

Inner-city pumps into property investors' pockets

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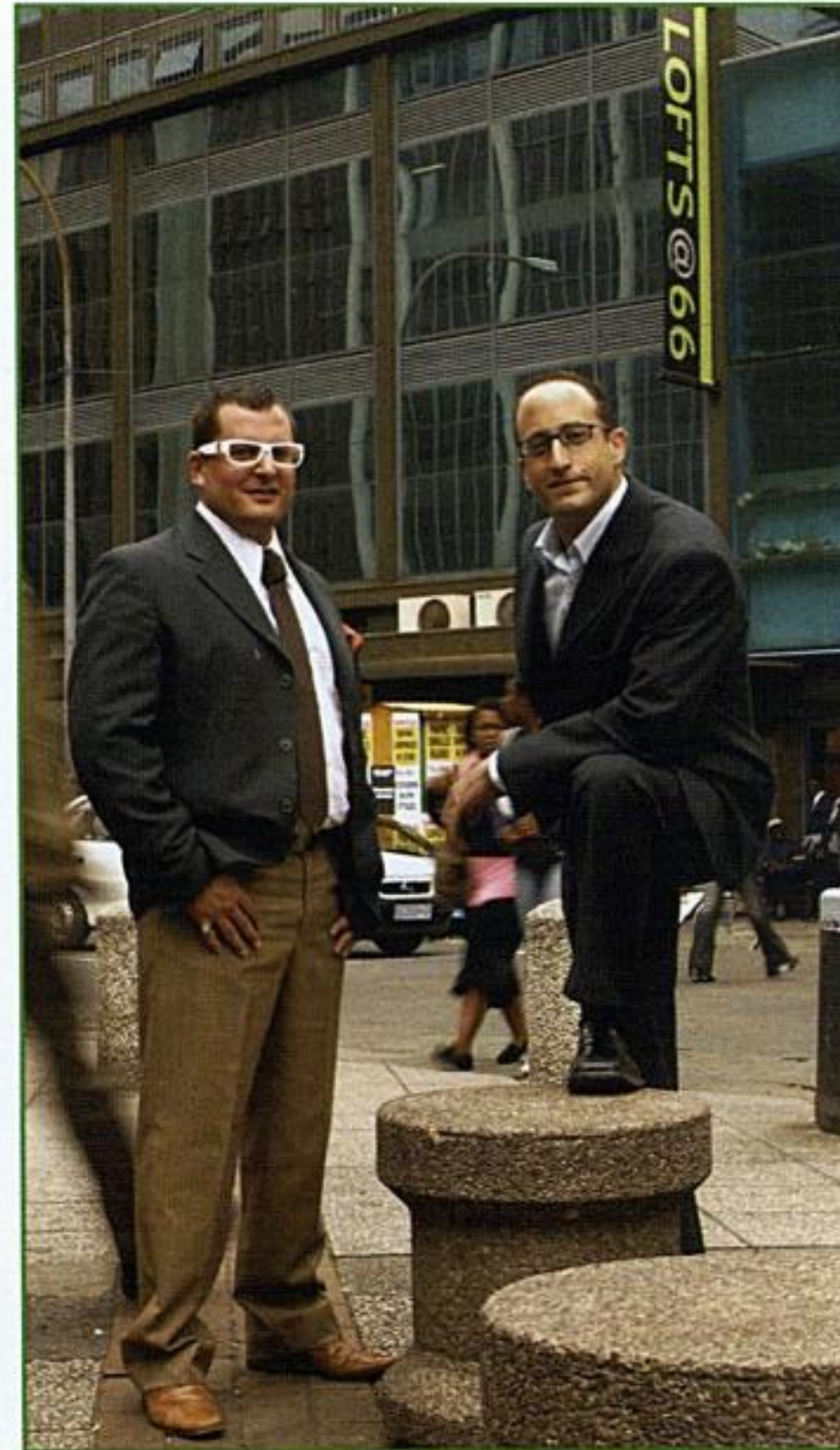
For those willing to manage their buy-to-let property investment closely, returns could exceed those from the more traditional, suburban investments which had dominated the up-leg of this property cycle.

Richard Rubin, chief executive officer, of Aengus Property Holdings, has no doubt that market conditions in the Johannesburg inner city underpin investment prospects in the area. Thanks to a number of large, established employers in the city centre, who have committed themselves to the area, demand for accommodation is lively.

Meanwhile the supply of rental accommodation that suits the needs and lifestyle of the emerging middle-class income earner is limited.

Aengus Property Holdings has been part of the energetic drive towards inner city regeneration, with its bold conversion of commercial city blocks into loft apartments fitted with all the trimmings suited to young employees. These developments are targeted at those with a monthly income of between R7 500 and R12 000.

The flood of applicants for rental accommodation within these building has con-



Richard Rubin, chief executive officer, of Aengus Property Holdings (pictured with fellow director Gavin Meskin), outside a successful Aengus Lifestyle Properties development: Lofts @ 66 in Johannesburg.

firmed Rubin's instincts. Upon the completion of the 223 Fashion Loft Apartments, on the corner of Pritchard and Delvers Streets in The Fashion District in Downtown Jozi, Aengus' rental management subsidiary, Aengus Property Management received 1 500 applications from prospective tenants within one month.

Aengus now owns or manages more than 3 000 inner city apartments and boasts net rental returns for investors of up to 10,5%.

Rubin points out that the tight in-house control of tenant screening, rental collections and maintenance partly accounts for the financial success of the investment.

Aengus' move, a year ago, to make some of its units available to sectional title investors, gives other property investors access to the benefits of its ongoing management and control. These systems have been put in place over the six years in which Aengus has been operational in the inner city development and rental market.

A number of investors have taken up Aengus' offer to buy units ranging in price from R220 000 to about R600 000. Aengus guarantees investors a base rental for twenty-four months, which means the group carries the income risk on behalf of the investor. Should rentals move higher than the guaranteed level during those first two years, the benefit is paid to the investor.

Rubin says the guaranteed return reflects Aengus' confidence in its ability to tenant its building.

And, since apartments are all equipped with white goods and plasma-screen TVs, the potential drain on tenants' income is limited, leaving disposable income for payment of rental. Further, the tax incentives which SARS has put in place for investors into urban renewal nodes, and which allows for a straight-line depreciation of up to 30% of the property value over five years, is passed on to Aengus' investors.

Although Rubin is mindful of the prevailing uncertain sentiment amongst property investors, he argues that property within the price bracket on offer by Aengus is in limited supply and that there should therefore be good scope for capital appreciation.

Retail banks stepped up their involvement in sectional title loans for inner city properties from late 2006 onwards. Rubin says it is common for investors into Aengus' developments to receive loans equivalent to 100% of the purchase price. In such cases the monthly shortfall between rent and bond repayments could be in the order of a few hundred rand.

Aengus has just launched its latest development. The Argyle Precinct is conveniently located right above the Gautrain Park Station.

Inner city boosts property investors' pockets

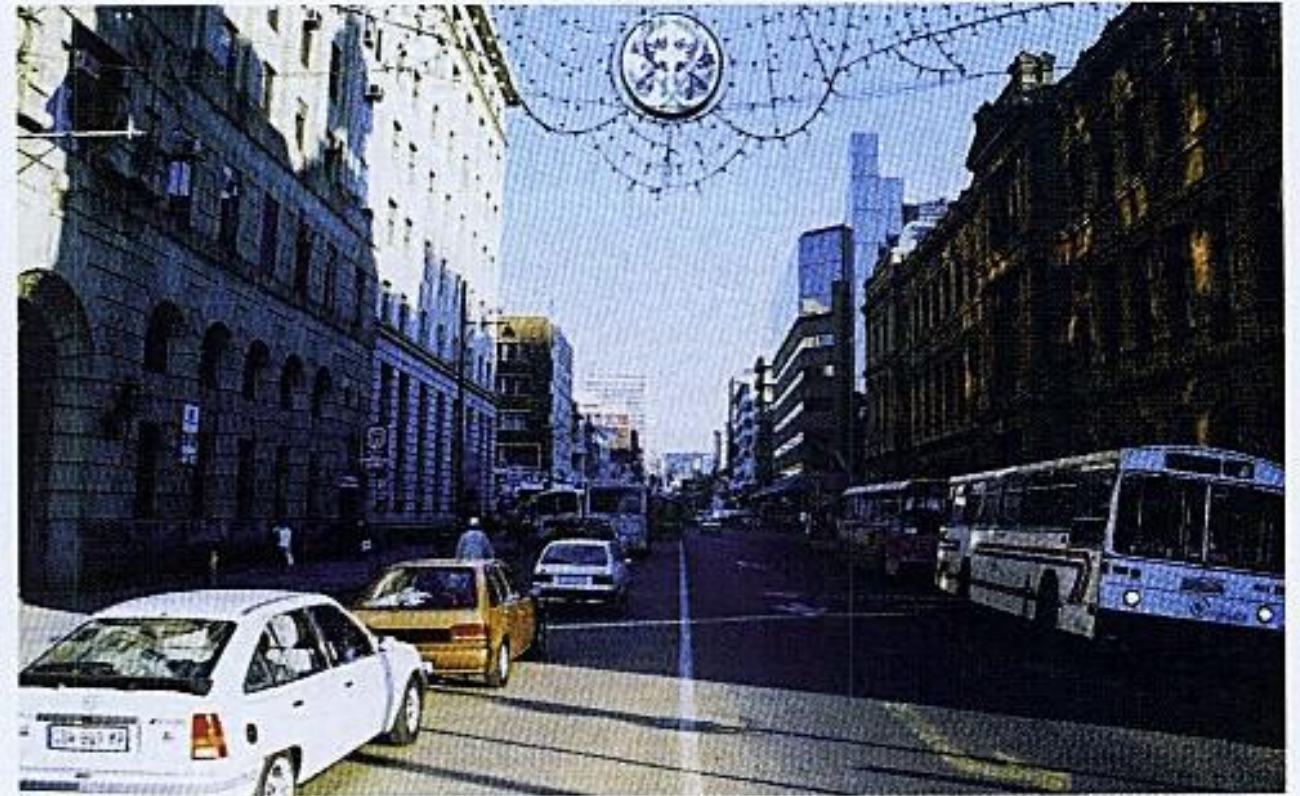
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The Johannesburg CBD holds major potential for property investors, says Aengus Property Holdings.

with a monthly income of between R7 500 and R12 000.

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4 February 2008

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