5 ways to enter the residential property market

According to Carl Coetzee, CEO of BetterBond, the residential property market is still seeing considerable interest from first-time buyers following two years of comparatively low interest rates.

Carl Coetzee, CEO of BetterBond

"What is encouraging is that there has been an almost 8% increase in the number of formal grants to first-time buyers for the past 12-month period (year-on-year for April), and an increase of just over 7% in the approved bond size for these buyers," he says.

Coetzee unpacks five ways first-time buyers can enter the property market.

1. Affordability is always important when buying a home. While you need to know what you can afford to pay each month on a bond, you have to also be prepared for the upfront costs associated with buying a home. These include transfer duty, transfer costs (lawyer's fees), bond registration costs and other expenses. Once you are a proud homeowner, you will also have to pay utility costs and for regular repair and maintenance.

"It's, therefore, advisable to obtain pre-approval from a bond originator so that you have a clear idea of what you can afford. Pre-approval also improves your chances of securing a bond," says Coetzee. "The seller will also see that you are a serious buyer who has already done the paperwork and credit checks," adds Coetzee.

2. Although the repo rate is gradually starting to climb again, and the prime lending rate is now at 7.75%, a bond originator will apply to more than one bank on your behalf to secure a lower interest rate - called a rate concession. Currently BetterBond's average interest rate concession when applying to four banks is 0.61%, says Coetzee. This means that the difference between the highest and lowest offer you receive from the four banks is 0.61%. For example, on a R2m bond, the monthly repayment at prime minus 0.61% - or at 7.14% - would result in a monthly saving of R745.

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3. While it's always advisable to put down a deposit when applying for a bond, even if only 10% of the home's value, first-time buyers often don't have the financial means to do so. South Africa's main banks offer a range of loan products that include loans of as much as 110% for young professionals under the age of 30.

"A loan of 100% or more makes it possible to buy a home without having a deposit. It could also cover the transfer and bond registration fees that need to be paid upfront," explains Coetzee.

4. Another way of making home ownership a reality if affordability is a concern is by buying below the R1m threshold. There are no transfer duties payable for homes of below R1m - a considerable saving for a new buyer. Buying in a new development will also save you on transfer duty costs, although you will still need to pay transfer costs to the conveyancing attorney. Aside from the initial costs, buying in a new development will save you money on repairs and maintenance for the first few years.

5. First-time buyers with a household income of between R3,501 and R22,000 may qualify for a Finance-Linked Individual Subsidy (FLISP), if they meet the criteria. The once-off subsidy amount has increased to between R30,000 and R130,504 depending on the applicant’s monthly income, and it’s now possible to obtain the subsidy without first having been granted a bond, says Coetzee. “This makes it even easier for qualifying applicants to own a home.”

While affordability is a consideration when buying a home, especially as a first-time buyer, aspirant homeowners do have options, concludes Coetzee.