

Rental growth shows first uptick in 2 years

Q4 of 2018 showed the first quarterly uptick in the rental growth rate in two years, as well as the highest quarterly year-on-year growth for the year. This is according to the [PayProp Rental Index](#) which revealed that nationally, rental growth slowed to 4.14% in the last quarter of 2018, vs. 5.39% over the same period in 2017.



Image source: www.pexels.com

At R7,610, the average national rent moved into a higher rental bracket in Q4, from the R5,000 – R7,500 category to the R7,500 – R10,000 category. The R5,000 – R7,500 bracket is still the most populous in South Africa, comprising approximately a third of all rentals.

“Whether Q4’s uptick in year-on-year growth is the start of a recovery remains to be seen,” says Johette Smuts, head of data and analytics at PayProp. “Most provinces saw lower rental growth and a deterioration in the average tenant’s financial situation from 2017 to 2018. Below-inflation income growth has also made it increasingly difficult to keep up with debt and other costs.”

Stagnating net income levels

Smuts says net income levels have been stagnating for some time, increasing by only 1.56% between Q4 2017 and Q4 2018. With rent and inflation increasing at higher rates, consumers are struggling to keep up. “As for tenants’ debt-to-income ratios, tenants paid R13,756 on monthly debt repayments in Q4 2017, vs. R15,031 in Q4 2018,” says Smuts. “This increase in turn affects affordability ratios. And as incomes have grown more slowly than rents, the slight increase we measured in the rent-to-income ratio was to be expected.”

In Gauteng, the average rent breached R8,000 for the first time in Q4 2018. This is 4.84% more than the year before – the third highest growth rate in the country for the quarter. While this rate was lower than the year before, it was the province's first increase in quarterly growth in two years, which might signal the beginning of a recovering rental market in the province.



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2018 yielded the lowest growth figures for the Western Cape since the launch of the Rental Index in 2012. At its lowest point of the year, growth in the Cape slowed to just 3.96% in Q4. Even so, the average Western Cape rent surpassed the R9,000 mark during the year, still making it the most expensive province to live in with an average price differential of nearly R1,000 compared to the second most expensive province.

“2018 was a tough economic year for South Africans, businesses and consumers alike, and it shows in the numbers,” says Smuts. “The year ahead brings new challenges, such as the general election, from which we might see fresh political uncertainty and which in turn could create continued economic uncertainty and volatility. Just how much that might affect rental prices remains to be seen.”

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