

5 things you need to look out for before buying property this year

By [Tim Akinnusi](#)

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The property sector, like all sectors, has not escaped the effects of Covid-19 and its impact can be felt in multiple ways.



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Firstly, the price of high valued residential property, as well as property used for leisure and hospitality, has come under enormous pressure due to decreased consumer demand. Secondly, a positive impact has occurred where consumer demand for middle to affordable housing is set to increase over time as a result of the prime interest rate being at its lowest in South Africa's history at 7.25%. Finally, consumer sentiment regarding the utility value of property has shifted in a more positive direction, as a by-product of changed consumer experiences of the home during the Covid-19 era.

Within this context, we expect to see increased transactions from cash-flush property investors and first-time home buyers. Homebuyers that were undecided about buying property for primary use are more likely to make up their minds to purchase property, given the low-interest rate environment. The low-interest-rate environment is essential to stimulating consumer spending and economic recovery. To fully understand the impact of the low-interest rate on the currently renting population, one needs to take a segment view and understand how consumer affordability will have improved. At present, the gap between the monthly instalment of bond payers vs. tenants has closed materially. This presents a unique opportunity for tenants to potentially buy the properties they are currently renting.



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More than just a place of shelter

For many, homes have become more than just a place of shelter; they have been a place of business; entertainment; classrooms and workout environments. This newfound appreciation for the importance of a primary residence is one of the few silver linings of this pandemic. Unfortunately, this experience accounts for only 35% of the South African population as the same cannot be said for the 65% of South Africans who are either renting or living in un-bondable housing, provided by the government. Their living experiences (during this lockdown), has brought the need for better housing options into sharp focus; and the need to promote homeownership as more of a necessity rather than a luxury for South Africans.

Buying a property at present (as the world continues to battle this pandemic), requires one to tread cautiously. For example, we've processed a flood of requests for pre-approved home loans, which is the first step for all potential homebuyers when thinking about buying property. This is a positive sign of responsible buying behavior from consumers during these uncertain times. Further to this, it gives customers the ability to shop with confidence, which is vital for engaging with estate agents and residential developers to start the buying journey.



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Against this backdrop, these are five things I believe aspiring property owners should look out for before acquiring their next purchase:

- Make sure the purpose of your purchase is clear and based on a mid to long-term timeframe, due to the high costs involved in a property transaction.
- Complete a pre-approval to ensure you know the state of your credit health and affordability. This will enable you to narrow down the type of property that suits your budget.
- Understand all the costs involved with buying and maintaining the property. Your monthly repayment cost is just one of the costs you will be faced with. Other costs include monthly rates and taxes, levies, electricity and water bills, building insurance, and general maintenance, to name a few.
- Make sure you are purchasing a property in an area that has good amenities and is well maintained. The value of your property is dependent on the ecosystem of schools, hospitals, good road networks, shopping centres and social facilities. Ultimately, this is what gives the property its intrinsic value.
- Lastly, use a marketplace to shop around for the best home loan deal for your property. It's a borrower's market, therefore take full advantage of being in a position to ensure banks give you the best home loan deal possible.

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