

Look out for these red flags when buying or selling a home

Whether you're buying or selling a home, you need to be on the lookout for some common red flags, says Grant Smee, property entrepreneur and managing director of Only Realty Group.



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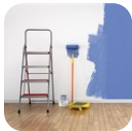
"A lot of time and money goes into the purchasing and selling of a home. It's a big investment decision and should not be taken lightly," says Smee.

While the rental property market is on the up, homes for sale are still in excess supply – putting both buyers and sellers at greater risk of ignoring warning signs to close the deal quickly.

"A quick succession of interest rate hikes, job volatility and an increased demand for flexible lifestyles by millennials have all contributed to reduced demand in property sales – particularly over the last few months."

Conversely, Smee notes that homes in certain in-demand areas are moving quickly – which means that buyers have to act fast.

"Either way, making hasty decisions without doing your homework puts you at risk."



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Buyer red flags to avoid

"Buying a home is no small feat. It requires time and a lot of capital to make it happen. And, given the stakes involved, buyers may face pressure from estate agents and sellers to make a commitment. I would advise buyers to disregard external pressures and make sure they approach their dream home fully equipped with knowledge of the area, the property and the home buying process," says Smee.

He details the red flags that buyers should be aware of as follows:

- **Check for defects:** "Prior to putting in an offer to purchase, ask to inspect the house one more time – at leisure. Minor issues such as broken door frames, cracked tiles, etc., should be listed as conditions in the offer to purchase. Meaning that the seller would need to fix these prior to transfer. In a case where the property is sold 'voetstoots' it's the sellers responsibility to disclose any latent defects which they are aware of. Some sellers still hide behind this clause so inspection is key."
- **Privy to pressure:** "Both the seller and estate agent want to sell the property as quickly as possible, however, you do need some time to go through the paperwork and to ensure that this investment is the right decision for you. Stipulate the time that you need - don't feel pressured to sign on the spot."
- **Do your homework:** "If a home has been on the market for a long time, it's important that you look into all the reasons for this. You would need to take all the emotion out of the purchase by thinking logically and like an investor. Ask yourself: will I be able to resell this home when the time comes?"



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Seller red flags to avoid

“There are a lot of homes on the market and buyers are spoilt for choice. So when an offer comes through, a seller may be tempted to rush the deal to secure a buyer,” explains Smee.

He says that the process of homeownership can take around three months - from signing an offer to purchase to handing over the keys - and a lot can happen during this time. “So often we see buyers who aren’t pre-approved and don’t have the finances in place to afford a home. This creates a lot of stress and heartache for the seller.”

Just like buying a home, selling a home is also an emotional process. “Sellers are generally fully invested in the process. There is a lot of money tied into a home and therefore it’s important to think rationally and to work with an estate agent who truly understands the process and can vet a buyer prior to putting forward an offer to purchase.”



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Smee details the red flags that sellers should be aware of as follows:

- **Not all estate agents are equal:** “Look for a credible estate agent with a reputable track record who is aligned with your goals. They should know what sort of buyer you are looking for, what offer you would be willing to accept and what it takes to ‘close the deal’.” If, on the other hand, they’re rushed, aren’t detail-orientated and aren’t pre-vetting potential buyers, they’re most likely wasting your time.”
- **Due diligence:** “Again, perhaps a potential buyer earns R60,000 per month, which is enough to acquire your home, but their affordability or credit score is lacking. Here, the agent would need to clearly establish whether they’ve received a pre-approval from a bond originator. In a case where they haven’t attained pre-approval, they can still put down an offer but it’s advisable not to get your hopes up until they have approval from the bank.”
- **Flaky buyers:** “Some potential buyers will say what the agent wants to hear. They will indicate that they are keen or that they need to speak to their partner when in fact, they just don’t know how to let you down easily. In cases where they are difficult to reach and non-committal, keep pushing the sale of your home to other potential buyers rather than putting all your eggs in one basket.”
- **Suspensive conditions:** A suspensive condition is a condition that needs to be met before a contract can become legally binding. “Check all the suspensive conditions in the offer to purchase carefully prior to signing. An example of a common suspensive condition is that of a ‘subject to’ clause which means that the buyer can only buy your home if they sell theirs. A timeframe is normally included in the contract for this and if you sign it, then you can only accept another offer once the time period lapses,” concludes Smee.