

Investing in rentable property

By [Veruska de Vita](#)

20 Dec 2018

Purchasing a rental property is a major investment and can be a lucrative one. But before making a final decision, take a step back and do some research.



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Craig Hutchison, CEO Engel & Völkers Southern Africa says that it is important to take precautions when deciding to invest in buy-to-let property. “Take your time, look around and seek advice. Do your research and understand the market. Chat to a professional real estate company about what they have on offer that both suits your budget and your long and short term needs,” says Hutchison.

Know your consumer and find your niche

There are a variety of consumer types who seek the benefits of renting property, rather than owning it. Each consumer profile requires a specific type of property in a particular area and within a definitive budget. Students, for example, require property that is walking distance to university for a period of between three to five years. The property needs to be affordable, small and one to two bedrooms if students intend on sharing. Fully furnished is also preferable.

Corporate businesses looking to accommodate international consultants will need an entirely different type of property. This property needs to be upmarket, situated in a central business district close to the corporate offices, as well as malls and restaurants. This renter prefers properties that are fully furnished and exude luxury. The tenant is usually a client or a consultant who will reside in the property for a number of weeks or months at a time.

Singles are consumers who have started their career and are building towards purchasing their own home. They prefer the lock-up-and-go lifestyle so an apartment in a newly built development where there is access to a clubhouse, laundry and gym, is ideal for this tenant.

Vacation property attracts a different tenant altogether. This type of buy-to-let usually generates high yields during very specific times of year, the rental period is short and can be days or weeks. It goes without saying that this type of property needs to be well located in areas where people enjoy vacationing, and is close to public transport, entertainment, beaches and places of interest. These need to be fully furnished and refurbished regularly to keep them attractive, especially where vacation rental property competition is high.

Do a pro forma analysis

Hutchison suggests doing a pro forma analysis on the property you're looking to buy. "Look at similar properties in the area, research how the rents have changed in the past five years and how they are projected to change in the next ten years. Calculate the estimated maintenance and operational costs and you will have a better understanding on how much net income the property would generate and what the capital growth would be," concludes Hutchison.

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