

# How to plan for pre-purchase costs of a house

Though some fees are negotiable, a homebuyer must take them into consideration

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Pre-purchase costs of a home purchase through mortgage can total up to 30 per cent of the property's value

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Detailed financial planning, which can take at least five years, is required to realise the dream of owning a house. This begins with arranging funds for the down payment. When purchasing a house through a mortgage loan, one must bear some portion of the property value. In the UAE, it is mandatory to shell out at least 25-30 per cent of the property value as the down payment; the rest of the amount will be provided by the bank as a mortgage. One also needs to prepare for other purchasing costs, which can cumulate into a reasonable sum. Some of these costs are the Dubai Land Department fee, property registration fee, mortgage registration fee, real estate agent fee, loan establishment fee, property valuation fee, mortgage processing fee and much more. All these costs can come up to 7-10 per cent of the property value. Even though some of these fees are negotiable, the homebuyer must take them into consideration.

Therefore, one must understand how much savings is needed and for how long to afford the pre-purchase costs. Let us consider three different property values in Dubai.

### Scenario 1: Dh1 million

For this property, a buyer needs to bear 25 per cent of its value, which means Dh250,000. The additional costs, around 10 per cent of the property value, will be up to Dh100,000. Hence, you need to save Dh350,000. A good way of approaching this is to start saving Dh48,000 per year for the next seven years. If the annual savings amount is increased, then it will reduce the saving period.

### Scenario 2: Dh3 million

The 25 per cent down payment and 10 per cent additional costs translate to around Dh1.05 million. You can prepare for these costs by saving around Dh180,000 per year for the next five to six years.

### Scenario 3: Dh5 million

In this case, you should have Dh1.25 million for the down payment and Dh500,000 for the additional costs. To save for the overall cost of Dh1.75 million, you need to save around Dh250,000 per year for the next six to seven years.

### Savings for down payment

The savings period may vary depending on a buyer's financial circumstances. One must pick a savings option. Rather than saving cash, homebuyers can consider an interest-bearing savings scheme or investment option, which can reduce the savings period. Also, considering factors like risk, flexibility, time and profits help in finding the right savings option.

### Ownership costs

Apart from the mortgage, the homeowner should prepare to bear house maintenance costs, repair costs, taxes and much more. Purchasing property here through a home mortgage requires accurate planning from an early stage. Otherwise, you could end up in a bad financial state.

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