

## What does it mean to be a property investor??

Contributed by Quinton Oosthuizen  
Wednesday, 21 April 2010

I had the misfortune of having to explain to a great elderly man that he was not a property investor. He had bought a house for his family about 40 years ago, paid it off and lived there not taking much notice of what was happening in the property market until a few weeks ago when he had his house evaluated because the kids had moved on and now the house was too big for him and his dear old wife and a burden to keep the house, garden and general maintenance up to date.

They paid +/- 20 000 for the house on a decent size erf back then and now had an evaluation done at between R1.2 &ndash; R1.5 million. The old man was proud as punch about what a great investment he had made. I asked him &ldquo;was that such a good investment?&rdquo;

Yes, he and the Mrs had raised a family in the house and it was a bit dated as they had not done much to it in the last 20 &ndash; 30 years and there was that +/- million rand it had grown in value.

But so had every other building in the world. Once I got out my laptop and showed him that he would have anything reasonable in the same price range, all the hype had left the poor old man. To many of us think we are making a capital gain by selling our house a few years down the line and for this we even get taxed. Then we buy again &ndash; this time either a lower spec, worse condition or smaller and start the whole circle again. We think we are making money in the property market but instead we running around in circles and not achieving much.

So what makes you a property investor?

Robert Kiyasaki says, for anything to be an asset, it has to make you money, as soon as it costs you, it&rsquo;s a liability thus making what most people think is their biggest asset (your house) your biggest liability until it is fully paid off.

Now I can hear some people loading their guns wanting to shoot me down because you need a roof over your head, a place to raise your family etc. etc. If you don&rsquo;t pay off your own bond, you paying someone else&rsquo;s that is correct 100% but the roof over your head is a living expense not an asset unless it is making you more money than its costing you. Now don&rsquo;t stop buying your family houses, as it is all part of life and does give you a certain security (if managed well) and will become an asset once paid off. Until then it&rsquo;s a bank asset (something they can reposes, sell and get back any money outstanding to them)

- 1.) You can turn property into an asset by renting it out for more than you paying for it, this means paying in a larger deposit or understanding that it will only become an asset once the rental income exceeds your bond repayments.
- 2.) You can buy buildings with yard space that can be developed and rented out or sold off to reduce some of the bond
- 3.) Buy property that is already tenanted and has set leases in place with good paying tenants. We do many of these types of deals in the commercial and industrial sector of the market as businesses are more inclined to sign 3 &ndash; 10 year leases on a property as it is extremely expensive to move a business as opposed to the standard 1 &ndash; 2 years mostly found in residential.
- 4.) Re-gearing your bond/s &ndash; take money from existing bond/s to finance the purchase of new property, if this is done correctly and at the right time can help reduce the amount of taxable income that you are making from investment property and also grows your property / investment portfolio. This is a total win / win situation, and how Kiyasaki and Trump teach investors to use debt to build real wealth.

5.) Accumulating property (growing your portfolio) there are some that believe you never sell property as it is one of the most stable investments (I did not say bullet proof especially if you own a farm in Zimbabwe), but definitely one of the most stable as it does not suddenly drop or reduce as quickly as shares or gold, diamonds and / or other minerals etc. unless we have an earthquake or a runaway bulldozer, but even if that happens you would still have the ground it was built on and an insurance payout.

Then the biggest misconception of all is those who buy "fix uppers", fix them up and resell them. This is not an investor, if you are doing this you are a property trader. There is nothing wrong with being a property trader except if you buying at a premium, add more money (over capitalize) and can't sell again like what happened at the end of the recent property boom that was cut short when the new credit act was introduced and new buyers were not able to get access to as high bonds as in the past which caused a major down turn in the market. Most of the people that found themselves in this situation could not sell the property nor did the achievable rental income cover the bond repayments.

The moral of the story is

- Do your homework
- Buy Smart
- Ask for advice
- Use common sense not emotion
- When buying investment property
- Understand your tenant won't look after your stuff as well as you will
- The numbers need to work

More millionaires have been made through property than oil, gold, diamonds or the like as it has an easier minimum entry level as well as there are many very qualified people that tend to give you a lot of information for free or at really good rates, for instance estate agents will help you work out what your bond repayment would be as well as what rental you are able to expect from the property. Then there is the internet, where all of the information is at your fingertips and you are able to do some research as to what the going rates are for the area that interests you, just please remember to compare apples with apples and pears with pears

About Quinton Oosthuizen

Commercial & Industrial Property Broker  
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Quinton and his brother Theo work as a team, and have their roots in the building industry, spent many years in construction and renovating buildings.

Both have made the obvious progression to Real Estate, following their passion for property.

Now offer a fully rounded service in the Sale / Purchase and/or Rental / Letting of Commercial / Industrial property, with the years of building experience to guide clients on the customizing of their business's new homes.

Putting YOUR Business in the Right Place at the Right Time!

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