

Fewer Apartments Stand Empty

Buy-to-let property investors finally have something to cheer about, with latest data pointing to an improved outlook for residential rental growth.

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Figures from property economists Rode & Associates show that the number of empty rental units has shrunk noticeably in recent months. The average flat vacancy rate across South Africa has dropped from a peak of around 6% in fourth quarter 2009 to the current 4%.

John Lottering, editor of the quarterly Rode Report, says it appears that the increased take-up of rental properties in 2010 is already placing upward pressure on rentals. What's more, says Lottering, in some regions year-on-year growth in fourth quarter 2010 has accelerated to rates that are at least on a par with consumer inflation of 3% to 4%. From mid-2009 to mid-2010 most regions delivered zero growth in rentals.

Michelle Dickens, MD of credit bureau TPN, notes a similar trend. Writing in TPN's latest overview of the SA rental property market, Dickens says industry players are noting a definite shift in demand and supply patterns. In areas where rental properties are priced below R7 000/month a shortage of stock is even developing, which bodes well for future rental growth.

Dickens says TPN's latest data on rent collection also suggest that tenants' financial position and ability to pay their rent has stabilised. Some 81% of all tenants were in good standing in fourth quarter 2010. That's still below the peak of around 84% in early 2008, but way up from the low of 71% reported in first quarter 2009.

Dickens cites lower interest rates boosting consumers disposable income and relatively flat or low rental increases over the last two years as key reasons for tenants' improved rental payment profile. "In addition, there are fewer buy-to-let investors currently in the market than a year or so ago, which has helped ease the oversupply of properties to let."

Aida CEO Young Carr says a lack of new residential development activity is bound to create further shortages of rental stock over the next 12 to 18 months. He refers to Stats SA figures that show in December 2010 the value of building plans passed for new flats and townhouses – the properties usually favoured by first time buyers – was 13,5% lower year-on-year.

Carr says that means there is going to be a serious lack of new building in this sector for several years to come. "At the same time, banks' stricter lending criteria are forcing more people who would like to buy a home to rent for longer. And rising demand amid a shortage of supply means one thing: rising rentals."

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