

Why property buyers shouldn't shy away from multiple mortgages

According to George Radford, head of Africa at IP Global, property buyers should not shy away from taking out multiple mortgages to maximise returns. He says that, instead of selling, remortgaging a property should prove more lucrative over time as opposed to the short-term gain of a sale.

“Using this strategy, first-time investors can convert an initial capital investment into equity that can be used to buy more properties,” says Radford. However, he says novices wanting to better understand the reinvestment cycle should seek expert advice in order to get the most out of their money.



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“To explain the benefits, consider the example of ‘Tom’ who bought a property in 2009 with a 40% cash deposit and a mortgage. Since then, the value of the property has grown significantly which means Tom's equity in the house is higher, while his mortgage remained the same,” Radford points out.

“If Tom sold the property, it would certainly make some money, but he would also have to pay capital gains tax on the profit.”

Radford explains that Tom opted to use the higher value of his property to get a new, larger mortgage, giving him money to work with. “This is called releasing equity.”

“So, Tom now has a lump sum that he can use to diversify his portfolio and is able to invest in new properties in different markets to mitigate risk, each with their own mortgage,” he says.

Unlocking options

Diversifying your portfolio unlocks options, and one of those possibilities is to begin the reinvestment cycle all over again.

Radford says the additional benefits of remortgaging include:

- An investor has the option of borrowing money at a low-interest rate
- You have the option of turning equity into cash
- It affords you a degree of flexibility with your investments

“An investor could amass a wealth of real estate properties over the years, which will pay dividends into retirement. Seasoned property investors the world over have done it, starting with just one purchase,” Radford concludes.

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