PayProp

RENTAL INDEX

QUARTERLY SOUTH AFRICAN RESIDENTIAL RENTAL MARKET DATA

Q3 2023

UNWAVERING UNDER PRESSURE

SA'S TENANTS KEEP ARREARS IN CHECK

All provinces grow for second quarter in a row

How tenant age affects credit scores

High-earning homeowners struggle with debt

INTRODUCTION

Moving in the right *direction*

Johette Smuts

Head of Data Analytics | PayProp South Africa

johette.smuts@payprop.co.za

linkedin.com/in/johettesmuts

As we get closer to the end of the year, we're pleased to bring you our final rental market statistics for 2023. In a recent poll of Rental Index readers, 97.% agreed that this publication helps them make better business decisions, and we hope the same is true for you too!

This quarter, it's comforting to see the rental market recovery continuing despite 2023's challenges. Rental growth continues to climb, reaching all provinces, while inflation is finally cooling after a prolonged interest rate hike cycle.

Tenants have also remained resilient despite financial pressure, with a welcome fall in the share of tenants in arrears. Read more about how tenants of all ages are doing on p12.

Elsewhere in this issue, we bring you a guest article by Ans Gerber, Head of Data Insights at Experian, who delves into the impact of high interest rates on homeowners. We also meet Magda Stoffberg from RealGlen Properties, who says she trusts PayProp more than the bank with her money.

Finally, our biggest ever State of the Rental Industry Survey is now open. We value your input as a rental professional – please complete it by following the link and stand a chance to win a R1 000 Takealot voucher.

Chat again next year!

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NATIONAL RENTAL GROWTH

Rent and *inflation*

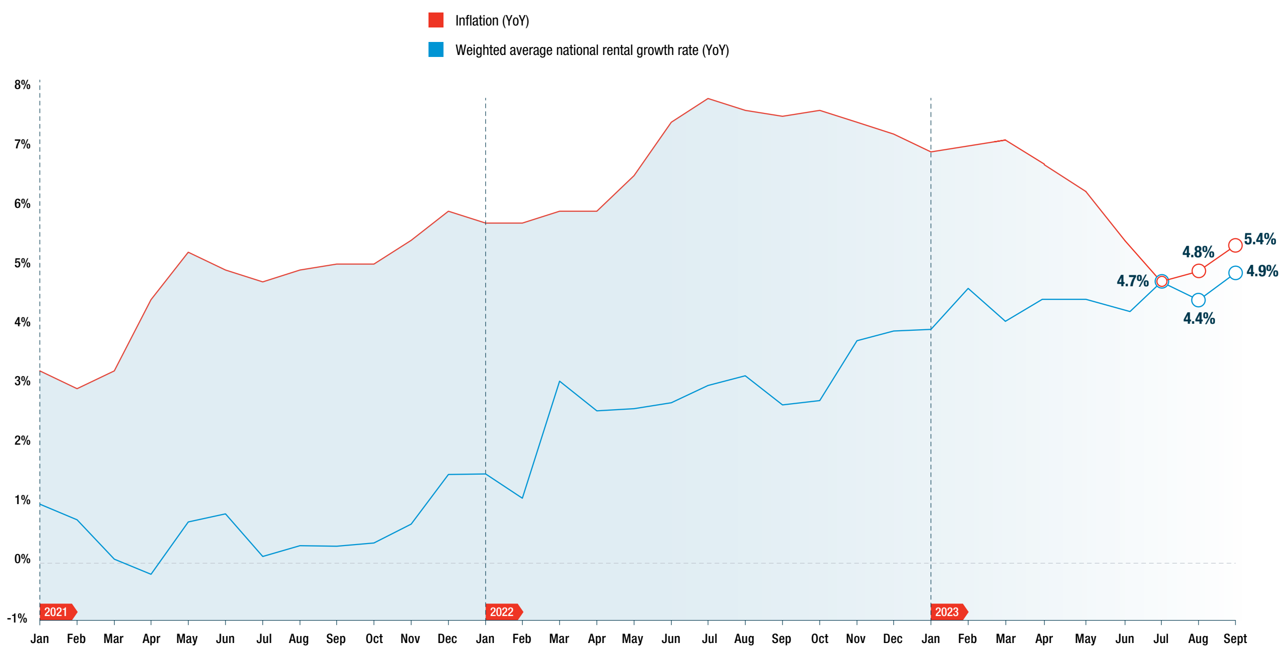
South Africa has now achieved eight successive quarters – two whole years – of positive rental growth after the rental market slump and spike in arrears caused by the pandemic.

The average rent rose year on year by 4.7% in July, 4.4% in August and 4.9% in September – the highest YoY growth seen in any month since 2017.

And unlike previous quarters in 2023, it took place against a much more stable inflationary backdrop: inflation stayed within the 3% - 6% target set by the South African Reserve Bank (SARB) for Q3, but remained above rental growth in all months except July. It remains to be seen if the uptick to 5.4% in September is cause for concern.

The question now is when SARB will lower interest rates, and economists are divided. Within-target inflation reduces the likelihood of further rate rises, but the SARB's Monetary Policy Committee statement in September warned that core inflation appears sticky, making significant rate cuts unlikely in the near future. Another factor is the interest rate decisions by foreign national banks, particularly the US Federal Reserve, which also tend to affect SARB's decision-making.

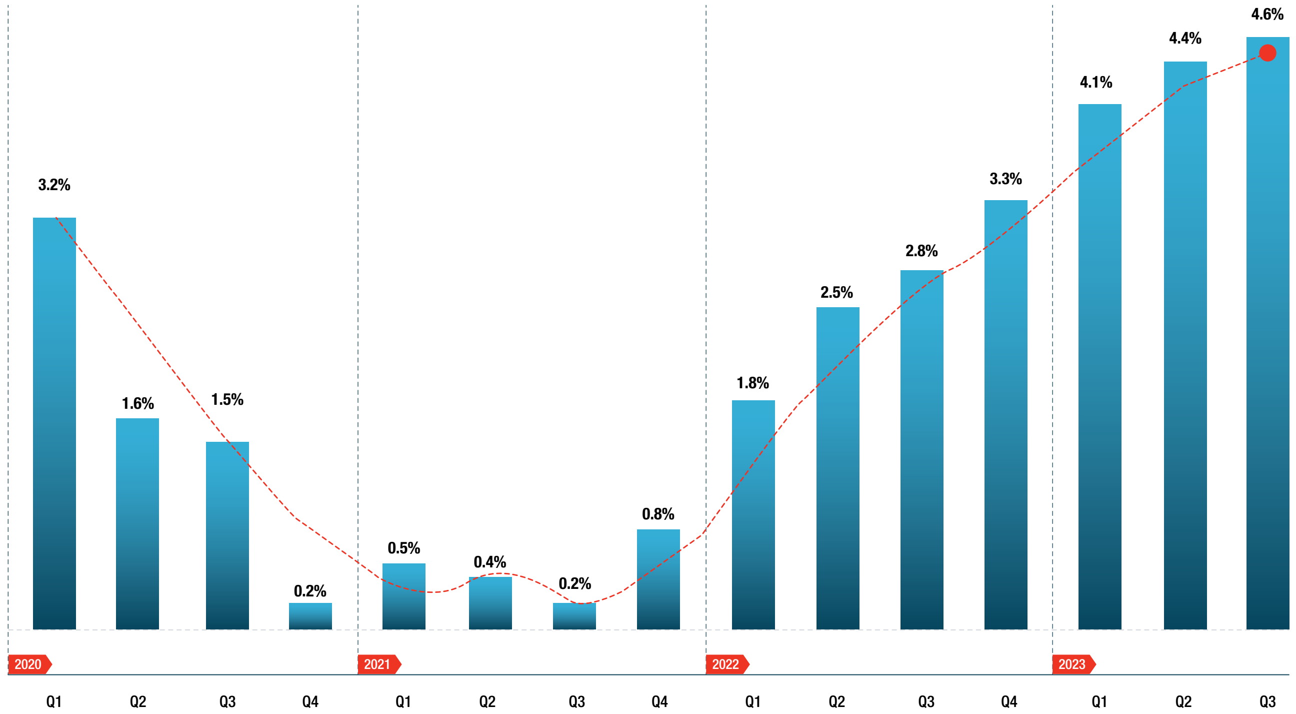
As things stand, the historically high 8.25% repo rate has been discouraging first-time home buyers from entering the market, strengthening demand for rentals. Rental demand could soften next year if interest rates come down, although further reductions in inflation could have the opposite effect, increasing the prospect of a return to real-terms rental growth while reducing the overall financial pressure on tenants. ■



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

NATIONAL RENTAL GROWTH

Quarterly *trends*



Quarterly rental growth rate (YoY) with a moving average trendline: Q1 2020 - Q3 2023
Source: PayProp

Quarterly rental growth of

4.6%

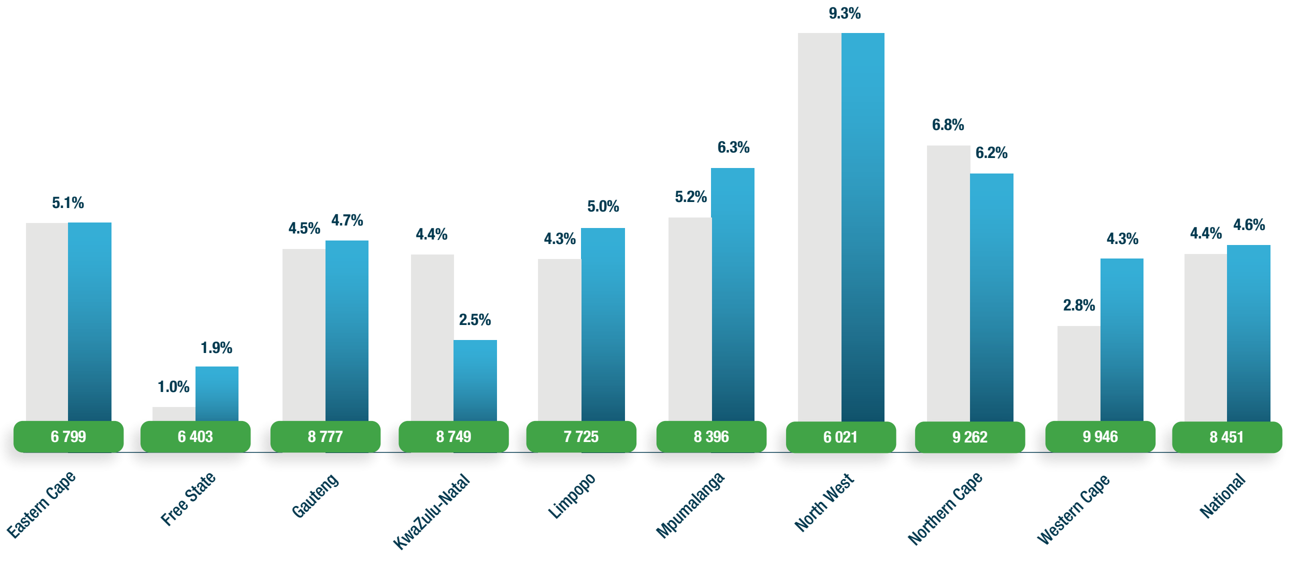
in Q3 2023 is the fastest since Q4 2017, when this figure reached 5.3%.

However, it is also the smallest quarter-to-quarter difference recorded since the return to rental growth in Q4 2021. It is much too early to say that the trend of rental growth is levelling off, but it will be worth watching in future quarters.

The average rent in South Africa now stands at R8 451. This is R368 more than in Q3 2022, and a rise of R76 from the previous quarter when the average rent was R8 375. ■

PROVINCIAL RENT AND RENTAL GROWTH

Resilient *growth*



Provincial rental growth: Q2 & Q3 2023, and provincial rent: Q3 2023
Source: PayProp

For the second quarter in a row, all provinces experienced positive YoY rental growth, and all but two – KwaZulu-Natal and the Northern Cape – also experienced faster growth than the previous quarter.

Eastern Cape – *Mind the gap*

Rents in the Eastern Cape grew by

5.1%

in Q3, the same as last quarter and significantly above the national average. Despite consistently above-average growth, the Eastern Cape's average rent of R6 799 is still R1 652 adrift of the national average. Rents in the province remain the third lowest in the country.

Free State – *Resurgent*

Last quarter, the Free State experienced its first quarter of positive rental growth after three quarters of decline. In Q3, it built on that performance: rental growth rose to

1.9%

from 1.0% in Q2. The average now stands at R6 403, the second lowest of any province – although the ongoing rapid growth in the North West (further along in this section) could change that if it holds in the long term.

Gauteng – *Steady does it*

Gauteng recorded just-above-average rental growth last quarter, and has done the same thing again in Q3. Rents grew by

4.7%

in the latest quarter compared to 4.6% nationally. That lifts the average rent in the province to R8 777, R326 above the national average, and it means Gauteng now has the third most expensive rents in South Africa, overtaking KwaZulu-Natal.

KwaZulu-Natal – *Knocked off the podium*

KwaZulu-Natal, on the other hand, suffered the biggest fall in rental growth of any province this quarter. Growth fell from 4.4% in Q2 to

2.5%

in Q3 – the second lowest in the country, above only the Free State. While rents in KZN are still R298 above the national average at R8 749, this means the province has fallen out of South Africa's top three in terms of average rent. The average property in Gauteng is just R28 more expensive.

Limpopo – *Catching up*

In Limpopo, rents grew by

5.0%

in Q3 2023, putting the rental growth rate in the province above the national average once again. However, the province remains the fourth cheapest in South Africa for renters, with an average rent of R7 725, R726 below the national average.

Mpumalanga – *Still SA's most average*

Mpumalanga recorded the second fastest growth of any province in the past quarter, with rents growing by

6.3%

to R8 396. That's still below the national average, but the gap is narrowing. The difference now stands at just R55, compared to R94 last quarter, and makes Mpumalanga once again South Africa's most average province in terms of rents.

North West – *Leading the pack*

From the second fastest growth to the fastest: the North West once again leads the pack with rental growth of

9.3%

– the same as Q2. Rents in the province reached R6 021 from R5 985 last quarter, passing R6 000 for the first time. While the North West still has the lowest rents in South Africa, the next cheapest province is the Free State, where rental growth has been stubbornly slow.

Northern Cape – *Stuck in second*

Growth in the Northern Cape fell off slightly, dropping from 6.8% in Q2 2023 to

6.2%

in Q3. That's still comfortably above the national average, but slower than Gauteng, meaning that the Northern Cape experienced the third fastest growth this quarter. As a result, rents in the province are still the second highest in South Africa, reaching R9 262.

Western Cape – *The road to R10 000*

In the Western Cape, rental growth picked up a little after several slow quarters. Rents grew by

4.3%

in the last quarter, below the national average and the third slowest in the country, but it's a big improvement on the previous quarter's 2.8%.

The Western Cape is also still South Africa's most expensive province for renters. The average rent is now R9 946, up by R216 from last quarter.

ARREARS UPDATE

Provincial and national *arrears*

The percentage of tenants in arrears fell in Q3 2023 after two successive quarters of rises. Nationally, 17.5% of tenants were behind on their rent in Q3 2023, compared to 18.4% in Q2. This is the lowest figure seen since we began tracking rent arrears in the PayProp Rental Index in 2020.

At the provincial level, all provinces recorded falls in this metric except Limpopo, where it rose from 18.9% to 19.6%.

The quarter's biggest improvement came from the Free State, where the percentage of tenants in arrears fell from 25.2% to 22.6%. While the province had the highest share of tenants in arrears last quarter, it is now only the third highest.

The Northern Cape and North West also had significant drops in this number – respectively from 19.3% to 17.0%, and from 25.0% to 23.3%. The downside for the North West is that this was not quite enough. It now has the highest percentage of tenants in arrears in the country.

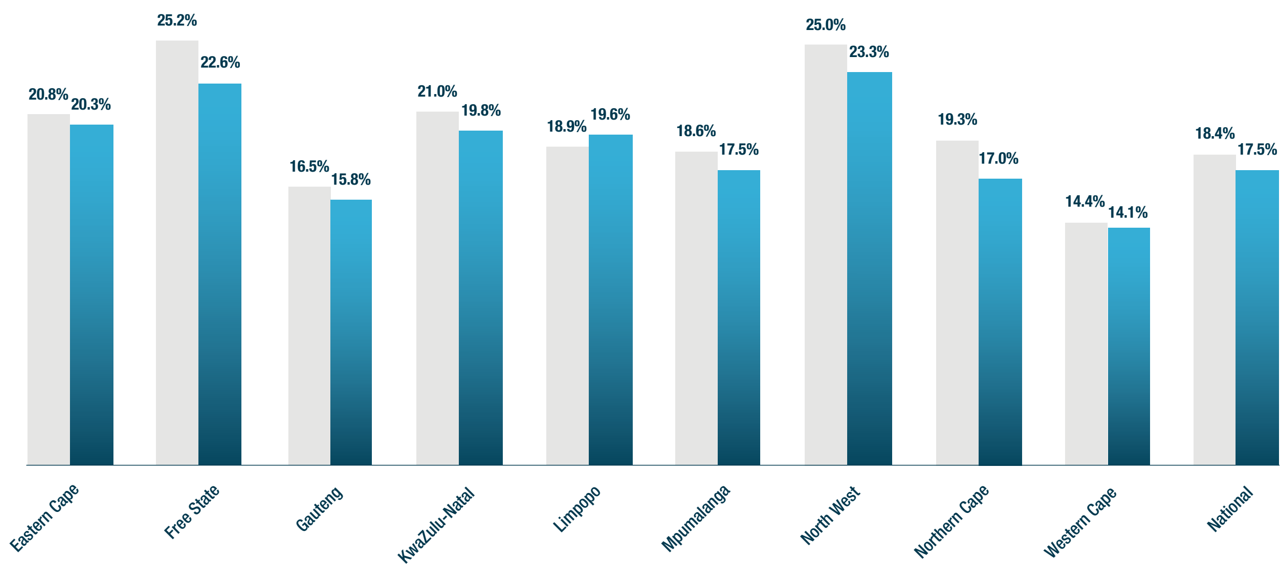
The Western Cape, Gauteng and Northern Cape have the smallest percentages of tenants in arrears at 14.1%, 15.8% and 17.0% respectively.

DATA METHODOLOGY

We consider two arrears metrics:

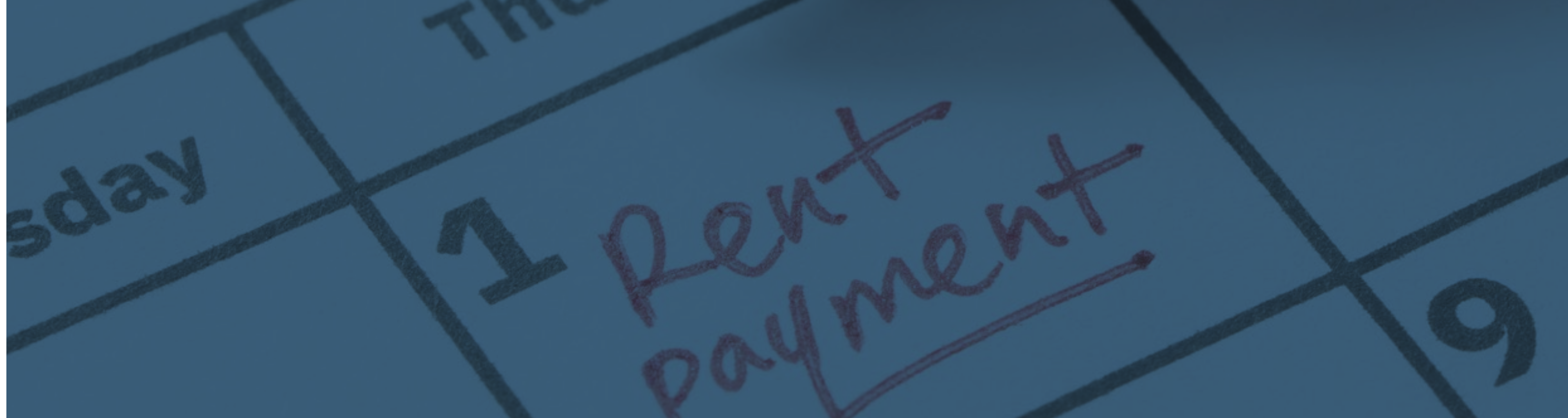
1. The percentage of tenants in arrears, which records the **number of tenants in arrears** as a percentage of the total number of tenants.

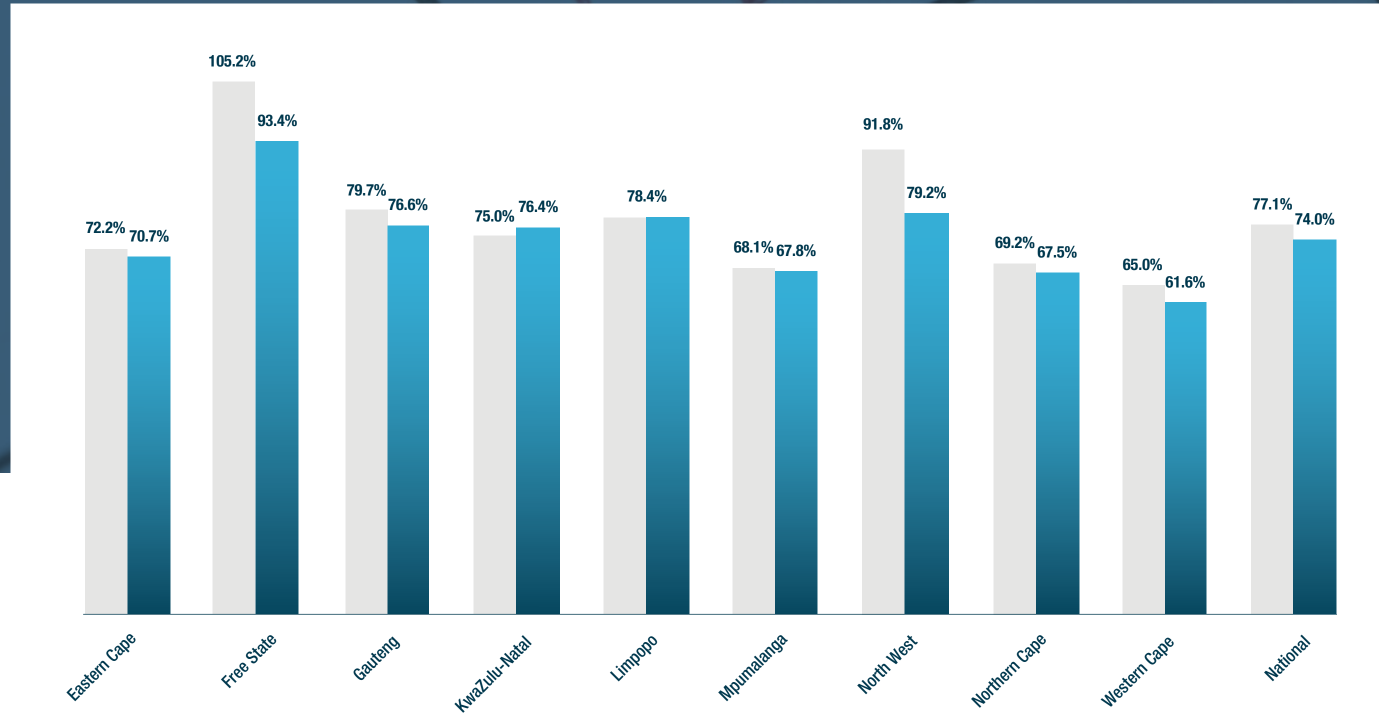
2. The average arrears percentage, which expresses the average **amount in arrears** as a percentage of the average rent per province – an average arrears percentage of 80% therefore means that on average, a tenant in arrears owes 80% of one month's rent in a particular province.



Percentage of tenants in arrears: 2023 Q2 - Q3
Source: PayProp

Tenants in arrears: 2023 Q2 | Tenants in arrears: 2023 Q3





Average arrears percentage: Q2 - Q3 2023
Source: PayProp

Average arrears percentage: Q2 2023 | Average arrears percentage: Q3 2023

The average arrears percentage also fell at the national level, from 77.1% in Q2 2023 to

74.0%

in Q3. As with the percentage of tenants in arrears, this is the lowest level since our records began in 2020.

Two provinces bucked the trend: Limpopo, where the average arrears percentage remained the same quarter to quarter, and KwaZulu-Natal, which recorded a rise from 75.0% to 76.4%.

The Free State still has the highest average arrears percentage at 93.4% despite a massive 11.8% fall since the previous quarter. The biggest fall was in the North West, where the average arrears percentage fell by 12.7% to 79.2% – still the second highest in the country.

The Western Cape continues to have the lowest average arrears percentage at 61.6%, followed by the Northern Cape (67.5%) and Mpumalanga (67.8%).

The next task for rental agents in all provinces will be to carefully manage arrears during the festive season. Many property professionals worry that tenants will prioritise seasonal spending over rental payments, and with many agency staff out of the office for a well-deserved break, it can be difficult to stay on top of late payments over Christmas.

But with the right preparation, managing arrears doesn't need to be difficult at any time of year. Using a platform that automatically flags up arrears in real time ensures that no late payments slip under the radar, while automated payment reminders give you an effective way to increase on-time collections with minimal admin. ■

CREDIT METRICS

An analysis of credit metrics *across age brackets*

Who rents through PayProp?

The PayProp Rental Index has regularly reported on the link between high interest rates and delayed first-time home purchases. Our credit data for Q3 2023 seems to bear that out.

Of the applicants who had credit checks performed on them, a rising percentage (35.7%) were of first-time home-buying age (30 - 39), compared to 34.4% at the same time last year. The percentage of applicants in all other age brackets fell.

On the whole, tenants are still mostly on the younger side, but a sizeable portion of people of all ages rent their homes: 56.1% of all applicants were under 40. By comparison, last year's mid-year population estimate by StatsSA found that around 53.5% of South Africans aged 20 and up were under 40, meaning this age group is only slightly overrepresented in the rental market. Meanwhile, those aged 20 - 29 are actually underrepresented, making up over a quarter of all South Africans over 20 but only 20.4% of rental applicants – perhaps because many people in this age group are still living with their parents.

DISPOSABLE INCOME

Income - debt repayments - rent payment = disposable income.

Income, income growth and spending

Good to be young

Tenants aged **20 - 29** have the lowest incomes on average, earning R26 850 per month in Q3 2023. They also spend a higher percentage of it on rent than any other demographic, with 1 Rand in every 3 going towards housing – commonly accepted as the standard for rental affordability. On the other hand, they spend much less on debt repayments than any other age demographic at just 23.6%, and they enjoyed an inflation-busting 7.7% increase in average income. That leaves 43.2% of their income as disposable, more than any other group.

7.7%
Income growth

Growing incomes, growing debt

The **30 - 39** age group also enjoyed an above-average rise in income of 7.0%, taking them to an average of R36 407. Despite that, their debt-to-income ratio rose from 42.6% to 45.4%, and this was only partially offset by a small fall in their rent-to-income ratio. Even so, they still enjoy more disposable income in Rand terms than they did at the same time the previous year.

7.0%
Income growth

Sluggish growth

Spare a thought for tenants aged **40 - 49**, who experienced the slowest year-on-year income growth of any age group at just 2.2%. Even so, they were one of just two groups to see their disposable income rise as a percentage of earnings in Q3 2023. They now have 19.8% of their income left over after debt and rent payments, thanks to a sharp fall in their debt-to-income ratio from 55.1% to 50.8%.

2.2%
Income growth

Little left over

The **50 - 59** age group had the highest average income at R52 497. That's 4.9% above the same time the previous year – below the 5.3% income growth recorded for the whole tenant pool analysed by PayProp, but not by much. However, after spending 56.5% of that on debt repayments (the highest of any group) and another 25.6% on rent, they are left with just 17.8% of their income to spend – less than any other age group. Their debt-to-income ratio has also increased sharply since Q3 2022, from 46.7% to 56.5%.

4.9%
Income growth

A comfortable retirement?

The **60+** age group now has the second highest average income at R46 434, thanks to an 8.2% year-on-year increase. They also spend the second least of any demographic on rent (29.1%) and debt repayments (38.1%), although both these percentages have risen year on year. That gives them 32.8% of their income left to spend, second only to the 20 - 29 group.

8.2%
Income growth

Falling living standards

On average, tenants spent more on rent and debt than they did a year previously. Between Q3 2022 and Q3 2023, the average debt-to-income ratio rose from 41.8% to 43.4%, while rent-to-income rose from 29.4% to 29.8%. That left the average tenant with 26.8% of their income as disposable, from a gross income 5.3% higher than a year previously.

Credit risk and age

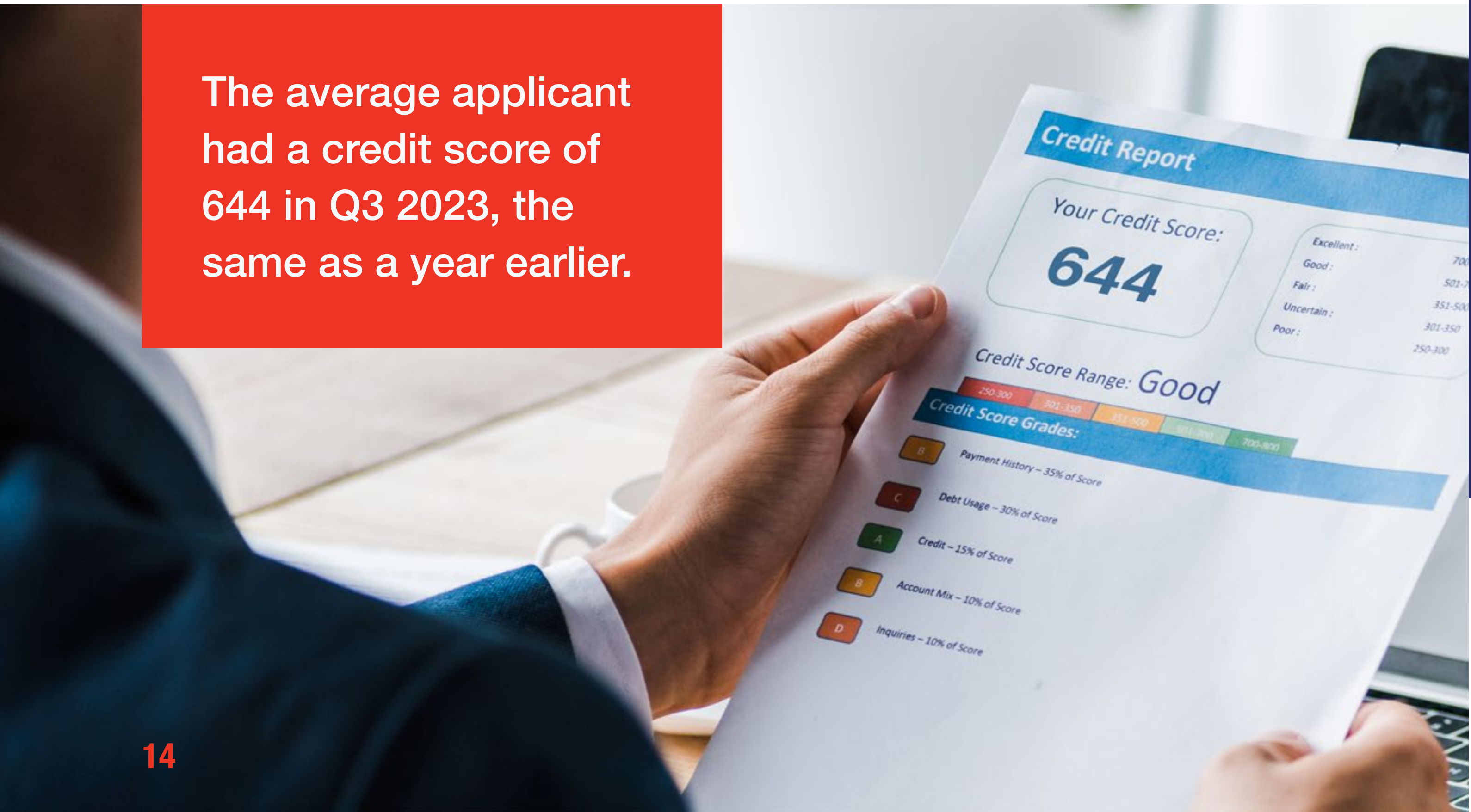
As one might expect, older tenants tend to be less risky from a credit scoring point of view. The average credit score rises with age (reflecting lower risk and higher creditworthiness), from 633 in the youngest age bracket to 668 in the oldest. That's unsurprising given that average incomes also correlate with age, while the 60+ group offset their lower income with lower debts.

Zoom in a little and the biggest difference between age groups is in the share of each one that falls into the minimum risk bracket. **Just 27.3% of tenants aged 20 - 29 are minimum-risk, compared to 61.1% of those aged 60 and over.** Meanwhile, the share of applicants in the highest risk bracket remains very stable until the 50 - 59 age bracket. ■

Age
20 - 29
27.3%
Minimum risk

Age
60+
61.1%
Minimum risk

The average applicant had a credit score of 644 in Q3 2023, the same as a year earlier.



GUEST ARTICLE

Upper and middle class consumers battling to honour home loan commitments

By

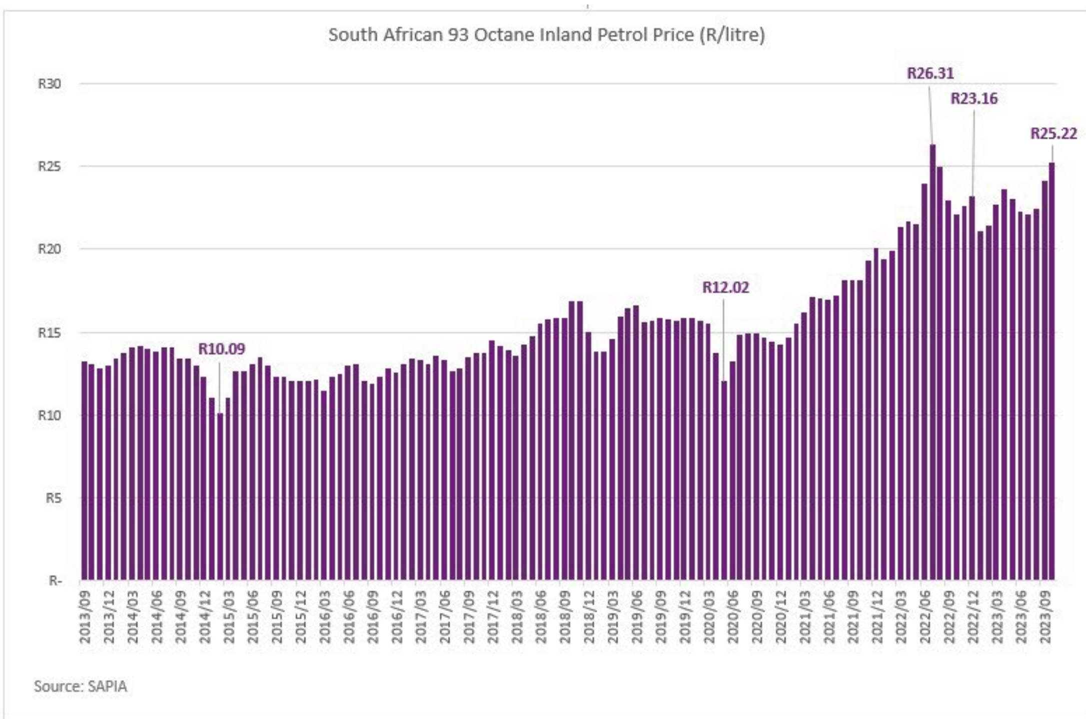
Ans Gerber

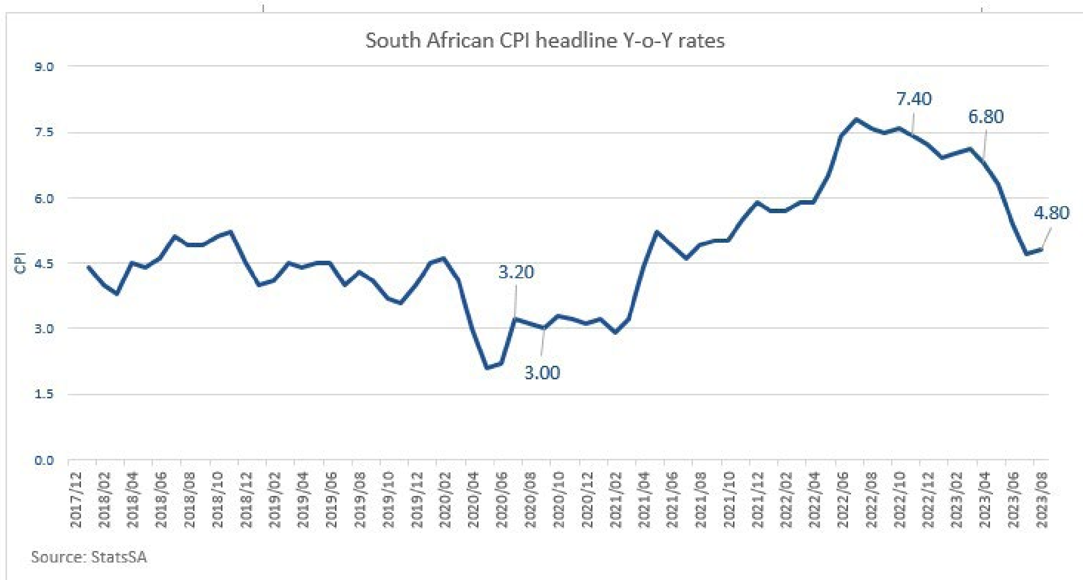
Head of Data Insights
Experian South Africa

The PayProp Rental Index has reported extensively on the effects of high interest rates on the SA rental market. This quarter, we're pleased to include a guest article by Ans Gerber, Head of Data Insights at Experian, a leading global information services company and PayProp's credit bureau partner, about the impact they are also having on homebuyers and homeowners.

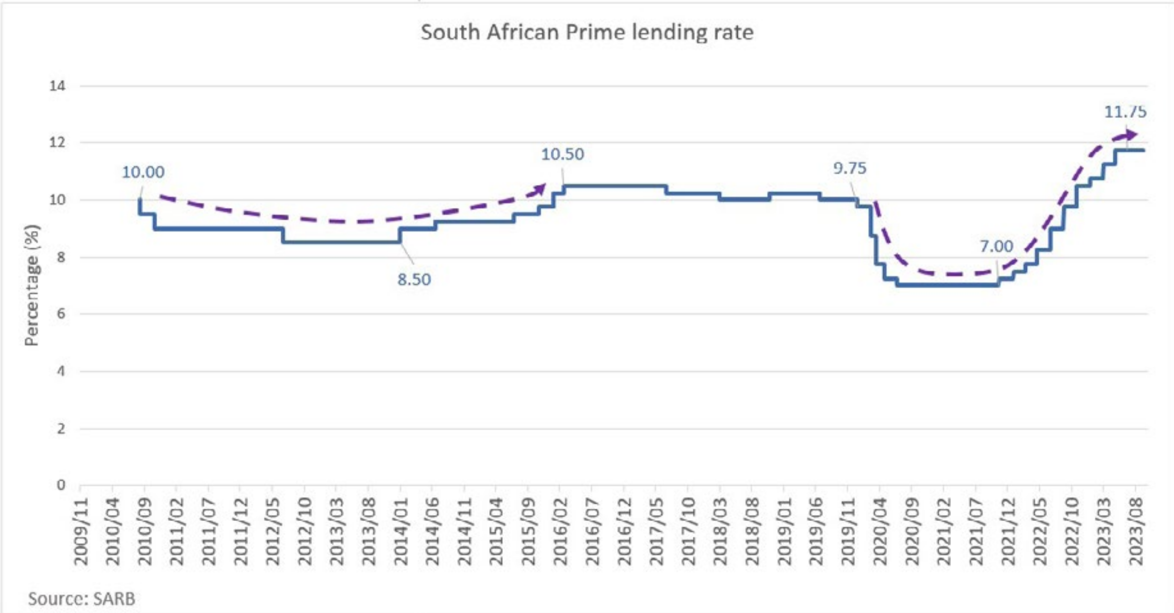
Against the backdrop of the rapidly rising cost of living for South African consumers, Experian has noticed that more affluent consumers (who typically have better access to secured credit products like home loans) have not been spared the woes.

High consumer price inflation (CPI), particularly increases in the cost of food, has been a main concern for consumers generally, as regards monthly household expenditure. The recent fuel price increases will likely put the CPI under pressure in the short term.



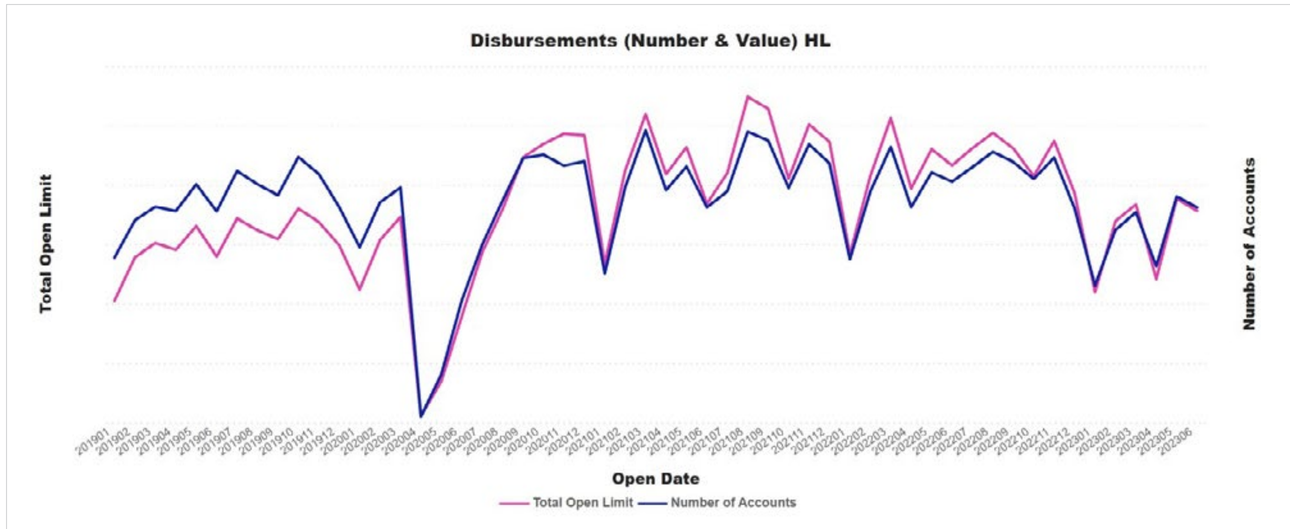


However, cost-of-living pressure has not been the only reason for consumers' pain – in particular the more affluent ones. The rate at which interest rates have been increasing since September 2021 is staggering. This has had a severe impact on the expendable income of credit-active consumers – particularly consumers with high exposure in secured credit.



Indeed, consumers with home and vehicle loan products typically see the impact on their monthly cash flow straight away, as interest rate hikes are immediately applied to these products. Due to the high value further associated with these types of loans, rate increases result in a significant increase in monthly down-payment amounts.

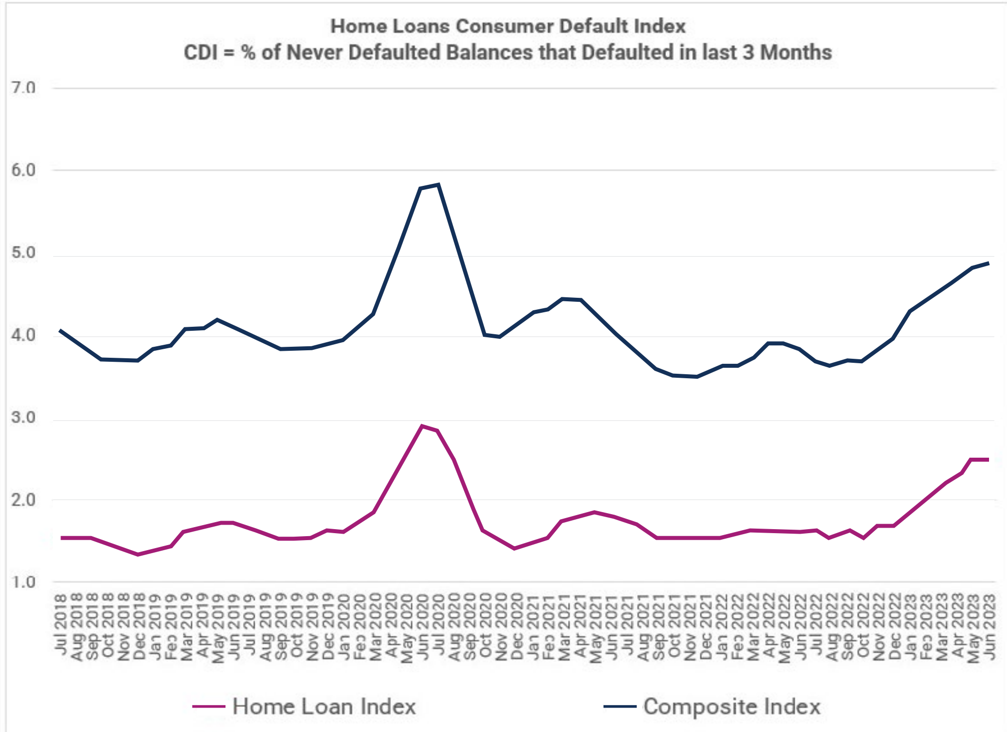
According to the latest Experian [CDIx report](), total disbursements for new home loans have not returned to the levels seen in 2022. This is indicative either of consumers being cautious not to over-commit financially (considering the current pressure households are under), or of consumers just not qualifying for new home loans.



Defaults on the rise

Experian also tracks the Consumer Default Index (CDI) as part of the quarterly CDIx publication.

The CDI is reported at a composite (aggregate) level, but also delves into specifics regarding home loans. For home loans in particular, we've observed a continued rise in first-time defaulters – most notably during 2023. In truth, however, a long-term deteriorating trend has been present from shortly after the post-COVID recovery, which ended in September 2021 – a recovery that had no doubt been supported by the lower interest rates in play during that period.



Within the South African consumer credit environment, it is worth repeating that home loans are mostly taken up by higher-affluence consumer segments.

Indeed, over 50% of the total outstanding balance on home loans is owed by people in the Luxury Living consumer segment – the most affluent consumer group in the South African consumer landscape. A close second place goes to Aspirational Achievers, who have almost 40% of the total balance. These are also highly affluent consumers, but are typically a bit younger and often have young families.

Experian uses sophisticated clustering and segmentation to categorise consumers based on their financial circumstances and behaviour.

These consumers are therefore severely affected by interest rate increases. The latest CDI results for home loans confirm this: we have seen drastic relative deteriorations in defaults for both these consumer groups. Over the last quarter this metric increased by 79% year on year for Luxury Living consumers, from 1.37% to 2.45% of current balances going into four months' arrears for the very first time, and for Aspirational Achievers by 39% YoY, from 1.81% to 2.51%. Together, they hold over 90% of the total exposure in the home loans market. Note also that these consumer groups, who were traditionally the least likely to default, are no longer the best-performing with regard to CDI.

Consumer groups	CDI June 2022	CDI June 2023	Average oustanding balance April - June 2023	Total new default balances April - June 2023	CDI Relative % change
Luxury Living	1.37	2.45	R 654.34 Billion	R 7.11 Billion	79%
Aspirational Achievers	1.81	2.51	R 419.73 Billion	R 4.01 Billion	39%
Stable Spenders	2.91	3.74	R 15.66 Billion	R 2.64 Billion	28%
Money-Conscious Majority	2.35	2.38	R 50.09 Billion	R 0.15 Billion	1%
Laboured Living	3.37	2.67	R 1.11 Billion	R 0.3 Billion	-21%
Yearning Youth	5.84	7.77	R 0.34 Billion	R 0.01 Billion	33%

In fact, the top-performing consumer segment in home loans CDI in Q2 2023 was the Money-Conscious Majority, at 2.38%. This is a more mature consumer group, who have limited financial means and as such have less than 10% of the total exposure in the home loans market.

At a consumer micro-segment level, the severest YoY changes in home loan CDI were observed at the high-affluence end of the scale (micro-segments 1 to 16).

Group 1-3	Group 4-11	Group 12-16	Group 17-25	Group 26-28	Group 29-30
Luxury living	Aspirational achievers	Stable spenders	Money-conscious majority	Laboured living	Yearning youth

FAS		CDI		
	FAS Type Name	**June 2023**	**June 2022**	**Year on Year D**
1	Independent Investors	3.17	1.35	1.82
2	Affluent Couples	2.10	1.35	0.74
3	Professional Players	2.32	1.42	0.90
4	Logged-on lifestyles	2.23	1.64	0.60
5	Liquid Living	1.86	1.61	0.25
6	Successful Singles	2.54	1.57	0.97
7	Lifestyle lending	3.83	2.20	1.63
8	Comfortable Retirees	2.42	2.19	0.23
9	Secure Singles	4.55	2.35	2.20
10	Comfortable Couples	4.10	2.72	1.38
11	Steady Entrepreneurs	7.89	8.05	-0.15
12	Stand-alone Singles	3.65	1.80	1.86
13	Plugged-in Purchasers	2.98	3.01	-0.03
14	Payday Pursuers	3.40	3.34	0.06
15	Deficient Directors	4.10	3.49	0.61
16	Credit-Reliant Consumers	5.88	3.33	2.55
17	Secure Seniors	2.40	1.88	0.52
18	Coping Couples	2.33	2.11	0.22
19	Restricted Retirees	1.82	3.07	-1.24
20	Low Earners	2.33	1.66	0.67
21	Misfortunate Mature	1.78	1.22	0.56
22	Concerning Citizens	2.04	4.19	-2.15
23	Money-wise Mature	2.66	3.09	-0.43
24	Depleted Resources	2.83	3.56	-0.73
25	Strained Adults	4.07	3.01	1.06
26	Online Survivors	2.21	2.83	-0.62
27	Struggling Earners	1.86	1.87	-0.01
28	Minimum-Money Workers	4.89	8.08	-3.19
29	Inexperienced Earners	7.85	2.92	4.93
30	Eager Youth	7.69	8.70	-1.01

Some improvements were observed at the lower end of the affluence scale. Note however that this is not indicative of improving financial circumstances in this group. Instead, the improved Home Loan CDI points towards relatively low exposure in the home loans market (especially considering lenders' more risk-averse lending decisioning), resulting in these consumers just not qualifying for home loans to the same extent as they had previously.

For example, the incidence of home ownership for Money-Conscious Majority consumers (comprising micro-segments 17 to 25) is also quite low at around 25%, compared to Luxury Living consumers (micro-segments 1 to 3), who have a home ownership rate of 80%.

At a provincial level, we see the Home Loans CDI for the Western Cape at the lowest level of all nine provinces – i.e. the lowest rate of defaults. This is significantly better than the 2.86% observed for Mpumalanga at the other extreme.

Composite	CDI	
Rank & Province	June 2022	June 2023
1. Western Cape	1.06	1.68
2. Limpopo	1.84	2.29
3. Eastern Cape	1.61	2.37
4. North West	1.80	2.47
5. Northern Cape	1.38	2.49
6. Kwazulu-Natal	1.72	2.65
7. Gauteng	1.80	2.81
8. Free Sate	1.68	2.83
9. Mpumalanga	2.03	2.86

Expectations are that the Home Loans CDI will remain under pressure at least until such time as interest rates are adjusted downward. Some key cost-of-living drivers continue along a steep increasing trend (e.g. fuel costs and food prices), which will in all likelihood make it even more difficult for consumers to honour their debt commitments in the foreseeable future.

In order to help consumers navigate these trying times and upskill on their financial planning, Experian has launched a progressive Web app, Up. Once registered, a consumer can check their personal credit risk score and pull their credit report free of charge. In addition, Experian publishes educational content and articles weekly, to enable consumers to learn and grow in their personal financial savviness. ■

PayProp

the Real House experts
OF REALGLEN PROPERTIES

CASE STUDY

Why RealGlen Properties trusts PayProp more than the bank with client money

An interview with
Magda Stoffberg
Owner

Magda Stoffberg jokes that she honed her skills in time management, communication and negotiation as a full-time mother for 16 years before deciding to put them to use in the property industry in 2004.

Turns out it's no joke. Within just five years of becoming a RealNet franchise owner, she was awarded National Sales Agent of the Year.

Magda initially started managing rentals on a small scale just to cover the monthly franchise fees until she realised she was a natural at that too. Her portfolio grew steadily over the years, and between 2016 and 2021, her business was recognised as the Top National Letting Franchisee in the RealNet group.

In 2022, Magda founded her own agency, RealGlen Properties, taking her expertise, her property portfolio and one of her most valuable assets – PayProp – with her.

Kempton Park
South Africa

200
Properties managed

2019
PayProp client since

In the beginning

Magda had seen PayProp at various events over the years and though she liked the product, she thought the roughly 100 doors she managed at the time were too few to make optimal use of the platform. As she found out, this was a total misconception: rental agencies of all sizes save time and manage properties more efficiently with PayProp.

In time, the pain of manually collecting, reconciling and distributing rent payments just became too much to bear, she says. "Before PayProp, handling payments was a nightmare. It took so much time and physical effort."

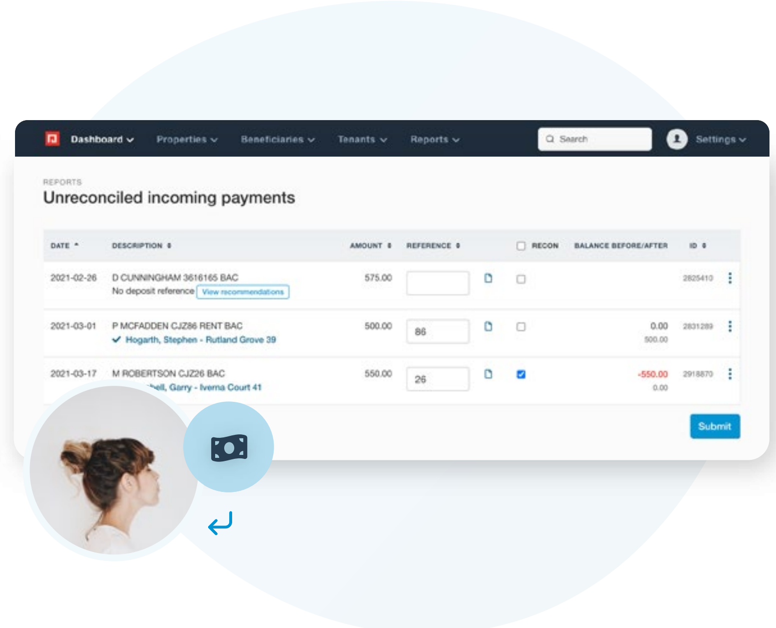
So in 2019, Magda took the leap and found that no portfolio size is too small or too big for PayProp.

Onboarding was exceptionally smooth, she reports, and the entire PayProp support team made her feel welcome and comfortable right away.

> Everyone I've met at PayProp has a fantastic personality and is really good at what they do.

Now Magda processes payments in a fraction of the time, in a couple of clicks. And with the time she saved, she went out and doubled her book within just four years of joining the platform.

AUTOMATED RECONCILIATION
Match payments to the right tenants in a few seconds



Using PayProp your way

Magda is proud of her rigorous vetting process for new investments, because it means her staff, clients, properties, everything down to the PropTech she uses, is guaranteed to be the best of the best.

> **I'm very picky. I always get final say. And because of that, I think we've established ourselves as a company that prioritises quality over quantity.**

Magda usually lets PayProp's powerful automation work its magic, but she also chooses to be hands-on at times. The powerful but simple sophistication of the PayProp platform gives her the freedom to be as involved as she likes, including enabling and disabling SMS notifications for certain tenants, sending letters of demand and handling maintenance requests both on and off the platform.

With PayProp's flexible user permissions, Magda also has full control over which of her agents are allowed to do what on the platform.

This security feature (one of many) not only gives Magda peace of mind, but bolsters her agency's reputation for reliability.

> **I've got a couple of international clients that implicitly trust me with their properties. If they're going to have that much confidence in me, then I need to be as confident with where I keep their money. And I don't trust anybody as much as I trust PayProp. Not even the bank.**

PAYPROP CASE STUDY | REALGLEN PROPERTIES

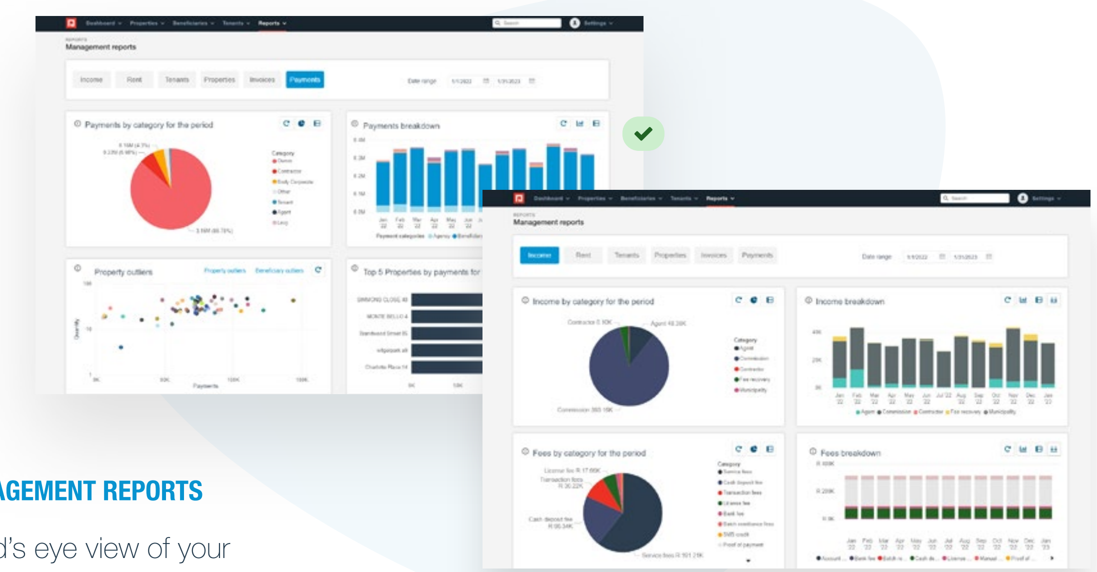
Magda personally keeps landlords up to date on the status of their properties, but for even greater transparency, she directs them to the PayProp Owner app. With the app in their pockets, they can see a complete and live overview of their portfolio, including rent, arrears and contractor payments, from anywhere in the world.

Tenants have their own self-service Tenant portal for similar benefits.

A marketing enhancement tool

Magda has also found a lot of value in PayProp's management reporting feature. Like all PayProp users, she gets invaluable business and market intelligence from it to help analyse her business performance. But she's also found a second application for it as a marketing tool – posting report graphs and charts on social media to showcase her market-leading performance compared to her competitors.

> **PayProp is definitely our main sales pitch. We talk about it on social media to attract landlords and tenants. PayProp's complimentary landlord benefits brochure is part of our marketing pack, and has helped a lot to get new listings.**



MANAGEMENT REPORTS

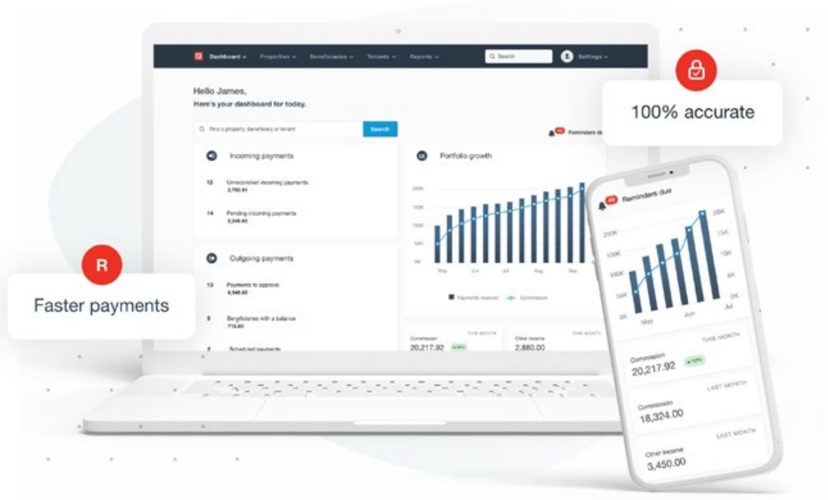
A bird's eye view of your business

Magda is constantly setting higher and higher targets for her business, powered in no small measure by PayProp. Case in point: the PayProp dashboard allows her to see the performance and health of her entire rental portfolio in real time, at a glance.

Ultimately, she believes PayProp can help her increase her portfolio to 400 or even 500 properties one day.

PORTFOLIO OVERVIEW

See your portfolio health at a glance



Beyond expectations, beyond compare

From the first onboarding session to the time she met her dedicated client success manager for breakfast, Magda has had PayProp's team by her side every step of the way. She credits PayProp for helping RealGlen Properties succeed and recommends the automated property management platform to anyone who will listen.

And at any rate, she says, sometimes the platform speaks for itself. One of Magda's ex-tenants, who happened to be a rental agent herself, actually signed up for PayProp after seeing it in use from the other side.

> **If I had to describe PayProp in three words, they would be 'quality', 'transparent' and 'trustworthy'.**

PayProp | Client stories

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FEATURE ARTICLE

5 regular checks to keep a rental portfolio in *tip-top shape*

> *A property rental portfolio requires ongoing care and maintenance in order to run effectively, profitably and with the necessary controls to prevent mismanagement.*

A disorganised portfolio, which is weighed down by junk data, loose ends or lax processes, can disrupt the normal flow of operations, reduce productivity and put the business at risk. As the largest processor of residential rental transactions in South Africa, PayProp recommends that rental portfolio administrators and principals follow a strict five-point security 'health' check when it comes to the ongoing management of their portfolios. While PayProp smoothes over the process with rigorous process automation and records-keeping, the same principles apply to all property practitioners managing rental collections and settlement.

01. Check for damage deposit consistency

All tenant damage deposits are by law required to be placed in an interest-bearing account separate from your business account. Active tenants who don't have deposits should be reviewed. Unless there's a valid reason for it, the situation must be rectified to protect them and landlords, should a significant portion of tenant funds be needed later on, for example in the case of damage to the property. A regular check will clear up any confusion around absent or oddly valued deposits, and can be the starting point for a deeper investigation that may reveal other irregularities.

Equally, inactive tenants who still have damage deposits against their names require frequent attention. Check your trust account for this regularly to ensure deposits are paid out as soon as possible after a tenant has moved out.

It's important to make sure your books are always tidy to ensure that client account issues won't crop up later.

02. Verify credit and debit notes

Credit and debit notes, memos, journals, entries – no matter what they are called in the business – should only be used to correct mistakes, or when funds from another source (such as a damage deposit) were used to reduce an outstanding balance. Excessive or unexplained credit and debit notes pose a risk to the business.

Clear, detailed transaction visibility is needed for the business property practitioner principal to see how many credit notes were created in relation to the number of invoices generated for the same period, and to make sure that each one includes a clear description of why it was created, avoiding any misunderstandings. Any discrepancies are worth investigating.

03. Monitor credit balances

It's important to not only check tenant statements to see if specific accounts are in credit, but even more critically, whether any are in arrears. A portfolio becomes messy when arrears are not handled promptly, and the messier it gets, the harder it is for the principal to analyse or recoup outstanding amounts, which increases risk. PayProp's advanced arrears management technology automatically flags when a payment is missed and allows agencies to chase any outstanding amounts over e-mail and text message. The platform's arrears messages mean that 64% of tenants respond within 48 hours. In addition, PayProp automatically segregates your clients' money down to individual properties, landlords and intended purpose, and of course from your business fund flows. This makes spotting outstanding payments or credits a cinch.

04. Monitor direct deposits

Agencies using a system like PayProp can accept Pay@ payments, instant EFTs through Ozow, and debit orders, and therefore benefit from automatic reconciliation. However, direct deposits require some manual work and therefore require regular checks to ensure accuracy.

For that reason it is important to keep an eye on in-branch deposits into the agency's trust account, as well as EFTs, ATM payments and international payments. Monitoring these transactions means that any incorrect reconciliations will be highlighted.

05. Users and permission management

Always keep an eye on current users and their permission settings. This is to ensure that all users have been given the appropriate permission settings to ensure that they are able to do their tasks, and to afford the necessary business oversight to protect your reputation. Remember to delete any users on the system as soon as they leave your employment, or if you no longer want them to have access to your portfolio. Careful consideration should also be given to what permissions are given to each user. Finally, dual permission and separation of duties might be advisable with high-risk actions and transactions, such as creating and amending beneficiaries or payments. ■

IN CLOSING

Some festive *cheer*

As we enter the holiday season, it's encouraging to have a PayProp Rental Index that's mostly good news. Rental growth has now accelerated every quarter for two years, reaching heights not seen since 2017, and that growth has now reached every province for the second consecutive quarter. Arrears have also fallen to their lowest level since before the pandemic, although many tenants have seen their disposable incomes squeezed by the rising cost of debt repayments.

The major source of uncertainty for next year is interest rates: when will they fall, and by how much? If inflation remains a risk, that will limit SARB's scope for rate cuts while also putting continued pressure on tenants' finances. On the other hand, a fall in interest rates could restore the confidence of aspiring first-time buyers, reducing demand for rental properties and potentially slowing down growth. As you would expect, we will be keeping a close eye on this in future issues of the PayProp Rental Index. ■

The major source of uncertainty for next year is interest rates: when will they fall, and by how much?

Q3 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.

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Contact details
For all business and media enquiries, please contact:

Johette Smuts
Head of Data Analytics
E-mail: johette.smuts@payprop.co.za
Tel: 087 820 7368

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

Join PayProp
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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