How to become a successful property investor

While property is a very popular and profitable investment in South Africa, without the right skills it can be a tough market to crack.

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“It’s not easy to leap into property and make a success of it without a plan,” says Tony Clarke, MD of the Rawson Property Group. “Unless you have a natural instinct for it, a lot of capital, some capital, or a very skilled network of industry professionals, it takes a bit of time and preparation to develop the skills, knowledge and foundation that you need.”

Despite the work involved, Clarke firmly believes that anyone with the right drive and determination can make a success of property investment. Here are his top tips on how to do exactly that.

Do your research

“Like most things in life, the more you know about property, the better you’re likely to do in it,” says Clarke. “That means taking the time to understand what’s happening on the market, both locally and nationally, and getting a feel for trends and pricing that will help you recognise opportunities down the line.”

Clarke says a good way to get started is to set up alerts on online property portals that will notify you of new listings in your area of interest.

“If you can, keep an eye on properties for rent as well as for sale,” he adds, “to start familiarising yourself with the balance between purchase price and potential rental returns.”

Leverage your network

Studying up on real estate trends is certainly important, but you’re unlikely to ever surpass the expertise of someone who’s been actively engaged in the industry for many years. For that reason, Clarke highly recommends building a network of specialist contacts who can advise and assist you in your property investment journey.

“A lot of people seem to think genuine advice on real estate investment is hard to come by,” says Clarke. “There’s a lot of residual distrust of estate agents that has its roots in the distant past. In reality, today’s agents are highly trained professionals who tend to be well aware of the value of building lasting relationships with clients by providing sound support and advice.”

As an added bonus, real estate agents can often connect you with other industry professionals like attorneys, rental managers and even building contractors with whom they have had good, personal experiences.

“It’s definitely worth your while to visit a few agencies and find a team that you feel understands your needs, and is willing and able to help you do the legwork to launch a solid investment portfolio,” says Clarke.

Know your limits

Most of us learn to swim in the shallow end, and Clarke recommends the same strategy for starting a property portfolio.

“Don’t overextend yourself to begin with,” he says. “It’s far better to ease into things with one or two smaller properties that can form a stable base on which to grow your investment.”

As part of this strategy, Clarke also recommends choosing a well-defined target market to begin with, such as student housing or apartments for young professionals.

“By limiting yourself to one area, one type of property, or one type of tenant at the outset, you can tailor your investment more effectively,” he says. “It’s a much simpler approach than trying to understand the driving forces behind several different markets at the same time.”

Gear up for growth

Gearing is one of the biggest advantages of property as an investment, and is a valuable tool when it comes to growing your portfolio once you’ve established a stable investment base.

“Gearing a property investment usually means using equity from one property to finance another,” says Clarke, “and can be a very effective way to minimise your finance costs and maximise your growth. It needs to be done mindfully, of course, to control your exposure and risk, but is one of the most powerful tools in any investor’s toolbox.”

Know when to let go

While property is generally considered a low-risk investment, there is a chance that a particular property won’t perform as well as expected. In this situation, Clarke says it’s important to learn the difference between a temporary performance slump and a permanent downward spiral.

“Holding on to an underperforming asset isn’t going to do you any favours, but neither is cutting the strings on a property that’s just having some growing pains,” he says. “Learning how to tell the difference between these situations is a vital investment skill, and one that could save you more than few headaches over the course of your real estate journey.”