

RENT2BUY & ALA CALCULATION

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R 1 million example

RENT2BUY EXAMPLE:

The parties agree on a purchase price of R1 million for the property.

They agree on a peer to peer transaction and the proposal is as follows:

The current market related rental is R 7500.00 per month.

- a home loan of R1 mil, the purchaser will pay back in monthly instalments as follows:
 - $R1 \text{ mil} \times 10 \% \times 20 \text{ years} = R9 \text{ 650.00 pm}$
- As a home owner – would also pay rates, taxes, levies and insurance – of +/- R 1 200 per month.

If the landlord is to continue with an ordinary rental – he would collect R7 500.00 per month, less rates taxes etc that he usually pays (less R 1 200.00) = $R \text{ 7 500} - R \text{ 1 200} = R \text{ 6 300.00}$

The Rent2buy purchase would offer the landlord/seller the following:

- Rent2buy rent of R 10 850 per month (rent of R 9 650 and rates taxes etc of R1 200)
- Negotiate that R 2 150 per month to be credited towards a savings account for the benefit of the purchaser – as a savings towards a deposit
 - After 12 months:
 - the Rent2buy buyer has saved R25 800 towards a deposit (12 x R2150)
 - The landlord – seller – improved his cash flow with $R10 \text{ 850} - R \text{ 6 300} = R4 \text{ 550} \times 12 = R54 \text{ 600}$
 - Note – if the rent2buy buyer:
 - Takes up the option – he deducts his savings deposit from the purchase price
 - fails to exercise the option – the landlord retains all money paid as rent.

HOME LOAN

The rent2buy buyer applies for a home loan after 12 – 24 – 36 months.

KEEPING TRACK WITH INFLATION

Each year the purchase price increases with inflation – percentage agreed upfront – say 8 %



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R 1 million example

INSTALMENT SALE

The parties agree on a purchase price of R1 mil.

Interest to be paid at 10 %

Capital and interest paid back over a 5 year period (Note - the purchaser can accelerate the payments and apply for a home loan during the term of the agreement and take transfer, register a bond and settle the full purchase price in cash.

Due to that fact that the purchase price is "crammed" into a 5 year repayment period – the monthly instalment is very high – this can be negotiated between the parties and reduced if a large deposit is put down.

PRINCIPAL	1 000000
RATE	10.00
YEARS	5.000

YEAR	O/BAL	REPAY	CAPITAL INTEREST	
1	1000000	254965	162268	92696
2	837732	254965	179260	75705
3	658472	254965	198031	56934
4	460442	254965	218767	36198
5	241675	254965	241675	13290
6	0	254965	266981	-12017

Contact me for a full calculator.

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