

Thinking of purchasing an investment property in the current market? Here's what to consider

By [Adrian Goslett](#)

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Current real estate conditions pose an interesting dilemma for real estate investors. Purchasing an investment property now means that investors will benefit from the historically low interest rates. On the downside, interest rates are also incentivising tenants to move into homeownership, which means that qualified tenants are hard to come by within the current market.



Adrian Goslett, regional director and CEO of Re/Max of Southern Africa

Purchasing investment properties now is a calculated risk that real estate investors will need to decide upon for themselves.

Purchasing a rental property is not a get-rich-quick scheme. Property investment of any kind should be viewed as a medium to long-term investment. A property will appreciate over the long term and will generate a rental income, however, there might be costs that are not entirely covered by the rent. There is a good chance that the rental property will pay for itself over time or when the market booms or when the bond is paid off. However, in the initial stages there will probably be a cost involved.

Affording a rental property is not just being able to pay the bond. When it comes time to crunch the numbers, landlords need to factor in expenses such as property insurance, rates and taxes, utilities, possible legal costs or collection costs, rental agent's commission (a rental agent can assist with vetting potential tenants, collecting rent and general management of the property) and general property maintenance.

Contingency fund

Ideally, landlords should also have a contingency fund in place to assist with any unforeseen circumstances such as issues that are not covered by the home insurance or for legal costs if the tenant defaults on the rental agreement, or if the property stands vacant for a few months and the landlord needs to cover the full repayment on his/her own.



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Once a real estate investor has considered all the above and has ensured that he/she can afford to make allowance for the various risks, then purchasing a rental property now becomes a no-brainer. The way home loan repayments are structured, for the first five to ten years of the loan, bond holders are paying off more in interest charges than on the capital amount. Purchasing a home now means that investors will benefit from the historically low interest rates during the interest-heavy portion of their home loan. This will result in substantial savings and should shorten the amount of time landlords will need to wait before they can start seeing returns on their investment.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions

and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

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