3 GET AS MUCH INFORMATION ON THE PROPERTY AND THE AREA AS POSSIBLE

What many first-time property buyers don't realise is how much information is available to them. "There is no excuse for not having the information you need when considering a property or area," says Rick. "As a layman, I can sign up on sites like Lightstone Property, pay my R70 and have a full view of the area I'm looking at, property values and a history of commercial businesses in that suburb."

Fedgroup always recommends that serious property buyers use the services of valuers. "There's a lot publicly available, but professional valuation firms have so much more data. When the valuation comes back we get a deep understanding of the property. It takes into account macro-economic factors, the area, suburb trends, national trends, and a thousand other data points, including capitalisation rate to yields on the rent, average vacancy rates, the highest rates you can get in that area, average rates you get, price per square metre – anything and everything you need to determine whether this is a good investment or not. The more information you have, the more you're de-risking the purchase.

"We see many companies that would rather purchase their own properties and take the tax deductions than continue to rent."

– SURAJ LALLCHAND, Director at Fedgroup Ventures, a division of Fedgroup.

PHOTO: MIKE TURNER

"If a buyer wants a loan on the property, they're going to need a valuation anyway, and that's done on risk – it's necessary for the application, whether the loan is granted or not – so why not get it done upfront? This one report is everything you need. You can then determine if you're looking at the right property, or if there's something better in the area. What's a R10 000 valuation compared to over-spending by R2 million? The key to buying property is to always have as much information available as possible. Too many people walk onto a premises, fall in love and purchase – without looking at the business case. Business owners should take a leaf out of the playbook of property owners whose sole focus is their property portfolio. They're never subjective. Properties are their business – not premises they will occupy themselves. It's this fact that often skews the purchase for business owners.

"One of our clients who is purely in the business of investing in properties was recently reviewing a boutique hotel in the Cape. He loved it and thought the valuation of R40 million was reasonable. Our valuation was R33 million, but there was an operational hotel and vineyard on the property, and he accepted the premium based on that benefit.

"What he didn't know was that 20km down the road a big conglomerate was selling their hotel. It was ten times the size for the same amount of money. From a pure investment perspective, this was the better deal, with a much bigger return. If he wanted to purchase the boutique hotel to live on the estate and run it, that would be a different discussion – but he's an investor, and the valuation gave him the vital information he needed to make the most informed decision on where to buy."

This is even more important for business owners whose core focus isn't property investments. "Taking advice from a trusted consultant is critical," says Rob. "Many CEOs and CFOs aren't experts in the field, and yet they need to make decisions that will result in a large capital outlay and subsequent servicing of an even larger loan. Get expert advice. Commercial property brokers, valuators and property finance companies can give you insights that you don't have. Many real estate consultants in our market are highly skilled and more like management consultants than property brokers. Forming a relationship with one of these individuals can make sure your real estate decisions are backed by strong metrics and not done on a whim."

4 DETERMINE IF THE TIME IS RIGHT TO BUY

According to Rick, there is a completely different level of responsibility involved when you purchase premises compared to rent. "It's a good example of risk and return," he says. "Your risks increase, and it becomes your responsibility to ensure the building is maintained, rates and taxes are being paid, security, insurance, health and safety – you no longer have a landlord taking care of any of these things – but the returns should be commensurate with that risk."

Rick's advice is that you ensure the yield of the property makes sense. "Property has proven to outperform inflation. It's generally in the high teens. In addition, commercial property is pretty predictable when it comes to rentals as well. You can bank