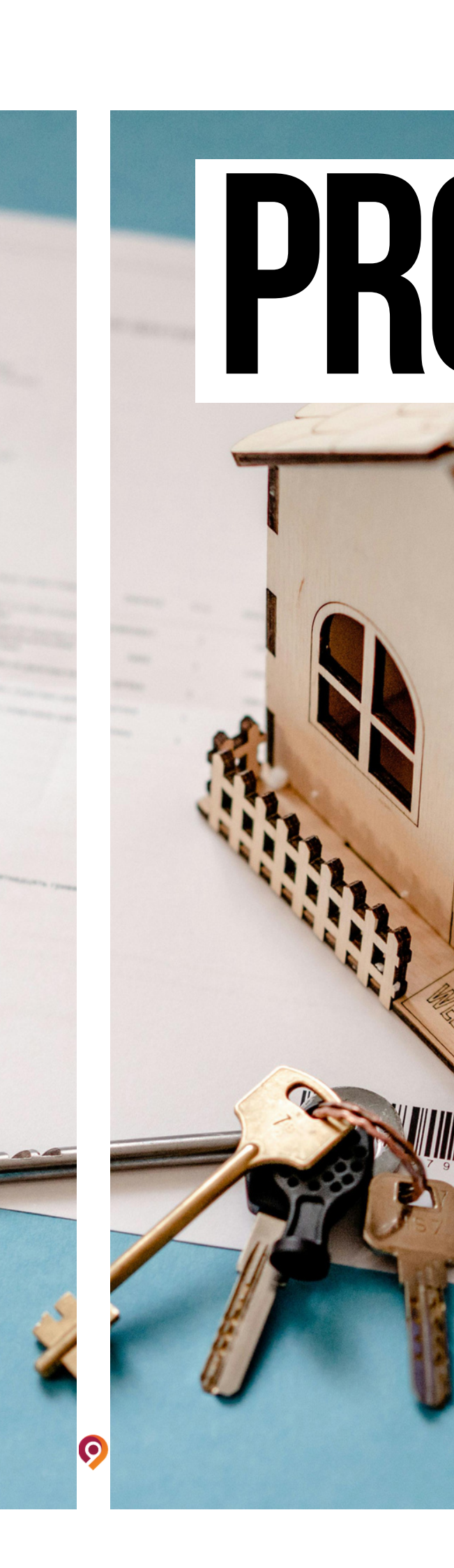




PROPERTY

PURCHASE GUIDE

The Dream of Homeownership

For many people, owning a home is more than a financial milestone; it's a deeply personal dream. It represents stability, independence, and a sense of belonging. It's the place where families grow, where memories are built, and where the idea of "home" becomes a reality rather than just a vision. For others, property is a powerful investment, a tangible asset that can generate wealth, provide security against uncertainty, and serve as a foundation for future financial freedom.

But while the dream is compelling, the journey toward property ownership can feel overwhelming. South Africa's property market comes with unique challenges - rising interest rates, hidden costs, and a system filled with legal and financial jargon that can leave even confident buyers second-guessing themselves.

Too often, buyers focus only on whether they can afford the monthly bond repayment, only to discover that the real costs of ownership - insurance, levies, transfer fees, maintenance, and surprise expenses - stretch their finances thin.

This guide was created to help you navigate both the emotional and practical sides of property ownership. It will walk you through every cost, especially the overlooked ones, so you're not blindsided. It will highlight the red flags to look out for when viewing a property, the key questions to ask before signing anything, and the financial health checks you must do on yourself to know if you're truly ready. We'll also unpack what makes a property a good investment and what could reduce its long-term value. Buying property is one of the biggest financial decisions you will ever make. It can either be a stepping stone to security and growth, or a burden that keeps you financially trapped. With the right knowledge, planning, and foresight, you can make sure it's the former. This isn't just about buying a house. **It's about building your future.**



List of Costs When Purchasing Property

Understanding the full spectrum of costs involved in purchasing property is crucial to avoiding financial surprises. Here's a detailed breakdown:

1. Transfer Duty

Transfer duty is a tax levied by the South African Revenue Service (SARS) on property transactions. The rate is progressive and calculated based on the purchase price.

- Calculation: The rate increases in brackets; for example, properties priced between R1,000,001 and R1,375,000 are taxed at 3% of the value above R1,000,000. For properties above R1,375,000, the rate increases to 6%.

Example: For a property purchased at R1,500,000, the transfer duty would be calculated as follows:

- $R1,375,000 \times 0\% = R0$
- $(R1,500,000 - R1,375,000) \times 3\% = R3,750$
- Total Transfer Duty: R3,750

2. Bond Registration Fees

These are fees charged by the bank for registering the mortgage bond. They can vary based on the loan amount and the bank's policies.

- Estimate: Approximately R3,500 to R5,000, but this can vary.
- Calculation: Typically, these fees are a fixed amount or a small percentage of the loan amount.

3. Conveyancing Fees

Conveyancing fees are legal fees for the attorney handling the property transfer. These are usually calculated based on the property's value.

- Estimate: Approximately R14,240 for a property valued at R650,000.
- Calculation: The Law Society of South Africa provides guidelines for these fees, which are negotiable but often follow a set scale.

4. Home Inspection Costs

Home inspections are recommended to assess the property's condition before purchase.

- Estimate: Between R1,500 and R5,000, depending on the property's size and the depth of the inspection.
- Calculation: Fees are typically flat rates, though they can vary based on the inspector's experience and the property's complexity.

5. Moving Costs

These are expenses related to transporting your belongings to the new property.

- Estimate: Approximately R5,000 to R10,000, depending on the distance and volume of goods.
- Calculation: Costs can vary based on the moving company's rates, which may be charged by distance, volume, or time.

6. Utility Connection Fees

These are fees for connecting essential services like electricity, water, and internet.

- Estimate: Approximately R2,000 to R5,000, depending on the municipality and service providers.
- Calculation: Fees are typically set by local municipalities and service providers.



7. Home Insurance

Home insurance protects your property against unforeseen events. This is not the same as personal insurance, which focuses on the contents of the property. Home insurance takes care of the structure.

- Estimate: Approximately R500 to R1,500 + per month, depending on the property's value and location.
- Calculation: Premiums are calculated based on factors like the property's replacement value, location, and risk factors.

8. Municipal Rates and Levies

These are ongoing local government charges for services and infrastructure maintenance.

- Estimate: Approximately R1,000 to R3,000+ per month, depending on the property's value and location.
- Calculation: Rates are typically calculated by multiplying the property's market value by the municipal council's set percentage.

9. Repairs and Renovations

Costs for any immediate repairs or desired upgrades to the property.

- Estimate: Varies widely based on the property's condition and desired improvements.
- Calculation: Costs are based on quotes from contractors and the scope of work required.

10. Capital Gains Tax (CGT)

Tax applicable when selling the property, calculated on the profit made from the sale.

- Estimate: Approximately 18% of the profit made from the sale.
- Calculation: CGT is calculated on the difference between the selling price and the base cost (purchase price plus improvements).



IDENTIFYING PROMISING INVESTMENT PROPERTY

When considering property as an investment, evaluate the following factors:

- Location: Proximity to amenities, schools, and transport hubs enhances desirability.
- Rental Demand: High-demand areas ensure consistent rental income.
- Economic Growth: Regions experiencing economic development often see property value appreciation.
- Property Condition: Well-maintained properties reduce maintenance costs and attract quality tenants.

Conversely, be wary of:

- High Crime Rates: Can deter potential tenants and buyers.
- Overdevelopment: Excessive supply can lead to rental oversaturation and declining property values.
- Poor Infrastructure: Lack of essential services can diminish property appeal.

Essential Questions to Ask When Viewing a Property

To ensure you're making a sound investment, inquire about:

- Reason for Selling: Understanding the seller's motivation can provide negotiation leverage.
- Property History: Inquire about previous ownership and any past issues.
- Included Items: Clarify which fixtures and fittings are part of the sale.
- Neighbourhood Dynamics: Research local amenities, safety, and community vibe.
- Future Developments: Ask about upcoming infrastructure projects or zoning changes that could impact the area.
- Property Condition: Request information on the age of major systems like the roof, plumbing, and electrical wiring.

63% of South African households are considered to be in the "danger zone" (where debt servicing is high and potentially unsustainable).

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Common Property Terms Explained

Familiarize yourself with these terms:

- **Offer to Purchase (OTP):** A formal document outlining the buyer's intent and terms of the property purchase.
- **Bond:** A loan secured against the property to finance its purchase.
- **Transfer Duty:** Tax paid to the government upon property transfer.
- **Conveyancer:** A legal professional responsible for overseeing the property transfer process.
- **Capital Gains Tax (CGT):** Tax levied on the profit from the sale of the property.



Self-Assessment: Can You Afford to Buy Property?

Buying property is not only about qualifying for a bond. It's about ensuring you can comfortably sustain all the ongoing costs without stretching your finances too thin. Here's a comprehensive breakdown:

Income & Debt Evaluation

Gross Monthly Income

- Your total salary or business income before deductions.
- Banks typically lend up to 30% of your gross monthly income toward a home loan repayment.

Net (Take-Home) Income

- This is what you actually receive after tax, medical aid, retirement contributions, etc.
- Use this number to assess affordability, since it reflects what you have available to spend.

Debt-to-Income Ratio

- Add up all monthly debt repayments (car loans, personal loans, credit cards, store accounts).
- Banks prefer this ratio (total debt ÷ gross income) to be below 40%.

Bond Affordability

- Factor in that interest rates can increase - always stress-test your affordability with 1–2% higher than current prime.

Deposit Requirement

- While some banks offer 100% bonds, many require a 10–20% deposit.
- Example: On a R1,000,000 property, you may need R100,000–R200,000 upfront.



Bond Approval Factors

Banks assess affordability by looking at:

- Credit score (usually 600+ needed for better rates).
- Debt-to-income ratio (monthly debts should ideally not exceed 40% of gross income).
- Employment stability (steady income over 6–12 months).

Get a pre-qualification from a bond originator before searching.



Upfront Property Purchase Costs

Transfer Duty

- Payable to SARS (varies by property price; exempt under R1,100,000).

Bond Registration & Legal Fees

- Fees paid to attorneys and the deeds office (scaled by property value).
- Example: On a R1m home, this can be R30,000+ in combined legal fees.

Deposit

- As noted above, unless a full bond is granted.

Municipal Deposits

- Electricity, water, and refuse deposits required before connection (can be R2,000–R5,000).

Budget an additional 5–10% of purchase price to cover these costs.

Monthly Ongoing Costs

Even if you can afford the bond, you must budget for these recurring expenses:

Bond Repayment

- Your biggest monthly expense - fluctuates with interest rate changes.

Building (Homeowners) Insurance

- Compulsory if you have a bond. Protects the structure, not contents.
- Average: R200–R600+ per month (varies by property value and location).

Household Contents Insurance (optional but recommended)

- Covers your belongings against theft/damage.

Municipal Rates, Taxes & Refuse Removal

- Typically R1,000–R3,000+ per month (depends on property size and area).

Levies (for sectional title/estates)

- Range: R1,000–R5,000+ monthly, depending on complex/estate facilities. etc.

Utilities (electricity, water, sanitation)

- Average: R1,500–R4,000+ per month, depending on family size and consumption.

Maintenance & Repairs

- Rule of thumb: budget 1–2% of property value annually for upkeep.
- Example: On a R1,500,000 home, set aside ~R15,000–R30,000 per year.

Security

- Alarm system, armed response, electric fencing, or estate security levies.

Internet & Services

- Fiber, DSTV, refuse removal, garden service, etc.





Future Financial Security Check

Emergency Fund

- At least 3–6 months of living expenses, including your bond repayment.

Interest Rate Risk

- Can you still afford repayments if prime increases by 2–3%? A 1% repo rate increase on a R1m bond can add ±R650/month.
- Many defaults happen when rates rise and buyers didn't stress-test.

Long-Term Financial Stability

- Job security: Is your income stable enough to lock into a 20-year commitment?
- Life & disability cover: Many banks require bond protection insurance to ensure repayments continue if something happens to you.
- Retirement & other savings: Ensure your bond doesn't completely sideline your long-term goals.

Lifestyle Impact

- Will paying the bond leave you unable to save, travel, or enjoy life?
- A house should not make you "house-poor."
- Transport costs if moving further from work.
- Family expansion (school fees, childcare).
- Renovations or furniture for the new property.

Quick Affordability Checklist

Before committing, make sure you can tick these boxes:

- I have a deposit (or a 100% bond pre-approval).
- My bond repayments + other debts are ≤40% of gross income.
- I've budgeted for upfront fees (transfer duty, attorneys, bond registration).
- I can handle monthly extras (insurance, levies, rates, maintenance).
- I've stress-tested for interest rate hikes.
- I have an emergency fund to cover at least 3 months of repayments.
- Owning won't leave me financially strained.

Historical long-term average: about 18% of homeowners cite financial distress as the reason when disposing of property.

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CALCULATION

EXAMPLES

Expense Example: Buying a R1,200,000 property

1. Bond Repayment

- Purchase Price: R1,200,000
- Bond Term: 20 years (240 months)
- Interest Rate: 11.75% (prime rate in 2025)

Monthly repayment = R12,900

Stress Test: If interest rates rise by 2% (to 13.75%), your repayment jumps to = R14,400.

This is why affordability checks must include rate increases.

2. Deposit

- Many banks now require at least a 10% deposit for better rates.
- On R1.2m → R120,000 deposit.

If you qualify for a 100% bond, this may not apply, but then your monthly repayment will be higher.

3. Transfer Duty (Tax to SARS)

- Property purchase price: R1,200,000
- Exemption: No transfer duty on properties under R1,100,000
- Duty: 3% of amount above R1.1m

$(R1,200,000 - R1,100,000) \times 3\% = R3,000$

4. Conveyancing & Bond Registration Fees

- These are attorney fees to register ownership and the bond.
- On a R1.2m property, expect:
- Transfer Costs: ~R27,000
- Bond Registration Costs: ~R25,000

Total legal/admin costs: = R52,000

5. Municipal Deposits

- For electricity & water account setup: R2,000–R5,000 (depending on municipality). Assume R3,000.

6. Moving Costs

- Hiring movers, transport, storage: R5,000–R10,000. Assume R7,000.

Upfront Cost Summary

- Deposit: R120,000
- Transfer Duty: R3,000
- Legal/Attorney Fees: R52,000
- Municipal Deposits: R3,000
- Moving Costs: R7,000

Total upfront = R185,000 (before furniture/appliances upgrades).

7. Monthly Ongoing Costs

Bond Repayment: R12,900

Building Insurance (required by bank): ~R350

Household Contents Insurance: ~R400

Rates & Taxes (municipal charges): ~R1,500

Water & Electricity: ~R2,500 (varies by use)

Maintenance Fund (1% per year / R1,200,000 ÷ 12): R1,000

Security (armed response): R500

Internet: R800

Monthly Total = ± R19,950

Notice how a R12,900 bond repayment quickly turns into nearly R20,000 per month once all extras are factored in.

Affordability Check for Buyer

Example Household Income:

- Gross monthly: R45,000
- Net after deductions: R36,000

Debt-to-Income Test:

- Bond + debt repayments must be ≤ 40% gross income.
- Bond = R12,900 = 29% of gross income
- But total monthly property costs = R20,000 = 44% of net income → borderline, risk of becoming "house-poor."

Even though the bond repayment looks affordable on paper, the real monthly cost is 55% higher once levies, insurance, utilities, and maintenance are included. This is why many buyers fall into debt stress: they budget for the bond only, not the total cost of ownership.

Buying Property: Investing vs. Taking a Home Loan

When it comes to buying property, one of the biggest financial decisions you'll face is whether to buy now with a full home loan or invest first to build a deposit. The difference can be massive, not only in monthly affordability but also in how much you'll pay over 20 years. Let's use a R1.2 million property as an example.

Scenario 1: Buying Immediately with a Full Bond

- Purchase price: R1,200,000
- Deposit: R0
- Bond amount: R1,200,000
- Interest rate: 11.75% (current SA prime as of 2025)
- Bond term: 20 years

Monthly repayment: ± R12,900

Total paid over 20 years: ± R3.1 million

Total interest paid: ± R1.9 million



Scenario 2: Investing First to Build a R200,000 Deposit

Instead of jumping straight in, let's assume you save or invest until you have R200,000 for a deposit.

- Purchase price: R1,200,000
- Deposit: R200,000
- Bond amount: R1,000,000
- Interest rate: 11.75%
- Bond term: 20 years

Monthly repayment: ± R10,750

Total paid over 20 years: ± R2.6 million

Total interest paid: ± R1.6 million

By putting down a R200,000 deposit, you:

- Reduce your monthly repayment by about R2,150.
- Save roughly R300,000 in interest over the life of the loan.
- Free up cash flow every month that can be invested elsewhere.

The Power of Waiting and Investing

Let's imagine you don't yet have the deposit but want to build it through investing:

- If you save R5,000 per month into a balanced investment earning ±8% per year, you could reach R200,000 in about 3 years.
- During this time, property prices might rise, but the deposit advantage will likely still outweigh the cost of waiting.

Why This Matters

- Lower Risk: Smaller bond = less stress if interest rates rise.
- Better Affordability: Monthly repayment is more manageable.
- Financial Freedom: Extra cash flow could be reinvested into retirement, emergency funds, or even another property.
- Wealth Building: Your deposit works as leverage, making your money stretch further.

Bottom line: Even a relatively small deposit can make a huge difference in your long-term financial health. Buying without a deposit locks you into higher repayments and significantly more interest, while investing for a deposit first gives you breathing room and saves you money over decades.



Scenario 3: Investing for the Full R1.2 Million

Instead of going into debt, you invest until you can purchase the property outright.

Key Assumptions

- Target property price: R1,200,000
- Growth on investment: 8% per year (balanced long-term growth portfolio)
- Monthly contribution: R20,000 (example - we'll explore the time frame with this contribution)

How Long Would It Take?

With R20,000 invested every month at 8% per year:

- You would reach R1.2 million in about 4 years.

If you invested less per month, it would take longer:

- R10,000 per month → about 6 years.
- R5,000 per month → about 9 years.

Visit our [Dream Builder Tools page](#) to calculate your property investment



Benefits of Buying Cash

- No bond repayments: You save ±R1.9 million in interest over 20 years (compared to financing the full R1.2m).
- Full ownership from day one: No risk of repossession by the bank.
- Monthly affordability: Instead of paying R12,900 to the bank, you keep that cash flow for yourself.
- Leverage for investing: You could rent out the property and enjoy full rental income without bond obligations.

Risks & Considerations

- Property price growth: If the market grows at, say, 5% annually, the R1.2m property could cost about R1.5m in 5 years. You'd need to save more to keep up.
- Opportunity cost: Renting while saving might mean you're paying someone else's bond instead of building equity.
- Discipline: Requires strong saving/investing discipline to reach the goal.

Scenario 4: More Than 100% Bond (Including Transfer Costs)

Some banks offer a 105%–110% bond to help buyers cover transfer duties, registration fees, and attorney costs. On paper, this means you need little or no upfront cash. But the cost of borrowing more than the property value is significant.

Key Assumptions

- Property price: R1,200,000
- Bond offered: 108% (R1,296,000, which covers property + ±R96,000 in costs)
- Interest rate: 11.75%
- Term: 20 years

Monthly Repayment

± R13,900 per month

(Compared to R12,900 if you only bond for R1.2m, and R10,750 if you pay a R200k deposit.)

Total Cost Over 20 Years

- Total repaid: ± R3.36 million
- Total interest: ± R2.06 million

That's R160,000 more in interest compared to taking a full 100% bond, and R460,000 more than if you had a R200k deposit.

Benefits

- No upfront savings required.
- Covers all legal and transfer costs, so you can buy sooner.
- **Useful if property prices are rising quickly and you don't want to wait to save.**

Risks & Downsides

- You're immediately in negative equity: You owe more on the bond (R1.296m) than the house is worth (R1.2m). If you needed to sell in the first few years, you'd likely sell at a loss.
- Much higher interest cost: You're paying interest on fees that don't increase the value of your home.
- Less financial flexibility: Higher repayments make you more vulnerable to interest rate hikes.

Bottom Line:

A 105–110% bond makes property accessible without upfront savings, but it puts you at higher financial risk. If property prices don't grow fast enough, you could owe more than your home is worth for several years. For disciplined savers, aiming for at least a partial deposit (like R200k) is a far stronger long-term strategy.

1.2m Property Example	Monthly Repayment	Total Interest	Upfront Cash Needed	Long-Term Position
Full Bond 100%	R 12,900	R 1,9m	+/- R96k for costs	Neutral Equity
Deposit of R200k	R 10,750	R 1,6m	+/- R300k (deposit + costs)	Strong position
Invest for Full Purchase	R 0	R 0	R 1.2m+ (after saving)	Strongest, but delayed
108% Bond (Costs Included)	R 13,900	R 2,06m	R 0	Negative Equity Risk



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Purchasing property is a significant decision that requires careful planning and consideration. By understanding the associated costs, evaluating investment potential, asking the right questions, and familiarizing yourself with key terminology, you can navigate the property market with confidence. Remember, thorough research and due diligence are your best tools in making a sound investment.

Property Purchase Expense List

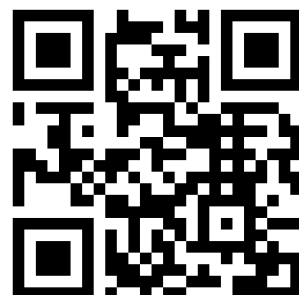
Upfront / Once-Off Costs

- ☐ Deposit (usually 10–20% of purchase price, unless you qualify for 100%+ bond).
- ☐ Transfer Duty (sliding scale, exempt below R1.1m).
- ☐ Bond Registration Costs (attorney fees, based on bond amount).
- ☐ Transfer Fees / Attorney Costs (for transferring property into your name).
- ☐ Bank Initiation Fee (± R6,000 – R10,000, sometimes added to bond).
- ☐ Deeds Office Fee (small government fee, a few hundred rands).
- ☐ Postage/Petties Fee (law firms' admin costs, ± R1,000).
- ☐ Home Loan Origination Fee (if using a bond originator – some banks waive this).
- ☐ Occupational Rent (if you move in before registration – rent paid to seller).
- ☐ Moving Costs (truck hire, fuel, packing, storage).
- ☐ Initial Repairs or Renovations (painting, flooring, fixing defects).
- ☐ Furnishings & Appliances (often forgotten but can be tens of thousands).
- ☐ Compliance Certificates (electrical, water, gas, beetle – usually seller's cost, but check contract).
- ☐ Rates Clearance Certificate (municipal account settlement, usually seller, but verify).
- ☐ Prepaid Electricity/Water Setup (deposit required in some municipalities).
- ☐ Municipal Account Deposit (for new owners, often ± 2 months' rates & utilities).
- ☐ Insurance on Registration Day (banks require homeowners insurance before registration).

Monthly / Ongoing Costs

- ☐ Bond Repayments (capital + interest, main monthly cost).
- ☐ Homeowners Insurance (covers building structure, required by banks).
- ☐ Household Contents Insurance (optional, covers belongings).
- ☐ Bond Protection Insurance (life cover linked to bond, often required).
- ☐ Rates & Taxes (municipal charges, depends on area/property size).

My GOTO is more than just a financial guide – it's a personalized wellness tool that helps you identify areas where you can improve and celebrates the aspects where you're thriving. With our expert advice, interactive tools, and tailored recommendations, you'll gain a deeper understanding of your financial health and develop strategies to achieve your goals.



- Levies (sectional title/estate living, includes security, maintenance, etc.).
- Security Costs (armed response, cameras, electric fencing if private property).
- Utilities (water, electricity, refuse removal).
- Maintenance & Repairs Fund (rule of thumb: 1% of property value per year).
- Gardening & Cleaning Costs (especially if larger property).
- Service Contracts (pest control, pool maintenance, geyser cover, etc.).

Long-Term / Hidden Costs

- Interest Rate Increases (future repo hikes = higher monthly repayments).
- HOA (Homeowners Association) Special Levies (for upgrades, renovations, security).
- Upgrades & Renovations (kitchens, bathrooms, extensions).
- Furniture & Appliance Replacement (inevitable over time).
- Inflation-Linked Increases (rates, levies, insurance premiums).
- Capital Gains Tax (CGT) (if property is sold and not your primary residence).
- Estate Agent Fees (when selling property in future, ± 5–7% of sale price).

Pro Tip: Add up every cost here before signing — buyers often only look at the bond repayment and forget that the true monthly cost of owning property is often 20–30% higher once rates, levies, insurance, and maintenance are included.

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