# The right time to buy-to-let - Van Alphen

The number of buy-to-let investors in residential property peaked at 26% of the total buyers in 2003. However, this figure has surprisingly dropped to 8% today, says Mike van Alphen, national manager for the Rawson Property Group's bond origination division, Rawson Finance.

"The usual reasons given for this by most analysts," says Van Alphen, "is that the capital appreciation on homes has now dropped to 9% per annum (3% in real terms) and the number of defaulting tenants is quite high - around 16% of the total.

"Nevertheless, the same analysts report that the return on rentals is now in most cases above 7% from day one and is steadily increasing."

## Positive prospects for buy-to-let

In the circumstances, says Van Alphen, it makes more sense to invest in a high demand area, such as Berea in Durban or Claremont in Cape Town, where returns are often above 10%, than to put cash into the traditional money market.

Furthermore, he says, the long-term prospects for buy-to-let are good because, as Ewald Kellerman of FNB Home Loans has pointed out, "as more young South Africans require housing, there is a constant growth in demand for rental stock. Ownership is not always possible or feasible and for some there will always be strong arguments in favour of renting instead of buying. This demand is fuelled further by the challenges that the banks face in granting credit."

"I agree with this summary," says Van Alphen, "and also with Mr Kellerman's conclusion that rising demand for rental properties and a diminished growth in supply will steadily drive up yields to the point where buy-to-let becomes a much more attractive investment. As is so often the case, now, before the improvement on returns becomes evident to all, is the right time to buy-to-let."

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