



Be a part of the brighter future

Why you should invest in the South African residential market now!



The best thing about hitting rock bottom is that you cannot go any lower. The only way to go is up! South Africa has experienced some lows recently, including COVID-19 and the national lockdown, low GDP growth, high unemployment, and the resulting pressure on household finances. But it's not all doom and gloom.

South Africa still offers fantastic investment opportunities! This century brings excellent opportunities for Africa and South Africa because of the rising demand for its natural resources, the need for its workforce, and investors' search for new markets (Africa is a market of over one billion people). South Africa is one of the most promising emerging global markets and is the economic powerhouse of Africa. It has world-class infrastructure, innovations, sophisticated financial, legal, and telecommunications sectors.

But what does this mean for you as an investor in residential property? The factors I mentioned above create opportunities to invest in property in South Africa with exceptional returns! Here are five reasons why you should be investing in residential property in South Africa right now.

1. The Ability to use Other People's Money

Robert Kiyosaki said, "In a broad definition, the word leverage simply means the ability to do more with less." What makes property an exceptional investment is that you can acquire property investments with very little of your own funds.

With most investments, you need to provide the majority of the funds to make the investment, which means that the investment that you can make is significantly smaller, and so is the growth of your wealth.

With property, however, you can acquire an R1,000,000 property investment with as little as R40,000 of your own cash (estimated transfer fees and bond registration costs). And you could potentially even get that portion financed.

The banks are currently granting more affordable and easier access to home loans, which makes property an increasingly attractive investment option.

It is always important to remember, though, that with great leverage comes great responsibility and that you should always have some cash reserves in place.

2. Low Interest Rates

In our article on Property Enterprise, To Fix or Not to Fix your Interest Rate, That is the Question, we saw how interest rates have a significant impact on your property investment portfolio. They are currently at a 50-year low, which means you will pay less servicing debt and enjoy better cash flow and returns. This creates a tremendous opportunity for investors.

3. Low Risk & Low Volatility

Property in South Africa has grown consistently over the last 50 years. Property tends to keep its value very well compared to most other investments. This means that the risk and volatility of property investments are very low. Sometimes it grows faster and sometimes slower, but property prices have continued to grow. Rental income has also shown very consistent escalations.

Property price growth and rental escalations are more consistent than most other investments. Especially from

a downside risk perspective, meaning that it very seldom reduces from the previous year. How many properties do you know of that has plummeted in value or the rental income that it can derive? This low volatility makes property investment a lower risk investment.

4. Healthy Capital Growth

The problem with so many investors' strategies is that they are obsessed with quarterly earnings (short-term performance). Whereas, if you follow Warren Buffet's approach to investing, for example, he is not interested in what is going to happen in the next quarter, year or even two years. He looks at the next 10 to 20 years and so should we when it gets to property investment.

Property is a long-term investment and, therefore, one should look at long-term statistics. According to Lightstone, the average annual property price growth has been just below 10% year-on-year from 2000 to 2020. This is ONLY your capital growth. Then you still have your rental yield (income derived from renting your property out) which contributes significantly to your overall return.

5. Acquiring Property at Discounts

I've always loved Warren Buffet's approach to investments. One of his sayings has stuck with me: "We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful."

We can apply this to property investment as well. Currently, there is a lot of uncertainty and fear in South Africa and the world. However, it is this very uncertainty and fear that is creating opportunities to purchase properties from panicked sellers who have no regard for the intrinsic value and long-term economic worth of the properties they are selling.

Warren Buffet also said: "Uncertainty is the friend of the buyer of long-term values". We often fall into the trap of thinking that when the economy is doing well that it will never make a turn for the worst and when the economy is not doing well that it will never improve.

This is precisely why I am buying as many properties as I can get my hands on, while others are selling. Because of the slow economy, I am buying properties at great prices. The economy is not going to be slow forever, and I'm excited to see the growth when it turns. Are you ready to be part of the South African property market's bright future?

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