Vacancy Survey

Residential Sector
Q2 | 2018

Vacancy Rates increase marginally for the second quarter in a row

In This Edition:

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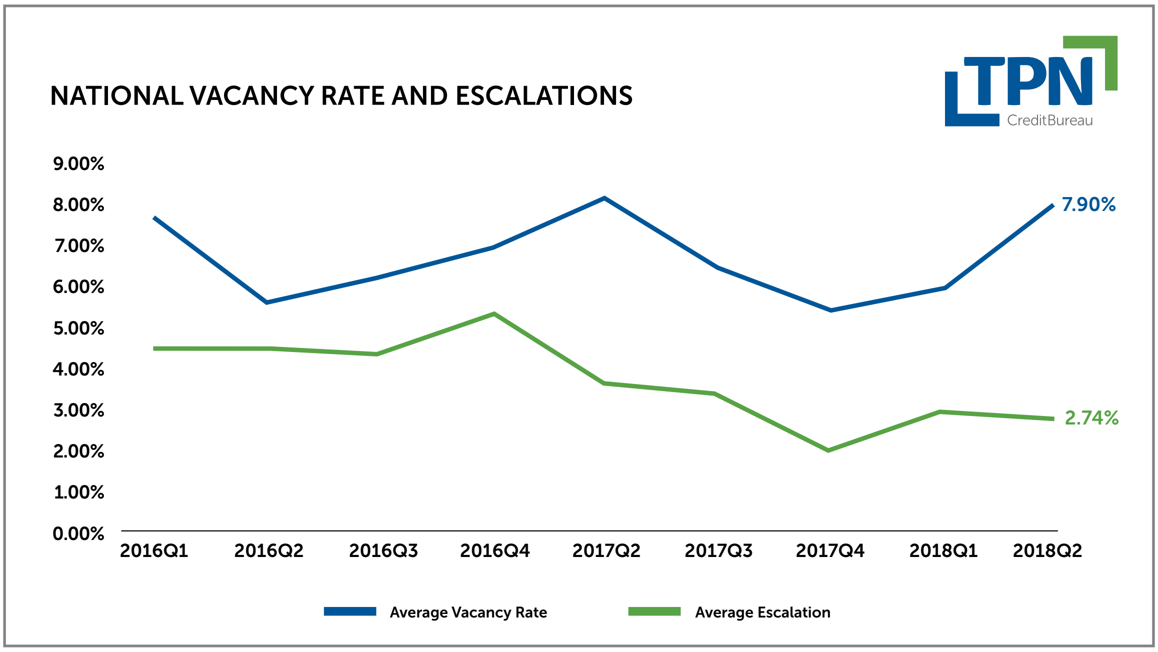
Vacancy Rates

The TPN Vacancy Survey asks estate agents and landlords to submit quarterly feedback on how many properties they manage and how many of those managed properties are currently vacant.

For the purpose of this survey, a vacant property is defined as a property which is unoccupied and on the market for immediate occupation. In other words, a property which has not been held back for a reason such as maintenance.

The national vacancy rate for 2018 Q2 has risen for the second quarter in a row to 7.9%; driven by high vacancies in both the lower end of the market at 13.2% for properties that rent for below R3,000 per month and 14% vacancies for property with a rental amount greater than R12,000 per month.

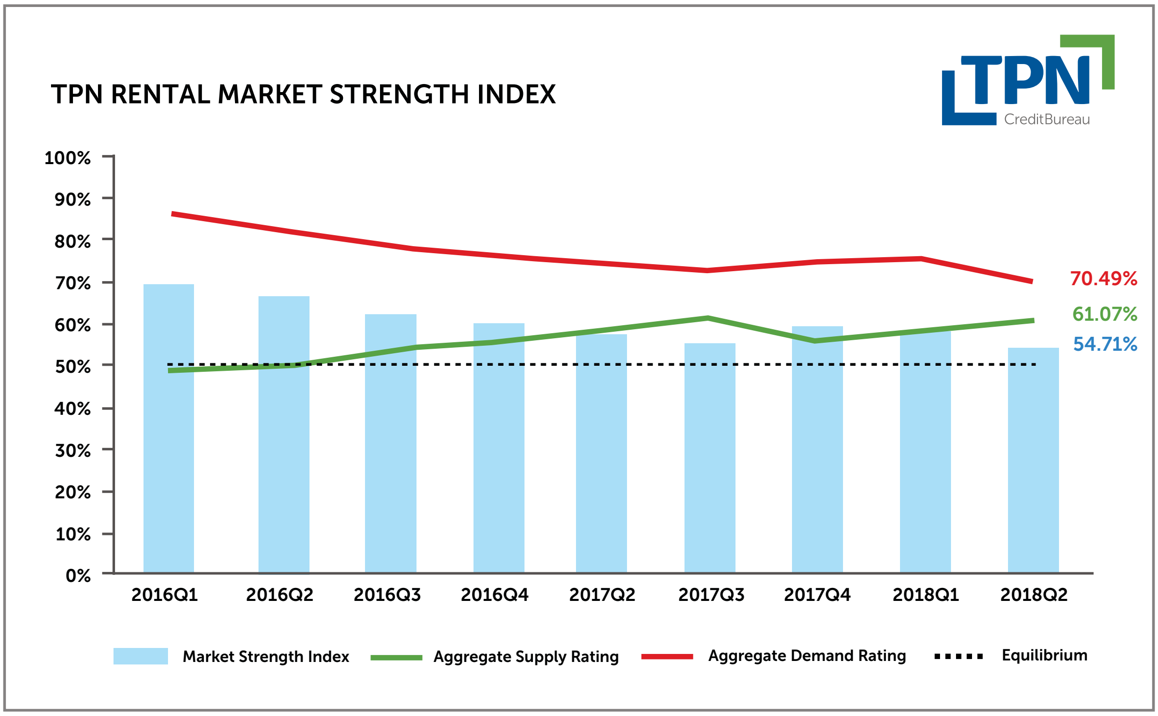


Market Strength

In order to quantify the Rental Market Strength, the TPN estate agent and landlord survey asked respondents to rate supply and demand in their area.

Respondents simply indicated whether demand is strong (100), average (50) or weak (0), and whether supply is strong (100), average (50) or weak (0). The data is aggregated to provide a Demand Rating and a Supply Rating. The difference is the Market Strength Index where a result of 50 would suggest a market in equilibrium.

The national market strength still indicates higher demand than supply for rental property although the demand rating of 70.49 has been declining and supply rating of 61.07 has been increasing, moving to the overall market strength index of 54.71 and closer to the 50 mark of equilibrium.



It's All About the Value

Overall, across all rental price bands, vacancies are up coupled with a deterioration in the market strength index - albeit there is still greater demand than supply helping to maintain the investor's market.

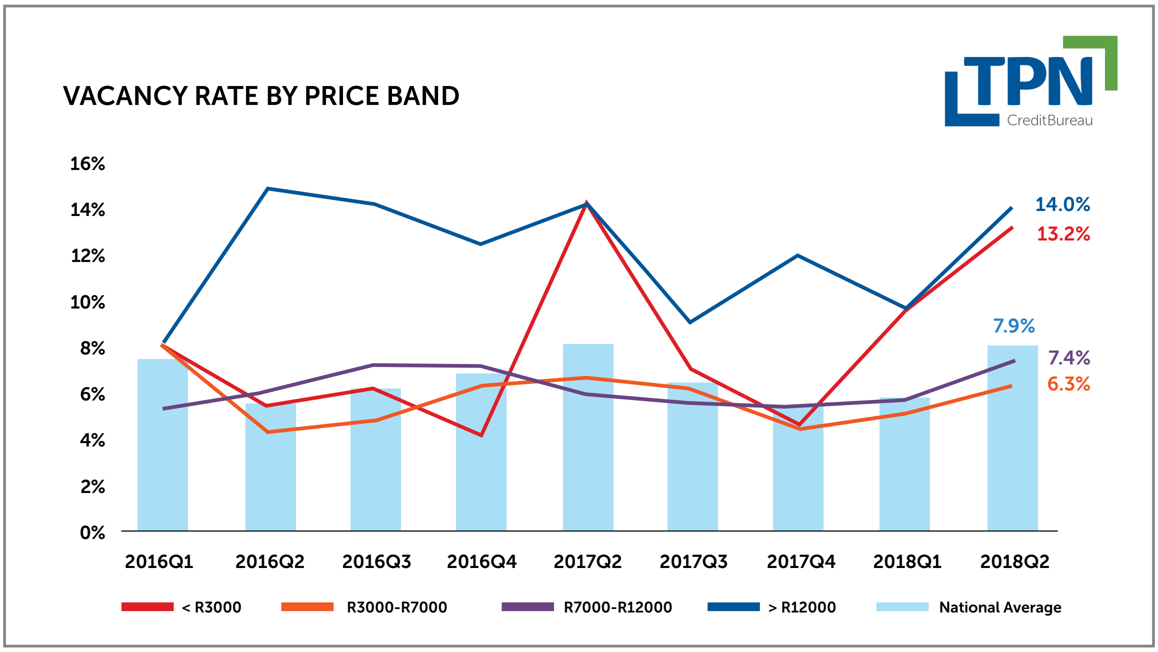
	Vacancy	Good Standing	Market Strength	Market Share
National Vacancy	7.90%	82.64%	54.7%	n/a
< R3,000	13.20%	73.19%	59.3%	19.3%
R3,000 - R7,000	6.30%	84.29%	56.3%	54.1%
R7,000 - R12,000	7.40%	87.34%	54.2%	18.7%
R12,000 - R25,000	14.00%	84.82%	52.5%	6.3%

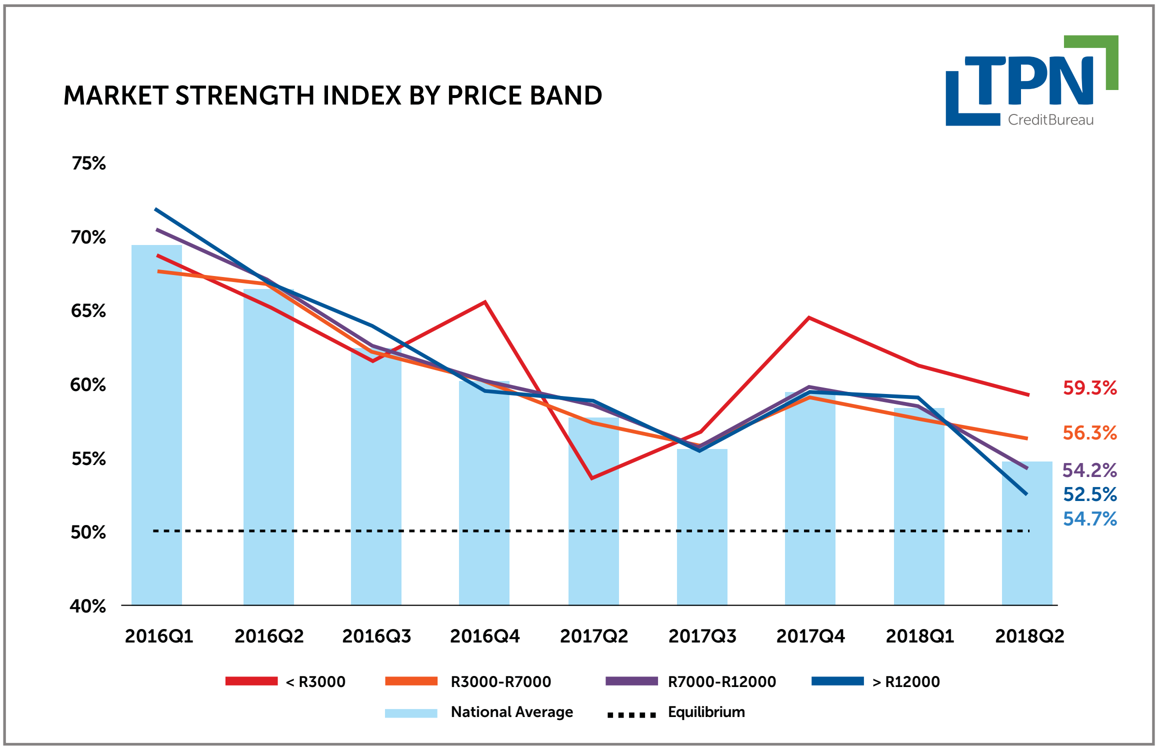
Impressively, investors in the R3,000 to R7,000 per month rental range remain the majority suppliers of residential property stock at 54.1% market share; they also enjoy the lowest vacancy rates of 6.3% and above market average tenant in good standing rate of 84.29%.

Investors in the R7,000 to R12,000 bracket also enjoy lower than average vacancies of 7.4% but enjoy the highest segment of quality tenants with 87.34% of tenants in good standing.

The most volatile tenants rent for less than R3,000 per month. It is still too early to tell but TPN notes a higher increase of vacancies in the second quarter of each year, 13.2% in 2018 Q2, this correlates with an interesting annual June spike in escalations which may impact affordability for many lower income tenants.

It's All About the Value Continued...





Location, Location, Location

Nationally, for the second quarter of 2018, estate agents and landlords in all provinces confirm stronger tenant demand than supply.

But as the saying goes, the devil is in the detail and the Western Cape trend is worrisome for investors: the Western Cape market strength index has shifted dramatically downwards from 71% to 55.7% quarter-on-quarter, coupled with a nearly doubled increase in vacancy rates from 4% to 7.5% quarter-on-quarter. And in addition, significantly lower escalations which peaked at 14.99% two years ago to nearly half that at 7.86% now.