

Cape Town sees substantial drop in rental prices

Rental prices in Cape Town have dropped by as much as 30% in recent months, according to Gail Cawood, Knight Frank letting manager. The dip is a result of a surge in sectional title development, penny-wise tenant behaviour and continued economic and political uncertainty, she says.



Image source: Knight Frank Atlantic Seaboard

“There are several key factors at play in the current soft market. What’s the bottom line? We are experiencing an oversupply of sectional title rental apartments in Cape Town, pushing demand – and prices – down,” says Cawood.

Faced with an unprecedented and often alarming rise in apartment rental prices over the last three to four years, young and first-time tenants are forced to consider alternatives. Financially savvy, young professionals, whether single or coupled, are opting to stay with their parents for longer, or to share, co-habit or live in commune, she explains.

Surge in sectional title developments

Furthermore, areas such as Observatory and Claremont have seen a surge of multiple sectional title developments, broadening the scope for tenants and offering opportunities to 'scale down' to less expensive apartments. Cawood notices that tenants have also become more aware of their rights under the Consumer Protection Act. They are submitting to penalties, allowing them to opt out of expensive lease agreements for the sake of longer-term financial benefit.

Since earlier this year, landlords have responded by either waiting it out in empty spaces or by inviting and accepting lesser rental offers, Cawood continues. The latter response has now become the norm and the price drop is significant, up to 30%, with the Southern Suburbs, Atlantic Seaboard and Hout Bay the areas most affected.

“One year ago we were offering a two-bedroom apartment in the southern suburbs for R15,000 per month. Today this has come down to R12,000. The price of larger townhouses, above the R30,000 per month mark one year ago, has dropped to around R25,000.”

In the current soft market, Cawood’s advice to landlords is to carefully consider the value of good, secure and paying tenants when renewing rental agreements and enforcing contractual increases. “Stay informed, acknowledge current trends and manage your portfolios in a realistic and responsible manner,” she concludes.

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