

## Strong demand in top end rental market

There is a lively rental market at the top end of the market in the more affluent areas of northern Johannesburg such as Craighall Park, Morningside, Sandton and Bryanston.



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This is according to Glenn Norton, broker/owner of RE/MAX Masters Rental, operating from Bryanston, Weltevredenpark and Ruimsig offices which service Sandton, Randburg and the western suburbs of Johannesburg.

"The top rental properties in these areas consist mainly of residential homes, which range in rental value from around R30,000 per month upwards to approximately R60,000 per month," says Norton. The majority of tenants in this price range of rental units are South African residents, although there are a small percentage of foreign tenants in this price bracket.

"While many tenants in this price bracket are prominent business people, the corporate rental market has seen a decline over the past few years, as many companies now opt to rather provide their employees with a contribution towards housing within their cost-to-company package. In this instance the employee will then need to find their own rental property," he says.

### Why not buy?

Considering the high rental amounts paid on these units, it would seem that it would make more sense to purchase a property. However, while the ratio of the rental value to purchase value is more aligned in the lower end of the market, the rental amounts on these high-end properties are less than the monthly bond repayments on many of these homes in the current selling market.

He notes that in addition there are also a few other points that can relate to the rental of higher end units versus purchasing:

- More disposable income to the tenant while living in a high rental unit due to not having to pay for maintenance, rates and other costs relating to the property - this stays the responsibility of the landlord/owner.
- The majority of these higher end residential properties have been renovated with the latest modern finishes that the tenant benefits from at no additional cost.
- Rental prices are more cost effective as the tenant will pay less in rental value but receive a higher value property in the current selling market.
- Cash deposits, transfer fees and bond costs can also play a role in the decision to rather rent than buy.

## **Future plans**

According to Adrian Goslett, regional director and CEO of RE/MAX of Southern Africa, in some cases it is more feasible for consumers to rent, particularly if they are unsure of their future plans or where they want to be in the next five to ten years. "Purchasing property is a long term commitment, while some consumers may want the freedom to relocate to a different city for employment reasons or a change in lifestyle," he says.

In the current market owners are more inclined to keep their current property and rent it out while purchasing a second property as a new primary residence, consequently becoming an investment property to the landlord/owner. Investing in multiple smaller property units has also become a fast growing trend in new developments.

"With the predicted interest rate hikes during 2016, demand within the rental market is likely to continue on its upward trajectory and provides excellent opportunities for rental portfolio investors," Norton concludes.

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