

Increased housing supply in Gauteng limiting rental growth

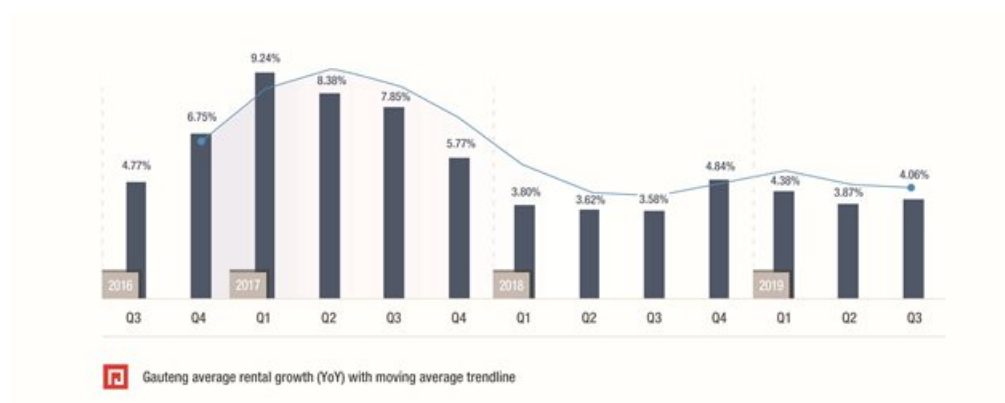
Gauteng landlords can no longer easily demand high rental increases due to below-inflation income growth and an increase in housing supply in the province. This is according to PayProp's Johette Smuts who explains that tenants can simply move to more affordable housing.



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“In this market, the pressure to have a tenant in a property is paramount, meaning landlords must accept lower rent increases to keep their properties occupied,” says Smuts. “Affordability is a real issue amongst South African tenants and the pinch will be felt even more in the new year.”

Smuts adds that the multitude of new housing developments underway in Gauteng is putting downward pressure on rents. “Gauteng tenants have more options in 2019 than ever before.”



Gauteng’s sluggish rental growth is in line with the trend across South Africa. “The national rental market has had its ups and downs over the last few years, but in recent months it has been quite uneventful when considering average national rental growth,” says Smuts.

National trends

However, she points out that national trends don't always apply across all provinces. "The reason for this is that different provinces (and even cities and towns) experience different economic forces that drive the supply and demand for rental properties."

Over the last three years, though, Gauteng's rental growth has been close to that of the country as a whole, albeit with more pronounced peaks and troughs. The current rate of 4.06% is very much in line with the 3.99% national average, and a long way from rental growth of more than 9% in 2017.



Rental growth in Gauteng peaked in Q1 2017 and then trended downward until Q4 2018, just as it did nationwide. Since then, rates seem to have stabilised.

"High unemployment levels and low economic growth affect most industries, including the property market, and this is evident in the numbers," concludes Smuts. "Added to that, high supply volumes and low rents from developer-landlords are hurting traditional estate agents and will continue to do so going into the new year."

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