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Rentals improve in Middelburg

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While residential property sales are slow in many areas, rentals have picked up and are showing promise for the immediate future.

Nowhere is this more evident than in Mpumalanga's Middelburg district, where buy-to-let was active during the boom times and now investors are starting to reap the benefits.

"Rentals have picked up by around 40% in the past six months," says Lizette Turpin, franchisee of Realty1 International Property Group's Middelburg office.

"Although the rentals currently being achieved are usually only 70% of the owner's bond repayment, they are still better than they were last year."

Turpin also has plenty of sales stock, due in part to reduced affordability in the wake of recent interest rate hikes, and partly to the latest wave of emigration to other parts of the world. "So many people are leaving, but in a way it's good because it means there are plenty of mandates."

However, many homes will take a long time to sell as they are overpriced. Turpin says that a realistic return in the current market would be between 8% and 12%, but people are still pushing for the 12% to 20% return they might have been able to get last year, when Deeds Office data recorded growth of 33% in the Middelburg property market. "It takes a while, but eventually sellers realise they will have to come down in price to get the property sold."

There are still sales happening. The huge mining communities of Middelburg, Steelpoort and Roosenekal all have workers that need accommodation, and often homes are purchased by labour brokers for foreign labourers brought in from Taiwan and China to work in the mines and the power stations.

Lower income houses are in great demand, and Turpin tells of a new development currently in progress that will comprise 250 new homes in this bracket. "Companies also often buy units to provide their workers with accommodation," she says.

Developments in general have slowed as a result of the power crisis, and some have been declined. However, there is talk of a R60m sale of land earmarked for 2,500 units, but this too is pending approval.

In December 2007 two of the world's largest mining companies, Anglo American and BHP Billiton, announced that they had approved two major new coal projects in South Africa, with a combined cost of about R6,4bn.

BHP Billiton also approved a project in Klipspruit, which will see the mine's capacity growing from the existing 4,8m tons a year to 8m tons a year. In addition, both Kriel and Witbank are expected to become strong growth nodes on the back of Eskom's electricity generation expansion plans for the Mpumalanga Highveld over the next few years.

All this upcoming industrial development bodes well for the century-old property market, where the first erven were sold on 11 March 1867. Middelburg, formerly known as Nasareth - meaning 'root from dry land' - was established on the farm Sterkfontein in 1866.

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