

Cape Town's rental resurgence bodes well for market

While Cape Town's rental property sector has been on a veritable rollercoaster ride in recent years, an encouraging start to 2022 bodes well for the year ahead, according to Lorraine-Marie Dellbridge, rentals manager in the area for Lew Geffen Sotheby's International Realty.



Source: Supplied

Specialist credit bureau TPN's report on the fourth quarter of 2021 revealed that nationally, average rentals increased by only 0.4%. There was also a notable increase in demand and a decline in vacancies during the same period. This was certainly true in the Western Cape, where a spike in demand saw vacancies drop from 14.4% in Q2 to 11.4% in Q4, with Cape Town's popular Southern Suburbs faring better than most with a low vacancy rate of 7.8% in the fourth quarter of 2021.

"After a bumper year in 2019, the market ground to a halt in March 2020 and for the remainder of the year we were literally taking one step forward and two steps back," says Dellbridge.

"For every lease signed, another property – or even two - became vacant and agencies saw very little, if any, growth in their portfolios with the only real activity being an influx of short-term rental properties into the long-term market towards year-end – and at far lower prices - due to the impact of travel restrictions.

“However, last year, the resurgence of semigration, the reopening of universities and increasingly realistic pricing expectations from landlords kicked the market up a gear or two and we were finally able to let the properties that had been vacant for some time.

“Enquiries from students looking for affordable accommodation are back to pre-Covid numbers and, interestingly, instead of semigrant enquiries predominantly being from families, a large percentage are now from single young professionals.”

Dellbridge notes that although there was a marked increase in enquiries from KwaZulu-Natal tenants for several months after the July riots, the majority of upcountry tenants are once again from Gauteng.



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Landlords should proceed with caution

However, although it's indeed encouraging that the Western Cape currently has a market strength index of 51.93 compared to the national index of 47.2 (at 50, supply and demand is in equilibrium), Dellbridge cautions landlords against being blasé or overly optimistic.

“Placing a quality tenant still very much depends of the type of property, the condition of the property and pricing.

“The fact remains that a new build will garner a higher rental – especially if it includes a pool and a gym and 24-hour manned security - and, unless it's student accommodation, unfurnished properties will let faster.

“It's also important to remember that rental prices have dropped considerably in the last four years so it's important to be realistic about pricing because not only is an empty property not yielding any return on investment, it's also vulnerable to vandalism, looting of fittings and cable theft.

“And, if possible, don't take more than a day to approve a tenant because they do keep looking. We've had a few cases where the landlords took more than a week to decide and by the time we went back to the tenant with the landlord's approval, they had already signed a lease elsewhere.”

Dellbridge concludes: “The year has started on a much more positive note than it has for two years and there is certainly reason for cautious optimism.

“However, the rental sector is still under pressure and landlords should remember that an investment property is only an asset when it is bringing in rent and when it's vacant, not only is there no rental return, landlords still have to fork out money for costs such as rates and levies.”