

Rentals on the rebound in Joburg as many now opt to rent rather than buy

According to Chris Tyson, chairperson of Tyson Properties, current economic constraints are impacting first-time and middle-market home buyers, making it difficult to enter and remain in the property market.



Source: Gallo/Getty

"Many are choosing to rent whilst they ride out this period of uncertainty. Those who are budget conscious are opting for a fixed rental cost rather than a fluctuating bond repayment," Tyson says.

Tyson Properties Johannesburg has seen its rental book grow by 100% in six months, he notes, with the growth spurt expected to continue and increase by another 100% over the next year.

Francois du Toit, Tyson Properties' Johannesburg director, agrees, saying that, for now, there are a relatively large number of rentals available with secure complexes being the most popular. When it comes to location, he says that the rental rebound means that all areas within greater Johannesburg are showing growth.

According to Sharon Kayise, a Tyson Properties rental agent in Johannesburg, some people are left with no choice but to rent because the cost of living continues to rise, interest rates may be hiked while inflation remains above 7% and energy costs continue to eat into disposable income.



Sharon Kayise, Tyson Properties rental agent in Johannesburg

However, for others, this is a positive lifestyle choice. For example, people in their twenties are at the start of their careers and need the flexibility to move where their jobs take them. Empty nesters who no longer need large homes but have yet to decide where they wish to retire are selling up and renting while they make up their minds. Still others like to live close to where they work and can rent a far better and more suitable property than one for which they would get a home loan approval.

This positive approach to rentals is reflected in recent data published by TPN Credit Bureau for the second quarter of 2022 which showed that tenants are prioritising their payments despite economic challenges. The number of tenants in good standing with their monthly rentals improved from 80.78% in the first quarter to 82.22% in the second quarter. Researchers expect this to continue throughout 2023.



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Hangover from pandemic period

Kayise admits that there is still a hangover from the pandemic period as people attempt to recover from the longstanding economic impacts which have been compounded by present day issues such as load shedding and high fuel prices. This has had a domino effect on South Africa's property market, turning the sellers' market of the pandemic period into a buyers' market.

However, when one door closes, another always opens and Kayise says that this presents exciting opportunities for those in the invest-to-let market which has increased considerably to keep up with demand.

"This is a good investor buyer market because some home owners are under pressure. There is an uptick in investor

properties and this trend will continue,” she notes.

Kayise recommends that would-be investors focus on properties priced up to R1.5m. “The lower the price of the property, the better the return for the landlord / investor. There are more tenants in this price range and it is easier to sell this sort of home down the line.”



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While a wide range of rental properties is on offer in Johannesburg – from lifestyle estates in the suburbs to apartments with prices spanning everything from R6,500 to R55,000 a month, she says rentals are particularly suitable in central locations where estate living is not possible and gyms, restaurants and entertainment are usually close by.

Her tips for both existing and new investors is to prioritise properties that already have tenants with good track records. Where this isn't possible and new tenants have to be considered, she advises landlords to carefully calculate their expenses for each property in order to arrive at a clear idea of the income needed. This will then cover bond repayments and enable them to benefit from capital growth.

“I also recommend that landlords deal with a professional company that ensures the proper pre-rental checks are done to lower the risk of renting out properties,” she says.

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