

# Positive rental market growth expected for rest of 2019

By [Jacqui Savage](#)

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After an extended period of slow growth for the South African rental market, landlords may well be feeling pessimistic about the future of their investments. Contrary to predictions, however, 2019 is turning out to be a relatively positive year for rental properties, with PayProp's Rental Index for Q1 2019 showing Q4 2018 as a clear turning point for the better.

Most experts are now predicting a return to slow and steady growth as the year progresses.



Image source: Gallo/Getty

## Dispelling the negativity

First of all, I think it's important to dispel some of the negativity surrounding the rental market downturn that we've been experiencing. Just like the property sales market, rental markets are cyclical with natural ups and downs, and the recent 'down' was neither completely unexpected nor without a valuable purpose.

Every market needs periods of growth and periods of price realignment to keep in sync with consumer affordability and demand. While landlords may not enjoy the slower growth of realignment periods, they do protect the value and sustainability of rental properties in the long run.

In terms of the actual impact on rentals, we saw landlords in some areas having to drop rentals as much as 6-8%. That's obviously a huge shock to the system, but it's also not the total picture. Our national rentals portfolio consistently delivered above-inflation returns throughout this challenging period, proving that – even in tough times – well-managed rental properties are a solid and stable investment.



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## Market turnaround

As for a market turnaround, 2019 has already exceeded expectations, with May and June turning out to be the best months Rawson Rentals had seen since its inception. Despite this positive trajectory, however, landlords should not expect an instant return to 10% per annum rental escalations. This is an easy recipe for creating an untenable property.

Growth is slowly recovering, but the market is still extremely price sensitive. Even well-priced rentals are experiencing high vacancy rates, particularly above the R12,000 per month threshold. Overpriced properties, or those with unrealistic escalations, are losing tenants left, right and centre as consumers tighten their belts in these tough economic times.

Tough times, and a relative abundance of rental properties on offer means tenants are also more inclined to negotiate on rentals, seldom paying the sticker-price with no questions asked. This has extended the average tenant placement process to several weeks rather than a few days, as in previous years.

This new emphasis on rental negotiation makes it even more important to have a skilled and experienced agent on your side. One who is well-acquainted with normal rentals in your area and can help you position your property to get sufficient interest from the right kind of tenants. Finding the right tenant has become key in an economy where more and more people are falling into debt. This has made a thorough vetting process a non-negotiable for any savvy landlord.



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## Tenant vetting

If there is one piece of advice I could offer landlords, apart from keeping rental escalations reasonable, it would be to ensure all prospective tenants are vetted as thoroughly as possible. Cutting corners here, or failing to check that your rental agent is doing their due diligence, could put you in a very difficult position down the line.

Landlords should also not skimp on their maintenance duties, as incidents of tenants placing landlords in breach of contract are on the rise. Tenants are very aware of their rights and aren't putting up with landlord negligence. Trying to keep costs down is understandable, but if you want to hang on to good and loyal tenants, you need to do your part.

Despite the sensitive market and added complexities of the tougher economic climate, landlords have every reason to be positive about the future.

We fully expect to see a continuation of this early growth trend as the year progresses, and landlords who are willing to adapt to the market will see solid returns in the months to come. For now, hang tight and listen to the advice your rental

agent gives you. Their experience will guide you through any challenges with the least possible fuss.

## ABOUT THE AUTHOR

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