

# How to Buy Your First Property & Make It Profitable

## A Practical Guide to Buy Your First Property & Make it Profitable

### Bilnor Staffing Solutions – Financial Wellness Resource

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Buying your first property is one of the biggest financial decisions you will ever make. When done correctly, it can become a strong long-term investment that builds wealth and generates monthly income. This guide walks you through the key steps, strategies, and profit options available to South Africans.

#### 1. Understanding What “Profitable Property” Means

A profitable property is one that grows in value over time (capital appreciation), earns ongoing income (rent), or can be sold for more than you invested (resale profit). Profitability depends on buying wisely, managing costs, and understanding the different income strategies available to you.

#### 2. Step-by-Step: How to Buy Your First Property

##### Step 1: Check Your Affordability

Before looking at properties, determine:

- Your monthly income vs. debt (banks check your debt-to-income ratio).
- How much you can afford for a deposit.
- Bond repayment amounts using an [online bond calculator](#) like this one from Better Bond or the like.
- Extra costs: transfer duty, attorney fees, bank initiation fees, and bond registration fees.

##### Step 2: Improve Your Credit Score

A higher credit score can:

- Lower your interest rate.
- Increase your chance of bond approval.
- Reduce long-term repayment costs.

##### Step 3: Research Locations Carefully

The **location** of a property is the biggest factor affecting profitability. Look for:

- High rental demand (near schools, transport, hospitals, business districts).
- Low crime areas.

- Properties close to future developments or infrastructure upgrades.
- Areas with steady historic price growth.

#### Step 4: Compare Property Types

Different properties offer different profit potential:

- **Apartments:** Lower maintenance, good rental demand.
- **Townhouses:** Popular with families, moderate body corporate fees.
- **Freehold homes:** Higher maintenance but strong resale potential.
- **New developments:** Lower upfront cost and no transfer duties.

#### Step 5: Make an Offer and Secure Finance

When making an offer:

- Include “subject to bond approval.”
- Negotiate price—most sellers expect negotiation.
- Approach multiple banks or use a bond originator to get the best interest rate. *A **bond originator** is a professional or company that helps you apply for a home loan by submitting your application to multiple banks on your behalf. They compare offers, negotiate better interest rates, and guide you through the process—usually at no cost to you—making it easier to find the best home loan deal.*

### 3. Ways to Make Your First Property Profitable

#### A. Rental Income: Turning Your Property into Passive Money

Rental income is one of the most common ways to make property profitable.

##### Types of Rental Strategies

1. **Traditional long-term rentals**
  - Stable income, lower tenant turnover, less management required.
2. **Student rentals**
  - High demand near universities or colleges.
  - Can charge per room for higher returns.
3. **Short-term/holiday rentals (Airbnb)**
  - Higher income potential but requires active management.
  - Best in tourist areas or business hubs.

##### Key Tips for Maximising Rental Profit

- Screen tenants properly.
- Keep the property well-maintained.
- Compare rental prices in the area to avoid overpricing.
- Consider basic refurbishments (paint, improved lighting) to increase rental value.

#### B. Refurbishment: Increase Value with Smart Upgrades

Refurbishments can significantly increase both rental and resale value.

## High-ROI (Return on Investment) Refurbishments

- Modern kitchen upgrades
- Bathroom improvements
- Fresh paint (neutral colours)
- Energy-saving features (LEDs, geyser timers)
- Security upgrades (burglar bars, alarm, fencing)

Avoid overcapitalising—spending more on upgrades than the property's value increase. Always check comparable property prices in the area before renovating.

## C. Buying-to-Resell (Flipping)

Property flipping involves buying a property below market value, improving it, and selling at a profit.

### When Flipping Can Be Profitable

- The property requires cosmetic updates only.
- You can buy at a bargain (auctions, distressed sales, transfers).
- You understand renovation costs.
- The area has strong demand and rising prices.

### Risks to Watch For

- Overcapitalising on renovations.
- Slow market conditions delaying resale.
- Unexpected repair costs (plumbing, foundations, electrical issues).
- Capital gains tax on profit when selling.

## 4. Cost Management: A Major Key to Profitability

### Essential Ongoing Costs

- Bond repayments
- Rates, water, refuse
- Levies (for sectional title properties)
- Maintenance and repairs
- Insurance
- Vacancy periods (no tenant)

Profit is not only about how much you earn, but how well you control these costs.

## 5. Building a Long-Term Property Strategy

### Option 1: Buy-to-Let Portfolio

Start with one property, use rental income + equity growth to buy more properties later.

## **Option 2: Live-In Flip**

Live in the property while renovating it slowly to reduce costs, then sell for profit.

## **Option 3: Mixed Strategy**

Rent the property out now, then sell when market conditions peak.

## **6. Common Mistakes to Avoid**

- Buying emotionally instead of based on numbers.
- Underestimating maintenance or renovation costs.
- Ignoring levies and municipal charges.
- Not researching the neighbourhood properly.
- Not doing a thorough inspection before buying.

## **7. Final Advice**

Buying property is both a commitment and an opportunity. With careful planning, good research, and the right financing, your first home can become a powerful wealth-building tool. Whether you rent it out, upgrade it, or resell it, the key is to make informed decisions based on real numbers not emotions.

A profitable property is created before you buy it, through smart choices, good budgeting, and a clear plan.