

Rental rebounds in Q1 2022, but rising inflation could dampen growth

According to the latest PayProp Rental Index, rental growth rebounded in the first quarter of 2022, with year-on-year (YoY) growth of 1.5%, 1.1% and 3% recorded in January, February and March respectively. March had the strongest rental growth performance recorded since the start of the pandemic in March 2020.



Source: www.pexels.com

The quarterly year-on-year rental growth of 1.8% in Q1 was the highest since the start of the pandemic, and the first time this number has exceeded 1% since Q3 2020.

Johette Smuts, head of data analytics at PayProp, says that the index shows positive signs but warns that the current high inflation rates in the country could be pushed further up by accelerating global inflation – driven by higher prices of oil and other commodities since the Russian invasion of Ukraine in February.

“We’re seeing central banks worldwide respond by increasing interest rates to curb inflation, which will dampen economic growth and could then affect tenants’ incomes and job security, placing downward pressure on rental growth rates,” says Smuts.



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6 Jun 2022



Positive rental growth in eight out of nine provinces

The 1.8% increase in residential rents between Q1 2021 and Q1 2022 brought the average national rent to R7,958 in the first quarter of 2022, up from R7,819 a year earlier. Gauteng was the only province that recorded negative growth during

the first quarter of 2022. The average rent in this province decreased by 0.1% (R11) to R8,379 in Q1 2022.

Mpumalanga recorded the highest rental growth rate in Q1, 5.3% year-on-year. This was the province's second quarter in a row at the top of the leaderboard, having notched up 3.8% in Q4 2021. Average rent there in Q1 2022 was R7,866. Meanwhile in Limpopo, growth continued in Q1 2022, following positive growth in each of the past six quarters despite the pandemic. The average rent in the province increased by 4.6% YoY in Q1 2022, the second highest increase after Mpumalanga, with tenants paying on average R7,189 per month over the quarter.

The Western Cape remained the most expensive province for tenants after a healthy increase of 2.8%, with the average rent increasing from R9,142 in Q1 2021 to R9,399 in Q1 2022.

Rents in KwaZulu-Natal increased by 2.5% YoY for the quarter, ending it at R8,381 versus R8,177 in Q1 2021. The province had the third highest average rent after the Northern Cape and Western Cape, but competition for third place is strong – average rent in Gauteng was only R2 lower than in KwaZulu-Natal.



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No further improvements in national arrears

Whilst arrears metrics have recovered from the highs seen during the Covid-19 pandemic, they are no longer improving further at a national level. Smuts says that the majority of the provinces saw improvements over the last quarter, but two of the provinces saw an increase in both the percentage of tenants in arrears and the average amount of arrears as a percentage of monthly rent.

In the North West, both arrears metrics deteriorated from Q4 2021 to Q1 2022 with the percentage of tenants in arrears leaping from 18.2% to a concerning 25.5%. The average amount of arrears in the province increased from 90.5% of the monthly rent, already almost 8% higher than the national average, to 101.4% in Q1 2022, 18.1% higher than the national average.

"It is reassuring to see that the percentage of tenants in arrears has recovered well on a national level and is currently even lower than in Q1 2022, but the data coming from areas like the North West and the Northern Cape is concerning and will need to be monitored," says Smuts.

In summary, Smuts says that the higher rental growth this quarter is reassuring, but adds that agents will need to be vigilant, vet tenants carefully and mitigate as much risk as possible as the rental market enters another period of uncertainty. Tenant affordability remains an issue, and a slowdown in the global economy could further impact their finances.

Download the full PayProp Rental Index [here](#).

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