

Quality tenants are worth keeping, landlords advised

Rental accommodation is currently in strong demand in most cities and towns around SA, and landlords are entering 2015 in a good position due to a shortage of such properties - but they should not throw away their advantage by imposing unreasonable rental increases in the next 12 months.

“Despite recent decreases in the cost of food and fuel, most tenants are still feeling the pinch thanks to higher interest rates and much higher water and electricity charges,” says Andrew Schaefer, MD of leading national property management company Trafalgar. “And with further Eskom prices increases ahead as well as the other cost-of-living increases usually imposed in January, such as higher medical aid and insurance premiums and higher school fees, there is bound to be substantial resistance to rental increases that are perceived as unreasonable – that is, more than the current rate of inflation.”

What is more, he says, landlords need to take into account that there is also a shortage currently of quality tenants who pay on time and in full every month, with the latest available figures from the TPN Rental Payment Monitor showing that in the R3000 to R7000 a month category, which accounts for the majority of tenants, only 73% are currently paying on time and in full.

“This situation could get worse in the coming year due to SA’s weak economy and growing employment uncertainty, and as it is tenants with good credit and payment records know that it will be relatively easy for them to find alternative accommodation if their landlord puts up the rent too much.”

Alternatively in tough times, they might just decide to move in with friends or family and be lost to the rental market altogether. And given all this, says Schaefer, landlords should keep in mind the costs they would incur if they had to find new tenants.

“In the first instance, there would be advertising costs and costs associated with cleaning, repairing and perhaps repainting the property. Secondly, the danger of vandalism can increase when properties are standing empty, and they might have to pay for additional security.

“Thirdly, they would of course not earn rental income while the property is being prepared for new tenants and, even at an increased monthly rental for new tenants, it could take a considerable time to make up lost income.”

“In short, they may well find that after looking at what they stand to lose, it will be worth their while to cut their trustworthy tenants some slack this year and keep their rent increases to the minimum.”

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