

Make a smooth switch from renting to owning

Written by eProperty News
Tuesday, 27 September 2016 15:27

Owning a home is a dream-come-true for many young people, but being a first-time buyer wrapped up in finding just the right property could mean that the thought of what it will cost to run and maintain that property hasn't crossed your mind.



“While transitioning from renting to ownership is likely to give you the additional space you want, it will also give you a bigger property to manage and maintain, and you need to make provision for that so that you can enjoy your new home without being stressed about making ends meet every month” says says Gerhard Kotzé, MD of the RealNet estate agency group.

“So before you start thinking about what new furniture, appliances or even curtains you might need, you should try to establish what additional monthly costs you will face as a new homeowner.”

For example, he says, you should budget for a higher municipal bill, because electricity and water usage is likely to be higher than in your rented home and as a property owner, you will also now be liable to pay property rates.

“If your new home is in a secure complex or an estate, you will also need to budget for the monthly levy or home owner’s association fee – and bear in mind that this will increase annually.

“Alternatively, if you are moving from a complex to a suburban property, you may need to budget for things that were previously taken care of by the body corporate – such as security, garden upkeep, and even pool maintenance.”

In addition, says Kotzé, while you may previously have paid to insure your belongings, you will now also have to budget for home owner’s insurance (sometimes also called brick-and-mortar insurance) to ensure that if your home is damaged or destroyed in any kind of disaster, it can be repaired or rebuilt and you will not end up paying a bond on a property that no longer exists.

“And then you may also want to take out bond insurance, which is a kind of life insurance that will pay off your bond if you die so and ensure that your family is not at risk of losing their home.”

Other costs you need to anticipate, he suggests, include an amount for basic home maintenance and small improvements, especially if you are a DIY enthusiast.

“On top of that, it’s a really good idea to put a reasonable amount into a specific home savings account every month and build up a ‘reserve fund’ to cover emergency repairs that can otherwise leave a big hole in your budget, or to help pay for any major renovation or addition you want to make at a later stage.”