

Property: a simpler alternative for investors

According to Bill Rawson, property pundits like himself, who advocate that property should form a large part of their investment portfolio, say 25% to 30%, are regularly taken to task by others who prefer the stock market as an investment channel and are inclined to point out that, although property may be a reasonably "safe" investment, its returns are very seldom spectacular.



"What such propagandists for the JSE Securities Exchange forget," said Bill Rawson, "is the one simple fact that, whereas almost anyone can understand how property 'works', to be successful on the stock exchange requires hours of study and research. If this is lacking, the results can be disastrous and, for some people, acquiring this expertise is too time-consuming and actually beyond their ability."

By way of contrast, said Rawson, handling a property investment is fairly straightforward: once it has been purchased, a rental agent appointed and a tenant installed, it will in most cases "jog along" fairly comfortably without excessive attention.

A once-a-month visit

"There will, of course, always be cases where this does not happen, but, in general, property management does not require that much time - a once-a-month visit can be more than sufficient."

Those who take his advice and go big in property, added Rawson, often ask the basic question of whether it is preferable to be in residential or commercial property (his own portfolio is weighted roughly 50/50).

"Commercial property," said Rawson, "does at the moment give better rental returns than residential property, but, like the stock exchange, it does require certain experience. Furthermore, it can be far more difficult to find a tenant in this sector than in the residential sector where they are usually thick on the ground."

"Then, too, the municipal by-laws governing the activities permitted in commercial and industrial property can definitely limit the landlord's choice of tenant and the way in which the tenant has to operate."

Although he and most of his colleagues are currently limiting their annual rental increases, said Rawson, it has been possible to raise them as much as 20% when a new tenant is signed on. This, too, would probably be unachievable in a commercial or industrial property at the moment.

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