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THE STATE OF SA'S PROPERTY MARKET IN Q1 2025

30 May 2025 · by PropertyWheel_G · 5 min read



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The South African property market demonstrated remarkable resilience in early 2025, standing firm like a lighthouse amid economic and political turmoil.

The resilience is reflected in the recovery of share prices of listed property funds and the declining local long bond yields towards the end of April and during May, signalling renewed investor confidence.

Additionally, the underlying fundamentals of the property market continue to show encouraging signs according to Rode's State of the Property Market Report for Q1 2025.

Rode remains positive about the prospects for the property market for the remainder of 2025, owing to expectations of moderate economic growth, subdued inflation, and lower interest rates compared to 2024.

However, Rode cautions that investors should not be overly optimistic as the global environment remains uncertain with interest rates unlikely to decrease significantly. Furthermore, many issues continue to plague the property sector including the rapidly rising operating costs and inadequate municipal service delivery.

South Africa's **office market** continued its modest recovery during Q1 2025, boosted by the return of some workers to office and by certain companies clamping down on remote work.

Rode found that the average South African vacancy rate for grades A+, A, and B space combined in decentralised nodes was 12.8% in Q1 2025, down from 13.9% in Q1 2024 with vacancies similar in Q1 2025 to Q4 2024 meaning that vacancy rates remain above the long-term average of 9.5% and indicating that the market is still oversupplied – and the weakest of the three main commercial property types.

Weighted gross market rentals for decentralised grade-A space rose nationally by 4.8% in nominal terms in Q1 2025 compared to Q1 2024, marking an improvement over the year-on-year growth of 4.2% recorded in Q4 2024.

Cape Town has been at the forefront of the national office market recovery with decentralised nominal rental growth remaining in the double digits in

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The stronger rental performance in Cape Town and Durban aligns with the results of Rode's vacancy rate data which indicates that vacancies are the lowest in these two cities. All major decentralised nodes in Cape Town had vacancy rates below 10%.

Nominal rental growth in Johannesburg and Pretoria was the slowest among the major cities but also picked up to between 2% and 4%.

Overall, first-quarter rental growth in all major cities, excluding Cape Town, was not fast enough to outpace building cost inflation which is growing by about 8%.

The **industrial market** was the best positioned among the three major commercial property types during Q1 2025 due to low vacancy rates which led to strong rental growth.

Nominal gross market rentals for industrial space of 500m² increased by 7.3% in Q1 2025 when compared to Q1 2024 with the growth rate exceeding the 6.7% recorded in Q4 2024.

Rentals were approximately 25% higher than the pre-pandemic level in 2019 – no small achievement given the weak economy.

Industrial rentals in Cape Town led the way, rising by double digits in Q1 2025 compared to Q1 2024. A Rode panellist active in Cape Town mentioned that *"vacancy rates in most major industrial areas are very low, leaving little opportunity for discounts as stock moves quickly."*

Rental growth was also solid in Central Witwatersrand and the East Rand at approximately 7%. Rode found that the average vacancy rate for the sector was 3.7% in Q1 2025, down from 3.8% in Q1 2024 with vacancy rates having remained stable at just under 4% for the past two years.

The **residential property market** produced flat vacancy rates on a national level that averaged 6.7% in Q1 2025, up from 6% in Q4 2024 according to Rode's residential survey data.

Looking back, vacancy rates have decreased significantly from the highs reached during the pandemic with the decline in national vacancy rates having supported nominal flat rental growth over the past few years – as

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Residential rentals have consistently grown faster than consumer inflation (CPI) since September 2024. The Western Cape experienced the fastest housing rental growth at 5.4% in Q1 2025, continuing its upward trend. This aligns with the province's low vacancy rate which has stabilised at 2% to 3% since 2023. However, affordability remains a concern and could prevent some landlords from raising rents.

In other provinces, rental growth generally decelerated with the slowest growth of +1.2% in Gauteng.

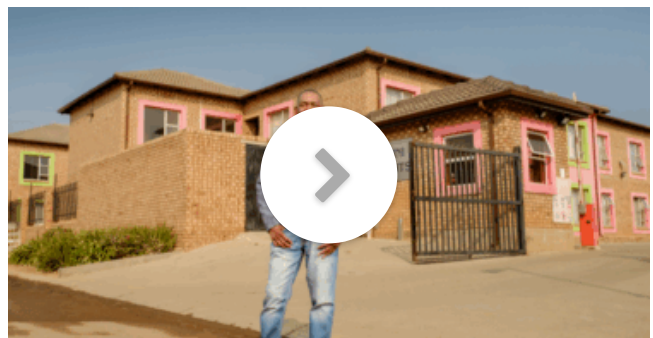
As for house prices, Rode says there are some green shoots emerging. According to FNB's index, nominal house prices increased by 1.8% during the first four months of 2025 which signifies that growth has accelerated after rising by 0.8% in 2024.

However, prices in real terms (after deducting consumer inflation) remain in the negative territory.

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Career Excel Academy:
Construction Project
Management (1 year)

Career Excel Academy:
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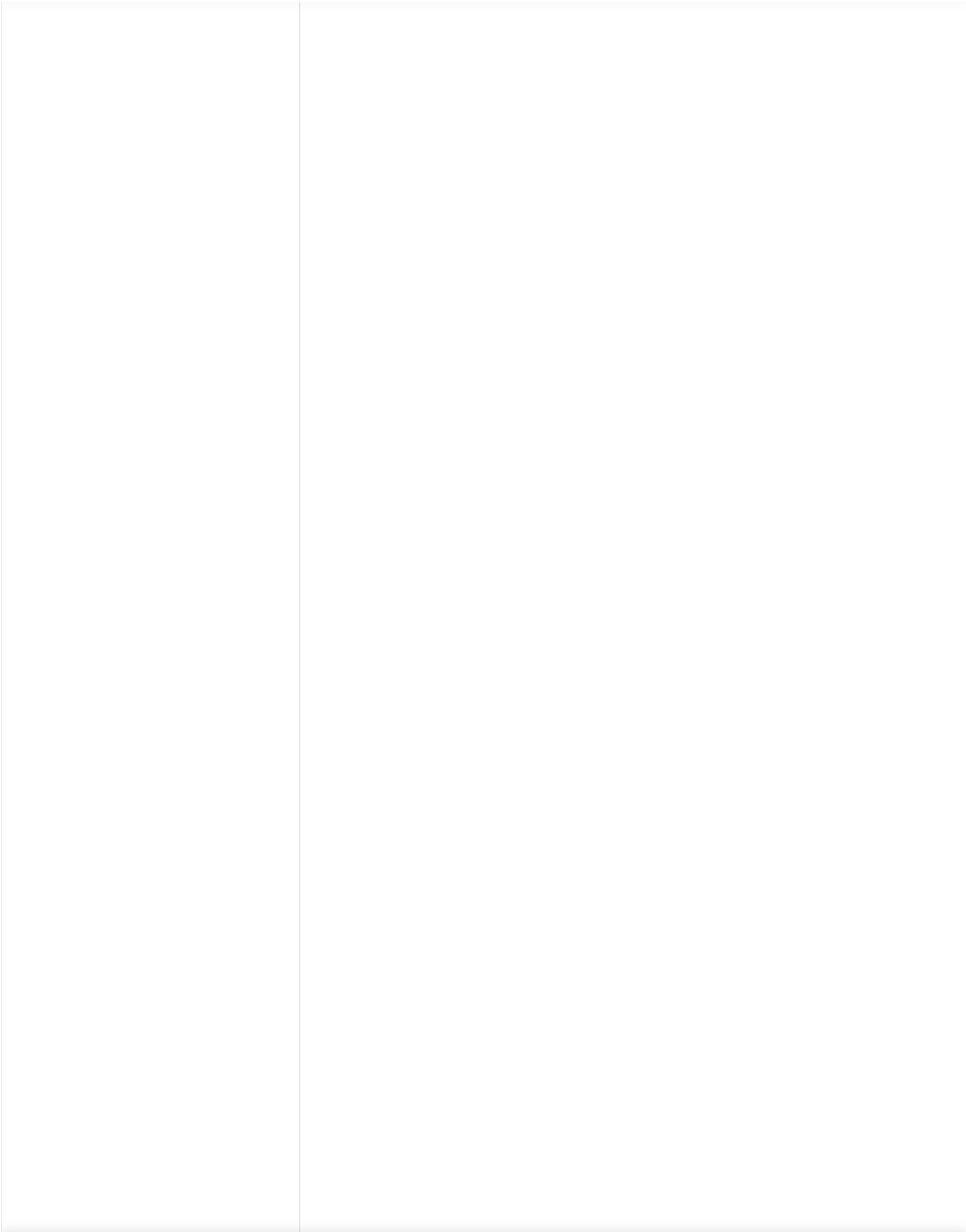
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Sep 2026

M...	T	W..	T	F	S	S
31	1	2	3	4	5	6
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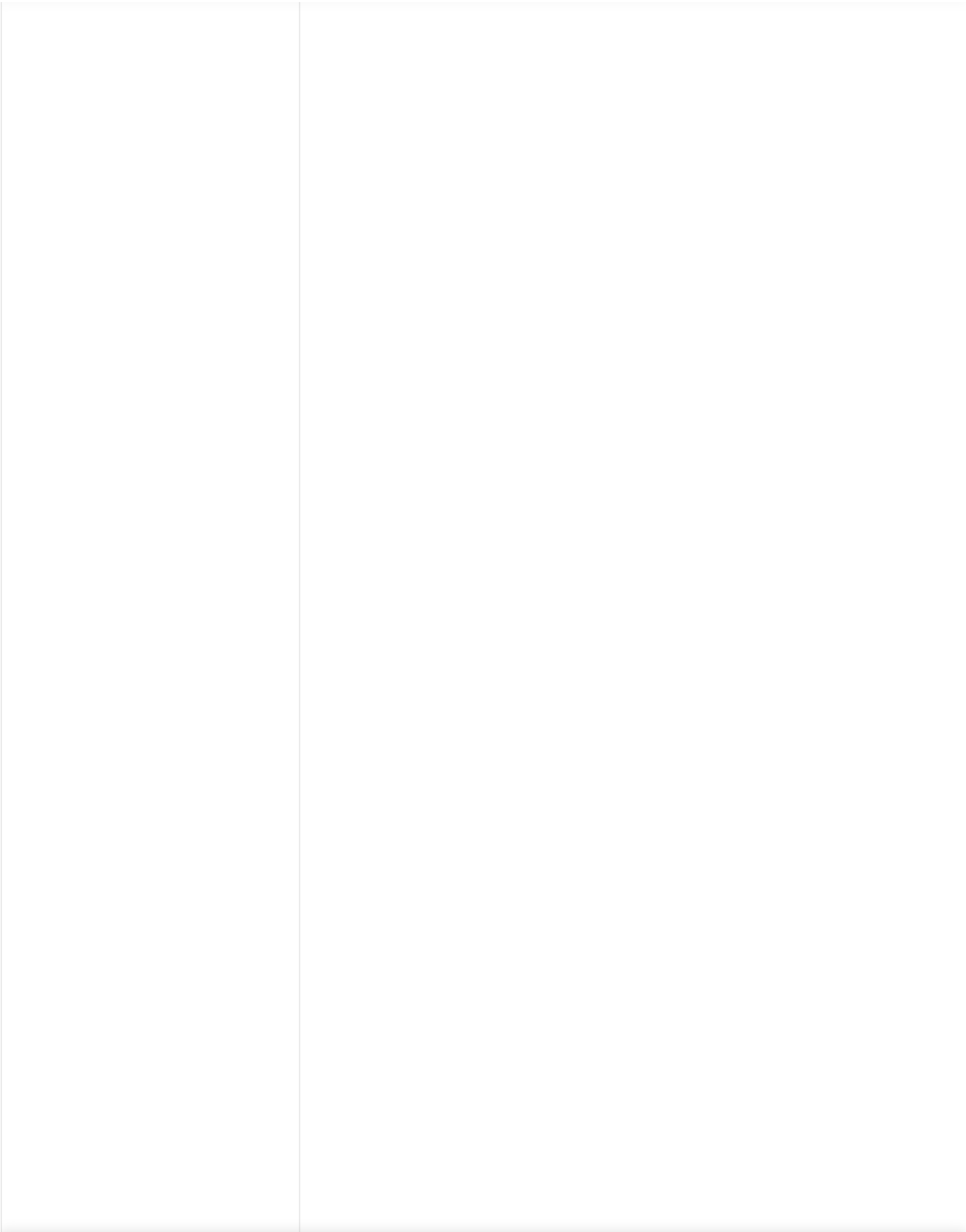
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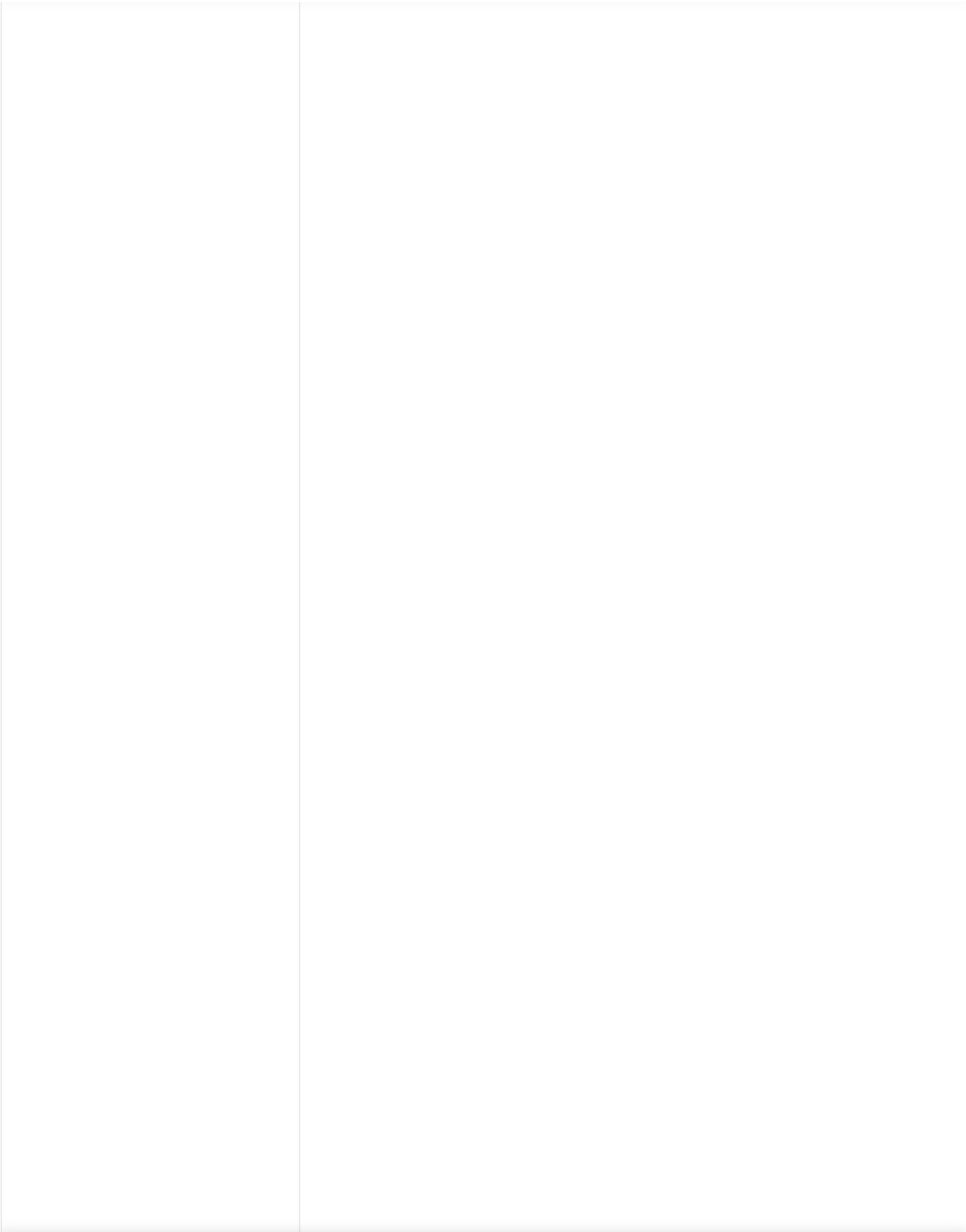
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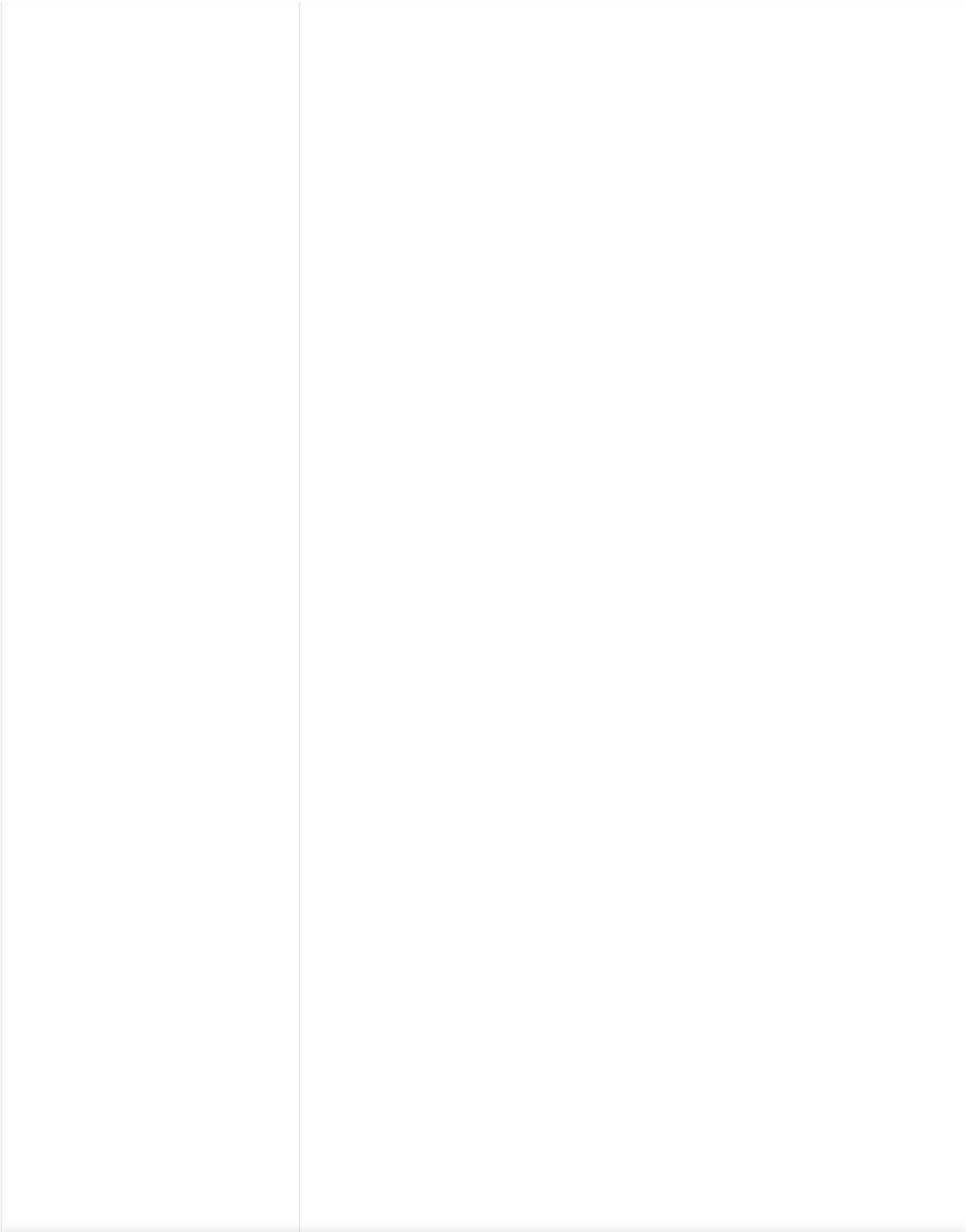
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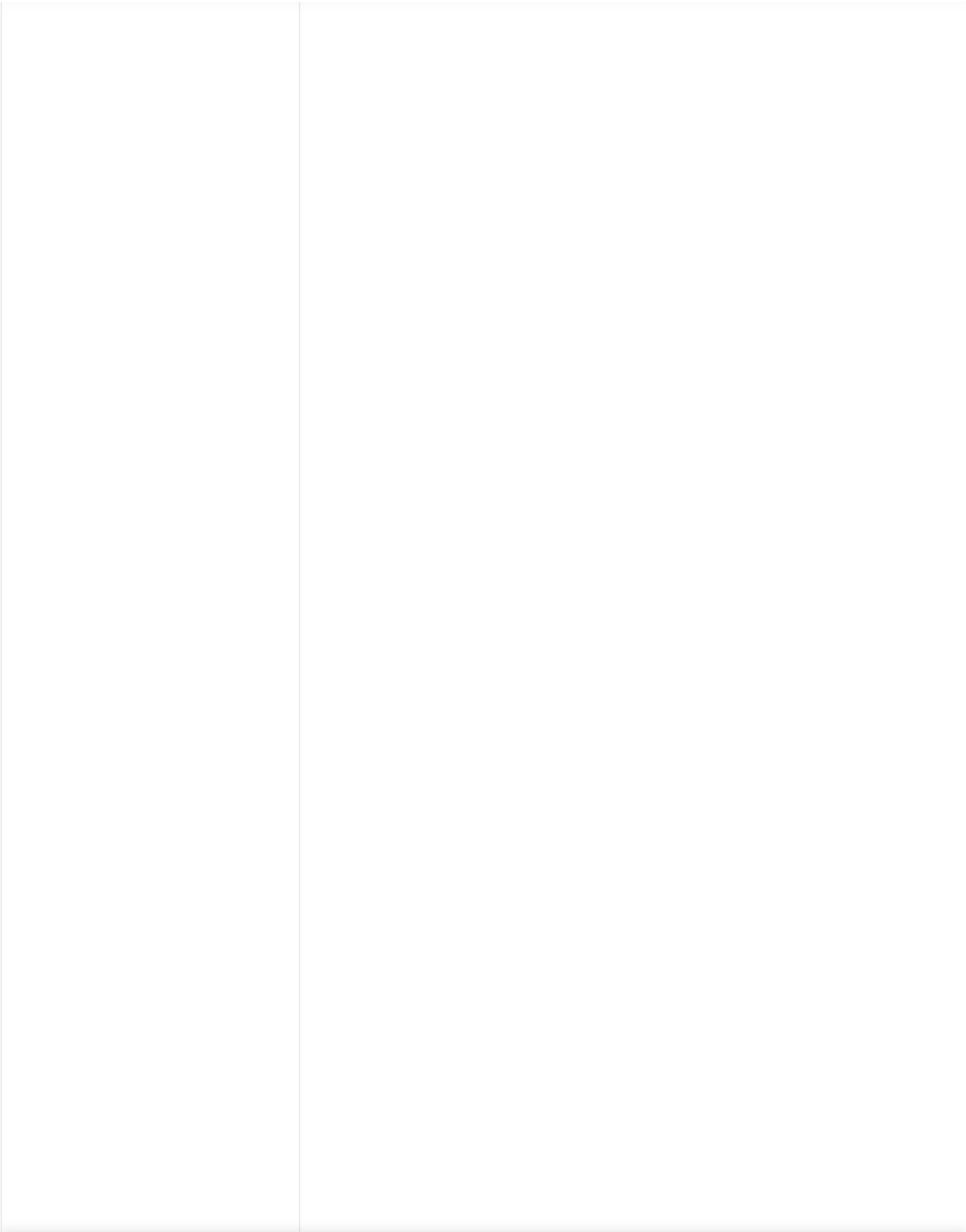
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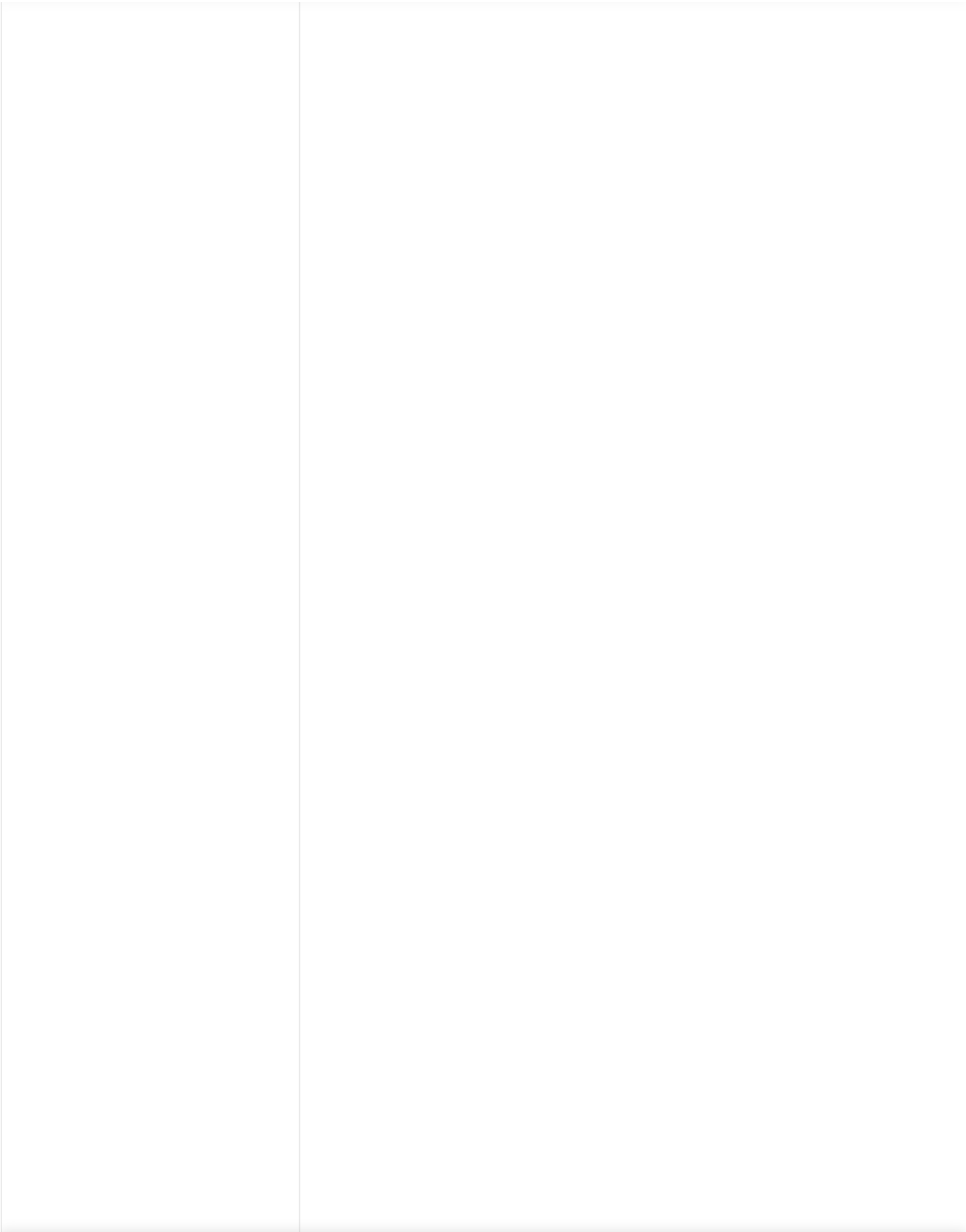
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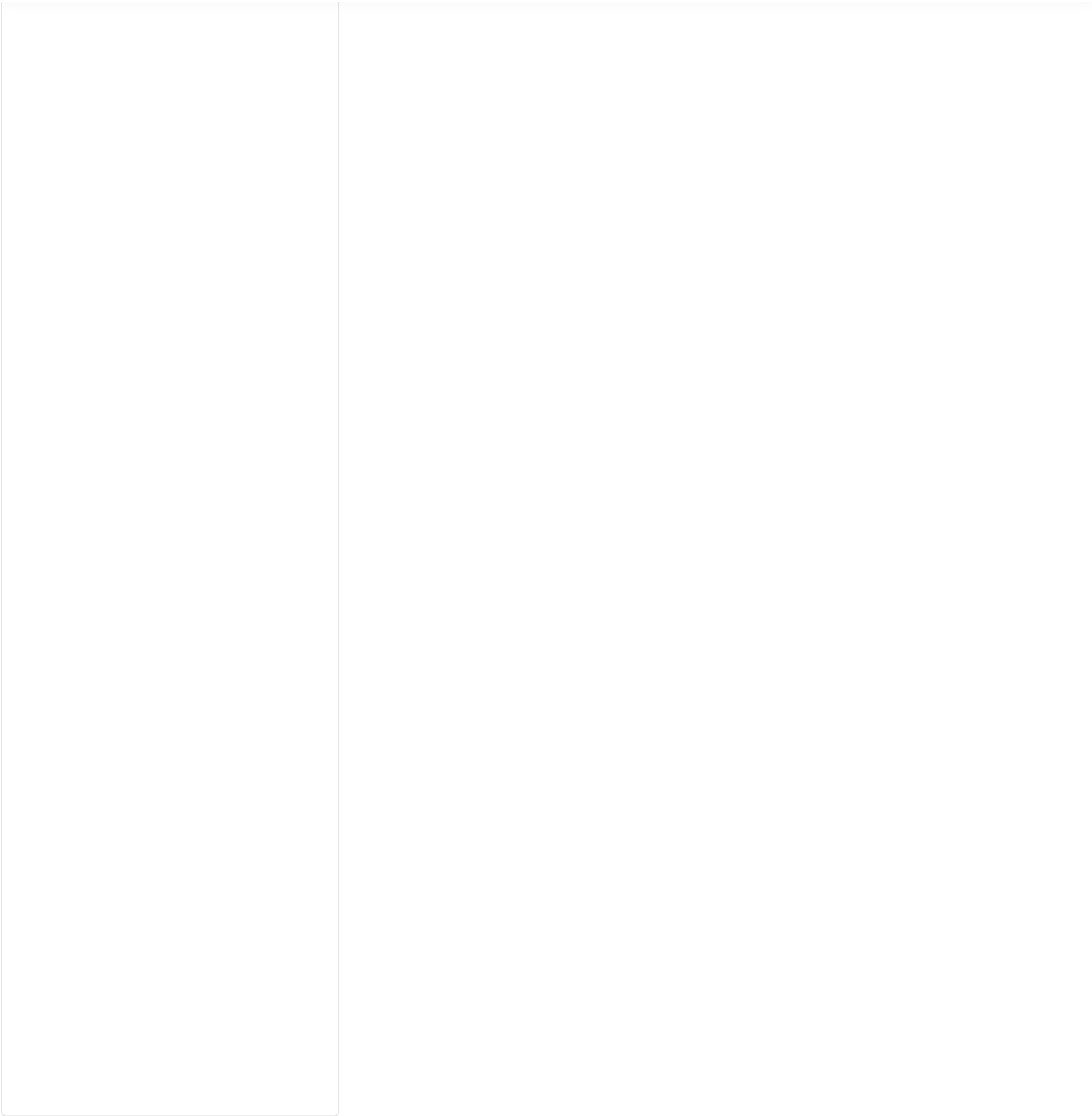
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