

Cape Town rental property market presenting a mixed bag of tricks

While the recent PayProp State of the Rental Industry Survey found that the key challenges agents currently face are a shrinking viable tenant pool, lower tenant affordability and high arrears, the Cape Town market continues to march to its own drum according to Lorraine-Marie Dellbridge, rental manager for Lew Geffen Sotheby's International Realty in Cape Town's Southern Suburbs, False Bay and Noordhoek.



Image source: Gallo/Getty

The real issue in the area, she says, isn't so much a lack of tenants, but rather the amount of available stock. "My agents have been running themselves ragged with viewings this year so there are definitely enough tenants out there, but actual applications and signed leases are comparatively few and far between as prospective tenants, faced with a wide choice, take their time to commit to one property.

Overstocked rental sector

"This has been an issue since before Covid-19, albeit that the high stock volume is partially due to the fact that Airbnb properties have been flooding the market since lockdown, the rental sector has actually been overstocked for some time due all the new development in recent years."

She adds that another stumbling block to securing a tenant in such a market is when landlords don't realise the stiff competition their properties are facing and aren't willing to adjust their rental expectations.

In the equally popular Winelands area, the main issue is also high stock volumes rather than fewer potential tenants.

“Generally speaking, we have seen good activity again in recent months and have leased out most of our stock, but we are facing the same problems as the sought-after areas in Cape Town,” says Chris Cilliers, CEO and co-principal for the group in the region.

“We don’t have as many holiday accommodation properties entering the market as they do, but the student accommodation sector has been impacted with many of those properties entering the general rental sector and tenants are spoilt for choice, especially in Paarl and Stellenbosch.

“As a result, the number of actual leases signed also don’t match the number of enquiries and requests for property viewings we receive.”



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Pricing another key factor

And, according to Cilliers, pricing is another key factor, with the stock levels discouraging tenants from committing as they think they may find something better, although competitively priced homes tend to be snapped up quickly.

“Some tenants also assume that landlords are desperate and therefore think that they can secure rental properties at a large discount, but this is not our experience. And although landlords may have not increased their rentals, they have also not been accepting very low offers.”

Arrears have also not become a major problem yet in many areas, with Cilliers and Dellbridge both reporting low incidences thus far, although some landlords did have to offer relief during the higher lockdown levels.

“Generally, we have managed to keep our payments on track,” says Cilliers, “but what has been more of a challenge is credit worthiness and we have had to turn down more applications due to affordability and low credit scores.”



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Impacts of Covid-19 far from over

Dellbridge says that although her office has thankfully not had to deal with many cases of rental arrears thus far, it’s imperative for every rental office to have the correct systems in place as the impact of Covid-19 on an already weak economy are far from over.

“First and foremost, communication between both parties is key. Familiarise yourself the legal process and regulations and, when needed, implement them immediately and establish a payment plan.

“As soon it becomes obvious that a tenant can’t afford the rental, rather cut your losses and rather try to find a new tenant who can. This will relieve the stress on all parties concerned.”

The best advice Dellbridge can offer landlords in the current market is to be realistic about price in an overstocked market and to remember that an empty property is not an investment, it’s a liability.

“Know your market and be competitive. In Cape Town, prices are very much based on the immediate area in which it’s situated and the finishes of the property.

“Just because another apartment reached a certain rental in the same block does not mean you will reach the same rental unless your property is the same size or bigger, along with the same or higher quality finishes.”



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A little research goes a long way

Dellbridge says that a little research goes a long way and it’s important for landlords to take a look at the competition in their immediate and even adjoining suburbs to determine where their property is situated in terms of marketing.

“In other words, how many web pages of similar but lower-priced rental properties will potential tenants view when searching online? If your property is on page four of a popular rental website, the chances are tenants will never view the ad.

“Bear in mind that tenants are not only looking to meet their needs, but also a budget – and if they find a property that meets their needs at a lower price – so much the better.”

She adds that during challenging times like these, using an agent is invaluable as they have access to a host of resources that a landlord won’t have, including thorough credit checks and general tenant vetting.

“Agencies work on a commission basis, usually 10%, which is a very small price to pay for securing a reliable long-term tenant and for never having to deal with sorting out problems, ensuring rent is paid timeously or even having to handle day-to-day issues that invariably crop up.”

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