

Positive residential rental growth continues in Q3 2022 - PayProp Rental Index

According to PayProp's latest Rental Index for Q3 2022, residential rents increased by 2.9% year on year, the strongest performance since Q1 2020. This meant the average national rent increased from R7,800 in Q3 2021 to R8,023 in Q3 2022, making it the first quarter in which the figure broke through the R8,000 mark.



Source: www.pixabay.com

Johette Smuts, head of data analytics at PayProp, says while rental growth has certainly recovered from the lows of 2020 through 2021, it still lags behind the increases seen in 2019 and before. In Q3 2022, the average national rent grew by 3.0%, 3.1% and 2.6% year on year in July, August and September respectively, compared to 3.7%, 3.5% and 4.2% for July, August and September 2019.

“It is relatively difficult to predict how far this rental market recovery will go,” says Smuts.

“Higher interest rates and bond repayments are very likely incentivising tenants to rent for longer, thereby increasing the demand for rental properties and ultimately pushing prices up.”

Smuts adds that tenant arrears improved steadily on a national level in the third quarter, with the average arrears percentage dipping below pre-pandemic levels for the first time during Q3.

“However, we aren’t completely out of the woods yet,” she says. “While rising interest rates may increase the demand for rentals, they also slow down economic growth, which puts further pressure on tenants’ finances and ultimately negatively impacts their ability to afford higher rental price increases.”



RESIDENTIAL PROPERTY

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Samuel Seeff 25 Nov 2022



Provincial growth

The Northern Cape tops this quarter's league table with rental growth of 8.1% between Q3 2021 and Q3 2022 – the highest out of all the provinces by some distance. As a result, rents increased by R652 to R8,721, making the Northern Cape the second-most expensive province in which to rent.

The North West experienced the second-highest rental growth rate in the country in Q3, although it still has the lowest average rent. Average rent in the province during Q3 2022 was R5,509, up 4.8% or R252 from the same quarter a year prior. It's worth noting that a large proportion of properties managed through PayProp in this province are student housing, explaining the low average rent values.

Third in terms of growth this past quarter was Limpopo, where average rent increased by 4.7%. The average went up by R330 to R7,354, almost R700 below the national average.

Gauteng, previously the second most expensive province in which to rent, was overtaken this quarter by the Northern Cape and KwaZulu-Natal. Rent in the province increased by just R147 year on year from R8,235 in Q3 2021 to R8,382 in Q3 2022.

The Western Cape held onto the position of most expensive province for renters, with an average rent of R9,533, more than R1,500 above the national average.

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

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