

Residential property purchases are the best investment option

The surge of negativity around the South African economy and the rapid depreciation of the rand during the past two months has led to a muted start to the 2016 business year for many, as these events have had an impact on business confidence.



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When it comes to residential property, many economists have expressed the view that the South African property market is heading for another crash along with other pessimistic outlooks for residential property performance in the year ahead.

However, Chris Renecke, MD of Renprop, is of the opinion that contrary to popular belief, investment-based residential property purchases are the ideal investment option for 2016.

"Renprop has had an exceptionally busy start to the 2016 year, and we expect to remain busy in the months ahead. This is because despite all the doom and gloom predictions for the economy in general and the residential property market in the year ahead, savvy investors are seeing the opportunities that the current market conditions are presenting," says Renecke.

Demand increases

The demand for residential property continues to increase, despite challenging economic times as it is in this kind of uncertain business environment that residential property demand flourishes. Renecke also notes that when the stock market is under threat, the residential property market shines, which is exactly what is happening at the moment.

So just what advantages are investors in residential property seeing in the current market? Renecle says that the negative hype around inflation is actually a positive for property investments, as increasing inflation will have a positive influence on property value growth.

The inevitable interest rate hikes are another factor that is said to impact on the property market. "While an increase in interest rates may affect some buyers, particularly those at the lower end of the market who can just afford to purchase a property, they will have little effect on investment-based property purchases."

Sectional titles

Renecle points out that there are a number of suburbs in the northern areas of Johannesburg which continue to experience a pent-up demand for sectional title properties that are close to major business hubs as well as amenities and public transport facilities such as the Gautrain or major highways and byways.

"Sectional title properties in these areas typically benefit from strong rental demand, as well as good positioning which adds to the appreciation potential and investment appeal," he says.

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