

Tips for beginners on building wealth through property investment

Apartments are a highly sought-after rental property type that offers excellent opportunities for building wealth. While often ideal for young real estate investors, Samuel Seeff, chairman of the Seeff Property Group, cautions that there are distinct differences to note between purchasing a property for personal use and one for renting.



Source: Supplied

A rental property can be a great investment, Seeff says, provided you buy in the right area and ensure there is demand.

Some things to consider include:

Financing the purchase of your property. You could make use of a mortgage loan if you do not have the cash. You will need to pass the credit and affordability checks. Some banks offer buy-to-let products, but you may in all likelihood have to pay a higher deposit.

How much rental can you charge? It is vital to investigate the neighbourhood and ensure you invest in a property which is in demand. Generally, the monthly rental may still fall short of the mortgage loan repayment, and you will need to cover the shortfall.

Budgeting for maintenance. Unlike most other investments, property requires maintenance and upkeep so that you can maximise the rental potential. It is also legally required that the property must be in a fit and habitable state.

Other costs associated with rental property. In addition to the transaction costs associated with the purchase (transfer duty, attorneys' fees, and so on), there will also be costs associated with sourcing and vetting a suitable tenant, and to draw up the lease agreement.

Which costs can be passed on to the tenant. The lease agreement should set out who pays for what. The tenant is usually responsible for the rental and utilities used and the landlord for the property taxes, levies (if applicable), and maintenance not due to tenant negligence.



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Who should insure the property? It is the responsibility of the property owner or landlord to insure the property itself. The contents will be for the tenant to insure, except if it is furnished, then the owner or landlord should insure the contents.

Managing the property and tenant. The lease agreement should make provision for you to inspect the property at certain periods with permission from the tenant. For peace of mind, it is recommended that you make use of a rental agent to manage the property, especially if you are a novice investor.

Tax and your rental investment. The rental income will be taxable and should be added to your income on your annual return. You will be able to deduct certain expenses pertaining to the property. Visit the SARS website and get advice from a tax consultant.

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