

Property investment is a 'good plan'

Following the 2008/ 09 recession and the huge number of home repossessions and auctions that took place in its wake, many people – estate agents included – have a poor opinion of those who call themselves property investors.

“The reason,” says Greg Harris, CEO of Chas Everitt Property Rentals, “is that these words conjure up an ugly image for them of ‘vultures’ who prey on others’ misfortunes by snapping up repossessed or distressed homes at rock-bottom prices and reselling or ‘flipping’ them for a quick profit.

“In addition, they often don't believe that investors are a permanent feature of the market, but rather that they will all lose interest once a market turns and the number of distressed properties drops. And to support this theory they point out how much the percentage of properties supposedly bought as ‘buy-to-let’ investments has dropped off in the past few years.”

However, he says, nothing could be farther from the truth, as the vast majority of actual real estate “investors” are – and always have been - owners of residential rental units who have little or no intention of ever selling those properties.

“They may be business owners or executives, attorneys, doctors, lawyers, teachers, policemen or even estate agents, but inevitably they have acquired one or more residential properties in addition to their own residences with the intention of keeping them - usually to improve their retirement prospects.”

Such investors, Harris says, have no get-rich-quick ambitions. “Often, they have witnessed how well rental property ownership worked for their parents, friends or neighbours and decided to follow their plan by acquiring rental properties, paying off the bonds as fast as possible, and creating a rental income stream for their retirement years.”

And it is a very good, tried-and-tested plan, even in the current market where rental growth is slow, he says, because a shortage of housing stock combined with an increase in demand is causing property prices to rise beyond the means of many prospective buyers – and thus underpinning the demand for rental units.

“In addition, there is huge demand for rented student accommodation around SA's ever-expanding universities and colleges – and that shows no sign of slowing down as more than half our current population is made up of young people below the age of 34.”

Harris also notes that of the 14,5m SA households counted in the last census (2011), 25% were recorded as renting their homes. “This indicates that there are at least 3,6m households either renting or looking for rental accommodation at any one time – and that's a lot of potential tenants for the owners of rental properties.”

The census also showed that Gauteng had the highest percentage of households that rented rather than owned their homes (37,1%), followed by the Western Cape (28,9%), so those would appear to be the best places to acquire rental property.

“However, there are many other areas where very high rental demand promises property investors much better-than-average returns – such as the mining towns of Limpopo or the Northern Cape, and towns such as Witbank and Bronkhorstspuit where there is massive demand from those working on new power stations and other capital projects.”

So why aren't more people investing in rental property and boosting the buy-to-let numbers back up? "We believe the major constraint for many would-be investors now is the worry about how they would manage a rental property and/ or tenants, especially in a remote location. Legislation that makes it more difficult to evict defaulting tenants is also a cause for concern," says Harris.

"But of course all of these concerns can be allayed by working with a properly qualified, experienced rental management agent such as those working under the Chas Everitt Property Rentals banner."

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