

PayProp Index confirms devastating impact of lockdown on rental market

In November 2020, for the first time since the PayProp Rental Index launched in 2012, growth was negative - the average rent was 0.3% lower than in November 2019. This is according to the recently released PayProp Rental Index Annual Review for 2020 which has confirmed the devastating effects of lockdown on the rental market in South Africa.



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Rental growth dropped from 3.2% in Q1 to 1.6% in Q2, 1.5% in Q3 and just 0.2% in Q4. Expressed in rand terms, the average rent increased from R7,844 in Q4 2019 to R7,854 in Q4 2020 – an increase of barely R10 over the year.



TPN Tenant Survey: 75% of tenants reported loss of income during lockdown

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Rental growth to remain muted

"Affordability remains an important consideration for consumers in general, but specifically among tenants," says Johette Smuts, head of data analytics at PayProp. "As a result, we expect rental growth to remain muted for some time."

Smuts says from a quarterly perspective, average rental growth was already under pressure coming into the year, slowing even before the pandemic took hold. "Four years ago at the start of 2017, rental growth rates were above 7%. Since then, growth trended downward and then sideways (neither speeding up nor slowing down) between 3% and 4% for most of 2018 and 2019. Rental growth in the first quarter of 2020 still followed that trend, clocking in at 3.2%."



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8 Mar 2021



Factors that impeded growth

She says a few factors impeded growth over the year, the first of which being the obvious loss of income due to the lockdown. As a result, tenants simply couldn't afford an increase in their rent. Added to that, there was dramatically less demand for higher-priced properties and landlords were left with little choice but to curb their expectations when setting their asking price.

The second factor is that many short-term and leisure rental properties moved onto the long-term rental market in 2020, after a sharp decline in tourism, both locally and from international visitors. This led to an oversupply of housing – particularly in tourism hotspots like KwaZulu-Natal and the Western Cape, putting further downward pressure on rental prices.

Finally, in 2020 many tenants chose to take advantage of lower interest rates by moving onto the property ladder. This exit of tenants from the rental market meant an additional oversupply of rental properties to the already overstocked pool, further pressuring the rental price.

Download the *PayProp Rental Index Annual Review for 2020* [here](#).

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