

Cape Town Southern Suburbs rental market to remain in doldrums in 2018

The traditionally robust Southern Suburbs rental market in Cape Town was beset by a number of unprecedented challenges last year, says Lorraine Dellbridge, rental specialist for Lew Geffen Sotheby's International Realty in the area.



"The political situation and deepening water crisis precipitated numerous exacerbating factors, including a notable decline in semigration. For the first time in years, there was an abundance of stock available and many of the properties proved very difficult to let, especially at the upper end of the market.

"There was also a notable drop in demand for houses with gardens and lawns that need to be watered and even the estate homes did not move as fast as we would have liked them to. Toward the end of the year it was evident that landlords were feeling the pinch of their investments standing empty and many had to adjust their prices."

Pockets of resilience

Dellbridge adds that this trend has continued into 2018 with reductions of up to R10,000 already seen in a bid to secure tenants. There are, however, pockets which have been far more resilient, suburbs where demand is high, stock is low and investment buyer interest is still keen. One of these areas is what Dellbridge refers to as "student central", suburbs in close proximity to UCT.

“Entry and mid-market properties are still very much in demand, especially apartments and older houses. There is also major movement in the lower end of the market in Muizenberg where one can rent a reasonably sized two-bedroom apartment in a newish development for between R6,500 and R8,500 a month.”

The PayProp Rental Index Annual Review of 2017 clearly shows the rental markets steady decline throughout the year after kicking off the year with a year-on-year growth peak of 8.3% before dropping to 6.34% in July, and again to less than 5% in November, with only a slight 5.75% in December.

Volatility to continue through to 2019

Johette Smuts, head of data and analytics at PayProp, believes it's unlikely that the rental market will see any relief in 2018. “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.”

Lew Geffen, chairman of Lew Geffen Sotheby's International Realty, says that now more than ever it's essential for landlords and investor buyers to do their homework.

“Knowing what drives supply and demand of rental stock in your province is very important when looking at the bigger picture as it will allow you to position your property within the market. Ultimately, a well-priced home in a sought-after area, especially those in close proximity to amenities like good schools, will always find a tenant.

“It is also critical to have realistic rental expectations and to remember that, especially in the current economy, it is far more costly to have a property stand vacant for several months than to reduce the rental.”

Dellbridge concludes: “The best bet for investment buying in the Southern Suburbs this year is the sectional title sector. Good two- and three-bedroom apartments or low maintenance townhouses with rentals of under R15,000 will always be in demand and not only because they are more accessibly priced. People simply don't want to pay for a place that they cannot fully enjoy and with the water crisis, gardens and pools can be a burden instead of a joy.”

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