

Virtually setting the price

Buy-to-let investors were virtually setting their own rental prices in popular suburbs with prospective tenants outstripping supply three to one, Just Property Group CEO John Roberts says.



Image: www.freedigitalphotos.net

The demand was particularly high in the upper Highway area and Durban central business district. Upper Highway covering Kloof, Gilletts and Hillcrest was securing rentals on par with Umhlanga Rocks.

Roberts's comments come as the group ends 2013 on a growing rental book and anticipates sound movements both in rentals and sales for the year ahead. The group's original franchise Just Letting was established in 2001 as South Africa's first specialist residential rental company, followed by Just Commercial and Just Residential to offer consumers the whole property range.

Strategic partnerships enable the group to access world-class systems and online information and there are nearly 150 owner-operated franchises nationally.

Roberts says there were an increasing number of people not qualifying for bonds as the banks tightened their access to credit in line with the Consumer Protection Act (CPA) locally and international banking regulations. South Africa had also experienced a growth in consumers suffering poor credit histories and thus not qualifying for bonds.

Buy-to-let market gets a boost

This had boosted the buy-to-let market as investors had access to a steady stream of potential renters.

The group had seen growth in the property market below R1 million with this accommodation, typically a two bedroom-one bathroom unit of 110m², securing monthly rentals for R4500 to R5000. There was also movement in the top-end of the market where companies paid rents ranging from R16000 to R25000 per month for their executives.

While anticipating the rental market to continue improving in 2014, Roberts was realistic about the impact e-tolling, the national general election and the growing strike action would have on disposable income. The debt ceiling crisis in the US could also potentially ripple into the local economy, specifically in terms of market confidence.

"Investors are adopting a wait-and-see approach, but there are expectations that the rental market will be strong into the year ahead," he says.

Currently Just Letting had a default rate under 1% when the industry average was 10%. The group's RentSecure insurance product that guaranteed landlords were paid on the first working day of the month regardless of tenants' actions, was gaining traction.

Some franchisees were only concluding deals with RentSecure in place, covering the landlord for cases where there was default or only partial rental; the necessity for evictions and legal costs up to R100000.

Consequently, the group currently had a TPN Credit Bureau Good Standing rate of 86% meaning tenants paid their rentals on time in line with that percentage.

Roberts cited landlords privately managing their properties as the greatest opportunity for growth. TPN statistics reflected 70% of landlords managed their own properties as they did not recognise the value in having agents involved with the month-to-month issues. These included rental collection, maintenance, utility payments, tenant mediation, credit checks and vetting and lease renewals.

Just Letting has a 26% market share where properties are managed by agents.

The new credit indemnity, whereby all debts below R10000 will be removed from credit bureau records, would also affect searches for credit checks. Roberts says the proposal would not be cumulative debts to that amount, but every debt under R10000 being expunged from the records, making it virtually impossible for anyone to get an educated risk assessment.

"While landlords may use agents' experience and expertise in the vetting process, they do not realise the implications should tenants stop paying three months into the contract. The CPA also allows tenants to provide 21 working days' notice on leaving regardless of the lease agreement," he says.

Consequently, landlords not aware of their rights may have to pay legal costs and brave the situation without expert assistance.

Roberts says eThekweni municipality also changed its utility bills policy such that tenants cannot take out accounts in their name. Consequently, landlords may find the electricity disconnected on another property in their name because the tenant was in arrears.

"The landlord now has to take full responsibility for their tenants including damage to communal property and unpaid fines. The reality is that managing your own property can be messy, while agents know the laws and remain abreast of the regulation changes," he says.