

Factors to consider when buying and selling property at the same time

Carl Coetzee, CEO of BetterBond, unpacks the factors to consider when managing the sale of your current home as well as negotiations for the purchase of your next property. He offers the following advice to avoid being snarled in negotiations, approvals and shifting timelines.

Buy or sell first?

There is no right or wrong approach, but it's advisable to consider market conditions, says Coetzee. "With the prime lending rate at 7%, the lowest it has been in more than five decades, we have seen considerable buyer activity. However, we can expect the interest rate to increase gradually over the next few months, so we could see a marked shift towards a buyer's market. This means that it would be advisable to sell your home before putting in an offer on the next one to avoid the risk of having to pay two bonds while waiting for your home to sell," explains Coetzee.

"Regardless of which option you choose, two non-negotiable tools in your arsenal should be an experienced real estate agent who can manage the process efficiently, and negotiate suspensive clauses and time frames as needed, as well as a bond originator who can assist with the financial aspects." Get pre-approval for your new bond as this outlines the various scenarios should you buy first before selling. It will also give you an indication of the repayments required between the different loan amounts - determined by whether there is a deposit, a lesser deposit or none at all.



Carl Coetzee, CEO of BetterBond

If deciding to buy first without selling, note the following:

- Will you be able to afford to pay both bonds if your current home is not sold by the time transfer takes place on your new property?
- Do you have enough funds to put down a deposit on the new home? You may need to consider bridging finance that taps into your current bond so that you can put down a deposit on your new property. Transfer and registration costs in many cases come from the proceeds of the existing property and getting bridging finance could be a costly exercise, especially when there is no predetermined timeline.
- Speak to your bond originator about pre-approval on a second bond before selling your current home.
- Include a contingency clause in your Offer to Purchase for your new home that says that a condition of the offer is the sale of your current home.
- The subject-to clause that might be imposed by your bank could result in disappointment as a 72-hour clause could be imposed that should the buyer receive a better offer, that you will have that amount of time to counter or come up with an alternative solution.
- Buying first before selling could have a significant effect on the interest rates offered on new property as you are priced for risk. The larger your deposit, the more favourable the rate offered by the bank. If you end up owning two properties at the same time, you will incur not just two monthly repayments, but rates, taxes and levies too.
- Bear in mind that selling an unoccupied property can often be more difficult.



If you decide to sell your current home first:

- This is generally considered the safer option, as you free up equity for a deposit on your next home, and your debt-to-income ratio is reduced, improving the chance of home loan approval on your next bond.
- Selling first does give you as the buyer better bargaining power both on the buying and selling front as you are able to negotiate a better price on your purchase and not have to accept a lower offer on existing property just because you need to sell quicker.
- Deciding on moving dates can be tricky, especially when you are selling before you buy. You may have to pay for a short-term rental, or an Airbnb stay, if the timing of the sale means that you are without accommodation while you are working on the purchase of your next home. You could negotiate a rent-back agreement with the buyer of your home to stay in your current property, usually for a period of up to 90 days until the sale goes through.
- Work with your real estate agent and agree on a realistic price for your home. Be mindful of market conditions. FNB says that while house price inflation is still above 2019 levels, there are indications that demand is moderating. To avoid the risk of paying off two bonds while waiting for the current home to sell, it may be better to sell first," notes Coetzee.
- Price your property appropriately, advises Coetzee. According to the FNB Property Barometer for October 2021, the average length of time properties are listed before selling has extended from eight weeks to eight weeks and six days for the first time in 12 months. Properties at market-related prices will sell.
- Assume that your home will sell for less than the listing price - so factor this into your financial calculations. The current national average reduction to listing price is 8%.

Whether you buy or sell first, or try to do both simultaneously, you will need the knowledge and cool heads of experts who can navigate the process with you, concludes Coetzee.

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