

Romance: bad for the rental market

Romance is bad for the rental market. We know that Valentine's Day has a huge impact on sales of flowers, chocolates and candlelit dinners. But romance also has a huge impact on another area of the economy: property. When a couple decides to move in together, two households become one. And when things go pear-shaped, somebody has to move out - usually into rented accommodation.

An intriguing spike in TPN Credit Bureau's rental statistics bears this out: South African men in their 30s generally don't rent - until they turn 39, when suddenly the figures jump. TPN runs credit checks on potential tenants on behalf of landlords and agents.

"In general, South Africans rent while they're in their 20s before buying a home and settling down," says TPN managing director. Michelle Dickens. "So why were we seeing queries on so many men in their late 30s?" The answer: divorce. When a marriage breaks down, it's typically the wife who stays in the family home while the husband moves out.

When the *Sunday Times* revealed last weekend that Tokyo and Judy Sexwale are divorcing, they also noted that Judy Sexwale had moved into rented accommodation while Tokyo retained access to their various homes. That bucks the trend that TPN has picked up through their data.

According to a recently released survey by the South African Institute of Race Relations, the number of households is increasing, while the number of married couples is declining. This suggests that more couples are cohabiting and marrying later - and that more people prefer to live on their own. More households are good for the rental market, which continues to show reasonable returns relative to property prices. 1 bed apartments yield better returns than four bedroom homes according to FNB & TPN's Residential Yield data (1 bed apartments 11,7% and 4 bedroom full title 5.4% gross income yield), a reminder that more single person households are a bonus for property investors, especially for landlords who are just starting out.

Based on these figures, it would seem that we're not seeing the same phenomenon that appeared in the US when the recession hit. Because house prices nosedived, couples that would otherwise have split up were forced to live under the same roof. Divorce became a luxury, like a new car, with lawyers reporting a 40% decline in business.

According to Statistics South Africa, divorces in 2010 declined by a massive 25.4% from the previous year, so it's possible that this was related to the economic climate. Whether couples chose to stay together because supporting two households was too expensive, or one of them moved out isn't clear. The fact that South Africa has seen a steady increase in the number of smaller households would suggest that the trend towards single person living will continue.

Ironically, when romance goes well, it's bad for landlords because there's one less household on the market, and when it

breaks down, it can be good - because somebody has to find another place to stay in a hurry. "We're always fascinated by what comes out of our data," says Dickens. "There's a story, not just about rentals, but the wider social trends behind them."

For more, visit: <https://www.bizcommunity.com>