

Housing trap: South Africans can't afford to sell their homes as costs exceed R150k

Cash-strapped homeowners in South Africa who are considering putting their houses up for sale are often shocked to discover that the average expenses related to selling a house in South Africa can amount to over R150,000.



Source: Supplied. Elad Smadja, head of property bridging finance at Taurus Capital.

It takes months to process sales and transfer ownership at the Deeds Office, during which sellers do not have access to money from the sale. Consequently, instead of easing their financial burdens, the high costs may become overwhelming and add additional stress to property sales.

Elad Smadja, head of property bridging finance at Taurus Capital, explains, “Bridging finance solves a short-term cash flow problem by giving sellers access to funds in the form of a cash advance when they need it. We’ve helped over 1,500 property sellers in South Africa and have advanced more than R200m to date.”

Money needs to be exchanged to kick off the property sale process. Sellers need to pay for rates clearance certificates, outstanding levies, bond and legal fees. If they’re purchasing another home, they’ll need a deposit and there will be moving costs.

Typically, it takes around three months for a property sale to be completed, adding more stress to an emotionally, and financially taxing situation. Having your money tied up in a property that you can’t access is cold comfort while you wait.

“Taurus Property Bridging offers sellers an upfront payment of up to 80% of sale proceeds while the registration process is underway and this is processed within 24 hours,” says Smadja.

Not a standard loan

On approval, you'll receive an upfront cash advance which is calculated from the total amount you'll receive from selling the property, minus bond cancellation costs and your agent's commission. You don't need to make regular payments like you would with a loan. Instead, when your property sale is officially registered, your attorney will settle the final balance.

“Working through your attorney provides a measure of protection that the whole process is transparent. Much information related to property sales is aimed at buyers, but sellers need to be aware of the risks and tools they can safely use to mitigate cash flow challenges,” says Smadja.

The cash advance amount comes off the proceeds of the sale and you repay the cash advance plus a discounting charge.

The charge is fixed in advance so you won't fall into the trap of compound interest if timelines become delayed, like a standard loan. Your application is based on your property, not your credit score.

Costs to consider when selling your home:

- **Bond cancellation:** Bond cancellation costs are managed by the bank's appointed attorney and include bond cancellation fees, and pro-rata interest.
- **Rates, taxes, and levies:** Sellers are responsible for paying rates, taxes, and levies up until the property's registration date.
- **Compliance certificates:** You'll need to obtain certificates for electrical, plumbing, and beetle inspections. These certificates typically range from R500 to R1,000 each, and potentially more if issues are uncovered during inspections as they will need to be fixed.
- **Repairs and maintenance:** Preparing your property for sale may require investment in repairs and maintenance to make it more appealing to potential buyers.
- **Moving costs:** Moving costs include expenses related to packing, hiring a moving company, storage, transportation, and potentially temporary accommodation if your new property is not immediately available.
- **Personal debt** like school fees or credit card payments.

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