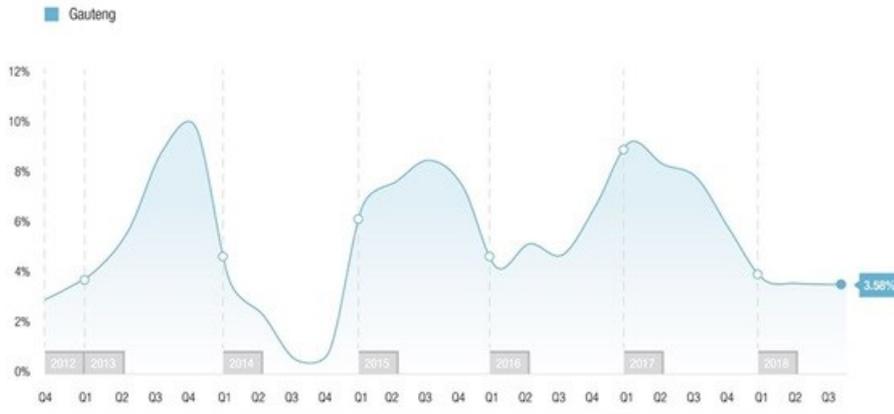


A turning point expected for Gauteng

By contrast, Gauteng has shorter rental cycles with clearer peaks and troughs. We expect to see rental growth recovery in the first half of 2019, after experiencing six consecutive quarters of declining growth in Q3 2018.



The rise of developer landlords

While we expect growth to pick up for these two provinces (as well as most others and nationally) in 2019, we don't expect figures to reach levels previously seen, at least not in the short- to medium-term.

The reason for this is simple – supply is relatively inelastic. High rental and capital growth rates in major residential markets attract developers, who respond by building many units at once, effectively flooding the market with residential units. They then rent these units out below the going rate while achieving the same profit margin due to economies of scale and little to no commission cost. This has a huge impact on rental prices due to the volume of developer rental supply.

Quantity over quality

Lower rents are definitely attractive in the current economic climate, which is why many tenants opt to move to cheaper alternatives, often giving up “luxuries” such as premium service and personal relationships with their rental agents.

Added to this, high supply volumes and low rents from developer-landlords are hurting traditional estate agents, and will continue to do so in the year ahead.

The outlook? As long as there is oversupply in the market and demand plays catch-up, rental growth rates won't return to the 6%-7% levels that were once the norm.

ABOUT JOHETTE SMUTS

Johette Smuts is head of data and analytics at PayProp, a processor of rental payments for the property management industry. In addition to being a CFA charterholder, Smuts is a Stellenbosch University graduate with a BCom honours degree in financial risk management. She is the author of the *PayProp Rental Index* - a quarterly guide that outlines trends in the South African residential rental market.

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