

Is it better to build a new home or buy an existing home?

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For first-time home buyers especially, the question of whether it is better to build a new home or buy an existing home is often a daunting one. But, it need not be.



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Each option has its own merits and, as with everything around investing in property, the choice would depend on your personal preference and the amount of money and time that you wish to invest.

Building your own home

When it comes to building your own home, the cost often outweighs that of investing in a secondhand home. Building prices have escalated over the last few years and, in many areas, the cost of building is now higher, making it a more expensive option compared to existing homes.

If you want a new home, of course all is not lost. There are many new developments currently on offer across many affordable areas where you can in fact invest in a new home or you can buy off-plan, for example investing in a plot-and-plan option.

These new developments offer the advantage of no transfer duty, so that is a cost saving, especially for first-time home buyers on a tight budget. The selling agents or developers also often have partnerships in place with bond originators or banks to assist with home loans to qualifying buyers.

Bear in mind though that building your home requires a significant investment of your time, especially if you are not buying in a development, i.e. you have bought a vacant plot and now intend building your dream home.

There are obviously onerous requirements when it comes to building. These range from getting the designs and building plans done, to the necessary approvals and project management. The banks are also very particular in terms of granting a building bond and you would need to consult with them to find out what their requirements are.

Don't forget to also consider the many hidden costs associated with building, from the drawing up and approval of plans to the many service costs, electrical, plumbing and so on.

The benefit though, is that you will have a brand new home, customised to your needs and wants, a new garden (if applicable) and more than likely the latest finishes. You may also be investing in an up-and-coming area that could quite quickly become very sought-after and consequently could benefit from higher than expected capital value growth.

Buying an existing home

On the flip side, you may find excellent value in an older home. You could perhaps find something with a nice sized yard that can allow for future add-ons, a play area or addition of a swimming pool as your family grows. The older home might also be an ideal fixer-upper and especially for creatives, the opportunity to remodel and renovate is often a big decider.

This option would still allow you to customise the home to your needs. You may even be able to find a good buy in an excellent area that will mean excellent capital value growth in the years to come. Think for example of older areas in Johannesburg such as Melville, Westdene, Parkhurst and so on, where young professionals bought older homes and remodelled these. This soon led to the general gentrification trend that has turned these areas into some of the most sought-after in the city.

Of course, if you buy an existing home, you will be liable for transfer duty in addition to the normal transaction costs associated with buying a property such as attorneys' fees and bond registration costs.

ABOUT SAMUEL SEEFF

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