

## Listed Property vs Direct Property

*Which should you be investing in?*

If you have a bit of extra money to invest and your heart is set on property, then consider going listed and direct property.

Anton de Leeuw, CEO of YDL property educationalists, says it is not an either-or decision where one investment is better than another. "There is merit in having a combination of both," he added.

Rode's latest report for the quarter ended December 2006 stated that the most significant benefits of investing in listed property as opposed to the buy-to-let market are diversification and increased liquidity.

With listed property, an investor would easily be exposed to a portfolio of properties in different areas and across various market segments, whereas this would be costly and more difficult with direct property.

Investors wanting to hold commercial property directly would roughly need a 30% deposit in order to buy the stock and this could escalate into millions, said De Leeuw.

"Not everyone can afford a huge capital outlay like this so most of the time, investors choose to buy residential property directly," he added.

Craig Hallows from the Association of Property Unit Trusts explained that if investors were going the listed route, they could purchase small quantities of units or shares on the JSE, where the minimum quantity is 100 units.

"Depending on the company of collective investment scheme, the minimum investment could fall between R100 and R2 000," he added.

When it comes to buying a residential property, many investors are able to secure a 100% or even a 108% mortgage bond, said De Leeuw.

In March, the average price of a house in the middle segment of the market was R902 200. If you own listed property, you have access to professional fund managers, while a beginner in the residential property would have to rely on their gut, said De Leeuw.

In addition, directly-held property involves administrative tasks such as screening tenants, collecting rent and maintaining the property, which can be time consuming. In the case of listed property, professionals would handle this. "The flip side of this is that you pay for this experience and the functions performed and these experts need to get remunerated, which is deducted from profits, he added.

De Leeuw said one of the biggest benefits of investing in property directly is that it is "closer to home", compared to listed property that is a step removed and investors have to rely on financial reports. "It is just not the same emotional relationship", he added.