best home loan and actually buy your home.

Your agent knows the way - with his expert assistance you can navigate with confidence. Remember: you and the seller want the same thing - a smooth and satisfactory transaction.



Budgeting for Your New Home



1. Should I Shop Around for a Loan Before or After I Find A Place to Buy?

It is a good idea to let an agent help you look for financing before you find a home. The agent is in constant contact with financial institutions, and can act as invaluable "clearing house" of information. If you are actively house-hunting, but have not found the right home yet, ask the lender to do a "screening application". This details your income, debts and assets.

Knowing where you stand regarding how much money a lender will lend you (based on your income and credit rating) will put you in a good bargaining position.

Sellers faced with deciding between two buyers (one of whom is "pre-qualified" by a lender) may favour the offer of the "pre-qualified" buyer, because this buyer is almost certain of getting a loan.

2. Budgeting for Your New Home

It is a good idea to check your usual monthly budget before you apply for a home loan.

Remember that your monthly installments on your loan are likely to be about 25% of your income, should you take the maximum loan available to you.

There are a number of costs to pay before you can move into your new home. Therefore, you need to budget for once-off and other costs for the home you plan to buy.



Once-off costs include:

- Deposit on the home
- Transfer duty
- Transfer costs
- Home loan registration
- Municipal deposits for water and electricity



Other costs include:

- Furniture removals
- New curtains and carpets, etc.
- Total cash needed before moving in
- *Other:*

3. Regular Monthly Costs

There are also monthly costs involved in owning a home (in addition to your normal monthly expenses such as food, clothing, entertainment, transport, school fees and hire purchase).

These expenses are:

- Repayment of the home loan
- Insurance on the home itself
- Municipal rates and refuse removal fees
- Monthly levies (if you buy on Sectional Title). The levy usually covers Municipal rates, external maintenance, refuse, electricity and, in some instances, water.

Other monthly costs include:

- Life insurance to repay the home loan
- Insurance on the contents of home
- *Other:*



Frequently Asked Questions on Financing



1. I have changed jobs several times. How will this affect my obtaining a loan?

This depends on how often have you changed jobs and for how long you were employed in your last job. A steady employment record is very important as it reflects the stability of our proposed client.

2. Can I get a loan if I am self-employed?

Financial institutions lend to self-employed persons in the same way as for salary employees. The difference comes with confirmation of income and affordability. The client will be requested to supply us with audited balance sheets regarding the business, together with the auditor's proof of income.

3. How much deposit will I need?

This varies from client to client and depends what amount is being applied for. It is normally 10% on an average home, but should a client apply for a package from the financial institution, i.e. cheque account + credit card + home loan, then a 100% loan onto certain predetermined amounts can be granted.

4. Once I find a home, who or what determines the value of the property?

Valuations are done by a Bank Valuer who is guided by average sales, area, property and purchase prices.



5. I do not have any credit available. Can I get a home loan?

Yes, you still can.

6. What is a RevestBond?

A RevestBond allows you to pay surplus funds into your home loan account and "earn" tax- free interest on this, at the home loan rate. You may withdraw the difference between your original loan balance and the current outstanding balance without any period of notice.

7. Can I apply for a RevestBond when buying a home for the first time?

Yes, you can.



Questions Buyers Ask An Agent when Considering A Purchase



1. How much deposit is required?

The payment of a deposit upon signing the agreement usually is an indication of the Purchaser's serious intent. No amount or percentage is specified. The financial institution concerned may require a minimum deposit of 10% to 20% of the purchase price.

2. What happens to the deposit?

The deposit is paid into the trust account of the agent or the attorney. The Purchaser should stipulate that the interest accrued thereon is to be for his/her own account.

3. How is the balance of the purchase price paid?

The balance is usually paid in cash on registration of transfer and will be secured by delivery of acceptable guarantees within a specified time period.

The guarantee is an undertaking by a recognised financial institution to pay a specified sum of money on the transfer of the property into the Purchaser's name.

4. Is it possible to inflate the purchase price to secure a higher bond?

No. This practice is regarded as fraudulent and carries the risk of prosecution.



5. When is transfer duty payable?

This sum is payable to the Receiver of Revenue, but is usually collected by the conveyancer. Transfer duty is actually only required to be paid within a period of six months from the date of the transaction to avoid penalties. In practice, the conveyancer calls on the Purchaser to pay the duty soon after receiving conveyancing instructions from the agent.

6. On what date should occupation be given and what is occupational rental?

Occupation should be agreed on a date mutually suited to both parties. It will often occur, however, that one of the parties is in occupation of the property while it is registered in the other's name, thus requiring the occupier (who may be either a buyer or seller) to pay a rental to the owner. Entitlement to such rent is not automatic and should be specified in the Agreement of Sale. The rental amount is usually agreed at a level commensurate with rentals available in the market.

7. What if a tenant has a lease that overlaps the transfer date?

Upon taking occupation of the property, the tenant acquires a real right thereto for the duration of the lease and will be protected by the "huurgaat voor koop" principle. The new landlord takes over the role of his predecessor, who in turn is relieved of obligations towards the tenant.

8. Is the Purchaser ever liable for commission?

Strictly speaking, commission is payable by the party who conferred upon the Estate Agent the mandate to act on his/her behalf. In reality, however, it seldom happens that South African buyers pay commission (unless the Purchaser defaults on the sale).



Electrical Installation Regulations



In October 1993 the Machinery and Occupational Safety Act of 1983 (Act No. 6 of 1983) was amended to include a schedule regarding electrical installations. This came into operation in January 1994.

The legislation imposes an onus on the user of an electrical installation to ensure the safety, safe use and maintenance thereof, and imposes upon the user responsibility for the safety of the conductors connecting the electrical installation to the point of supply (if the point of supply is not the control point.)

To discharge this onus the user will be obliged to obtain a Certificate of Compliance from an accredited electrical contractor registered with the Electrical Contracting Board of South Africa. This certificate can be transferred from the user to the next party.

Every user of an electrical installation shall be obliged, on request, to produce the Certificate of Compliance to an inspector.

If unavailable, and the inspection finds that the electrical installation constitutes an immediate danger to persons, the inspector shall have authority to take steps to have the supply to the circuit in which the fault was detected disconnected.

A Certificate of Compliance should be available prior to the sale or lease of a property

If the user is not in possession of such a Certificate, the Agreement of Sale or Lease must include a stipulation regulating whose responsibility it will be to pay for the inspection required to obtain the Certificate.



Transfer Procedures



1. The attorney first writes to Seller and Purchaser asking for their marriage certificates, Ante-Nuptial Contracts and ID documents. We can help and save time in getting these copies posted when we instruct the Attorney to proceed with the transfer.
2. Attorney writes to the existing Bond-holder asking for the Title Deed.
3. Electrical and entomologists inspections must arranged, and the necessary Clearance Certificates obtained.
4. On receipt of documents and Title Deeds, the Attorney can draw up the necessary documents for transfer.
5. The Seller and Purchaser are notified to come and sign the relevant documents, and the Purchaser to pay costs.
6. Write to Municipality asking for outstanding rates and Taxes.
7. Rates are paid from July - June (one year). A Rates Clearance Certificate has to be issued before lodging.
8. A Transfer Duty receipt has to be issued before Lodging. If money is coming from a sale of a house, the Attorney will be unable to get Transfer Duty receipt until the first house is registered and money becomes available, unless Purchaser has additional funds.



9. Bond Attorneys can only draw up their documents once they receive a Fly Sheet from the Transferring Attorneys.
10. Arrange cancellation of existing bond and wait for cancellation certificate.
11. Once Bond Attorneys and Transferring Attorneys have everything ready, the documents are lodged in the Deeds Office approximately 7 working days before registration. There is always a chance that the Deeds Office rejects something, and whatever it is must be amended and re-lodged.



RE/MAX Assistance for Buyers

RE/MAX is the world's largest Real Estate Company boasting over 2,800 offices worldwide with more than 46,000 sales associates.



Our Pietermaritzburg management team is strong and committed, comprising Pelham Henwood and Gerald Katz, each having over 20 years of experience in Real Estate business. Our emphasis on innovative market research allows us to offer many properties to fulfill your financial and personal choices.

We will help you find property alternatives that meet your needs by:

- Acquainting you with the area of your choice: zoning, recreation, shopping centres, schools, rates etc.
- Discussing your wants and needs
- Reviewing financial options
- Identifying and showing you properties that meet your criteria

We will help you choose the best alternative by:

- Honestly summarising the pros and cons of each property
- Estimating all purchase and ownership costs

We will help you invest in the home of your choice by:

- Developing an offer and negotiation strategy for you
- Preparing an Agreement and making certain you fully understand every step of the transaction
- Making every effort to negotiate a successful purchase
- Assisting you in obtaining financing and working through the final statement with you

Once you become the proud owner of your new home we will be available to advise you on how to enhance your property to ensure the highest return on it.



Property Network

RE/MAX Midlands is a member of the foremost Multi-Listing service that works excellently for buyers.

The City's top 10 Real Estate firms freely share their quality stock through Property Network.

Through the Network, we are able to show you a selection of the very best homes available in your price range.



The unique cooperation between members means that you don't have to shop from agent to agent repeating all the "get to know you questions" over and over again.

The more closely you work with one agent, the better your needs are understood, and the more effectively you can be served.



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