

## **Rental demand set to rise in 2016 as property-buying declines**

Landlords can look forward rising rental demand in 2016, and this may well increase the number of investors who see good opportunities in buying homes to let.

That's the word from Andrew Schaefer of property management company Trafalgar, who says the demand for rental units is expected to rise in the coming months, thanks to higher interest rates and greater economic uncertainty at home and abroad.

"Rising rates always put a strain on affordability and make it more difficult for prospective buyers to qualify for home loans, especially if they are first-timers who also need to save large amounts of cash to pay a deposit and transfer costs. Many such consumers are thus likely to remain in rental accommodation over the next two years instead of buying their own homes.

"At the same time, rental demand is likely to be boosted by those who decide to postpone a home purchase due to economic and employment uncertainties, and homeowners who decide to sell their properties due to financial pressure and rent instead."

And, he says, this situation is not unique to SA. "Around the world, the current swing towards renting is evident in both the rising average age of first-time homebuyers and declining home ownership levels. For example, according to this year's Global Housing and Mortgage Outlook report from Fitch Ratings, the percentage of homeowners in the US has fallen to 65% from 69% in 2006; that in the UK to 65% from 73% and that in Australia to 68% from 71%."

Another major driver of such changes, Schaefer says, is the digital revolution that continues to enable and even encourage greater levels of self-employment and rapid mobility in order to be able to work on short term-contracts wherever they may be, and then move on again.

"This has given rise to the increased demand in recent years for flexible office space, and demand is similarly rising now for 'flexible living space' - that is, rental homes and apartments that do not bind the occupants to a single location but enable them to relocate relatively easily in pursuit of new work opportunities."

Added to this, he says, is the fact that fewer and fewer people have either the time or the inclination to worry about property maintenance, security and other issues such as insurance and property rates. "Lifestyles have changed radically and there is an increasing view, in our experience, that property ownership is for professionals - that is, for people who make a full-time living out of it with the help of expert management companies such as Trafalgar.

"This is why one will now often encounter people prepared to pay more rent for a property they like than it would cost them to buy one of their own, and also explains the rise in recent years of several large companies that are invested in residential rental properties rather than office blocks and other commercial space."

However, he notes, the supply of rental properties in many parts of the world, and especially in major financial centres, is still running well behind demand, and that means that rentals are also set to keep rising, despite any problems tenants may have in keeping up with other cost-of-living increases.

"Indeed, we are already seeing above-average increases and returns in high-demand areas now, and this is bound to attract more investors to the sector."

"Currently, buy-to-let investors account for only around 10% to 12% of residential property purchases in SA, but we anticipate that this percentage will increase over the next two years, depending on the rate at which new rental units are brought to market."

Trafalgar Press Release