

# Capetonian tenants to receive rental respite

Some minor relief is in store for Capetonian tenants as they wait with baited breath for the final axe to drop in the form of an annual inflationary rent increase. This is according to Adrian Goslett, regional director and CEO of RE/MAX of Southern Africa.



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“Following an onslaught of attacks on their disposable income over the last few months owing to a weak rand, fuel cost hikes and consequent food price increases, city dwellers can strike one worry off the list of things that keep them up at night with the knowledge that this year’s annual rent increase will be nowhere near the 8-10% that they may have experienced in previous years,” says Goslett.

## Challenging time for landlords

Michael Hauser, estate agent at RE/MAX Living operating in the City Bowl in Cape Town, says that the past nine to 10 months have been very challenging for landlords who have been used to a cut-throat rental market yielding high returns and an un-ending supply of tenants.

“The Cape rental market has seen its first major price correction since 2008. Rental amounts often had to be advertised at 20-30% below the previous year’s rental amount. This is owing to an oversupply of rental properties currently on the market – in part thanks to the many new developments that are being completed in the city but equally so to the drought which has caused many Airbnb flats to go up for long-term rentals as they could not be let owing to a lack of visitors in Cape Town,” Hauser explains.

As great news as this is for tenants, landlords will see this as a bitter pill to swallow. Sitting in the same financial crunch as their tenants, landlords might be tempted to push up their rentals in order to make ends meet. Hauser, however, discourages landlords from making this decision as it will likely result in hurting their pocket instead of helping it.

## Maintain rental price

“I would recommend that landlords look after reliable tenants and not increase the rental price for the coming year. With some of our leases, we had to advertise at well below the previous rental amount to be able to re-let after a tenant relocated. Since it is unlikely for the market to change drastically until after the elections next year, landlords should bite the bullet and

keep rentals constant to hold onto their tenants until the market takes another upward curve,” Hauser advises.

However, it is not all bad news for landlords. In this current market, it is possible for them to snatch up a bargain on another investment property. “As a prudent investor, I would utilise this market to purchase property. As some owners could not rent out their properties, they put them up for sale, which has subsequently resulted in a flooded property market. If you have the ability to purchase now, speak to a reliable rental agent who can help you set a fair rental amount to ensure that your property does not remain vacant. In the long run, it will be a good investment. But, for now, it might be advisable to have enough saved to cover the bond instalments in case you find yourself without a tenant for a month or two,” says Hauser.

## **Rental market to pick up**

That being said, we are entering the tourist season which should see the rental market pick up during the next few months. “Thankfully, the dam levels are at about 75% which should encourage more visitors and people moving to Cape Town. I feel confident that landlords will be able to fill their properties over the next few months – provided that they let out at reasonable prices, that is,” Hauser concludes.

From a national perspective, Goslett shares Hauser’s perspective. “According to stats provided by Private Property, the median asking price per province for September was the highest in the Western Cape at R2,550,000. The next closest province was the Northern Cape at R1,580,000. Beyond this, the Western Cape continues to yield year-on-year growth. The change in median asking price YOY for September reflects a 3% growth for the Western Cape. This promises hope for property investors that the Cape will continue to be a safe investment option,” Goslett concludes.

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