

The great debate: buy or rent?

Lea Jacobs • Feb 3, 2016



Should you buy property or rent? We look at the whole picture so you can decide for yourself.

Ask any expert and they will tell you that buying a home is the most sensible financial thing anyone can do. Ask someone who rents and they'll tell you the complete opposite. They will argue that the benefits of renting outstrip the negatives and talk about rising interest rates, the cost of maintaining a property and harp on about the fact that overall it's cheaper to rent.

They have a point. Interest rates are rising and are expected to continue going up for the foreseeable future. Maintaining a home can be expensive, particularly if major work needs to be carried out and yes, it is often cheaper to rent a home than to buy – particularly high-end properties. But does all of this overshadow the importance of owning your own home? The short answer is no.

Firstly, buying a property puts you in charge of your life. You won't have to move every time a landlord sells your rented home. You also won't be subjected to unreasonable rental increases. Indeed, you won't be at the mercy of a landlord at all. You can paint the home whatever colour you choose, you can renovate the property to suit your needs and even if it takes a few years, you can slowly turn your asset into your dream home.

Asset is the key word here. Cars for example are never an asset, because they start to depreciate in value the moment you drive them off the showroom floor. Houses continue to grow in value throughout the time you live in them and although some may moan about the low levels of growth currently being experienced in the housing market, sellers are still making profits when they sell. Ten years may, depending on how old you are, feel like a lifetime, but the reality is that anyone who owns a property for 10 years is going to benefit enormously when it comes time to sell. The picture becomes even rosier for those who live in a home for longer because, in most instances, after 20 years the property is owned outright and interest hikes won't impact on the homeowner at all.

We recently featured an article on Soweto where Lightstone statistics showed that property values had soared in the last decade. The average price of a home in Soweto cost R70 000 in 2005, today the average is R372 000. The appreciation is more evident in certain suburbs of the township and while you would have paid R70 000 for a home in Klipspruit in 2005, property values have skyrocketed and buyers now pay on average R740 000 for the privilege of living in that area.

Other areas have also enjoyed phenomenal growth. In 2005 the average price of a property in Umhlanga in KwaZulu-Natal was R2.6m. In 2015 this figure had increased to R4.6m. Likewise in 2005 you would have

paid, on average, R510 000 for a home in Somerset West in the Western Cape. By 2015 the average price paid for a home in this area was R1.4m.

Of course not everyone is in a financial position to buy a home, but there are those that would rather drive a fancy car and rent a home with a swanky address. To be blunt, this is incredibly shortsighted. The figures speak for themselves.

Those who want to invest in their future should seriously consider putting their money into something that will offer some seriously good returns in the years to come and one of the best investments you will ever make is in bricks and mortar.