Building wealth through multiple properties

By Praven Subbramoney

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Many individuals who already own more than one property mistakenly overlook key principles of wealth creation that could potentially unlock their ability to grow their property portfolios.

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The ability to build wealth through multiple properties should not be determined by how deep your pockets are, but rather identifying niches in the market and maximising assets and expertise that you already have at your disposal.

Wealth creation is a process and cannot be achieved overnight. Therefore, the first step is having a clearly defined, long-term strategy and objectives that will underpin your venture.

Important factors to consider when building wealth through multiple properties:

Area of specialisation – identifying the types of properties and market you want to target is vital. If you are in the business of leasing to students, it makes sense to acquire multi-tenant properties situated next to universities, whereas if you focus on renovating and reselling for a profit, finding distressed stand-alone properties which are sold below their market value may be ideal for you.

However, as you progress in growing your portfolio, you can then consider property diversification.

Market trends – research underpins your success in this sector. Understanding where to buy, when to buy, how much to offer for a property and knowing the right time to sell an underperforming asset will determine your success.

Start small and work your way up – the biggest mistake that individuals make when starting out is overstretching themselves financially by going for properties that are beyond their reach. Start investing in more affordable property and build your way up. For example, if you are in the student accommodation market, you can get flats in Braamfontein, Johannesburg next to major universities from as little as R350,000 for a one-bedroom flat to R1.3m for a three-bedroom flat.

Depending on your strategy, it may be risky to go for the R1.3m flat when you have limited cash flow.

Maximising assets – leveraging the existing equity in the properties that you currently own can help you take advantage of viable opportunities. Lenders are also able to provide you with a range of solutions tailored for your needs, with a competitive mix of rates, flexibility around repayment options as well as capital access.

For example, you can always refinance your current property and use the equity to take advantage of new opportunities or use a combination of securities that you currently own to raise a loan.

Cash flow management – like in any other business, cash flow is the lifeblood of your property portfolio. Not only is keeping track of money coming in and out of your portfolio essential for making strategic decisions, lenders may also require your cashlow statements to approve loans in the future.

Monitoring your cashflow can also help you identify properties that are over and underperforming in your portfolio.

Take advantage of technology – innovative digital tools can give you access to valuable information about a property, instantly at a click of a button.

Using the right professionals – while this may not be essential when starting out, you should consider investing in a team of professionals as your portfolio grows. Depending on the type of portfolio you are pursuing, you need a list of qualified experts, such as tax practitioners, estate and rental agents, attorneys, builders, renovation contractors, electricians, plumbers and valuators, amongst others.

Although, some of these experts may come at a premium, the investment will be worth it in the long-term.

Lastly, developing a long-term relationship with a private banker who truly understands your financial needs and goals, and can deliver exclusive, carefully considered solutions to help you grow your bottom line, cannot be over emphasised.

ABOUT THE AUTHOR

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