

Should you ever sell an investment property?

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There are those who believe you should never sell an investment property, especially if it's paid off, generating an income for you every month in the form of rental and increasing in value.



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But times and circumstances and areas change, and properties tend to require more maintenance as they age, so it is certainly worth considering a different point of view.

It may be, for example, that your property has reached the rental ceiling for the block or area in which it is situated, while the levies and / or municipal rates are still rising – and diminishing the returns on your investment. If you sold it and put the proceeds towards the purchase of a property that you could rent for more, you could restore and perhaps even increase those returns.

Run the numbers

Similarly, as your investment property ages, you should at least run the numbers to see whether it would be worth “replacing” it with a newly built one that could mean a significant reduction in maintenance costs for the next few years.

It could also be that the area itself has changed since you bought the property and is no longer so attractive to potential

tenants. Both suburbs and holiday towns can fall out of favour, and then once again you might want to sell the property and buy another in an area with higher rental demand and greater capital growth potential.

In fact, if you do find yourself in this situation, you should appoint a great local agent and sell as soon as possible or risk losing the opportunity to maximise the profit you can make on the property.

Time to cash out

Finally, there might come a time when you simply need to “cash out”, to put a child through university, or to start a new business, or to purchase your own retirement home for cash.

In other words, there are all sorts of reasons why you might want to sell an investment property. And while it is too costly in terms of transaction costs to buy and sell properties on the same time scale as one might trade shares, the property market is also dynamic, and as an investor you do need to keep constant track of it and be responsive to change.

There is nothing wrong with making a move to from time to time to upgrade your property portfolio and ensure that the money you have invested continues to work for you. After all, the whole point of investing in anything is to build wealth.

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