

# Rental and housing markets could see boost from potential rate cut

The rental market suffered from much volatility during 2017, as reflected in the PayProp Rental Index Annual Review.



Image source: [www.pexels.com](http://www.pexels.com)

According to [the report](#), it kicked off with rental growth spiking in January with weighted year-on-year (YoY) growth peaking at 8.3% before dropping to 6.34% in July, dipping down to less than 5% in November and then experiencing a slight uptick at 5.75% in December.

This year (2018) a rate cut could be on the cards, which is bound to provide some relief to consumers. “Economists are talking about a possible rate cut, which will boost not just the economy but also the rental and the housing market. However, nothing is set in stone and things can ‘reshuffle’ in an instant,” says Johette Smuts, head of data and analytics at PayProp.

Smuts cautions tenants to be prudent with any savings they may benefit from as a result of a rate cut. “Rate cuts can provide savings but it’s key to keep those savings aside in 2018 as we feel there will most certainly be a continuance of pressures and uncertainty that we experienced last year,” says Smuts.

## Rising rent levels

As testament to the pressures, the PayProp Rental Index showed the weighted average national rent for Q4 of 2017 was R7,308 – up from R6,934 the year before. Meanwhile, the weighted average national damage deposit ratio was stable throughout the year, staying between 1.27 and just above 1.28 times the average monthly rent. “This is in line with what we’ve seen in previous years – since 2015, this number has varied between 1.25 and 1.29,” says Smuts.

The average credit score improved over the last two years, showing that tenants have become a bit more savvy when it comes to managing their debts. Credit scores rose from 633 in the fourth quarter of 2015 to 635 in the last quarter of 2017. “The percentage of tenants with major delinquencies remained stable at 36% in 2017 – an improvement from two years before, when the number was 40%,” says Smuts.

## Western Cape still fetching the highest rentals

The Western Cape (WC) was once again the most expensive province to live in as it attracts the highest rent. Average rent in the WC stands at R8,777, followed by the Northern Cape at R8,211 and Gauteng at R7,692. All three provinces beat the national average of R7,308, while the North West boasted the lowest average rent at R4,990.

“The average rent in the North West was the lowest of all the provinces in Q4 in 2017, despite an increase of 8.6% from Q4 in 2016. Meanwhile the WC has been the most expensive province to rent in and one with the highest growth rate for some time now and this continued to be the case in 2017.

“At this stage it’s too early to tell if the water crisis will have any impact on the rental market in the WC. Rentals in the WC are still rising but with the average income in the WC standing at R35,021 compared with the average national income of R32,523, tenants in the province are better equipped to deal with such increases than those in most other provinces,” says Smuts.

Smuts believes it’s unlikely that the rental market will see any relief from the volatility it experienced last year. “The volatility will in all probability continue into 2018, with the economic and political uncertainty expected to increase leading up to the national elections in 2019.

“The good news is that tenants appear to be in better shape than they were two years ago. Being prudent with credit and borrowing will be vital in 2018 as economic growth is still expected to be low for this year, so tenants will still feel the pressure,” says Smuts.

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