

Consider a solid investment in real estate

By Jacques Fouché

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The recent disaster that befell the Steinhoff share price is a prime example of the risks of investing your hard-earned money in shares. Imagine the horror of waking up to discover your investment is worth less than half of what it was the day before.



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While Steinhoff shares were, until last week, considered one of the best shares to invest in, they recently fell as low as R11.00, a loss of over 65%, and are still highly unstable. This effectively reduced the value of the stock by more than R117bn within the space of 24 hours.

And this case is not unique – while shares can prove a lucrative investment, equally they can cost investors their entire life savings. Wal-Mart, Exxon Mobil and Qualcomm all lost massive value in 2015. When a company goes down, they take your savings with them. History tends to repeat itself and shares are subject to volatilities that can cause devastating losses.

Tangible assets

Real estate not only provides tangible assets in which to invest, but the nature of property means that, if investors are willing to take a long-term approach to their investment, the possible returns far outstrip those that would be achievable investing elsewhere.

Given the steady growth of the middle class that South Africa is experiencing, which is driving the growing demand for housing, property is proving to be a solid investment strategy. This is an investment that is less susceptible to volatilities influencing other investments as the demand for housing remains high. This helps investors to safeguard their retirement savings.

And because you as a property investor own a tangible asset directly, an asset which is registered at the deeds office, you are protected legally and have control over your investment, rather than putting your retirement savings in the hands of others, as you effectively do when investing in shares. Property, unlike other forms of investment, is not influenced by sentiment.

Property in the buy-to-let market provides not only a steady, growing rental income but also the capital growth of the underlying asset value, especially in the areas of diminishing land available for development.

SA housing needs

The government is falling behind in its promises to provide housing, and so it also acknowledges investment real estate as an answer to this crisis. Therefore, SARS is willing to provide tax incentives to investors who help to meet this housing need in the form of tax breaks for qualifying investors. So not only can you benefit further from investing in property, but you can rest assured in the knowledge that you're helping to do your part to meet the housing needs of the country.

Whichever way you look at it, real estate as an investment makes sense. So, the next time you're looking to invest your savings, consider the benefits of a property portfolio.

ABOUT THE AUTHOR

Jacques Fouché is the CEO and founder of the IGrow Property Investor Group, established in 2006. He is a successful property investor, entrepreneur, public speaker and author of several property investment articles and publications.

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