



State of the Rental Industry 2019

Property professionals air their views on the tools, trends, finances & future of SA's residential rental industry.

[Full survey results](#)





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Who took part?

At the end of 2019, PayProp conducted its first ever **State of the Rental Industry Survey**. The aim was to uncover rental agents' and other property professionals' perceptions of the rental market.

Our survey covered a wide range of topics including technology, arrears management and the future of the rental sector in South Africa. In this publication, we discuss the most important findings.

We invited PayProp's entire database of customers and other industry players to take part in the survey, resulting in a sample base 87% composed of PayProp users. ▶

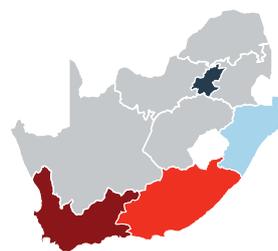
87%

PayProp users

13%

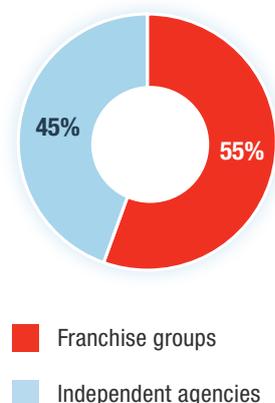
Non-PayProp users

The vast majority were concentrated in four provinces – Western Cape, Gauteng, Eastern Cape and KwaZulu-Natal. ▶

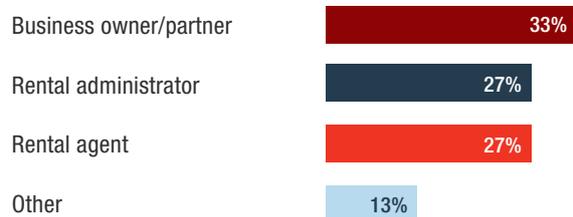


- Western Cape: 38%
- Gauteng: 27%
- Eastern Cape: 11%
- KwaZulu-Natal: 11%

The split between franchised and independent participants was fairly even. ▼



All participants worked in the industry, in a variety of roles. ▼



A third were business owners, with just over a quarter identifying as rental agents or administrators. The balance was made up of various roles, including sales agents, portfolio managers, financial managers, office managers and analysts. ■

Technology in rental businesses

We often hear that technology is a disruptive force in the rental industry, and our respondents seem to share our view that this is a positive thing.

Of those polled, 89% use property technology at work on a daily basis, and 90% think it enhances their jobs and businesses. On the flip side, 10% still believe technology could have a negative impact on their work!

Only two thirds of participants feel the property industry is keeping up with technology, while three quarters think the reverse – technology isn't keeping up with the industry and can be improved to serve it better. ▶

Suggestions for improving technology ranged from updating municipality systems to cheaper virtual tours for property advertising.

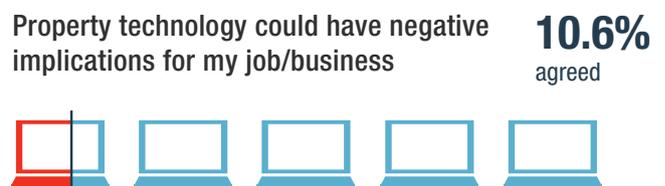
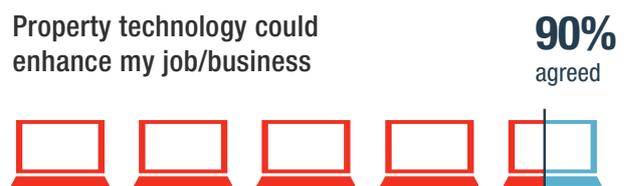


Repeatedly, respondents suggested technology had to become more user-friendly and simpler.

Moreover, “automation” and “integration” appeared numerous times in respondents’ requests for system improvements – value drivers that form the bedrock of PayProp’s market proposition.



In general, business owners were (even) more positive about technology than rental agents and administrators. ■



■ Agree ■ Disagree

Rent and commission

No-one will deny that the misfiring South African economy has put businesses and consumers under immense pressure over the past few years.

Slow economic and income growth in 2019, coupled with sporadic oversupply of rental properties, kept rental growth under pressure.

In 2019, the rental increases that I implemented have been:



Rental agents have not been spared the bad news. Two thirds of respondents noticed an increase in vacancies during 2019. This has suppressed rental growth – 63% of participants admitted implementing lower-than-normal rental increases last year, with only 8% saying their increases were higher than normal.

58% have lowered commission

In this economic climate, retaining clients is more important than ever. 58% of respondents report having lowered their commission to keep a landlord.

Has your number of vacancies increased over the past year?



Keeping commissions and rents down to retain mandates and tenants is understandable, but a bitter pill to swallow. Lower rental increases mean the base on which commission is earned grows at a slower pace, and a lower resulting commission decreases the main source of income on your rental book. The effects of both will most likely be felt for years to come, so it is worth looking into tools that allow for top- and bottom-line growth through better business efficiencies.

74% Say landlords don't have a good understanding of the current rental market

While rental agents are aware of the effects of the economy on their own businesses and on tenants' pockets, it would seem that owners are less informed.

Fully 74% of respondents said landlords don't have a good understanding of the current rental market, which means they might still be expecting high rental increases and properties that are occupied all the time. ■

Arrears and evictions

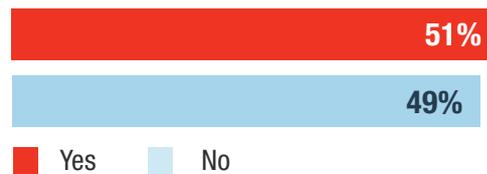
Agents are not the only ones to suffer in South Africa’s sluggish economy. Tenants have been hit by low income growth and high unemployment, leading to affordability challenges – made worse by high increases in living costs such as petrol and medical care.

It is no surprise, then, that almost 70% of participants said arrears were a bigger problem at the end of 2019 than a year before – or that 51% had at least one tenant evicted in 2019. ▼

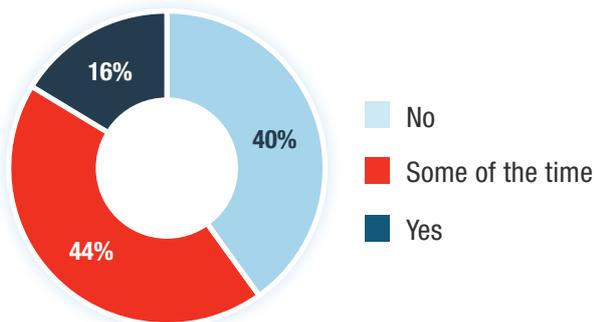
Were payments in arrears a bigger problem in 2019 than a year before?



Did you have tenants evicted in 2019?



Do you think you can spot a bad tenant without running a credit check?



Worryingly, only 40% of agents concede they cannot spot a bad tenant without a proper credit check. Running routine credit checks on tenants can uncover hidden affordability issues and reduces the eviction rate. ■

Did you know?

Some 88% of survey respondents sent a letter of demand in the last 12 months. Our data shows that more than 80% of tenants who received a letter of demand through PayProp paid their arrears in full within just 5 weeks of receiving it.



Business and administration

There's no avoiding it – property rental will always be an admin-heavy business – but automation can make all the difference.



Over a third of survey participants spend **more than 2 hours** a month on admin per property.



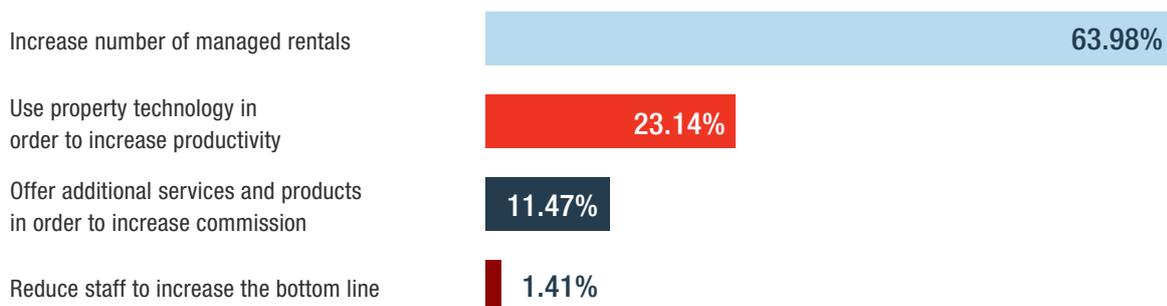
20% of survey participants spend between **1 and 2 hours** on admin per property per month.

The biggest pain point in this regard is chasing tenants for payment, said 27% of respondents. Finding quality tenants is a close second, (24%), with inspections (23%) rounding out the top 3 biggest challenges. ▼



However, it would seem agents understand property technology's potential to help with the admin bugbear – which is why 23% of respondents said increasing productivity through technology is the best way to increase profits. The only more popular method was increasing the size of their rental books (64%). ▼

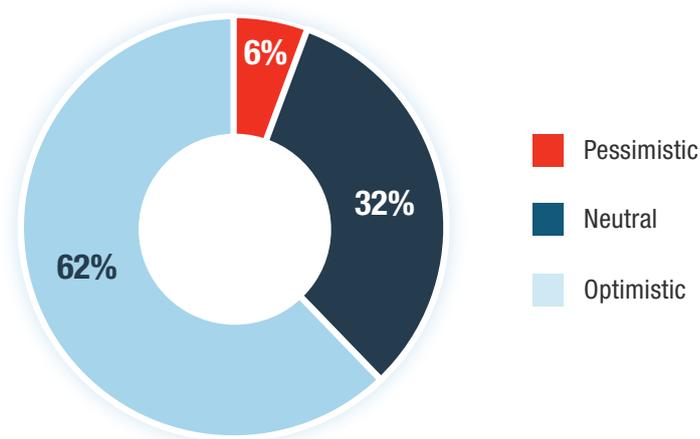
How to increase profitability in your business.



The future of the industry

Despite the challenges of current market conditions, it is encouraging to see that most survey participants are optimistic about the future of the rental industry. Only 10% said they don't see themselves working in the industry in five years.

That being said, the industry will look very different at the end of this decade than it does today, especially from a technological standpoint. Happily, most agents are already embracing currently available technologies and feel optimistic about the possibilities of future advancements. ▼



In the latter group, PayProp users are more optimistic about the future than those who don't use PayProp. Perhaps it speaks to the peace of mind that PayProp provides, or maybe it's because of the time we save our customers by automating their payment admin to spend on doing the things they love. ■





State of the Rental Industry 2019

The PayProp State of the Rental Industry Survey is an annual study of South African property professionals' perceptions about the SA residential rental industry. Complementing the hard financial data of the PayProp Rental Index, the survey is compiled with qualitative data about respondents' opinions concerning the tools, trends, finances and future of the industry.

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The PayProp State of the Rental Industry Survey results are available on the PayProp website at www.payprop.co.za.

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