

Should property be considered an asset or expense?

 By [Adrian Goslett](#)

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At first glance, the question seems to be simple to answer - of course, property is an asset. However, there is more to it than initially meets the eye.



When looking at a primary residence, the home being an asset will be determined by whether the value of the property is appreciating or depreciating. There are several factors that will have an influence on the property's value such as the market, growth in the area and the demand for property in the area. Regarding a second or investment property, whether or not it is an asset will be based on whether it is generating a profit from the income it receives.

While some people may perceive higher end homes as assets, it is less about price and more about growth in value. Regardless of what end of the scale the home is on, if the value of the home is showing growth, it is an asset.

Do your research

So how can property buyers ensure that they are purchasing an asset and not an expense? Buyers need to do their research and make the right decision upfront. When selecting a property, there are some aspects that need to be taken into consideration, such as location, which is a key element in the home's potential for growth in value. Buyers also need to look at the price of homes in the area and how they have grown over the last few years, as well as any future development plans that may be happening in the area that could have an impact on the property's value.

A great way to assess an area's potential for future appreciation is by looking at the past and the history of the area. By looking back, it is possible to some degree to look ahead. Unless there are big changes happening in the area, it is a fairly safe bet to gauge the future appreciation potential of an area based on its past performance.

Influences on property value

Upgrades to infrastructure or the development of new amenities will positively impact the appreciation potential of the homes in an area. While it depends on the facility, the introduction of a mall can boost property values in an area as it offers convenience to the residents. However, the shopping mall will only add value to an area if it is a well-run establishment that attracts the right kind of foot traffic. That said, I would say schools have a greater influence on property values than

shopping malls. Many potential buyers look for a property with education in mind, whether they currently have children or not. Again, how the school impacts on the area is based on the school and its reputation. A good school that offers an exceptional education will increase demand for property surrounding it, which will push property prices up.

The success of a property investment is based on the decisions made at the start of the purchasing process – not when the property is sold. To purchase an asset that grows in value over time, buyers need to do their homework and make an informed decision before they put pen to paper.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

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