

RENTAL INDEX

QUARTERLY SOUTH AFRICAN RESIDENTIAL RENTAL MARKET DATA

Q1 2023

Onwards and upwards

Rental recovery continues

Also in this issue:

Rental growth
accelerates for 6th
straight quarter

Is this the Northern
Cape's year?

Mixed picture on arrears

Tenants stand strong






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**Be the #1 choice
for local landlords**

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In this issue, we track and analyse the continued rebound of the rental market.



INTRODUCTION

Weathering the storm

I think we can all agree that we live in a time of great uncertainty. Just as COVID started to fade, Russia invaded Ukraine and we've been seeing a lengthy period of global inflation and interest rate rises as a result. And then, right when we thought the interest rate cycle was peaking, the American banking system had to scramble to escape collapse – and as always, when America sneezes, the world catches a cold.

But none of this is new. Above all things we need to acknowledge the cyclical nature of business, and so we look to the long-term trends in the market as one sure way to weather the storms. Which is exactly why we publish this quarterly index!

In this issue, we track the continued rebound of the rental market. We also take a look at quarterly rent, rental growth and arrears, as well as the distribution of rental prices in each of the nine provinces. Next, we analyse how the current economic climate has affected tenants across different income brackets.

And last but not least, we share some tips on how you can make yourself indispensable to local landlords.

I hope you enjoy this issue. Please feel free to share your feedback with me! ■



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NATIONAL RENTAL GROWTH

Rent and inflation

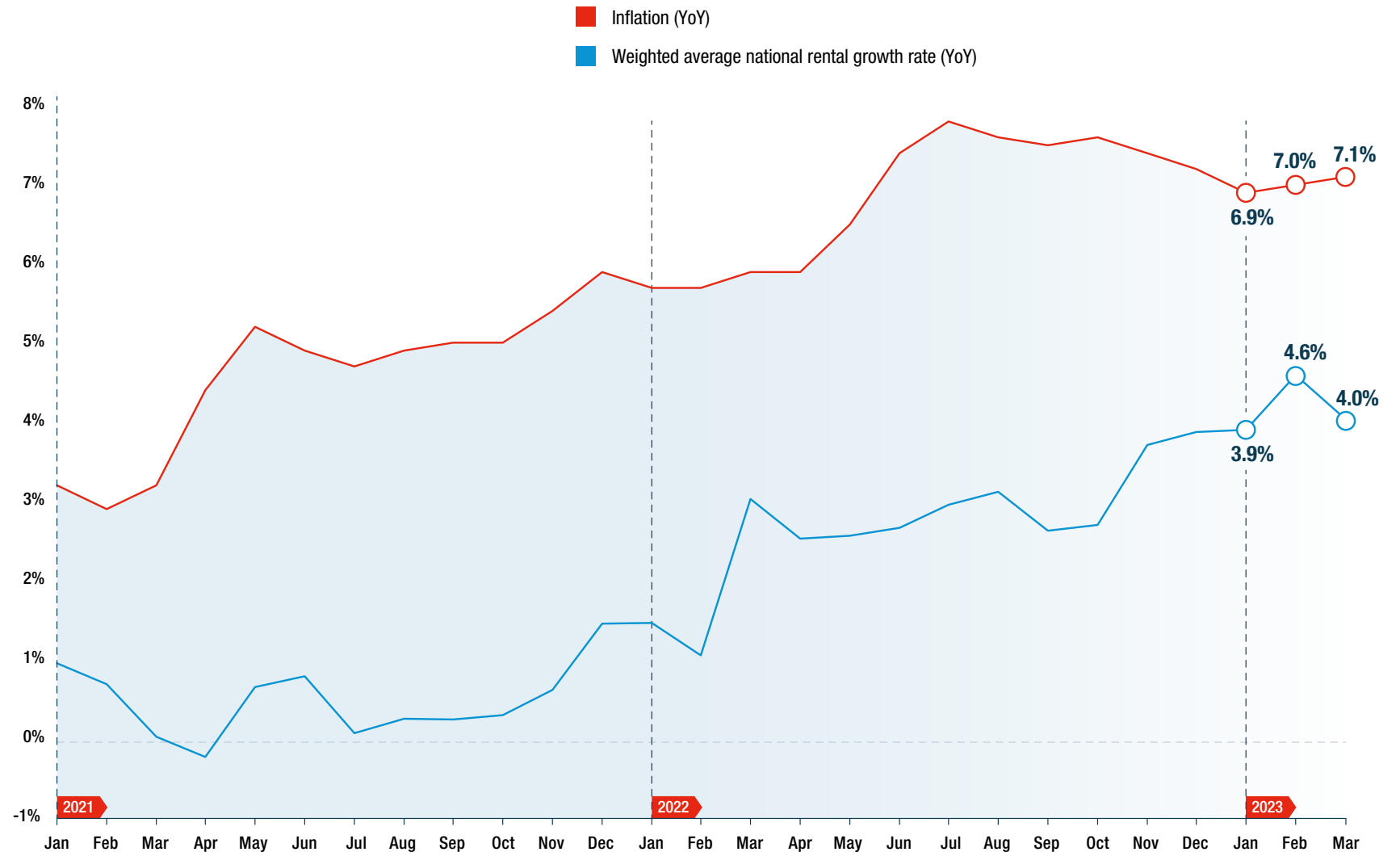
The rental market finally returned to pre-pandemic levels of growth in the final quarter of last year, and that positive trend has continued in Q1 2023. Rental growth of 3.9%, 4.6% and 4% was recorded in January, February and March respectively. Inflation remained stubbornly high at 6.9%, 7% and 7.1% during the three-month period.

To date, interest rate increases have done little to tame inflation, which is now below last year's peak but still stubbornly high. Rising prices and more expensive debt repayments are putting continued pressure on tenant affordability. On the other hand, higher-earning tenants are continuing to rent as rising interest rates price them out of buying homes, increasing demand for rental properties. ■

DATA METHODOLOGY



To prevent the geographical distribution of PayProp clients from skewing our national figures, we weight them using each province's contribution to GDP.



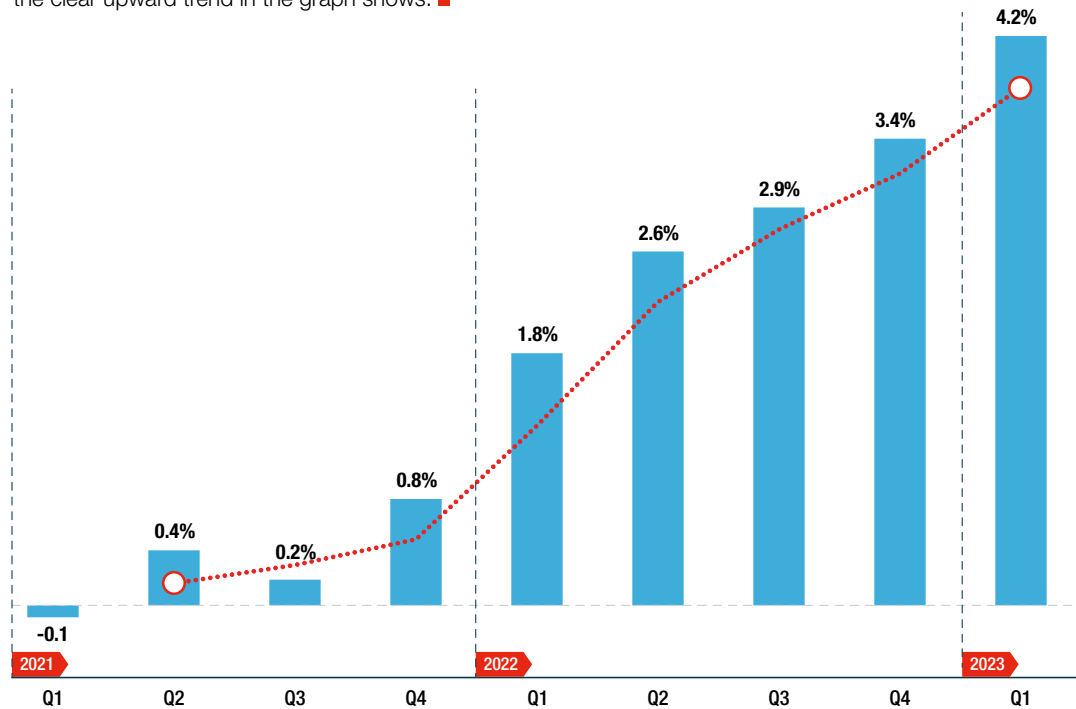
Weighted average national rental growth rate (YoY) vs. inflation, Jan 2021 – Mar 2023
Source: PayProp

NATIONAL RENTAL GROWTH

Onwards and upwards

The average national rent rose by 4.2% from Q1 2022 to Q1 2023, the strongest year-on-year (YoY) figure since Q4 2017. In cash terms, this was an increase of R336 to R8 294.

National rental growth has now accelerated for six successive quarters and is well into the range seen before the pandemic – the PayProp Rental Index Annual Report 2019 found YoY rental growth was below 4% in every quarter of that year. To date, it has also resisted downward pressure from high inflation and diminished affordability, as the clear upward trend in the graph shows. ■



■ Quarterly rental growth rate (YoY) with a moving average trendline: Q1 2021 – Q1 2023
Source: PayProp

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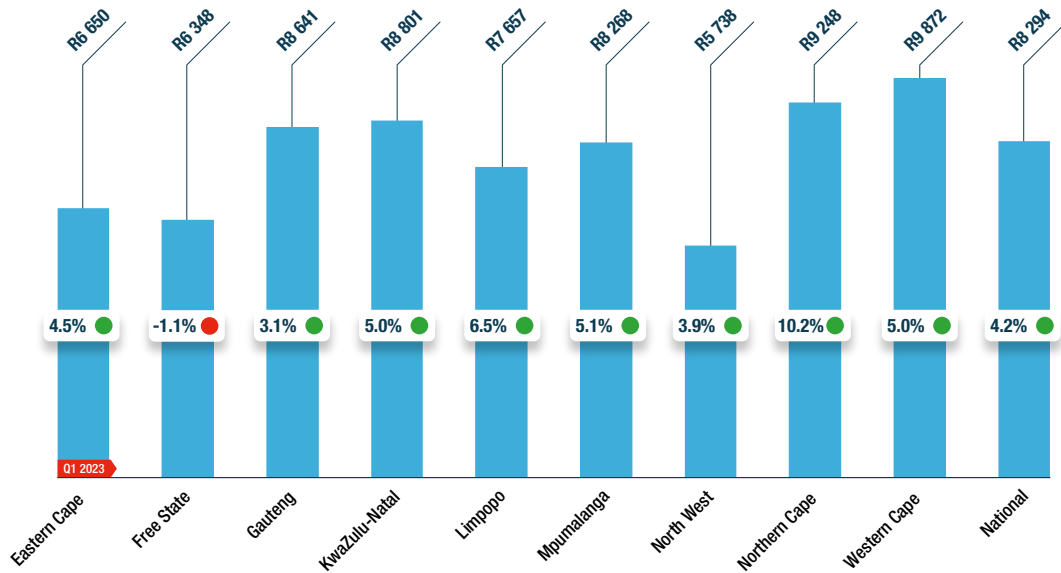
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*GivenGain is a leading global online fundraising platform for charity. Set up by South Africans Johannes and Jaco van Eeden, GivenGain is a non-profit foundation dedicated to promoting global philanthropy.

PROVINCIAL STATISTICS

Resilient growth

In this section, we look at how rents changed in each of South Africa’s provinces.



▣ National and provincial rent and rental growth (YoY): Q1 2023
Source: PayProp

Most provinces posted rental growth within a percentage point of the national figure since Q1 2022 (4.2%), with a couple of big exceptions.

The **Eastern Cape** enjoyed above-average YoY growth of 4.5%, and now commands an average rent of R6 650 – R107 more than last quarter. This will reassure rental professionals in the province after last quarter’s below-average showing.

The **Free State** made for an uncomfortable outlier as the only province to post negative growth over the period. Rents fell by 1.1% year on year, to R6 358, and were also down compared to the R6 407 seen last quarter. YoY growth has now been negative for three successive quarters, and the province still has the second lowest rents in the country.

Of the eight provinces to record positive YoY growth, **Gauteng’s** was the slowest, at 3.1%. However, that is still a big improvement over the -0.1% measured in Q1 2022. Gauteng remains the fourth most expensive province in which to rent with an average rent of R8 641, up from 8 554 last quarter.

KwaZulu-Natal entered the top three most expensive provinces in which to rent last year, and the province’s above-average 5.0% year-on-year rental growth of Q1 has cemented that position. The average rent in the province now stands at R8 801, compared to R8 632 last quarter.

Rents in **Limpopo** surged to R7 657 in the first quarter of 2023, giving it the second strongest YoY rental growth of any province at 6.5%, and continuing a trend of above-average growth that lasted throughout 2022. Despite that, Limpopo is still only the sixth most expensive province for renters, with an average rent more than R600 cheaper than Mpumalanga.

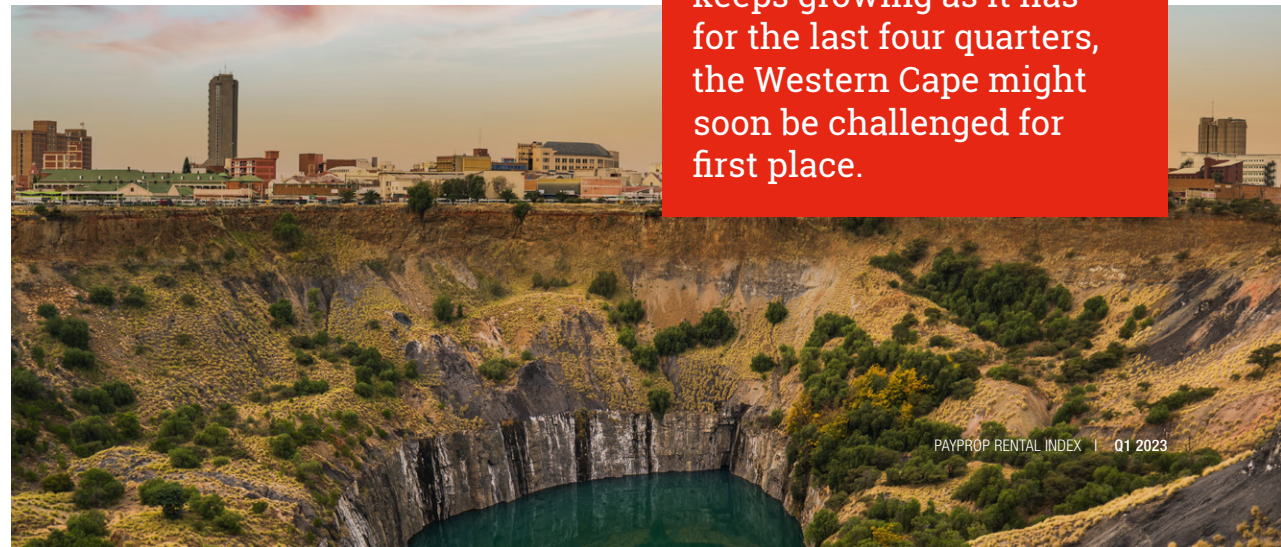
Speaking of **Mpumalanga**, rents there rose by an above-average 5.1% year on year in Q1 2023. The province’s rental average of R8 268 makes it South Africa’s most average province in terms of rental prices. It may not be so for long: Mpumalanga enjoyed the third fastest rental growth in Q1 after two quarters of sluggish performances. Rental professionals will hope that the return to form continues.

The **North West** posted the third slowest rental growth of the quarter. While the rate of 3.9% was close to the national average, this did nothing to lift it from being the cheapest province for renters – more than R600 lower than the next cheapest province. After four quarters of above-average rental growth, this marks a surprising slowdown. In fact, the average rent has fallen in cash terms since last quarter, from R5 760 to R5 738.

No signs of a slowdown in the **Northern Cape**, though, where rents rocketed by 10.2% year on year. This makes four successive quarters of it being South Africa’s fastest growing province, and takes the average rent above R9 000 for the first time, reaching R9 248 from R8 962 last quarter. The Northern Cape remains the second most expensive province in which to rent.

Completing our provincial roundup, the **Western Cape** unsurprisingly still has the highest average rent in South Africa at R9 872, up from R9 737 last quarter. Year on year, rents in the province grew by an above average 5.0%. If that continues, average rents there could well reach five figures this year. On the other hand, if the Northern Cape keeps growing as it has for the last four quarters, the Western Cape might soon be challenged for first place. ■

If the Northern Cape keeps growing as it has for the last four quarters, the Western Cape might soon be challenged for first place.



PROVINCIAL RENT DISTRIBUTION

Looking beyond the averages

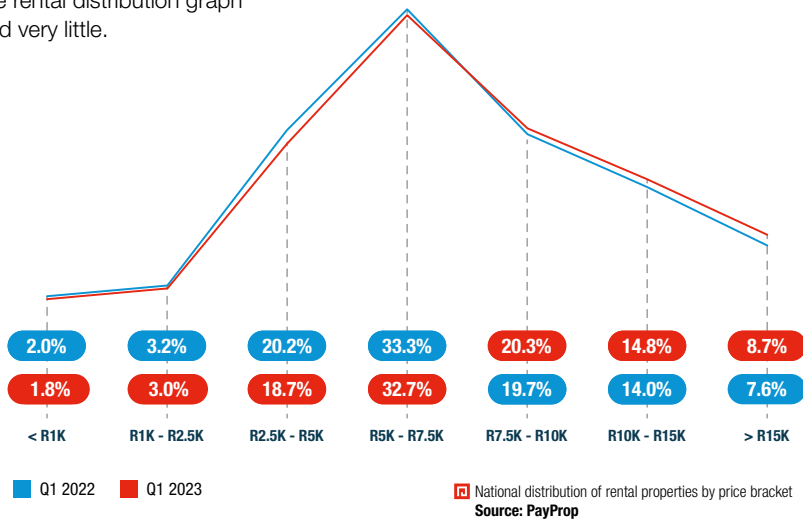
Tracking movements in average rent tells us a lot about how South Africa’s national and provincial rental markets are performing, but focusing on the headline figure can disguise big changes. This quarter, we look at how properties are distributed across different rental brackets – and how that’s changed over the last year.

National distribution

Nationally, not much changed between Q1 2022 and Q1 2023. Roughly a third of all rentals nationwide cost between R5 000 and R7 500. The second largest group is the R7 500 - 10 000 bracket, while in 2022 it was the R2 500 - 5 000 bracket. This can probably be attributed to rental growth over the last year as the shape of the rental distribution graph has changed very little.

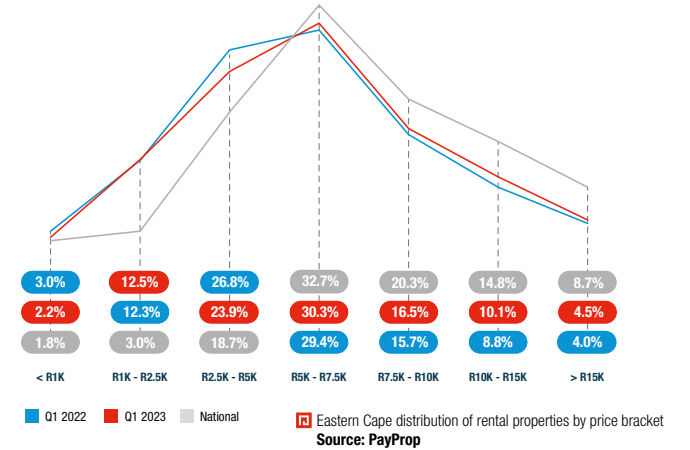
DATA METHODOLOGY AND DISCLAIMER

The PayProp Rental Index exclusively tracks rental data as transacted by our clients and specified by them to be residential. While we believe some rentals below R1 000 may actually be other types of property, such as storage units, we include them as part of our complete dataset.



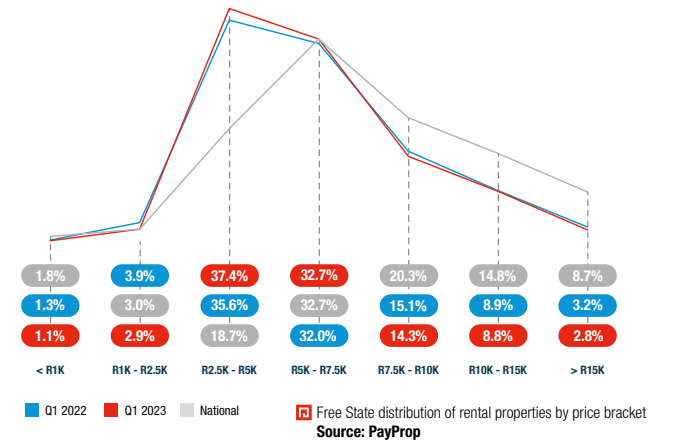
Eastern Cape

The Eastern Cape skews cheaper than average. While the share of properties in the most expensive brackets has risen since Q1 2022, it still has a higher percentage of rents under R2 500 than any other province.



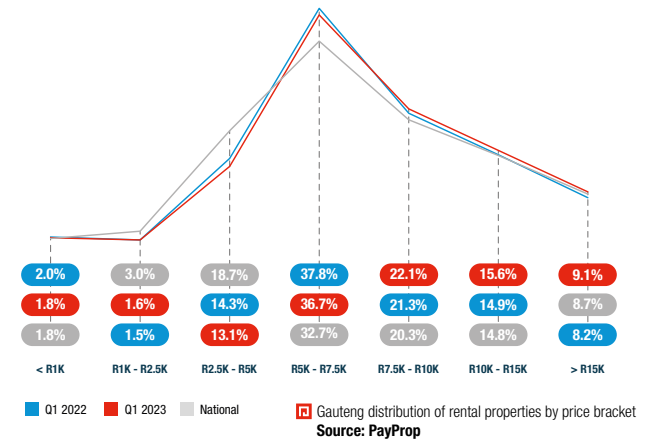
Free State

In the Free State, 32.7% of rentals cost R5 000 - 7 500, exactly the same as the national average – but that’s where the similarities end. The upper price brackets are much smaller, and the province has fewer rentals above R15 000 than any other. In fact, the share of rentals in each of the three highest brackets has shrunk since Q1 2022, while proportionally more rentals are between R2 500 and R5 000 than last year – a sign that tenants are moving to cheaper properties, and potentially the reason why average rents fell in Q1 2023.



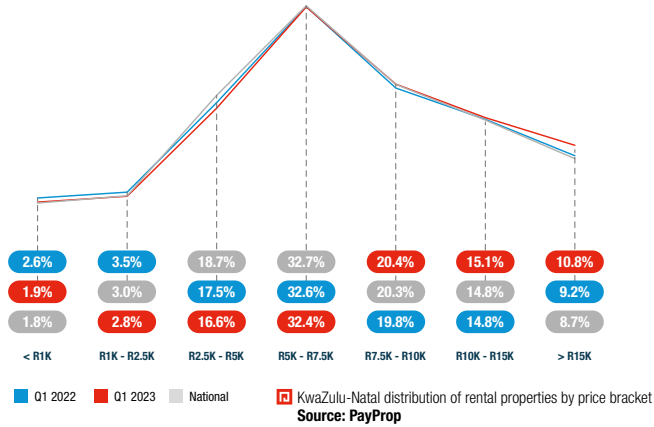
Gauteng

Gauteng has a higher share of expensive properties than the national average. More than 36% of rentals cost R5 000 - 7 500 in Q1 2023, more than the national average. But there were more rentals between R10 000 and R15 000 than between R2 500 and R5 000 during the first quarter of this year, while the R7 500 - 10 000 bracket was the second most populous in the province.



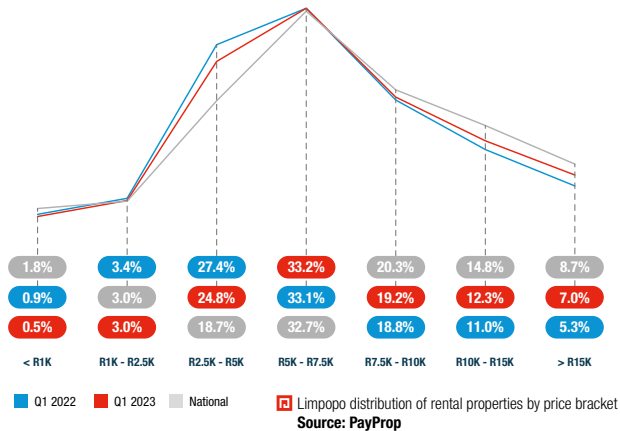
KwaZulu-Natal

KwaZulu-Natal's distribution of rental prices is almost exactly in line with the national average. This position also changed very little between Q1 2022 and Q1 2023. However, there was some growth in the >R15 000 bracket, which now contains more than 10% of KZN rentals.



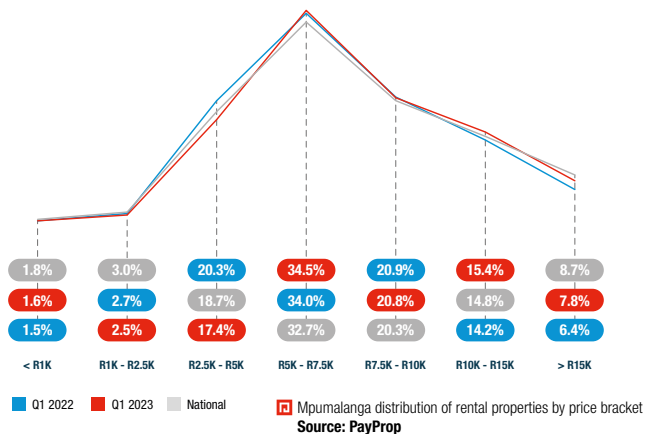
Limpopo

Limpopo has a lot of properties suitable for lower budgets, with 24.8% of rentals costing between R2 500 and R5 000, compared to 18.7% nationally. However, the most populous bracket is still R5 000-7 500, with an almost identical share to the national average, and the share of rentals in the lowest brackets is also lower. Between Q1 2022 and Q1 2023, the above-average brackets all grew while the below-average brackets shrank – not surprising, given the strong rental growth in the province.



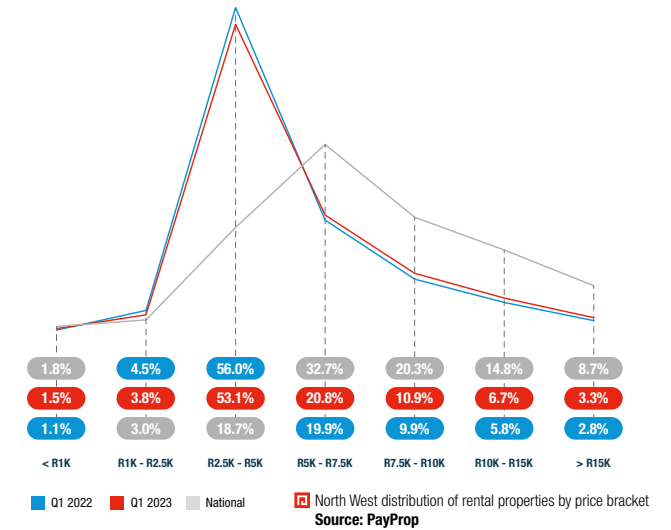
Mpumalanga

Mpumalanga is also very much in line with the national average. A slightly smaller percentage of rentals fall into the brackets below R5 000 than nationwide, while the upper brackets contain slightly more. More than a third of rentals go for R5 000 - 7 500.



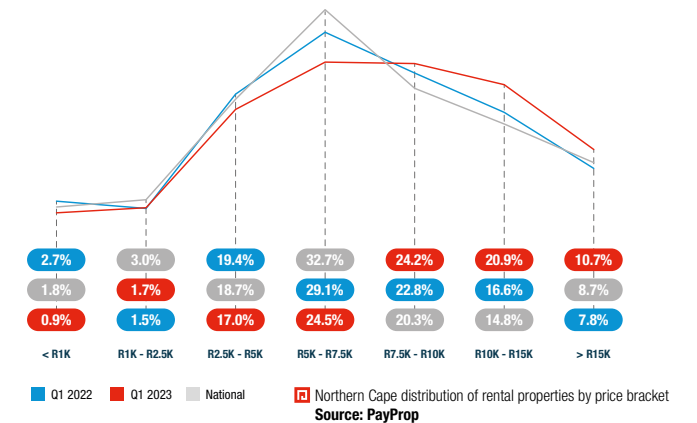
North West

The North West has a unique distribution of rental prices. More than half of all rentals in the province fall into the R1 000 - 2 500 bracket, while the share in each of the more expensive brackets is much lower than the national average. A large proportion of the properties managed through PayProp in the North West are student housing, which may explain this. As in almost every other province, the upper brackets are getting more populous as average rents rise.



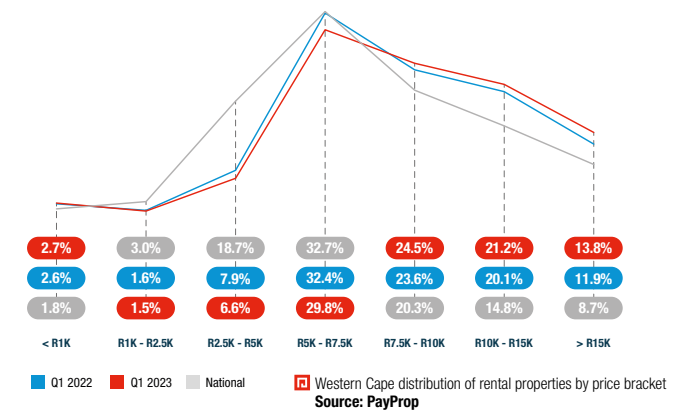
Northern Cape

As you would expect for the second most expensive province in South Africa, the North West trends towards the upper brackets. 10.7% of rentals cost R15 000 or more, the third highest share in the country. At the opposite end, the province has the lowest share of rentals below R1 000 at just 0.9%. While the most populous bracket is R5 000 - 7 500, just as it is nationally, there are almost as many rentals between R7 500 and R10 000.



Western Cape

The Western Cape is also home to a lot of high-priced properties, and for the same reasons. In this province, 13.8% of rentals cost over R15 000, the highest share of this bracket in the country, and the other R7 500+ brackets are also well above the national average. However, the very cheapest rentals are also overrepresented in the Western Cape. While there are fewer properties in the R2 500 - 5 000 bracket than any other province, 2.7% of properties cost less than R1 000 – above the national average, and also higher than in Q1 2022, despite strong rental growth. ■



ARREARS UPDATE

Provincial and national arrears

At the national level, the picture is slightly gloomy. The percentage of tenants in arrears has risen from 18.1% to 18.3% compared to the previous quarter, while the average amount owed as a percentage of the average monthly rent in their province is also worse than in Q4 2022.

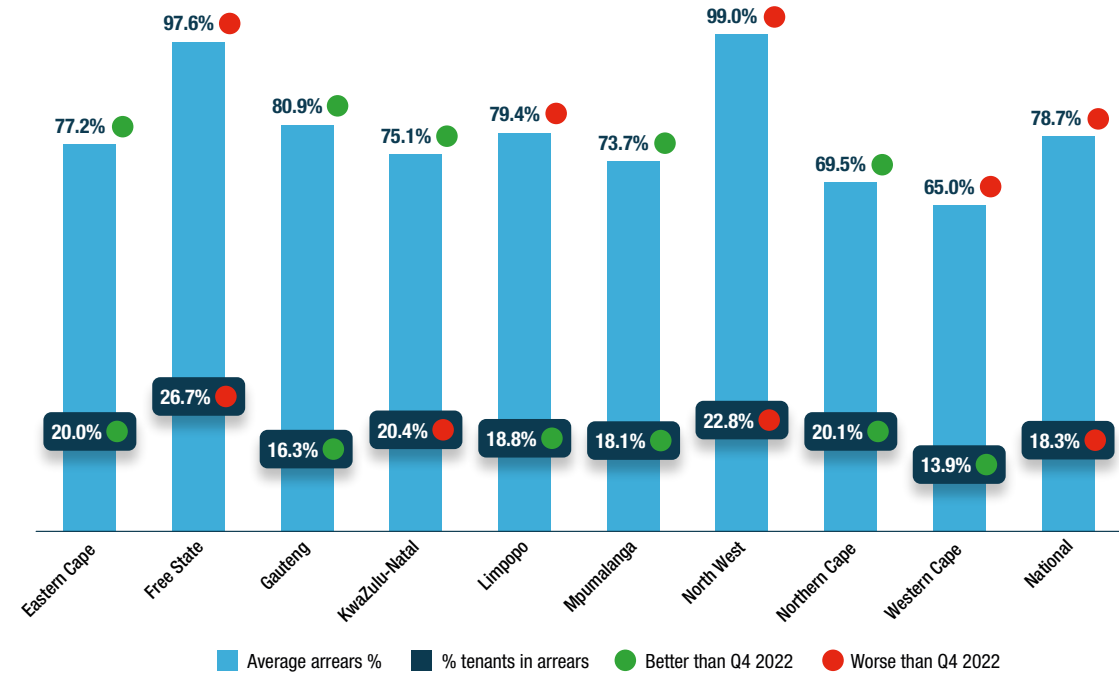
But the headline statistic hides some major differences between provinces. Six out of nine provinces have fewer tenants in arrears than they did last quarter, despite ongoing challenges to their ability to meet the rising cost of living. The 18.3% of tenants in arrears is still well below pandemic levels and in line with the percentages recorded throughout 2022.

ARREARS METRICS

We consider two arrears metrics:

1. The percentage of tenants in arrears, which records the **number of tenants in arrears** as a percentage of the total number of tenants.
2. The average arrears percentage, which expresses the average **amount in arrears** as a percentage of the average rent overall – an average arrears percentage of 80% therefore means that on average, a tenant in arrears owes 80% of one month's rent.

However, the average arrears percentage has now risen over two consecutive quarters.



Tenant arrears by province
Source: PayProp

The nationwide quarter-on-quarter rise in the proportion of tenants in arrears was driven by two provinces. In the Free State, this figure rose from 22.3% to 26.7% – the highest tenants-in-arrears percentage in the country. In the North West, it leapt from 16.3% to 22.8%, giving it the biggest rise in this metric. While the proportion of tenants in arrears also rose very slightly in KwaZulu-Natal, it was by less than a tenth of a percentage point.

But there is also good news. Limpopo, where arrears were flagged as a concern in previous editions of the PayProp Rental Index, recorded a big improvement in the latest quarter. The drop from 21.4% in Q4 2022 to 18.8% in Q1 2023 was the biggest in the country. The share of tenants in arrears also fell from 21.1% to 20.1% in the Northern Cape, and from 20.9% to 20.0% in the Eastern Cape. In the Western Cape, this number dropped from 14.6% to 13.9%, the lowest of any province.

Once again, most of the rise in the national average arrears percentage can be traced back to two provinces. As with tenants in arrears, this figure also rose sharply in the Free State (90.8% to 97.6%) and the North West (85.3% to 99.0%). These are the two cheapest provinces, so the amount may not be especially high in cash terms. Gauteng has the third highest average arrears percentage at 80.9% despite a small decrease over the latest quarter.

At the bottom end of the scale, the average arrears percentage rose from 64.8% to 65.0% in the Western Cape – still lower than anywhere else in the country. In the Northern Cape, it fell sharply from 76.5% to 69.5%, the biggest decrease anywhere, while the amount in Mpumalanga also fell from 78.2% to 73.7%.

CREDIT METRICS

Credit risk changes and income

Tenant affordability has been highlighted as one of the biggest challenges for the residential rental sector this year.

If tenants' finances continue to be squeezed by rising prices and increasing cost of servicing debts, they will not be able to afford higher rents – and may move to cheaper properties, as we have already seen happen in some provinces.

This quarter's Rental Index data uncovers a mixed picture. Tenant risk is up overall, but some metrics have improved despite economic conditions.

Percentage of tenants per income bracket

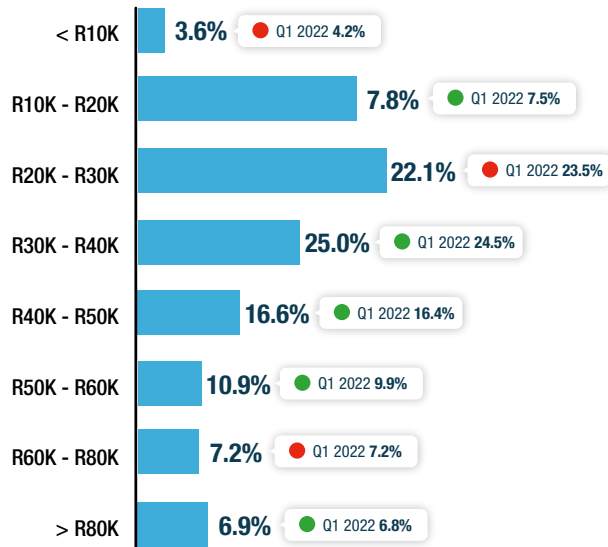
Income-wise, the largest share of tenants (25.0%, rising from 24.5% in Q1 2022) earn R20 000 - R30 000 per month. A further 22.1% earn R10 000 - R20 000, although this is a smaller percentage than in Q1 2022. The share of renters in higher income brackets has risen, but only 25% earn R40 000 or more per month.

CREDIT METRICS

For our calculations, we consider **net monthly income** i.e. the monthly salary of the tenant after tax as reported by rental agents.

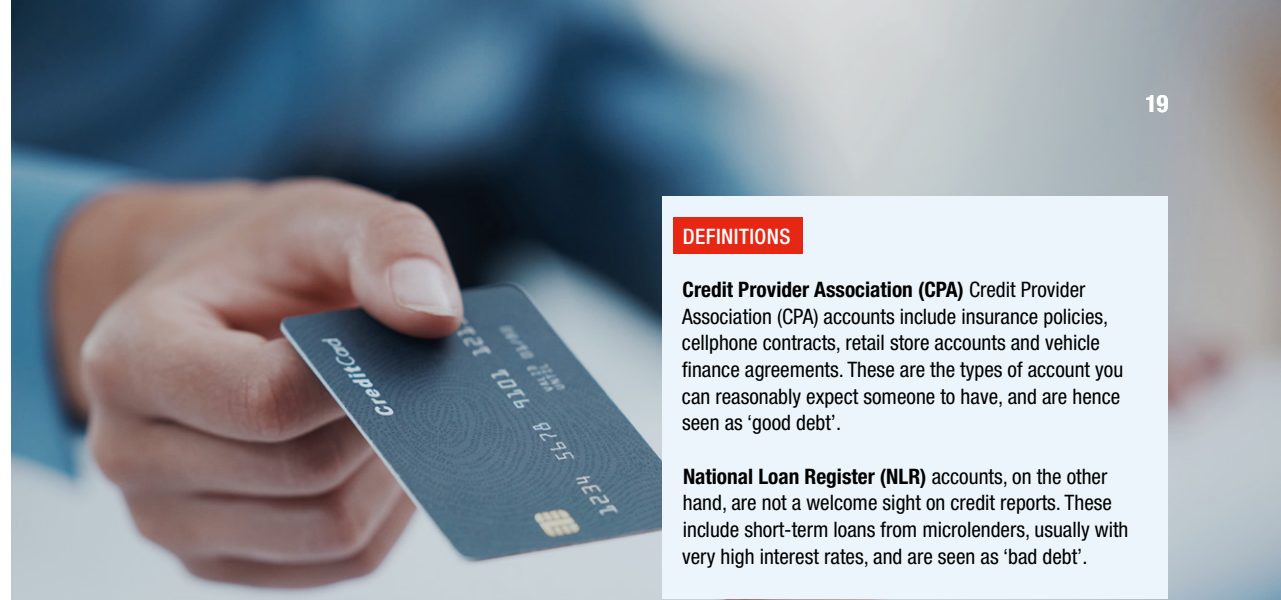
The analysis takes into account credit checks done via PayProp during each quarter and represents a sample of rental applicants who are not necessarily existing tenants or successful applicants. However, we refer to all applicants as 'tenants' throughout the analysis, and we assume that this sample is reflective of the tenant pool.

All credit checks are provided by Experian, PayProp's credit bureau service provider.



Percentage of tenants by income bracket
Source: PayProp

● Better than Q1 2022 ● Worse than Q1 2022



DEFINITIONS

Credit Provider Association (CPA) Credit Provider Association (CPA) accounts include insurance policies, cellphone contracts, retail store accounts and vehicle finance agreements. These are the types of account you can reasonably expect someone to have, and are hence seen as 'good debt'.

National Loan Register (NLR) accounts, on the other hand, are not a welcome sight on credit reports. These include short-term loans from microlenders, usually with very high interest rates, and are seen as 'bad debt'.

Accounts

CPA accounts

Tenants now have slightly more CPA accounts than they did in Q1 2022, but the changes have been fairly small across all income brackets.

	Q1 2022	Q1 2023
< R10 000	4.52	4.45 ●
R10 000 - R20 000	6.55	6.88 ●
R20 000 - R30 000	7.57	7.68 ●
R30 000 - R40 000	8.72	8.38 ●
R40 000 - R50 000	8.97	9.15 ●
R50 000 - R60 000	9.09	8.57 ●
R60 000 - R80 000	9.00	9.46 ●
> R80 000	9.25	9.62 ●
All tenants	7.87	8.00 ●

Number of CPA accounts by income bracket
Source: PayProp

● Better than Q1 2022 ● Worse than Q1 2022

NLR accounts

Surprisingly, tenants also had fewer NLR accounts than they did a year ago – the average tenant now has 1.43, with those in higher income brackets tending to have fewer. However, the biggest rises in the year to Q1 2023 came in the R60 000 - R80 000 and >R80 000 brackets, suggesting that even high earners are feeling the squeeze.

	Q1 2022	Q1 2023
< R10 000	1.52	1.56 ●
R10 000 - R20 000	2.00	1.69 ●
R20 000 - R30 000	1.94	1.57 ●
R30 000 - R40 000	1.48	1.44 ●
R40 000 - R50 000	1.41	1.65 ●
R50 000 - R60 000	0.94	0.93 ●
R60 000 - R80 000	0.61	0.99 ●
> R80 000	0.53	0.63 ●
All tenants	1.54	1.43 ●

Number of NLR accounts by income bracket
Source: PayProp

● Better than Q1 2022 ● Worse than Q1 2022

Spending

Debt-to-income ratio

Nationally, tenants are spending slightly less of their income (44.5% in Q1 2023, compared to 46.0% in Q1 2022) on servicing debt, despite the increase in interest rates. Lower-income tenants spend more of their income on debt on average, but some of the biggest increases in debt-to-income ratio came in the highest income brackets.

	Q1 2022	Q1 2023
< R10 000	58.2%	60.4% ●
R10 000 - R20 000	56.4%	51.2% ●
R20 000 - R30 000	44.9%	46.2% ●
R30 000 - R40 000	48.7%	44.2% ●
R40 000 - R50 000	41.2%	43.0% ●
R50 000 - R60 000	41.5%	37.6% ●
R60 000 - R80 000	33.5%	35.4% ●
> R80 000	26.6%	29.9% ●
All tenants	46.0%	44.5% ●

Tenant debt-to-income ratio by income bracket
Source: PayProp

Rent-to-income ratio

Nationally, tenants spend 28.8% of their income on rent, up from 28.3%. Only the lowest income tenants spent a smaller share of income on rent than in 2022.

With the exception of tenants earning below R10 000, all income brackets saw their rent expenditure rise faster than their incomes from Q1 2022 to Q1 2023. As with debt repayments, tenants in lower income brackets tend to spend more of their income on rent, with the lowest income bracket spending almost half.

	Q1 2022	Q1 2023
< R10 000	49.3%	48.6% ●
R10 000 - R20 000	37.0%	37.4% ●
R20 000 - R30 000	29.8%	30.5% ●
R30 000 - R40 000	25.5%	26.6% ●
R40 000 - R50 000	22.0%	24.4% ●
R50 000 - R60 000	21.0%	21.8% ●
R60 000 - R80 000	19.0%	20.2% ●
> R80 000	14.5%	15.1% ●
All tenants	28.3%	28.8% ●

Tenant rent-to-income ratio by income bracket
Source: PayProp

● Better than Q1 2022 ● Worse than Q1 2022

Disposable income

Nationally, disposable income has gone up from 25.7% of average income to 26.7%. Those earning in the R10 000 - R20 000, R30 000 - R40 000 and R50 000 - R60 000 brackets all enjoyed extra wiggle room. While the highest earners have seen their disposable income fall, those on R80 000 or more still have 55.0% of their income left after rent and debt repayments.

However, the very poorest renters – those earning <R10 000 – are not making enough to cover rent and debt repayments. Furthermore, their situation has worsened since Q1 2022. They now face a 9.1% income shortfall compared to 7.4% a year before.

	Q1 2022	Q1 2023
< R10 000	-7.4%	-9.1% ●
R10 000 - R20 000	6.6%	11.4% ●
R20 000 - R30 000	25.3%	23.3% ●
R30 000 - R40 000	25.8%	29.2% ●
R40 000 - R50 000	36.8%	32.6% ●
R50 000 - R60 000	37.5%	40.6% ●
R60 000 - R80 000	47.5%	44.4% ●
> R80 000	58.9%	55.0% ●
All tenants	25.7%	26.7% ●

Tenant disposable income by income bracket
Source: PayProp

● Better than Q1 2022 ● Worse than Q1 2022

It is also worth noting that disposable income does not go as far as it used to due to ongoing high inflation. This metric only measures the amount left after rent and debt repayments, and does not track the cost of other essentials.



Credit risk

Tenants are on average a riskier prospect for landlords than they were in Q1 2022. While the share of minimum-risk tenants rose in the R30 000 - R40 000 and >R80 000 brackets, the share of high-risk tenants rose in every income bracket except for the lowest. This metric only measures the amount left after rent and debt repayments, and does not track the cost of other essentials.

	Q1 2022	Q1 2023
< R10 000	16.0%	14.2% ●
R10 000 - R20 000	26.00%	24.9% ●
R20 000 - R30 000	36.9%	34.1% ●
R30 000 - R40 000	41.0%	41.8% ●
R40 000 - R50 000	48.8%	44.3% ●
R50 000 - R60 000	58.0%	48.8% ●
R60 000 - R80 000	57.0%	55.6% ●
> R80 000	62.2%	63.1% ●
All tenants	40.1%	38.5% ●

Minimum-risk tenants
Source: PayProp

● Better than Q1 2022 ● Worse than Q1 2022

RISK CATEGORIES

The riskiness of a tenant is measured by their credit score, which takes many factors into account. Different credit bureaus have different scoring mechanisms and bands. For our purposes, we categorise tenants into the following predefined credit score ranges:

Risk category	Credit score range
High risk	500 - 610
Medium risk	611 - 628
Low risk	629 - 659
Minimum risk	660 - 750

	Q1 2022	Q1 2023
< R10 000	47.1%	47.1% ●
R10 000 - R20 000	34.20%	36.5% ●
R20 000 - R30 000	23.7%	27.5% ●
R30 000 - R40 000	21.4%	21.0% ●
R40 000 - R50 000	16.9%	18.1% ●
R50 000 - R60 000	13.7%	17.3% ●
R60 000 - R80 000	12.2%	15.3% ●
> R80 000	10.2%	10.8% ●
All tenants	23.6%	25.2% ●

High-risk tenants
Source: PayProp

Credit score

Average credit scores are also worse across all but one income bracket, albeit only by two points on average – from 647 in Q1 2022 to 645 in Q1 2023. Tenants appear to be showing good financial restraint, as shown by the fact that they are opening fewer NLR accounts and spending less of their income on debt repayments. Nevertheless, their affordability levels are dropping due to broader economic factors beyond their control.

As always, note that aggregate data of the type provided in the PayProp Rental Index will not tell you about the riskiness of an individual tenant.

	Q1 2022	Q1 2023
< R10 000	619	617 ●
R10 000 - R20 000	632	630 ●
R20 000 - R30 000	644	640 ●
R30 000 - R40 000	648	649 ●
R40 000 - R50 000	656	652 ●
R50 000 - R60 000	663	656 ●
R60 000 - R80 000	665	663 ●
> R80 000	671	670 ●
All tenants	647	645 ●

Average credit score by income bracket
Source: PayProp

● Better than Q1 2022 ● Worse than Q1 2022

It's important to do thorough checks to uncover a tenant's financial health as well as their propensity to pay the rent.



FEATURE ARTICLE

Be the #1 choice for local landlords



By **Michelle Dickens**,
CEO, PayProp South Africa

Residential property landlords have faced tough conditions over the past three years due to the COVID-19 pandemic and resultant economic downturn. Encouragingly, the most recent PayProp Rental Index reports a return to rental growth to pre-pandemic levels. The average national rent increased by 3.4% from Q4 2021 to Q4 2022.

Appointing a qualified property professional is critical to help buy-to-let investors navigate 2023's changing rental market. A professional real estate agent is able to give an owner peace of mind when it comes to understanding market trends, adequately dealing with tenants and making sure that every Rand is accounted for.

But the market for rental agents is competitive, and property owners will naturally weigh up their options carefully when their investments are on the line. How can agencies make sure that they stand out from the crowd?

1. Adequate accreditation

A property professional is required to be registered with the Property Practitioners Regulatory Authority (PPRA) and have a valid Fidelity Fund Certificate (FFC). Investors can and will check with the PPRA about the regulatory status of your agency if they're in any doubt. Compliant, professional rental agencies will have these registrations in place and can provide them when asked.

2. Professional systems

Financial management is one of the most important parts of rental property management, but some agencies are still using a combination of Post-it notes and spreadsheets to manage property finances – leaving landlords frustrated as their rental payments arrive late, or worse, not at all.

Having an advanced FinTech platform like PayProp, which plugs directly into the SA banking system, means you can assure landlords that their funds are managed professionally, safely and with maximum transparency. FinTech doesn't just make rental payment admin faster, easier and more secure, it can also be a huge selling point for investors.

3. Offer a transparent mandate

Not having a detailed mandate of management activities in place is a massive risk for any owner. Ensure that you have a document that outlines exactly what your agency can and cannot do, and exactly what the landlord must pay in return.

4. Non-negotiable ingoing inspections

Cutting corners on inspections might save time, but it can leave your investors facing big repair bills. If an ingoing inspection report has not been done, landlords are not able to claim for any damage from the tenant when they leave, as no baseline exists for the condition of the property.

Having a clear policy on inspections, including ingoing and outgoing checks, helps reassure landlords that they're working with an agency with their best interests at heart – especially if they've been burned before.

5. Go above and beyond on tenant screening

Many agencies will perform a credit check on prospective tenants, but a credit check only tells you whether the tenant can afford the rent – not whether they have a proven propensity to actually pay it. If a tenant that you helped choose decides not to pay, it can seriously damage your relationship with the landlord – as well as your commission income.

Better screening processes don't just look at a tenant's credit score, they also take into account rental payment behaviour.

If you have an advanced screening system in place, make sure that you advertise it. Landlords will love the peace of mind that it brings.

In conclusion, professionalism, transparency and best-in-class FinTech will make all the difference when canvassing for new landlords.

“Property professionals keep investors abreast of trends in the private rented sector which is continually influenced by political and economic factors. Added to this, it's critical to have the systems and resources in place to manage investors' properties professionally.” ■

PayProp's unique Tenant Assessment Report uses PayProp platform data to show you whether or not that applicant pays their rent on time and in full.




IN CLOSING

New year, new opportunities

Despite challenging economic conditions, the residential rental sector appears to be performing strongly. Rental growth reached levels not seen in five years, and eight out of nine provinces enjoyed positive rental growth from Q1 2022 to Q1 2023 – although the negative growth in the Free State over the last quarter bears watching. And while arrears also ticked up slightly at the national level, that growth was confined to the Free State and the North West.

Even so, 2023 may not be all plain sailing. Affordability risks continue to rise thanks to ongoing high inflation. Nevertheless, tenants are proving quite financially responsible: their debt-to-income ratios have fallen compared to last year, and they are opening fewer 'bad' debt accounts. However, their incomes have not kept up with rising rents or high inflation, and this could put a brake on further rent increases – as we are already seeing in some markets. ■



Rental growth continued its slow recovery over the past quarter and tenant arrears are also improving steadily at the national level.

Q1 2023

PayProp Rental Index

The PayProp Rental Index is a quarterly guide outlining trends in the South African residential rental market and is compiled from transactional data collected by PayProp, the largest processor of residential rental transactions in South Africa.

This publication was produced by Property Payment Solutions (Pty) Ltd, trading as PayProp South Africa.

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The PayProp Rental Index is available on the PayProp website at www.payprop.co.za.

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If you would like to know more about using PayProp to manage your rental portfolio, please visit: www.payprop.co.za

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“PayProp is my future. It’s allowed me to build a business of value.”



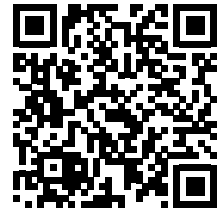
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Dormehl Phalane | South Africa



“PayProp allows me to spend time with my family. It allows me to get time off during the day.”

Watch the testimonial

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