

Covid calls for classic investment strategy in Jozi rental market

The impact of Covid-19 precipitated multiple unanticipated market shifts which significantly impacted the property sector, says Cobus Odendaal, CEO of Lew Geffen Sotheby's International Realty in Johannesburg and Randburg, adding that although property in the rental market is still viable investment, it's become critical for potential landlords to do their homework and heed professional advice.



Source: Supplied

“Investor buyers are understandably cautious at the moment, but savvy investors are recognising that we are currently in the perfect storm for implementing the classic 'buy low and sell high' investment strategy.

“They regard property as a medium- to long-term investment and are aware of the fact that the current surplus of available properties in many areas and lower rental yields are a temporary market response to the impact of the pandemic.

“That once regional and international travel begin to normalise, many of the long-term rental properties will once again revert to short-term lets and this, in turn, will stabilise pricing. In other words, it's a brief window opportunity to 'make hay whilst the sun shines'.”

Additional incentives for investors

Odendaal adds that there are also additional incentives for investors, including low interest rates, a very wide choice of properties and the fact that banks have also come to the party.

“According to a recent Fitch report, in June the year-on-year value of granted home loans was 54% up from the same time last year, bank approval rates were up 4% and bank approval rates on 100% loan-to-value

bonds were 2% higher.”

Odendaal says that the trick is to buy the right property in the right area, and this is not as simple as it sounds as there are many factors to take into account.

“The best starting point is to speak to rental agents in the areas you are considering buying as they will know exactly what prospective tenants are looking for and how much they are willing to pay.

“For instance, if an area is popular with young families, then an older two or three-bedroom flat would be a better investment than a one-bedroom unit, even if it’s absolutely stunning and has better finishes.

“It’s therefore essential to thoroughly research an area to establish which properties are most in demand, what features are high on tenant’s wish lists and to appoint an experienced rental agent with the resources to properly vet prospective tenants and efficiently manage the property and rental payment.”



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Middle market most active

Debbie Minnie, the group’s rental specialist in Randburg’s Inner Circle, says that the middle market is currently by far the most active, with secure, pet-friendly family homes being especially popular.

“At the lower end of the R8,000 to R15,000 price band, there is a preference for free-standing, low maintenance, garden simplexes in secure complexes, preferably with lock-up garages, fitted gas hobs and ovens, reliable connectivity and easy to maintain finishes with no carpets.

“At the top end of this bracket, the majority of tenants are wanting freestanding houses, preferably with a cottage to accommodate extended family and enough space to create a dedicated home office.”

Minnie recommends that investors looking to enter Randburg’s mid-market should consider properties in Fairland, Cresta and Blackheath which are popular rental areas, offer good value for money and a broad selection of properties that will appeal to potential tenants.

According to Tasmyn Walker, Minnie’s counterpart in the Parks, from Hurlingham to Westcliff, the middle-market in these suburbs is also the most active with properties priced between R18,000 and R25,000 seeing the greatest demand.

“The majority of our current applications are from clients who are either looking for their first family home or people who have sold their properties and plan to emigrate within a year.

“Most request pet-friendly homes with a back-up power supply and gas stove and, although swimming pools are no longer a priority for most local buyers, they are still very popular with international clients.”

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Attracting families, young professionals

These suburbs attract both families and aspirant young professionals, so investors should buy a property that appeals to either demographic.

“If you want to attract families, the best option would be a spacious three-bedroom cluster home in a secure and established complex with good security and amenities like a pool or a gym.

“Young professionals tend to prefer the lock-up-and-go convenience of an apartment and until the advent of Covid, a two-bedroom unit would have fit the bill.

“However, with more people now working from home, these tenants now prefer three-bedroom units to allow for a home office and additional drawcards are secure garages and storerooms.”



Source: Supplied

Corporate rental market hard-hit by pandemic

Since the millennium, Sandton’s growing prominence as the financial hub of South Africa has fuelled a booming corporate rental market, with companies paying top dollar for prime properties in prime locations but recent business and travel restrictions have had a significant impact on this sector.

Debbie Williams, the group’s corporate rental specialist in Morningside, Duxberry, River Club, Benmore, Hyde Park and Sandhurst says that this segment of the market has been especially hard-hit by the pandemic.

“Eighteen months of travel restrictions and intermittent lockdown periods both here and abroad, compounded by the economic fallout of the pandemic, has resulted in a significant drop in corporate

assignments and most of those still coming in have been subjected to budget cuts.

“As a result, homes priced above R45,000 are much harder to let at the moment, whereas there is still movement in the R30,000 to R45,000 price band and well-priced properties that tick all the right boxes are still in demand.

“And for most tenants in this exclusive market, these boxes include good security with boom-controlled access, staff quarters, a sizeable garden and contemporary design and modern interiors.”



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Increased demand for furnished properties

Williams adds that there has also been an increase in demand for furnished properties in this sector, both from corporate clients and people who are in the process of relocating, either to new areas or abroad and they prefer to avoid the hassle and the cost of two big moves within a short space of time.

“Many of the international corporates are no longer contributing as much towards relocation costs as before so the relocation agencies have been tasked with finding furnished properties – and these are in very short supply.

“Payprop’s most recent quarterly report revealed that nationally, rental growth experienced the first uptick in almost two years in the first quarter of 2021, with the average rent in Gauteng being R8,390, which is 0.7% higher than the same period last year and perennially the second highest after the Western Cape.

“This data is not only encouraging, but also highlights the resilience and cyclic nature of the market and its long-term investment potential,” says Odendaal.

“At the end of the day, an investment property is a great, cost-efficient way to get one’s foot on the proper ladder as the rental income will usually cover a large portion of the mortgage repayments or, if not bonded provides an additional income stream.

“And the age-old adage still applies; that good stock at the right price and in the right location will always result in a good number of enquiries and the successful letting of a property.”

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