

## PayProp Annual Review of 2019 released

According to the PayProp Annual Review of 2019, rents in Gauteng overtook those in KwaZulu-Natal and the Northern Cape during the past year. With an average rent of R8,360, Gauteng is now the second-most expensive province in which to rent after the Western Cape.



Johette Smuts

Tenants in the province paid 3.66% more in Q4 2019 than in Q4 2018, a rate of growth that was slightly faster than the average national increase of 3.27%. Meanwhile, the average Gauteng damage deposit ratio of 1.22 times the monthly rent came in slightly lower than the national ratio.

In addition to purely financial rental data, the PayProp Rental Index also tracks tenant credit and payment data.

“While both the average credit score and the percentage of high-risk tenants in Gauteng were worse than the national average, both measures improved from Q4 2018,” says Johette Smuts, head of data and analytics at PayProp.

“The former was 643, up from 640 the year before, and the latter fell from 28.9% to 26.7%.”

Smuts also says average tenant income in Gauteng increased by 3% from Q4 2018 to R32,922.

“However, the rent-to-income ratio also increased slightly from 29.6% to 30.1% (above the national average of 28.9%). At the same time, the debt-to-income ratio decreased slightly to 45.9%, down from 46.3% the year before. Accordingly, the net effect on the affordability ratio was very small – a rise from 75.9% to 76% over the year, leaving 24% of net income after rent and debt repayments.”

## **Negative rental growth for Limpopo**

Limpopo was the only province to experience negative rental growth between Q4 2018 and Q4 2019. The average rent of R7,146 was lower than the previous year (R7,173), albeit by only 0.38%. The province experienced negative year-on-year (YoY) rental growth in all four quarters of 2019, with an average change of -1.4%.

Alongside falling rents, Limpopo was also the only province with a deteriorating average credit score, down from 643 to 636 – well below the national average of 645.

The percentage of high-risk tenants increased markedly from 25.8% to 32.9% – in other words, one in three tenants in Limpopo is now classified as high-risk.

“With the exception of Limpopo, most provinces experienced improvements in their credit metrics, and income growth was also higher overall than the year before,” says Smuts.

## **Another year of subdued national growth**

The 4.2% YoY rental growth rate measured for September 2019 was marginally higher than the corresponding YoY inflation number of 4.1%, but the last three months of the year saw rental growth rates fall back to sub-inflationary levels. Average rents in the last three months increased by 3.2%, 2.5% and 3.6% respectively (measured YoY).

“In 2020, we predict that the factors behind low rental growth – including over-supply of housing, lack of affordability and slow economic growth – will persist. We do not expect rental growth to surpass this year’s projected 4.5% inflation rate,” says Smuts