



RENTAL INDEX



Annual Market Report
2024 EDITION



NATIONAL RENT GROWTH STABILISES

Western Cape rents
hit high-water mark

PayProp celebrates
20 years of innovation

Record low
tenant arrears

SNEAK PEEK: STATE OF THE RENTAL INDUSTRY RESULTS

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PAYPROP TURNS 20

PayProp celebrates 20 years of industry-leading innovation in payment automation

PayProp, the automated rental payment platform for residential rental agents, is celebrating 20 years of global leadership in truly bank-integrated property management.

Co-founded by Johannes and Jaco van Eeden in Stellenbosch, South Africa, PayProp delivers significant monthly time and resource savings for thousands of property businesses around the world. Coupled with automated efficiencies, this enables them to scale easily and focus on growing their businesses.

Today PayProp processes R45.5bn in rental payments annually covering more than 260,000 tenancies in South Africa, the UK, Canada, and the United States.

Over the past two decades, PayProp has added new platform features to support its core end-to-end payment processing functionality – such as the Tenant Assessment Report and live management reports – that are not only state of the art in the PropTech space, but benefit rental agents, landlords and tenants in ways they actually want.

In the past year, PayProp has introduced custom tags for more efficient portfolio organisation, automated arrears fees and a client communications audit log – to name a few.

“A big part of what makes PayProp special is our incredible support teams, who foster real relationships with customers,” said CEO Johannes van Eeden.

“Other companies might outsource support, but ours is a highly efficient, highly trained, in-house team. They speak with customers in person as well as on the phone, and their feedback and inquiries are ploughed back into the business.”

For its achievements, PayProp has recently been recognised as Tech Company of the Year – Large at the 2023 Global Business Tech Awards. It was also named Supplier of the Year – Products & Services (Business), and won silver in Supplier of the Year (Technology) – Agency Software at The Negotiator Awards 2023. Additionally, PayProp enjoys a perfect 5.0 Google Review score with nearly 300 reviews.

It was also the PayProp UK support team’s quick response times, unlimited training and support and genuine love of the platform that has won it six consecutive Best in Sector – Payment Services awards from the ESTAS since 2017.

“If I can pride myself on one thing only that I know I’ve done right, it would be bringing the right people on board,” Van Eeden said.

In addition to retaining many of its very first customers in South Africa and the UK, a notable number of PayProp’s staff have been with the company for ten or more years.

“And everyone we’ve hired since then has truly believed in and lived our purpose, underpinned by problem-solving, innovating, and loving what we do,” Van Eeden stated.

“At its core, PayProp’s success is due to a combination of technological innovation, extensive market experience, an unwavering commitment to consumer protection and client satisfaction, and the dedication of our enthusiastic team,” said Jan Davel, Global Head of Compliance & Risk and the Managing Director of PayProp South Africa.

PayProp will carry that passion and culture into its recent merger with Reapit, a leading end-to-end property management solution, available in the UK and Ireland, Denmark, Australia, New Zealand, and the United Arab Emirates.

“Whatever form a future with Reapit takes, the goal is to make life easier and save time for property professionals who manage both the rentals and sales sides of their business,”

Van Eeden said.

For more information, please visit www.payprop.com. ■



“The data in the PayProp Rental Index helps me make good business decisions.”

✓ TRUE =

97.5%

Survey of PayProp Rental Index readers, October 2023



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INTRODUCTION

Twenty-twenty-more

I’m happy to share this first PayProp Rental Index of 2024 with you, looking back on how the SA rental market performed last year.

In 2023, we saw a welcome recovery across various indicators in the rental market, although there are signs that rental growth in 2024 might be slightly more subdued. As always, inside you’ll find our full analysis of national and provincial rental growth, tenant credit metrics and arrears.

In our featured case study on p49, we meet Leandra van Wyk, who uses the time savings she gets with PayProp to be more hands-on with her clients. We also hosted our annual PayProp Awards towards the end of last year – you can read more about that on p54.

Finally, PayProp turns 20 years old in 2024! We are beyond proud of two decades of leadership in rental payment innovation, and we are grateful that you have been along for the ride.

I hope that you enjoy this issue. As always, feel free to share your thoughts with me. ■

NATIONAL RENTAL GROWTH

Rent and inflation

South Africa’s streak of accelerating rental growth is over after eight quarters.

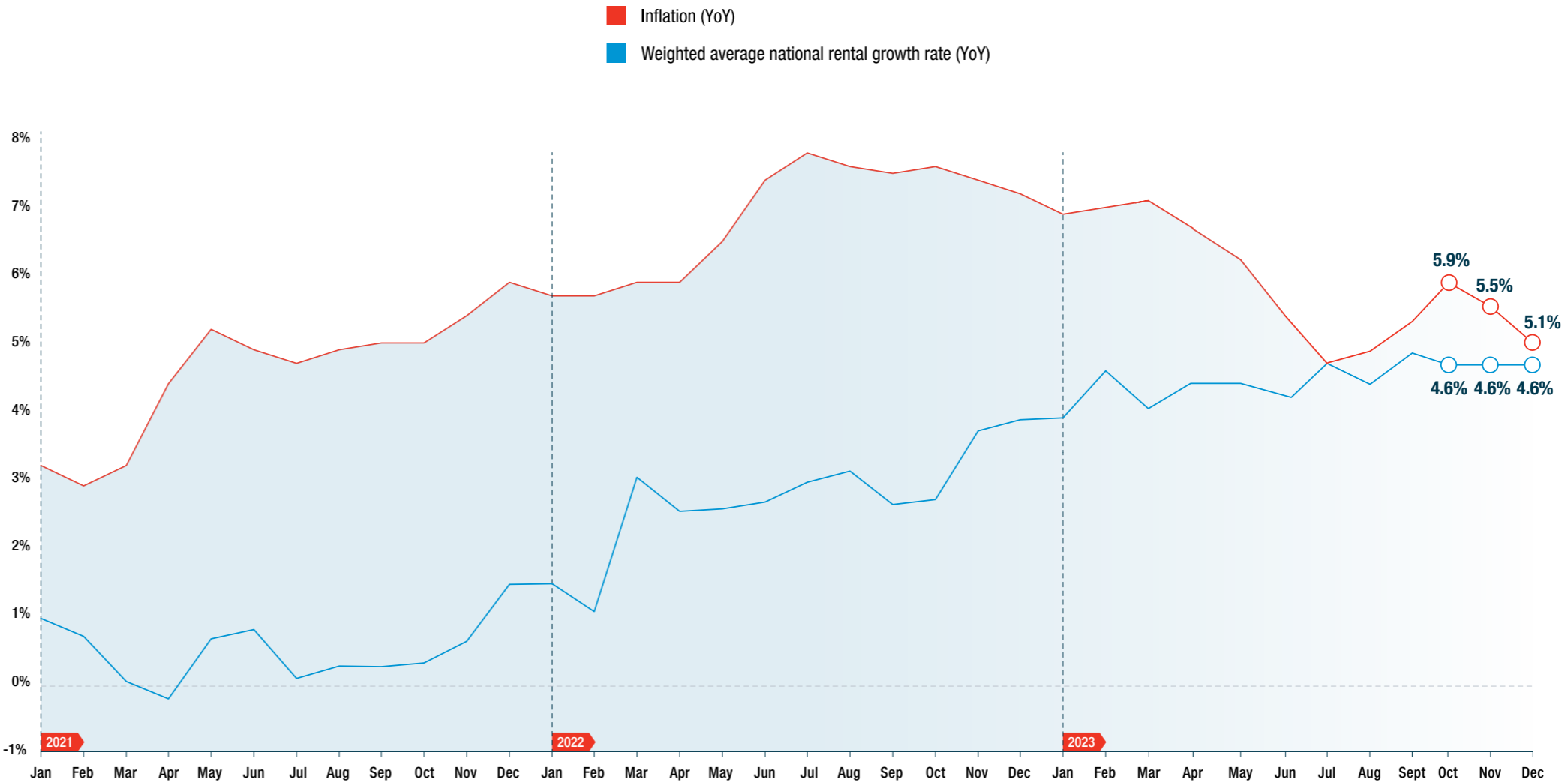
Rents grew a sustained 4.6% year on year in October, November and December 2023, for an unchanged fourth-quarterly growth rate from the previous quarter.

While it’s too early to say for sure, that looks a lot like a plateau. Growth in each month fell below the post-COVID peak of 4.9% recorded in September, which was the fastest since 2017.

But there was also good news for landlords and rental agents. After a shock jump to 5.9% in October, inflation fell to 5.1% in December – reducing real-terms declines in rent.

Falling inflation could both benefit and harm rental agents this year. While it will improve tenant affordability, it could also lead the South African Reserve Bank to lower interest rates, whose current high levels are discouraging tenants from buying homes. Falling rates would boost demand from buyers and support house price growth while lessening demand for rentals.

However, any interest rate cuts in 2024 are likely to be small. At the SA Reserve Bank’s Monetary Policy Committee meeting on 25 January, central bankers unanimously decided to leave the repo rate at 8.25%.



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

REPORTING METHODOLOGY

To prevent the unique geographical distribution of PayProp clients from skewing our national figures, we weight each province’s contribution according to its contribution to GDP.

Governor Lesetja Kganyago explained that there needs to be a clearer trend of falling inflation before rates can be cut.

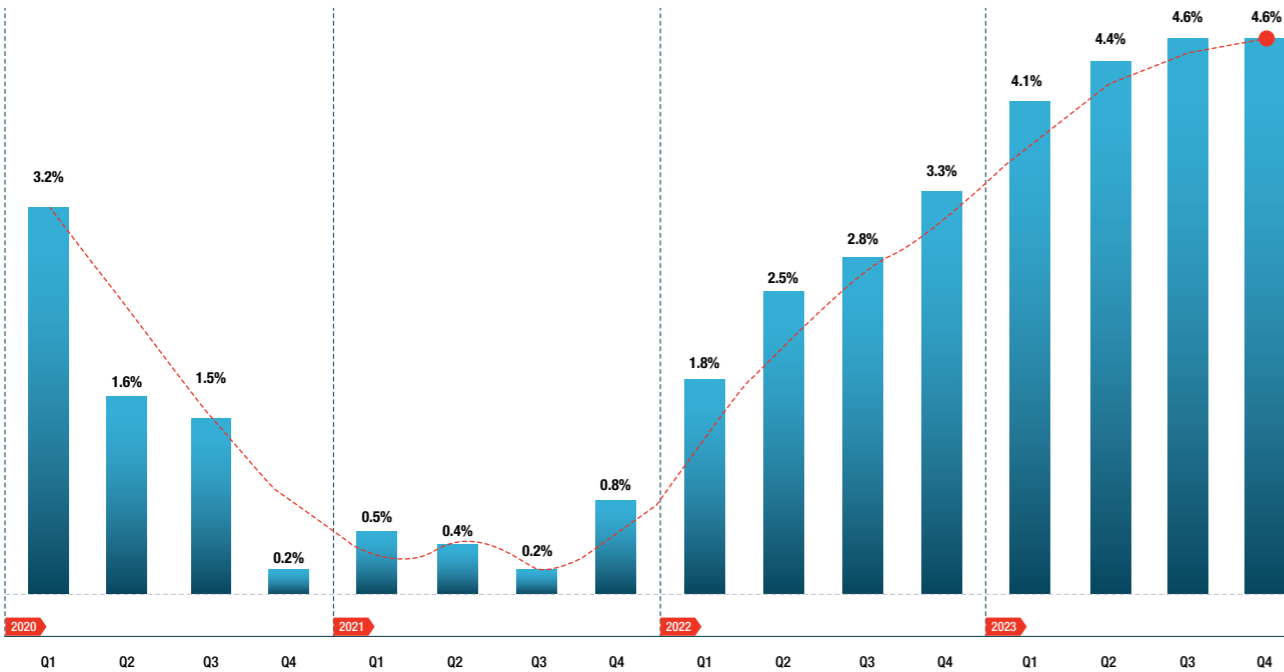
While it now appears that rental growth will not return to the 6-8% seen in the mid-2010s, a period of stability could be an opportunity for the residential rental sector even if growth flattens out. Steady year-on-year growth of 4-5% would allow rental agencies to grow

without putting more pressure on tenant affordability.

Seen this way, it’s clear why in PayProp’s State of the Rental Industry Survey 2023, 84.3% of respondents said they were optimistic about the future of the rental industry. Any property practitioner who rode out the last few years has proved that they can handle a challenging market.

NATIONAL RENTAL GROWTH

Quarterly trends



Quarterly rental growth rate (YoY) with a moving average trendline: Q1 2020 - Q4 2023
Source: PayProp

Levelling off

The third quarter's 0.2% quarter-on-quarter increase was a sign that rental growth could be levelling off, and that now appears to have happened. Rental growth remained at 4.6% in Q4 2023, exactly the same as in Q3.

That growth puts the average rent in South Africa at R8 598, an increase of R368 year on year, and R147 above the previous quarter. ■

Quarterly rental growth remained at

4.6%

Q4 2023

NATIONAL STATISTICS

2023 in review

Damage deposit ratio

The average damage deposit is now 1.29 times the average rent, compared to 1.26 in Q4 2022. This suggests that rental agents have been diligent about topping up damage deposits based on the new rent at lease renewal, which is good practice. The cost of repairing damage tends to go up over time, so the deposit set when the tenant first moved in may not give the landlord enough protection.

Arrears

Perhaps this quarter's most positive finding is that the share of tenants in arrears fell to 17.0% nationwide in Q4 2023. This is the lowest level recorded since PayProp began tracking arrears in 2020, and a 0.5% fall from the previous record low set in Q3.

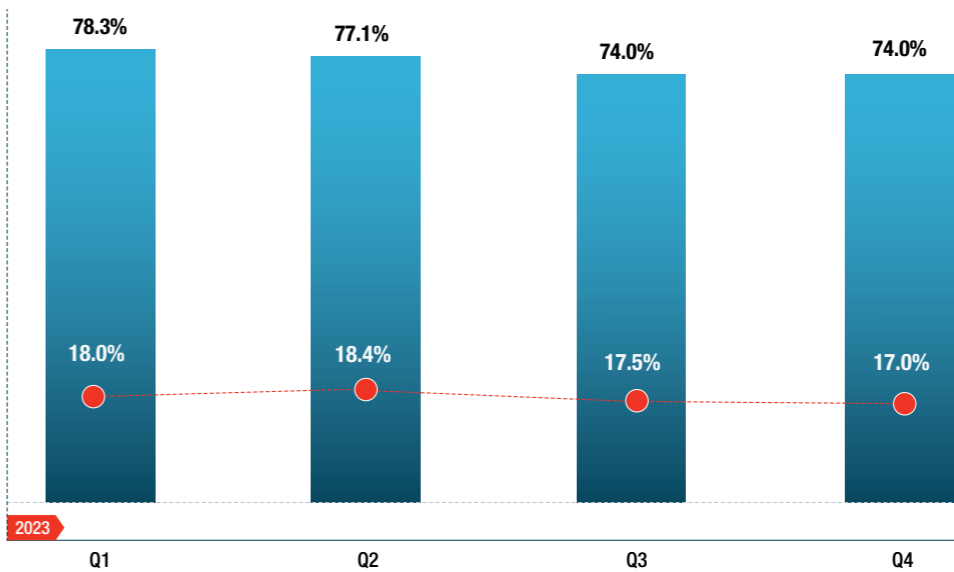
The average arrears percentage remained flat at 74.0% – also the lowest level recorded to date in the PayProp Rental Index.

ARREARS METRICS



We consider two arrears metrics:

1. The percentage of tenants in arrears records the number of tenants in arrears as a percentage of the total number of tenants managed by PayProp-powered agencies.
2. The average arrears percentage expresses the average amount of arrears owed by tenants in arrears as a percentage of the average rent in question. An average arrears percentage of 80% therefore means that, on average, a tenant in arrears owes 80% of one month's rent.



National arrears: Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

Despite high interest rates making it more expensive to service debt, tenants spent less of their income on debt repayments than they did a year earlier.

Income and spending

The rising cost of living was a major story throughout last year, but in reality tenants are now in a better financial position than at the end of 2022.

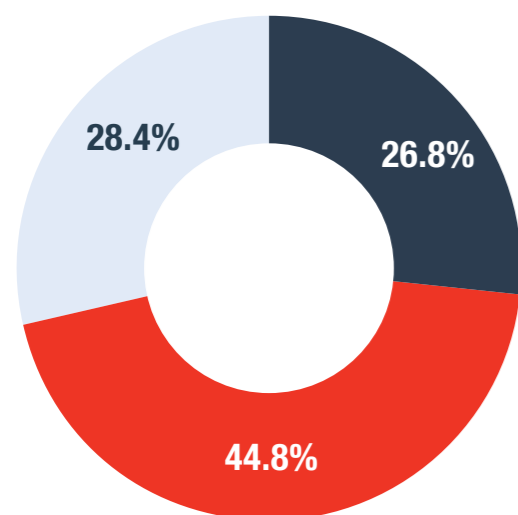
The average tenant earned R39 105 in Q4 2023, up 7.5% year on year.

Despite high interest rates making it more expensive to service debt, tenants spent less of their income on debt repayments than they did a year earlier: 44.8% in Q4 2023 compared to 47.8% in Q4 2022.

The percentage of income spent on rent also fell

(from 29.2% to 28.4%) despite stronger rental growth throughout 2023. While some rental industry experts have warned that an “affordability ceiling” could restrict further rent increases this year, PayProp’s figures suggest that rent is in fact getting more affordable.

With rent and debt repayments falling, tenants are left with significantly more disposable income. The average tenant now has 26.8% of their income left over to cover other expenses, up from 23.1% at the end of 2022.



■ Disposable income ■ Debt ■ Rent

■ National share of income spent on debt and rent, Q4 2023
Source: PayProp

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 current 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.

Risk

Alongside the improvements in their spending patterns, rental applicants were also financially healthier in other ways in 2023.

The average credit score only improved by 1 point year on year, to 643, but a growing percentage of applicants fell into PayProp’s minimum-risk bracket in Q4 2023, up from 35.2% a year earlier to 37.7%. That coincided with falls in all of the riskier brackets: the share of low-risk tenants fell from 20.8% to 19.0%, medium-risk tenants from 15.6% to 15.2%, and high-risk tenants from 28.5% to 28.1%.

Having a bigger pool of minimum-risk applicants to choose from will help agents to source safer-bet tenants for landlords in 2024.

It was also encouraging to note that only 16% of applicants had a major delinquency to their name, compared to 18% in Q4 2022. ■

Average credit score

643



642 in Q4 2022

% of minimum-risk applicants

37.7%



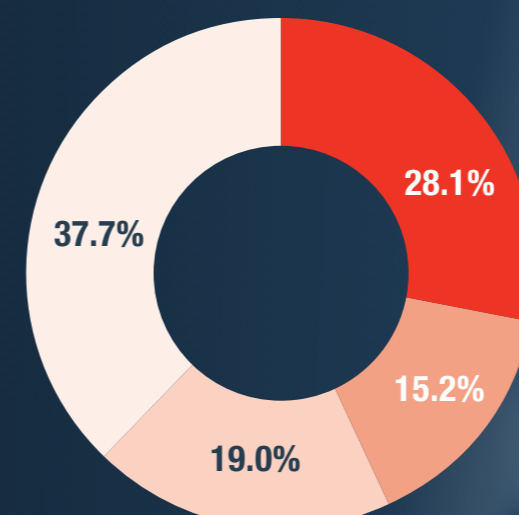
35.2% in Q4 2022

% with major delinquencies

16.0%



18.0% in Q4 2022



■ High risk ■ Medium risk ■ Low risk ■ Minimum risk

■ National credit risk distribution, Q4 2023
Source: PayProp

PROVINCIAL STATISTICS

Eastern Cape – growth picks up

Rent and rental growth

The Eastern Cape finished a year of above-average growth with another strong performance. Rents grew by 7.3% YoY in Q4, up from 5.1% in the previous quarter – the third fastest of any province.

The average rent in the province reached R7 018, passing R7 000 for the first time – up from R6 543 in Q4 2022. However, this is still the third lowest in the country, a repeat of last year’s ranking.



Rental growth: Eastern Cape, Q1 – Q4 2023
Source: PayProp

Damage deposit ratio

1.44 times the average rent



The average damage deposit in the Eastern Cape was the **second highest of any province.**

The Eastern Cape finished a year of above-average growth with another strong performance.

Arrears

Whereas the national percentage of tenants in arrears dropped sharply from Q3 2023 to Q4, it remained unchanged in the Eastern Cape at 20.3%. That’s the second highest of any province, behind the Free State. There has been some year-on-year improvement – 20.9% of tenants were in arrears in Q4 2022 – but no clear positive trend in 2023.

However, the average arrears bill is fairly small at 67.2% of the rent – the second lowest of any province, and well below the national average of 74.0%. This shrunk from 70.7% in Q3, implying that rental agents are doing well at recovering arrears from tenants.

% of tenants in arrears

20.3%



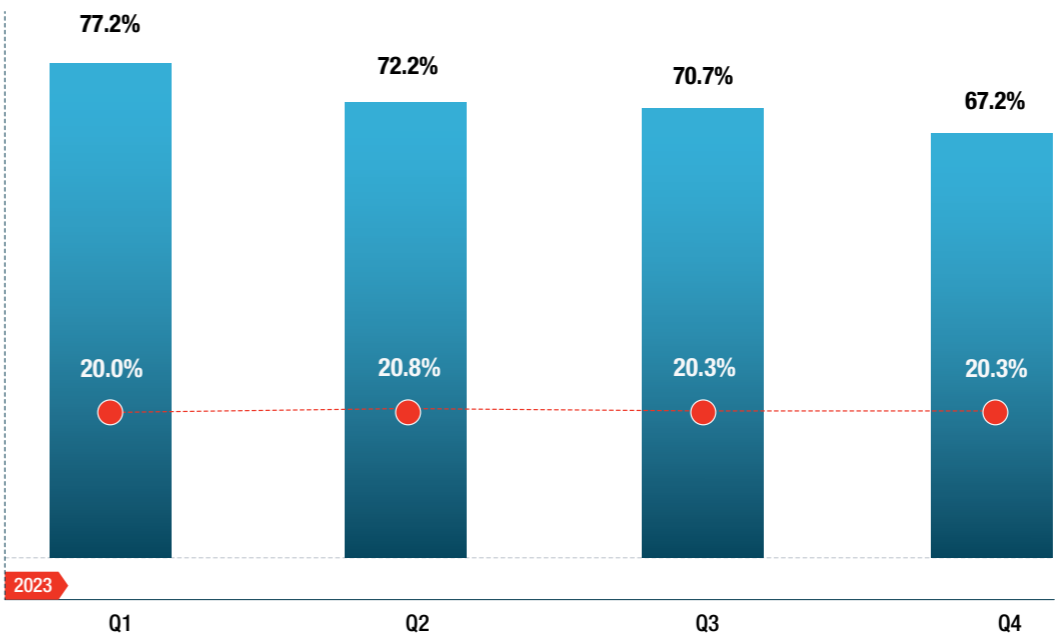
Higher than the national average (17.0%)

Average arrears %

67.2%



Lower than the national average (74.0%)



Arrears: Eastern Cape, Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

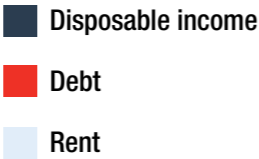
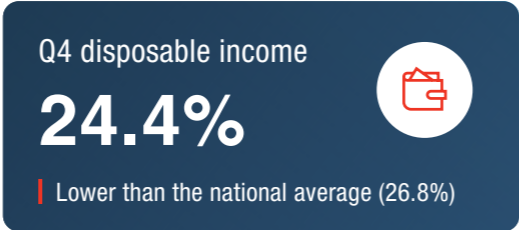
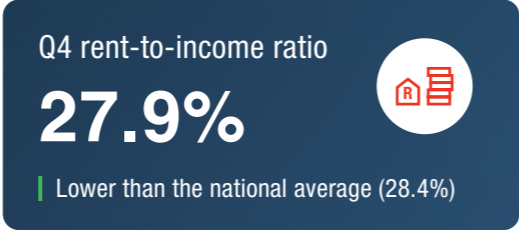
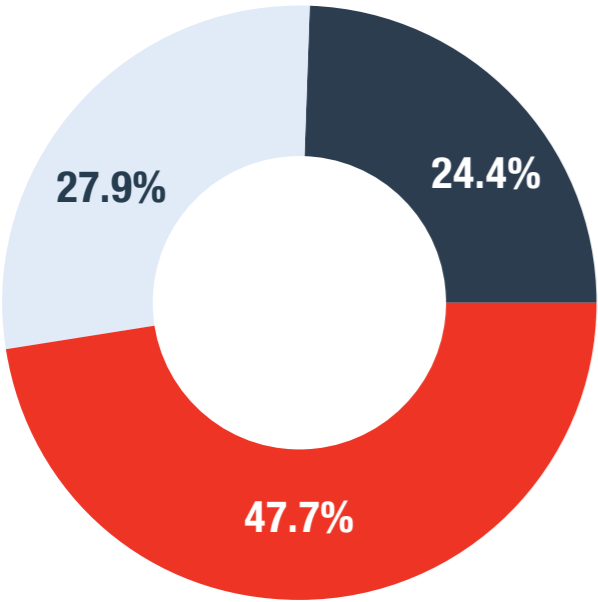
Income and spending

Income

Tenants in the Eastern Cape are among the lowest paid in the country. The average tenant income of R34 824 in the province was the second lowest recorded in Q4 2023, once again only ahead of the Free State. Year-on-year income growth was strong at 10.0%, comfortably above the annual inflation rate of 6.0%, but due to high income growth across the board it was only the fifth highest in South Africa.

Spending

Despite above-inflation growth in income, Eastern Cape tenants' spending metrics in Q4 2023 looked less healthy than a year earlier. Rental spending decreased from 29.1% of income to 27.9%, but that was more than cancelled out by a sharp increase in debt repayments: from 43.0% to 47.7% of income. That left tenants with 24.4% of their income to dispose of as they wish, down from 27.9% a year earlier.



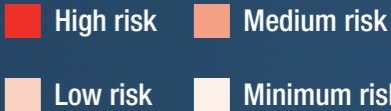
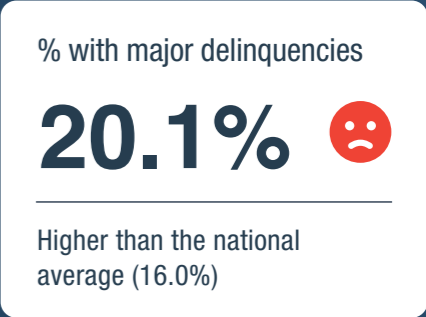
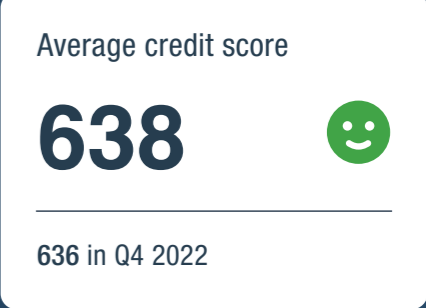
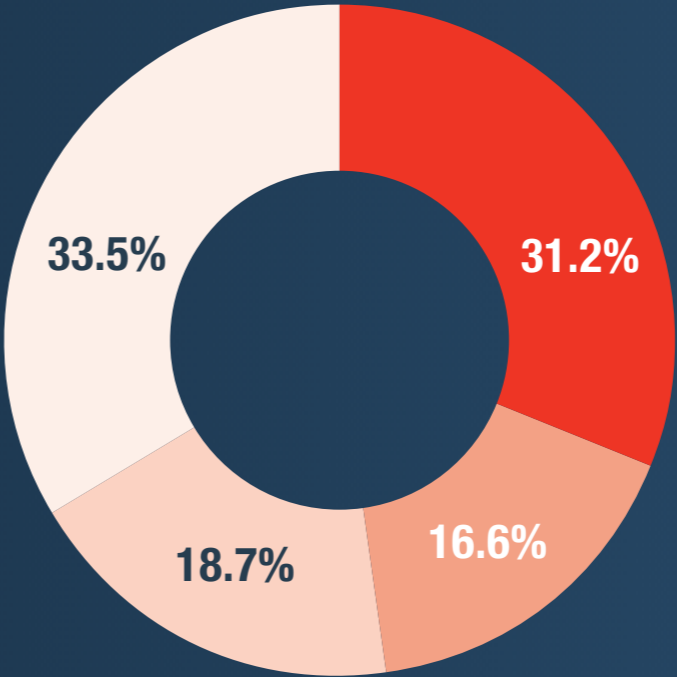
Share of income spent on debt and rent: Eastern Cape, Q4 2023
Source: PayProp

Risk

Despite tenants' low incomes and growing debt spending, the Eastern Cape is in the middle of the pack when it comes to risk metrics. 31.2% of applicants were classed as high risk, below the 32.8% measured a year earlier and giving it the fifth highest percentage in that bracket of any province – albeit well above the national average of 28.1%. At the other end of the scale, 33.5% were classed as minimum risk – leaving the province 6th in the country, better than the 31.1% recorded in Q4 2022.

20.1% of Eastern Cape tenancy applicants had at least one major delinquency in Q4 2023. That's well above the 16% seen nationally, and unfortunately also above the 19.4% measured in Q4 2022. Between this and the province's worsening tenant spending metrics, which showed sharply rising debt repayments, it seems high interest rates are hitting the Eastern Cape hard.

The average credit score was 638, up two points from a year earlier and just five points below the average.



Credit risk distribution: Eastern Cape, Q4 2023
Source: PayProp

PROVINCIAL STATISTICS

Free State –
a turnaround year

Rent and rental growth

PayProp reported on resurging rental growth in the Free State in Q3 2023, but in Q4 the province upped the ante with robust rental growth of 8.8%. It's a huge turnaround compared to Q4 2022, when rents fell by 1.6%. The average rent now stands at R6 969, up R562 from a year earlier but still the second lowest of any province.



Rental growth: Free State, Q1 – Q4 2023
Source: PayProp

Damage deposit ratio

1.1 times the average rent



Damage deposits in the Free State are the second lowest in the country at just 1.1 times the average rent. This may be partly due to the rapid growth in Q4 and the steady recovery throughout 2023. Rental agents in the province would be well advised to review deposit amounts at lease renewal to ensure they are keeping up with rents.

In Q4 the Free State upped the ante with robust rental growth of 8.8%.

Arrears

The Free State only just missed out on the top spot for rental growth in Q4 2023, but unfortunately it set two less desirable records in arrears.

20.7% of tenants were in arrears in Q4, owing an average of 85.5% of their rent – both the highest in the country and significantly above the national averages of 17.0% and 74.0%.

But that shouldn't take away from the progress made on both these metrics by rental agents, landlords and tenants. The share of tenants in arrears has dropped by 6% since Q1 2023, while the average arrears percentage plummeted almost 20% since Q2.

% of tenants in arrears

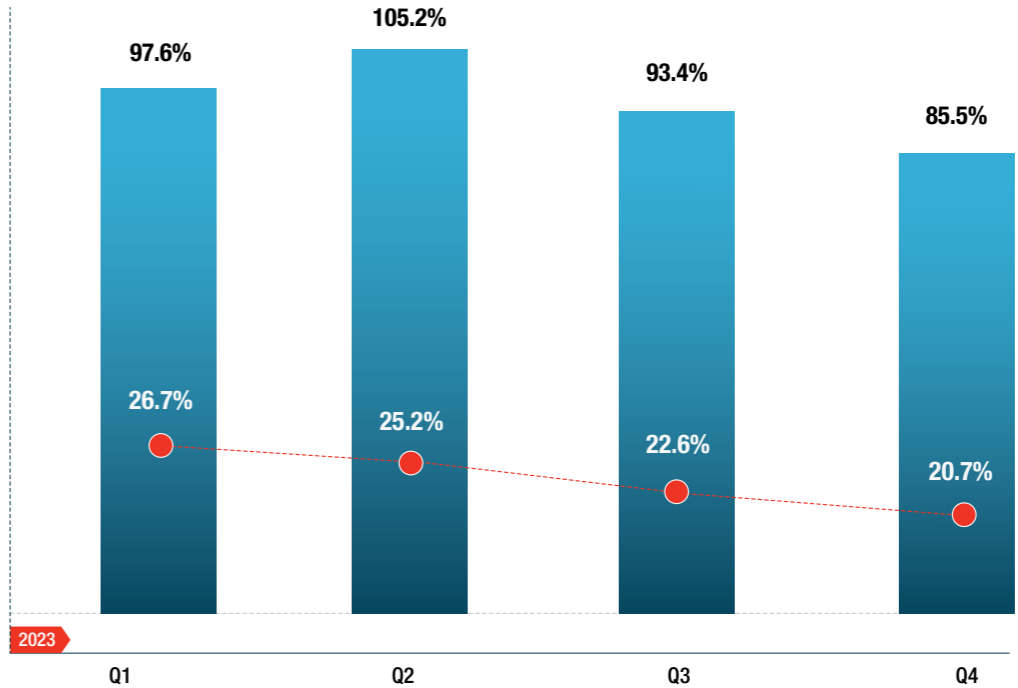
20.7%

Higher than the national average (17.0%)

Average arrears %

85.5%

Higher than the national average (74.0%)



Arrears: Free State, Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

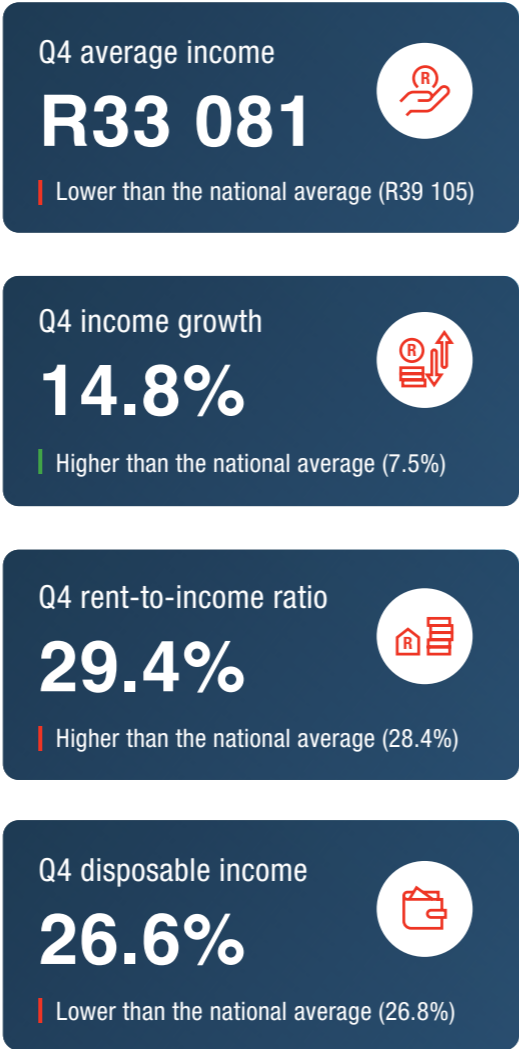
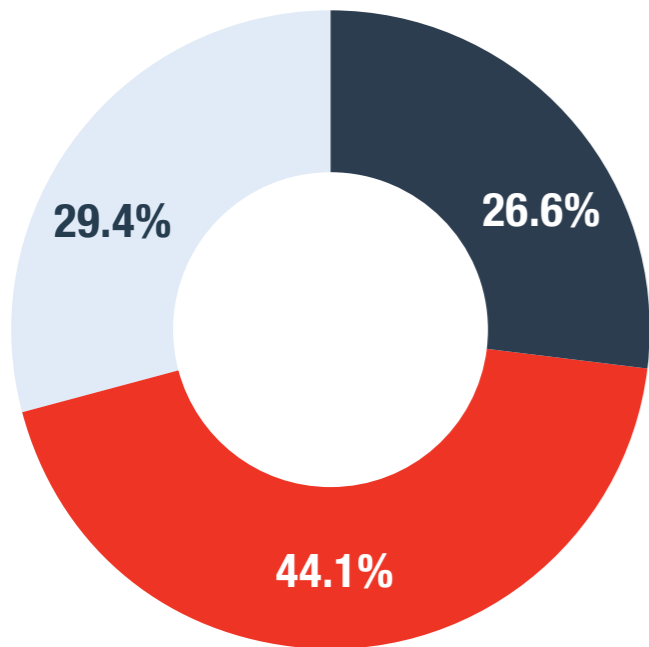
Income and spending

Income

Tenants in the Free State have the lowest average income of any in the country, earning R33 081 a year. However, things are looking up – tenant income grew by 14.8% in 2023, almost double the national average and the third highest in SA.

Spending

That strong growth has improved their spending metrics significantly. Free State tenants spend on average 44.1% of their income on debt repayments compared to 49.8% in Q4 2022, despite multiple rises in interest rates. Spending on rent has also fallen slightly, from 29.8% in Q4 2022 to 29.4% in Q4 2023. That has led to a big jump in Free State tenants’ disposable income, which now sits at 26.6% of overall income.



■ Disposable income
■ Debt
■ Rent

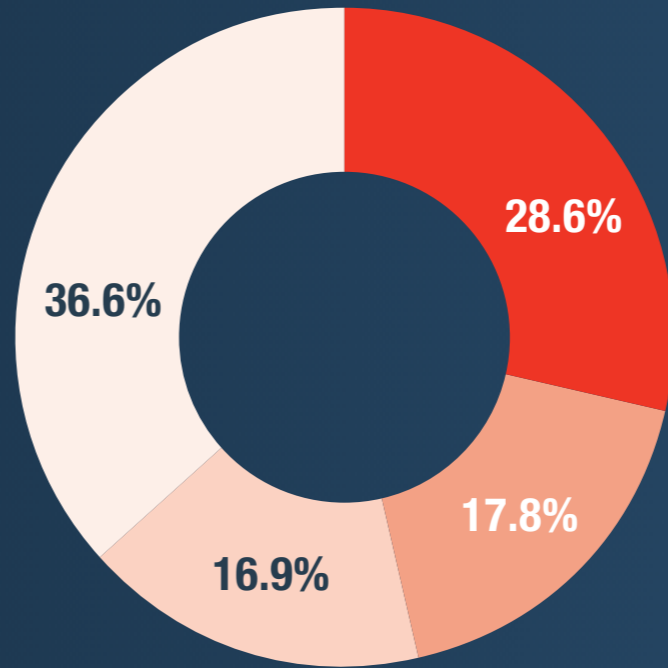
Share of income spent on debt and rent: Free State, Q4 2023
Source: PayProp

Risk

Free State tenants are fairly polarised when it comes to risk. On the one hand, the province has the third most minimum-risk tenants at 36.6%. On the other, it also has the third most high-risk tenants, with 28.6% falling into this bracket. Both of these figures are improvements compared to Q4 2022, when 30.9% of tenants were minimum risk and 30.7% were high risk.

The share of tenants with major delinquencies was above the national average at 17.8% (compared to 16.0% nationwide). This was the fourth most in SA.

Finally, Free State tenants had close to average credit scores in Q4 2023, at 641 – just two points below the national average.



■ High risk
■ Medium risk
■ Low risk
■ Minimum risk

Credit risk distribution: Free State, Q4 2023
Source: PayProp

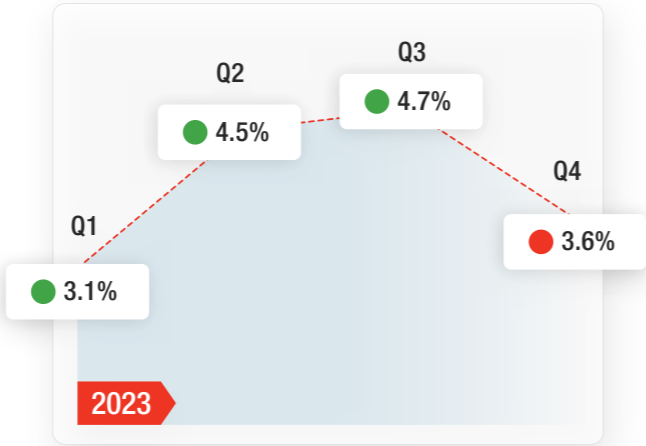
PROVINCIAL STATISTICS

Gauteng – lagging behind?

Rent and rental growth

Rental growth in Gauteng was almost exactly the national average in Q2 and Q3 2023, but in Q4 it dipped significantly to 3.6% – a full percentage point below the national figure, and the second lowest of any province. Rents remained the third highest in SA after overtaking KwaZulu-Natal in the previous quarter, but only because rental growth in KZN fell even further.

The average rent in Gauteng measured R8 864 in Q4, up R310 compared to the same period the year before.



Rental growth: Gauteng, Q1 – Q4 2023
Source: PayProp

Damage deposit ratio

1.22 | times the average rent

The average damage deposit ratio in Gauteng was 1.22, somewhat below the national average of 1.29. This was the fourth highest in the country.

Rents remained the third highest in SA after overtaking KwaZulu-Natal in the previous quarter.

Arrears

After a patchy performance in the first half of the year, the percentage of Gauteng tenants in arrears fell to 15.7% in Q4 2023 – the second lowest of any province. This is comfortably below the 16.5% measured in Q4 2022, and also well below the national average.

But while fewer tenants are in arrears in Gauteng, those that are owe an above-average percentage of their rent. The average arrears figure as a percentage of rent was 77.6% in Q4, the fourth highest in SA and above the 74.0% national average. This metric has been moving in the wrong direction since Q3.

% of tenants in arrears

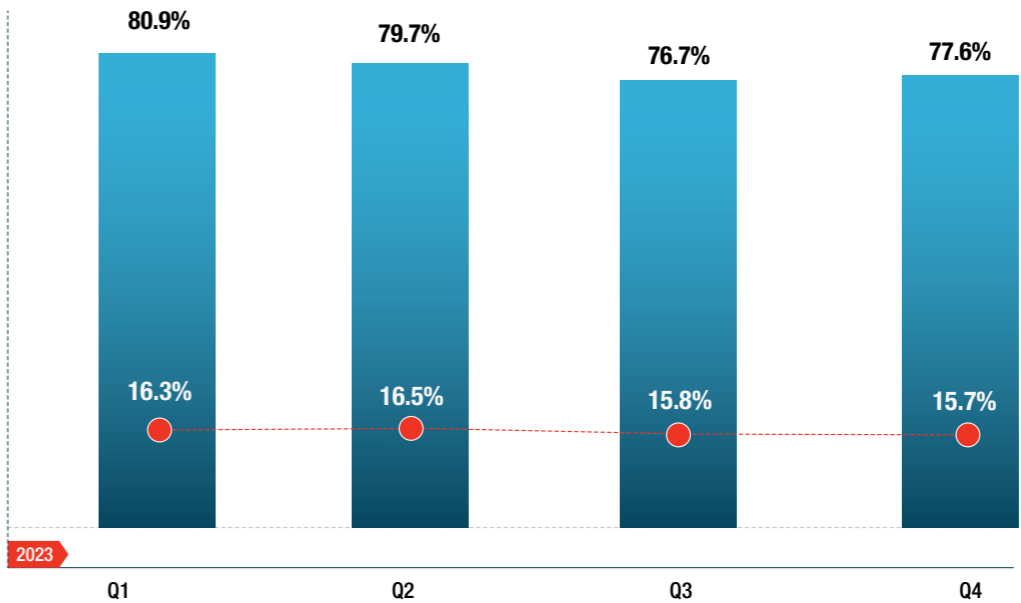
15.7% 😊

Lower than the national average (17.0%)

Average arrears %

77.6% 😞

Higher than the national average (74.0%)



Arrears: Gauteng, Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

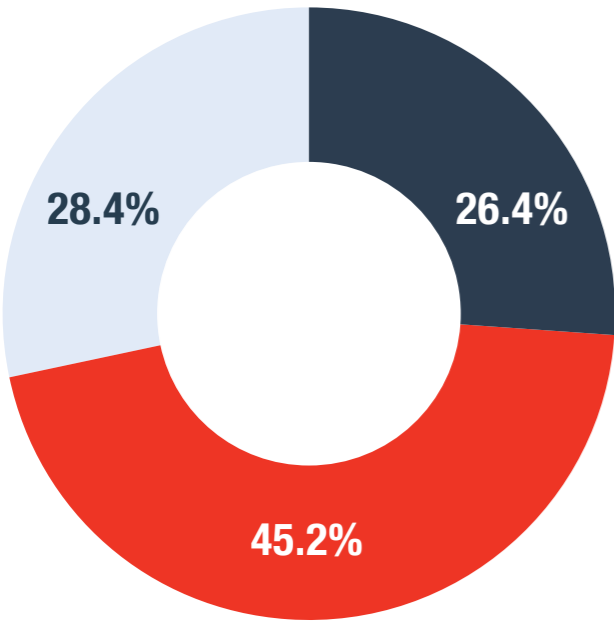
Income and spending

Income

Gauteng tenants earned an average of R39 092 per year in Q4 2023. That’s the third highest income in SA, R13 below the national average. Incomes grew by 7.5% in 2023, exactly in line with the national average.

Spending

Gauteng’s spending metrics were also close to the national averages, and the province ranked fifth on all three. Tenants in Gauteng spent an average of 45.2% of their income on debt (44.8% national average), 28.4% on rent (28.4% national average), and had 26.4% left as disposable income (26.8% national average). This is an improvement from Q4 2022, when they spent 47.7% and 29.6% on debt and rent respectively.



- Disposable income
- Debt
- Rent

■ Share of income spent on debt and rent: Gauteng, Q4 2023
Source: PayProp

Q4 average income

R39 092

Lower than the national average (R39 105)



Q4 income growth

7.5%

In line with the national average (7.5%)



Q4 rent-to-income ratio

28.4%

In line with the national average (28.4%)



Q4 disposable income

26.4%

Lower than the national average (26.8%)



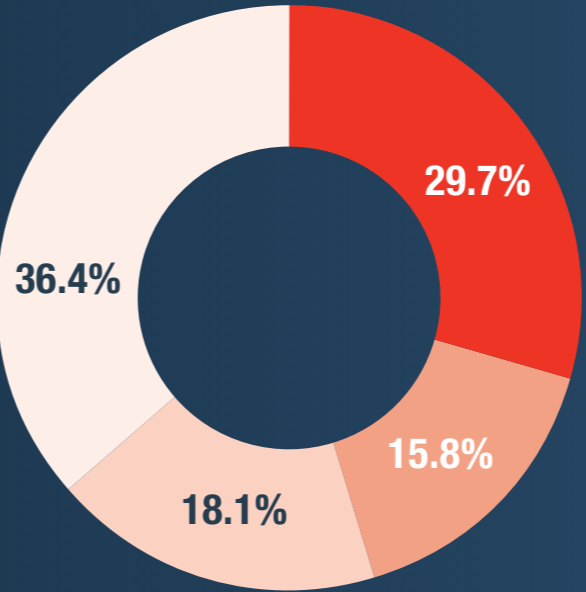
Risk

Tenant risk statistics in Gauteng are close to the national average.

36.4% of tenants were classed as minimum-risk, compared to 37.7% nationally. 29.7% were high-risk, against 28.1% nationally. While the share of minimum-risk tenants improved since Q4 2022, when it was 35.1%, the high-risk bracket remained unchanged.

Gauteng was once again the middle province when it came to major delinquencies. 18.2% of tenants had a major delinquency to their name. This is higher than the 16.0% measured nationally, and worse than the 17.4% recorded in Q4 2022.

The average credit score in Gauteng was 641, once again fifth in the country and two points below the national average.



- High risk
- Medium risk
- Low risk
- Minimum risk

■ Credit risk distribution: Gauteng, Q4 2023
Source: PayProp

Average credit score

641

641 in Q4 2022



% of minimum-risk applicants

36.4%

35.1% in Q4 2022



% with major delinquencies

18.2%

Higher than the national average (16.0%)



PROVINCIAL STATISTICS

KwaZulu-Natal – a difficult year

Rent and rental growth

KwaZulu-Natal has had a tough year. After recording strong 5.0% rental growth in Q1 2023, this figure has fallen in every subsequent quarter. Q4's 1.4% growth was the lowest of any province by some distance.

In cash terms, average rents have risen by just R123 since Q4 2022, reaching R8 755 – and last quarter, KZN was pushed out of the top three in terms of rental pricing by Gauteng.



Rental growth: KwaZulu-Natal, Q1 – Q4 2023
Source: PayProp

Damage deposit ratio

1.19 | times the average rent



At 1.19, KwaZulu-Natal's damage deposit ratio is the fifth largest in the country, but below the national average of 1.29.

KwaZulu-Natal has had a tough year. After recording strong 5.0% rental growth in Q1 2023, this figure has fallen in every subsequent quarter.

Arrears

Arrears in KZN ended the year more or less where they started. 19.8% of tenants were in arrears in Q4 2023, compared to 20.4% in Q4 2022 and unchanged since the previous quarter. The province has the third highest share of tenants in arrears, 2.8% above the national average of 17.0%.

Tenants in arrears owed 74.3% of their rent on average, down from 76.1% in Q4 2022. This percentage fluctuated in 2023, but is almost exactly in line with the national average of 74.0% and the fifth highest in SA.

% of tenants in arrears

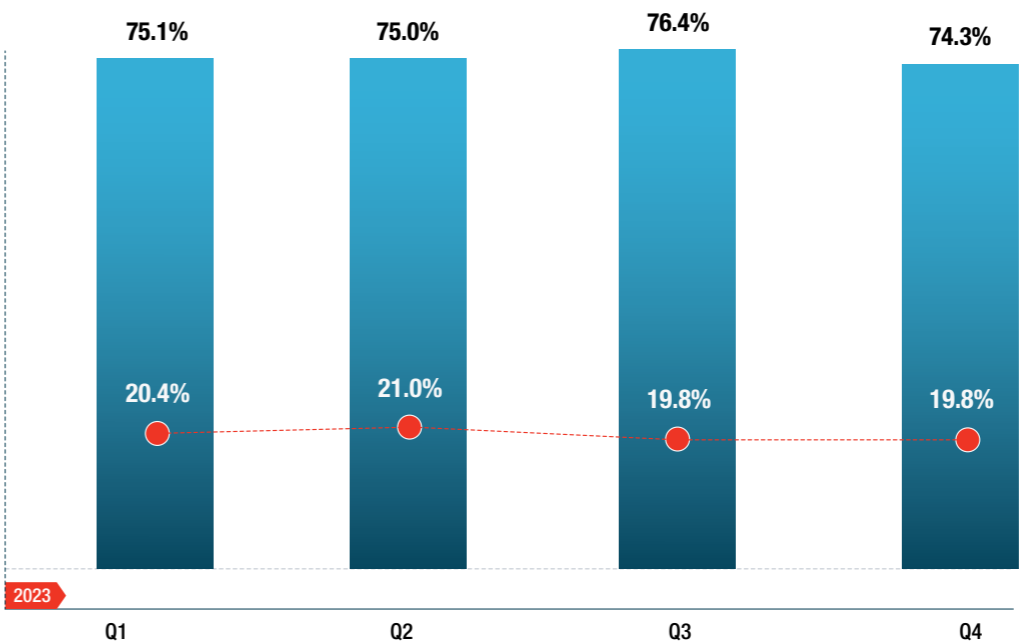
19.8% 😞

Higher than the national average (17.0%)

Average arrears %

74.3% 😞

Higher than the national average (74.0%)



Arrears: KwaZulu-Natal, Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

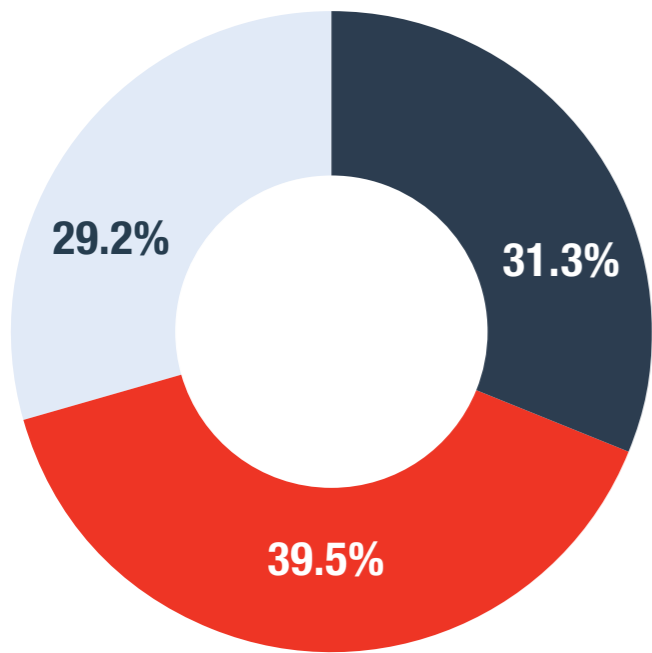
Income and spending

Income

Tenants in KwaZulu-Natal earned an average income of R36 384 in Q4 2023, the fourth lowest in South Africa. The province was one of two that recorded income growth below the official 6% inflation statistic in 2023. The average tenant earned just 1.9% more than they did a year earlier, the second lowest income growth of any province.

Spending

Despite a loss of income in real terms, spending patterns in KZN look quite healthy. Spending on debt plummeted at year-end 2023, from 46.6% of reported income in Q4 the year before to 39.5% in Q4 2023 – the third lowest in SA. On the other hand, spending on rent edged up slightly from 29.1% to 29.2%, leaving them with an average of 31.3% disposable income – the second highest of any province.



Q4 average income

R36 384

Lower than the national average (R39 105)

Q4 income growth

1.9%

Lower than the national average (7.5%)

Q4 rent-to-income ratio

29.2%

Higher than the national average (28.4%)

Q4 disposable income

31.3%

Higher than the national average (26.8%)

- Disposable income
- Debt
- Rent

Share of income spent on debt and rent: KwaZulu-Natal, Q4 2023
Source: PayProp

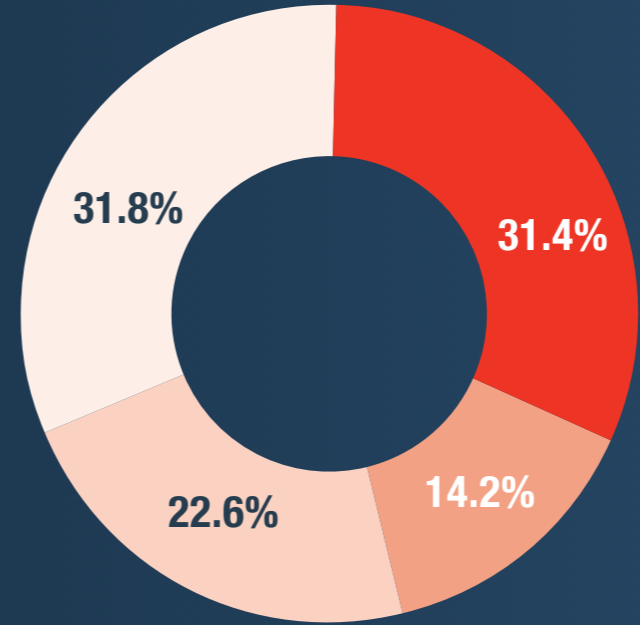
Risk

Despite healthy spending patterns, tenant risk metrics in KwaZulu-Natal are trailing.

Just 31.8% of tenants were in the minimum-risk bracket, the third lowest share of tenants nationally, and well below the 37.7% national average. 31.4% were judged to be high risk compared to 28.1% nationally. This has worsened from a year earlier, when 32.3% and 30.3% of tenants fell into the minimum- and high-risk brackets respectively.

18.5% of KZN tenants had a major delinquency on their record in Q4 2023, unchanged from a year earlier but once again above the 16.0% national average.

Meanwhile, the average credit score in KZN was the third lowest nationwide at 637 – one point below what it was in Q4 2022.



Average credit score

637

638 in Q4 2022

% of minimum-risk applicants

31.8%

32.3% in Q4 2022

% with major delinquencies

18.5%

Higher than the national average (16.0%)

- High risk
- Medium risk
- Low risk
- Minimum risk

Credit risk distribution: KwaZulu-Natal, Q4 2023
Source: PayProp

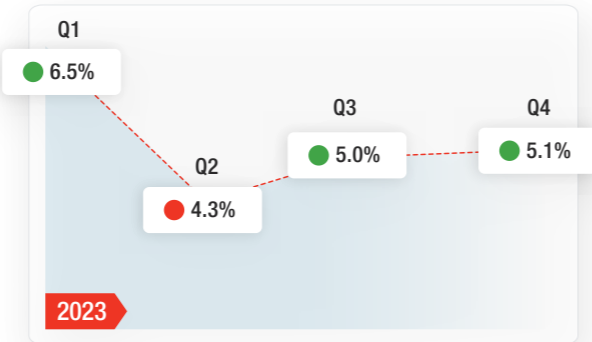
PROVINCIAL STATISTICS

Limpopo – struggling with debt

Rent and rental growth

Limpopo experienced another quarter of above-average growth in Q4 2023, posting 5.1% compared to a national average of 4.6% and coming in fifth place for the quarter. That caps off a year of solid performances and takes the average rent in the province to R7 919, up R383 from a year earlier.

The province remains the sixth most expensive for renters.



Rental growth: Limpopo, Q1 – Q4 2023
Source: PayProp

Damage deposit ratio

1.26 | times the average rent

The average damage deposit ratio in Limpopo stood at 1.26 in Q4 2023, the third highest in the country.

Limpopo remains the sixth most expensive province for renters.

Arrears

After rising for two consecutive quarters, the share of tenants in arrears in Limpopo fell to 18.1% in Q4 2023. This is well below the 21.4% recorded in Q4 2022, but still 1.1% above the national average and the fourth highest in the country.

However, the average arrears percentage barely moved in 2023. It now stands at 79.5%, the third highest in SA and above the 78.6% recorded at the same time last year.

% of tenants in arrears

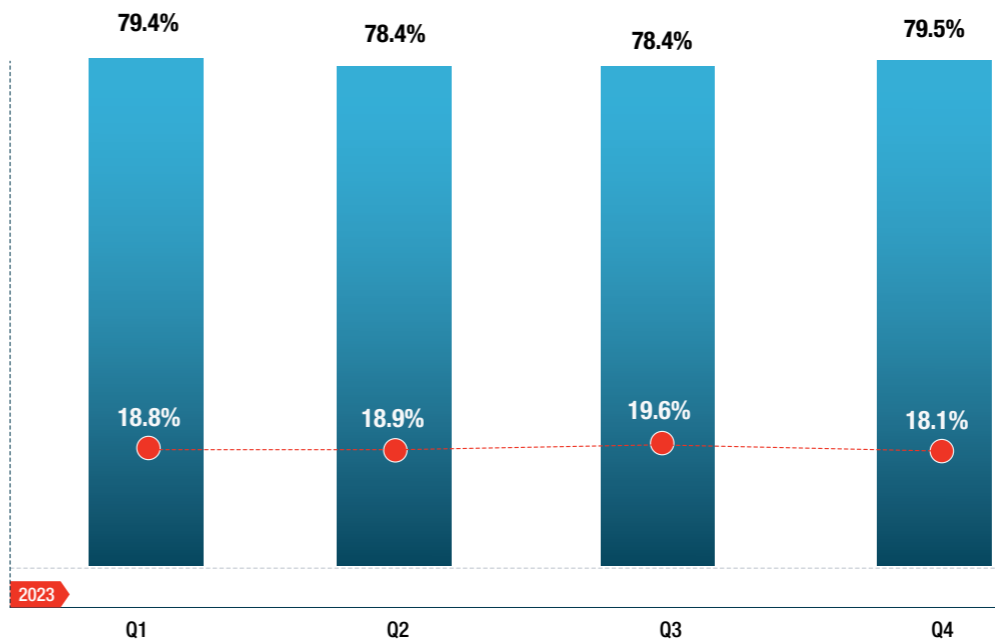
18.1%

Higher than the national average (17.0%)

Average arrears %

79.5%

Higher than the national average (74.0%)



Arrears: Limpopo, Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

Income and spending

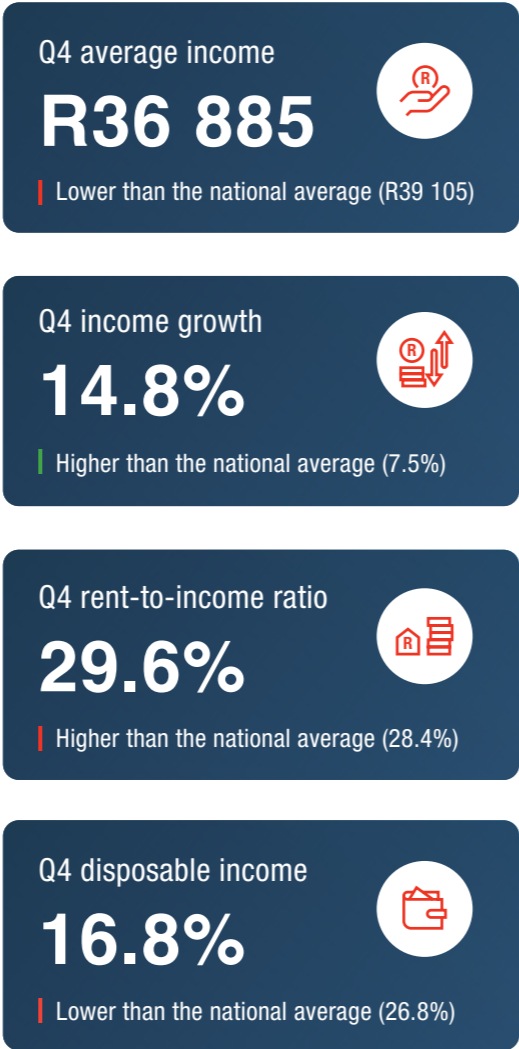
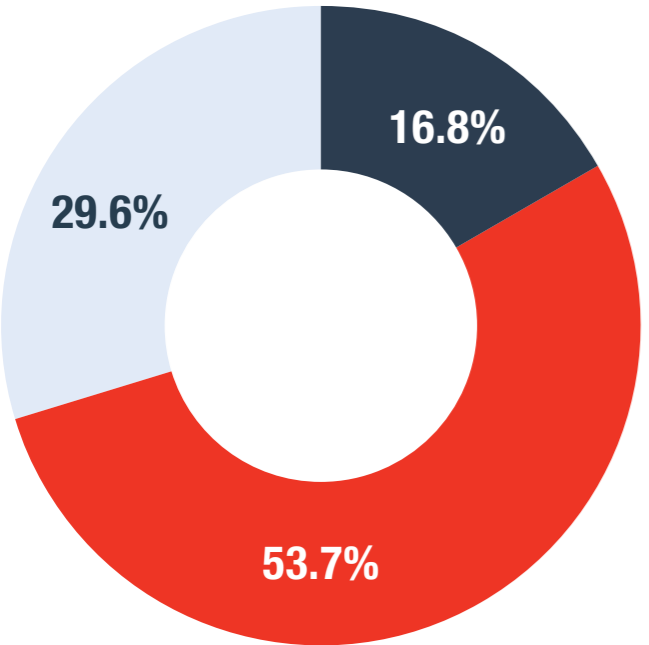
Income

Tenants in Limpopo earn the fourth-lowest incomes in South Africa, at an average of R36 885 in Q4 2023. However, earnings rocketed by 14.8% in 2023 – the second highest income growth rate of any province.

Spending

Healthy earnings growth should have led to better tenant spending metrics, but in Limpopo that doesn't appear to be the case. At 53.7%, tenants here spend more of their income on debt than all but one other province, and concerningly it is the result of a sharp rise from the 46.6% recorded in Q4 2022.

Spending on rent fell from 34.5% in Q4 2022 to 29.6% in Q4 2023, but is still the highest in SA. Unsurprisingly, that left Limpopo tenants with the lowest disposable income in SA in Q4 2023, at a meagre 16.8%, down from 18.9% in Q4 2022.



■ Disposable income
■ Debt
■ Rent

Share of income spent on debt and rent: Limpopo Q4 2023
Source: PayProp

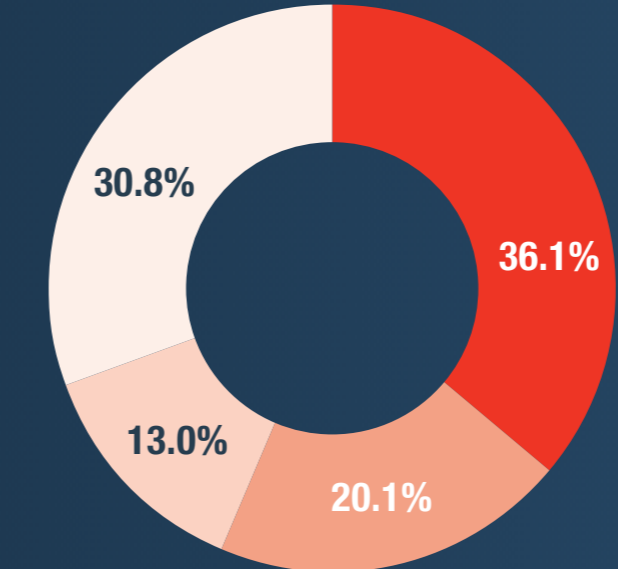
Risk

As can be expected from average debt spending indicators in the province, risk metrics in Limpopo make for concerning reading.

Just 30.8% of tenants fell within the minimum-risk bracket (the national average is at 37.7%), outnumbered by 36.1% high-risk applicants (28.1% being the national average).

That is nevertheless a big improvement on a year earlier. In Q4 2022, only 19.1% of tenants were minimum risk, outnumbered more than two to one by the 39.4% of Limpopo tenants falling within the high-risk category.

More Limpopo tenants – 24.9% – had a major delinquency on their record than anywhere else in SA; a big, rising problem considering the sharp increase from 21.3% recorded a year earlier. Meanwhile, the average credit score recovered from 627 in Q4 2022 to 633 in Q4 2023, but is still the lowest in the country.



■ High risk
■ Medium risk
■ Low risk
■ Minimum risk

Credit risk distribution: Limpopo, Q4 2023
Source: PayProp



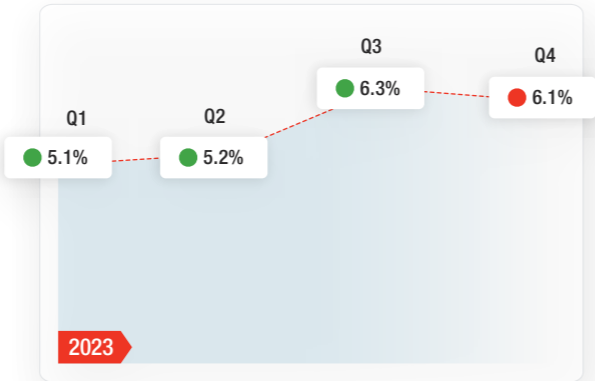
PROVINCIAL STATISTICS

Mpumalanga – tenants under pressure

Rent and rental growth

Mpumalanga has recorded solidly above-average rental growth in each quarter of 2023. While it dipped slightly quarter on quarter in Q4, the 6.1% year-on-year growth measured at year-end still beat the 4.6% national average comfortably, and was the fourth highest in the country.

The average rent in Mpumalanga was R8 423 in Q4, R175 below the national average of R8 598 and the fifth highest nationally.



Rental growth: Mpumalanga, Q1 – Q4 2023
Source: PayProp

Damage deposit ratio

1.11 times the average rent



The average damage deposit ratio was just 1.11 in Mpumalanga, the 7th lowest in South Africa. Rental agents should ensure that they are topping up deposits at lease renewal so that landlords have sufficient protection.

Mpumalanga has recorded solidly above-average rental growth in each quarter of 2023.

Arrears

With 18.0% of tenants in arrears owing on average 71.1% of their rent, Mpumalanga is close to the national averages of 17.0% and 74.0% respectively.

These metrics improved compared to Q4 2022, when 18.5% of tenants were in arrears and owed 78.2% of rent, but like Gauteng they’ve moved in the wrong direction from Q3 2023.

% of tenants in arrears

18.0%



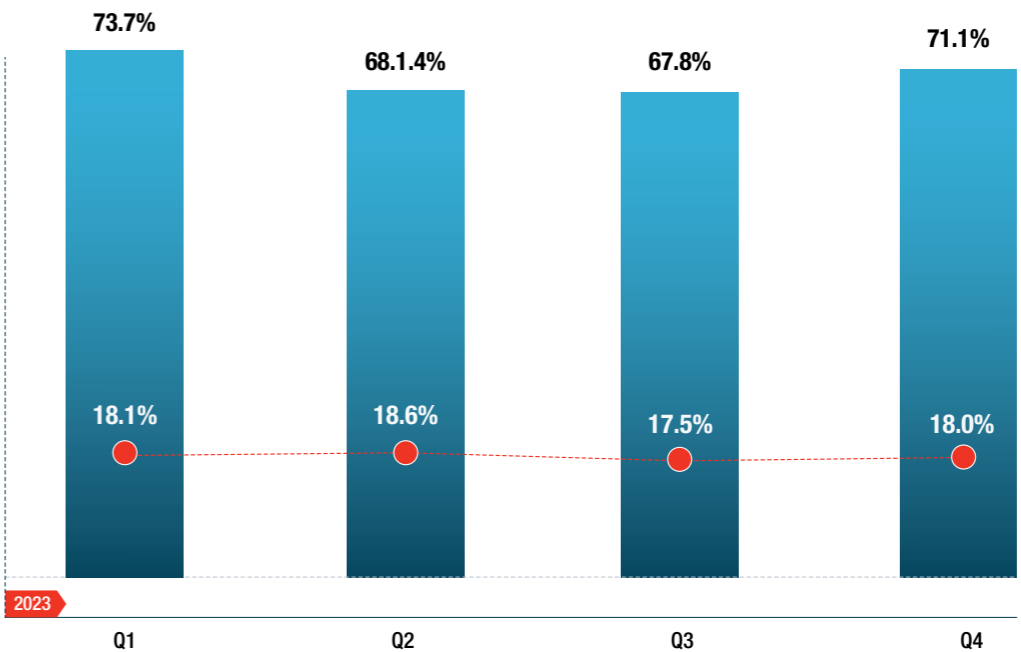
Higher than the national average (17.0%)

Average arrears %

71.1%



Lower than the national average (74.0%)



Arrears: Mpumalanga, Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

Income and spending

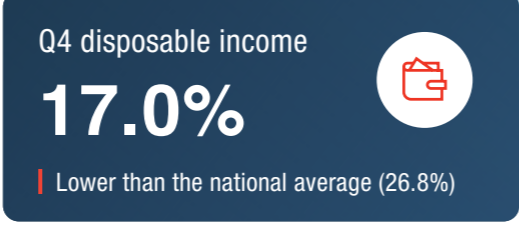
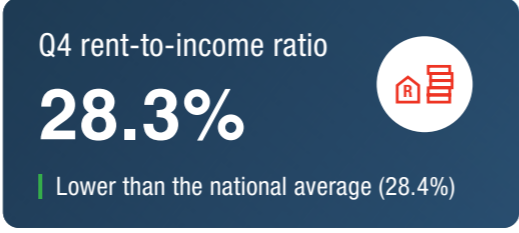
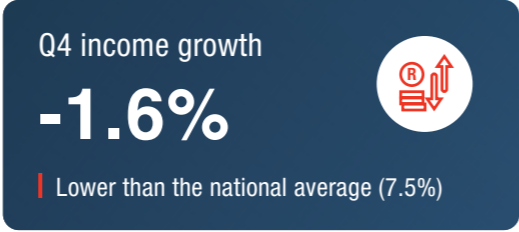
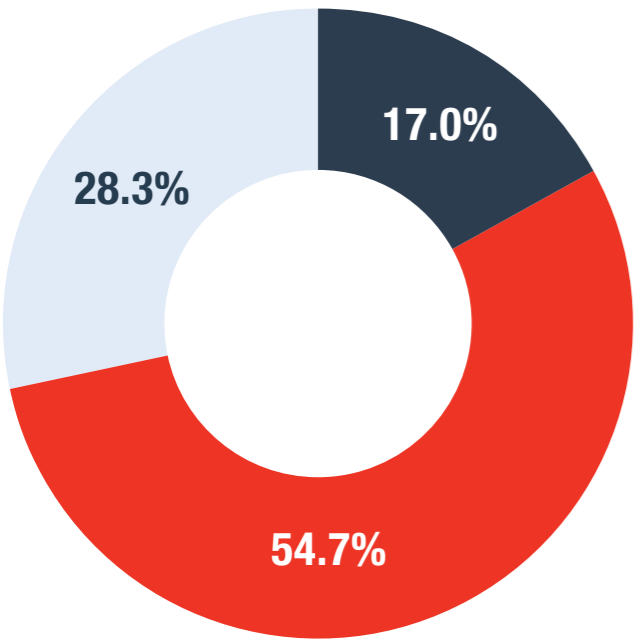
Income

Tenants in Mpumalanga experienced a shock 1.6% fall in income in 2023. Their income in Q4 2023 was R37 550, still the fourth highest in the country, but the combination of elevated inflation and falling income nevertheless put a hole in their finances.

Spending

Tenants struggled to make ends meet in 2023, and that’s nowhere clearer than in their spending statistics. Spending on debt repayments reached 54.7% of income, more than in any other province and a big jump from the 47.1% spent in Q4 2022. At 28.3%, spending on rent was still just below SA’s 28.4% average in Q4 2023, but this has also risen from the 26.7% measured in Q4 2022.

That left Mpumalanga tenants with the second-lowest disposable income in the country at 17.0%. Just a year earlier in Q4 2022, they had 25.8% of their income left after rent and debt repayments.



■ Disposable income
■ Debt
■ Rent

Share of income spent on debt and rent: Mpumalanga, Q4 2023
Source: PayProp

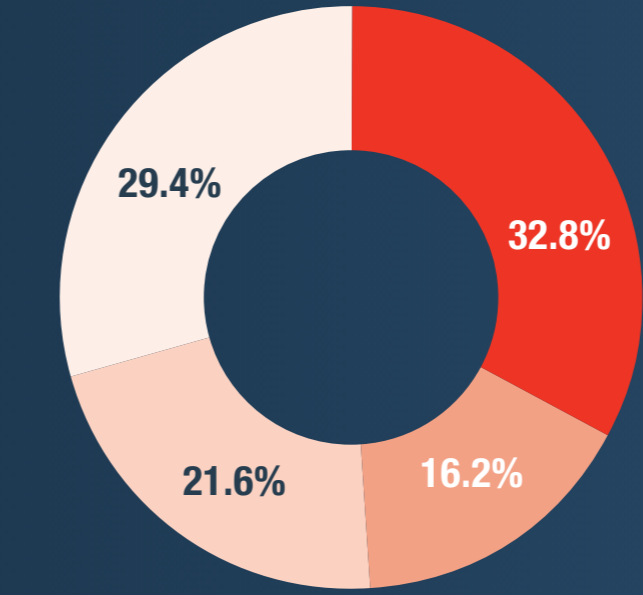
Risk

Unsurprisingly, the income crunch in Mpumalanga has affected tenant risk statistics severely.

The province has the smallest share of minimum-risk applicants at just 29.4%, compared to 37.7% nationally. 32.8% were classified as high risk, the second highest of any province and well above the 28.1% national average. The share of minimum-risk applicants is nevertheless higher than the 29.2% measured in Q4 2022, but the figure for high-risk applicants is up more than 5% from 27.2%.

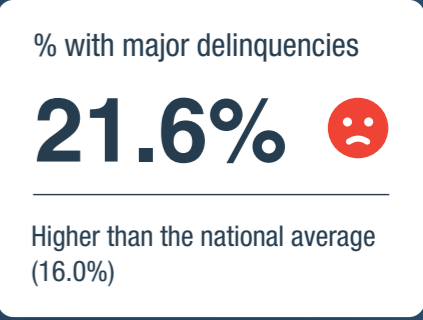
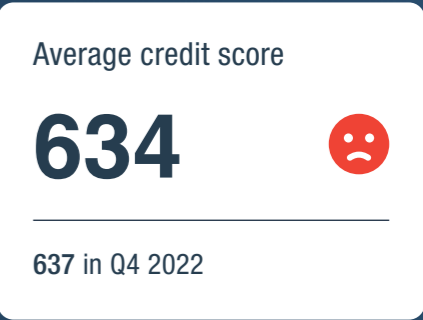
In one piece of positive news, the share of tenants with a major delinquency has fallen. At 21.6% it is still the second highest in SA, but still lower than the 24.7% recorded in Q4 2022.

However, the average credit score in Mpumalanga fell from 637 in Q4 2022 to 634 in Q4 2023, the second lowest in the country.



■ High risk
■ Medium risk
■ Low risk
■ Minimum risk

Credit risk distribution: Mpumalanga, Q4 2023
Source: PayProp



PROVINCIAL STATISTICS

North West – double-digit rent (and commission) growth

Rent and rental growth

After falling just short in Q2 and Q3, rental growth in North West reached double digits in Q4 2023 at 10.1%. Growth in the province was once again the fastest in South Africa, more than double the 4.6% national average and beating the next fastest-growing province by 1.3%.

Rents in North West are still SA's cheapest by some distance at R6 344. In Rand terms, rents rose by R584 in 2023.



Rental growth: North West, Q1 – Q4 2023
Source: PayProp

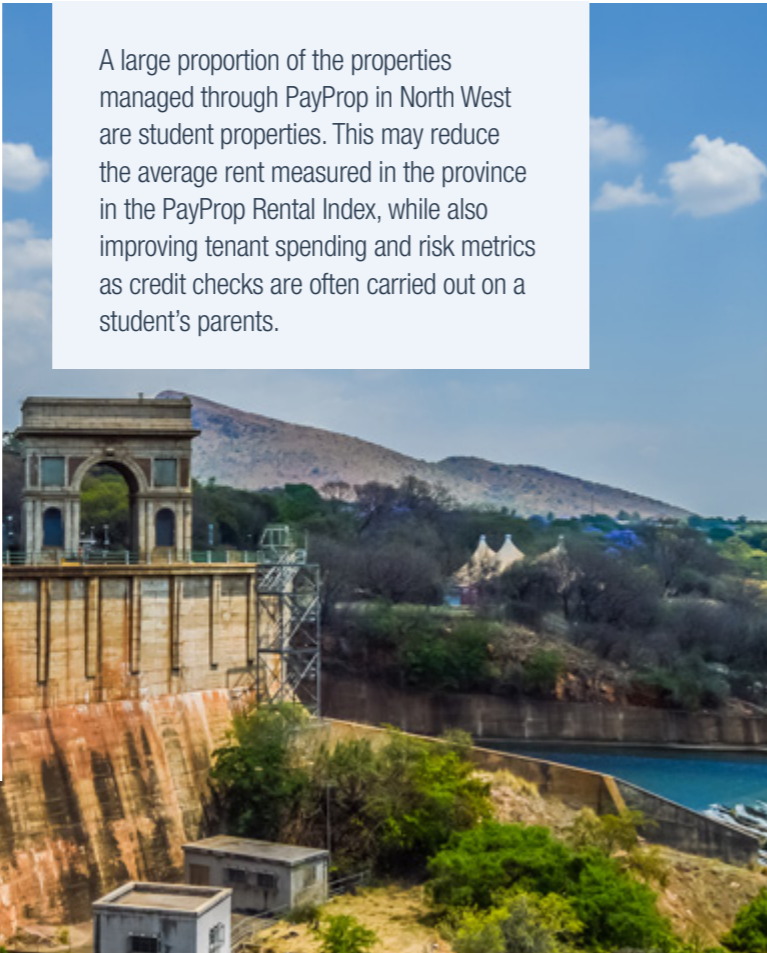
Damage deposit ratio

1.12 times the average rent



Damage deposit ratios in North West averaged 1.12 in Q4 2023, putting the province in sixth place on this metric – and when you consider the province's low average rent, that makes those deposits very small in cash terms. Given the province's high student population, keeping such little money on hand to cover damages could be risky.

A large proportion of the properties managed through PayProp in North West are student properties. This may reduce the average rent measured in the province in the PayProp Rental Index, while also improving tenant spending and risk metrics as credit checks are often carried out on a student's parents.



Arrears

Arrears statistics in the North West paint a mixed picture for Q4 2023. The share of tenants in arrears hovered around the low- to mid-20s in the first three quarters, but dropped suddenly to 16.0% in Q4 – the third lowest in the country, and below the national average of 17.0%.

However, tenants in arrears owe quite a large proportion of their monthly rent. The average arrears percentage is the second highest in SA at 83.4% – comparable to the 85.3% recorded in Q4 2022, but below the percentages seen earlier in 2023.

% of tenants in arrears

16.0%



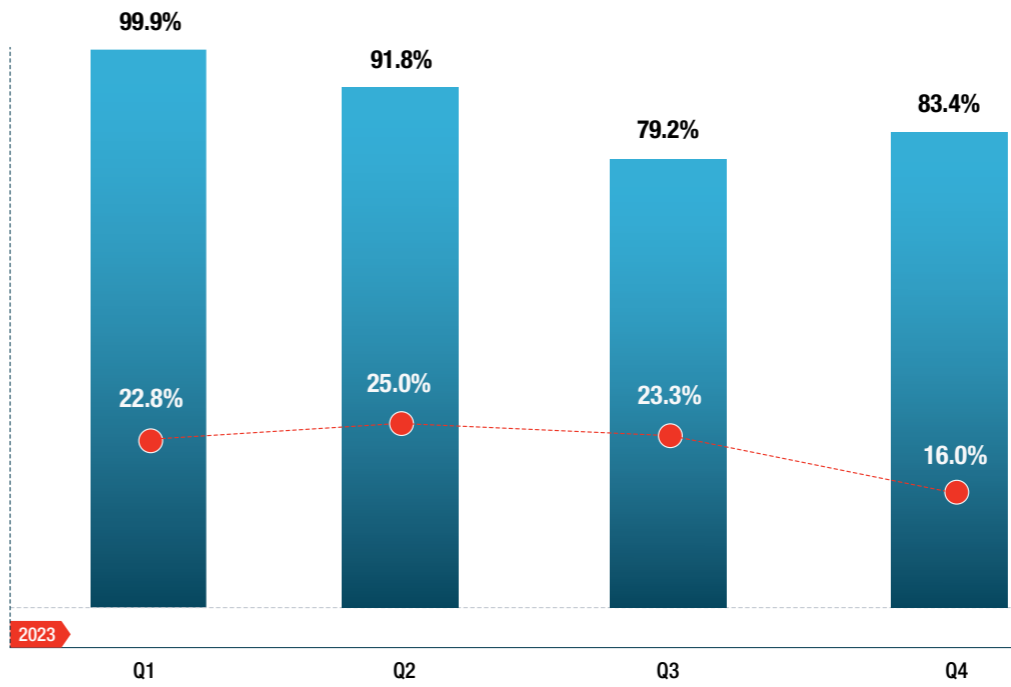
Lower than the national average (17.0%)

Average arrears %

83.4%



Higher than the national average (74.0%)



Arrears: North West, Q1 – Q4 2023
Source: PayProp

■ Average arrears %: Q1 – Q4 2023
● Tenants in arrears: Q1 – Q4 2023

Income and spending

Income

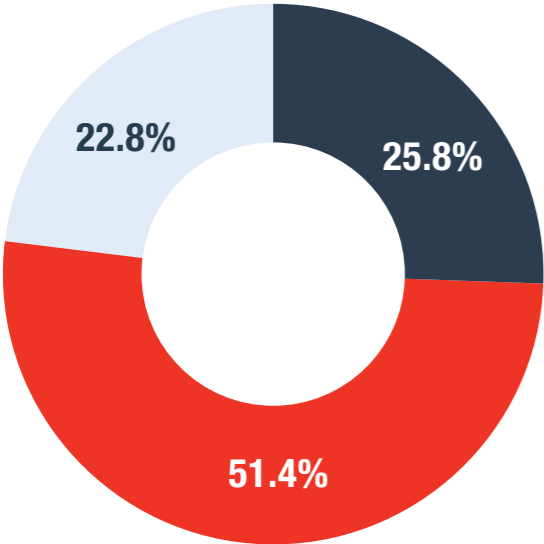
Tenants in North West took home the second highest earnings in the country at R42 808 on average. They also experienced high year-on-year income growth, reaching 12.5% in Q4 2023. While that's only the fourth highest growth rate in SA, it's almost double that recorded in the Western Cape, the only province with a higher average income.

Spending

A lot of that income is spent on debt repayments. At 51.4%, North West tenants spent the third most on debt in the country in Q4 2023, although this has fallen from the 54.4% recorded in Q4 2022.

However, they also spend the smallest proportion of their income on rent at just 22.8%. This has risen slightly from the 21.7% recorded in Q4 2022.

This leaves tenants in the province with 25.8% disposable income. Despite their high incomes and low rents, this is only the sixth highest in SA thanks to the large amount spent on debt repayments. It is nevertheless an improvement on the previous year, when they had 23.9% left over.



Q4 average income

R42 808

Higher than the national average (R39 105)

Q4 income growth

12.5%

Higher than the national average (7.5%)

Q4 rent-to-income ratio

22.8%

Lower than the national average (28.4%)

Q4 disposable income

25.8%

Lower than the national average (26.8%)

■ Disposable income
■ Debt
■ Rent

Share of income spent on debt and rent: North West, Q4 2023
Source: PayProp

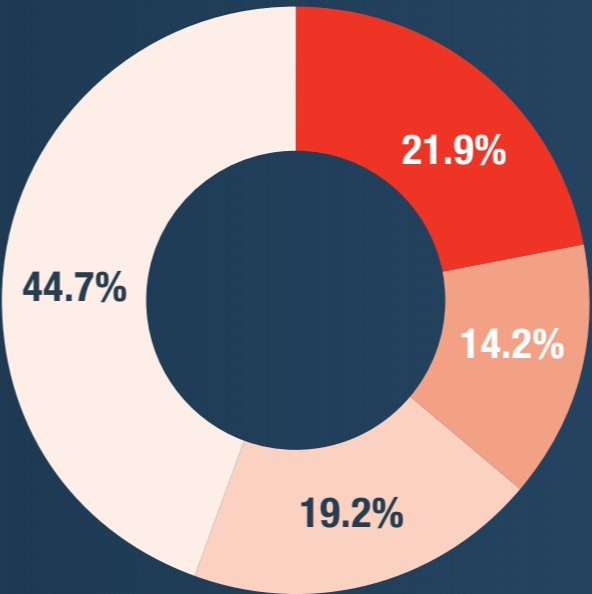
Risk

Tenant risk in North West is lower than average across all metrics, but appears to be increasing.

A massive 44.7% fell into the minimum risk bracket in Q4 2023 (37.7% nationally), more than double the 21.9% of applicants assessed as high-risk (28.1% nationally). That has nevertheless deteriorated since Q4 2022, when 47.5% and 20.5% of tenants were classed as minimum risk and high risk respectively.

North West also has the third lowest share of tenants with a major delinquency, at 15.9% – somewhat below the national average of 17.0%. However, this is also above the 13.2% recorded in Q4 2022.

Finally, the average credit score in North West was 651, the second highest in SA. But like other risk metrics, this has worsened since Q4 2022, when it was 654.



■ High risk ■ Medium risk
■ Low risk ■ Minimum risk

National credit risk distribution: North West, Q4 2023
Source: PayProp

Average credit score

651

654 in Q4 2022

% of minimum-risk applicants

44.7%

47.5 in Q4 2022

% with major delinquencies

15.9%

Lower than the national average (16.0%)

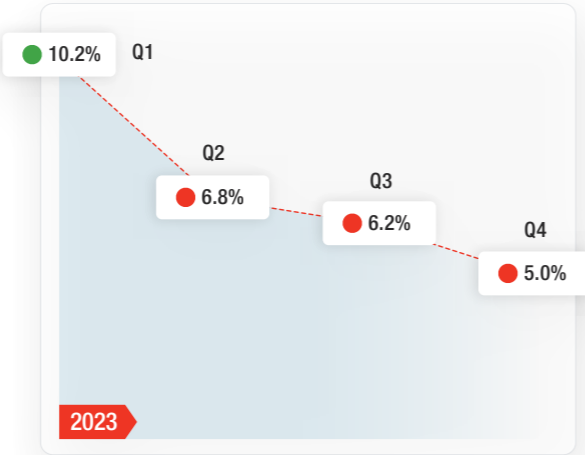
PROVINCIAL STATISTICS

Northern Cape – losing momentum

Rent and rental growth

The Northern Cape recorded rental growth of 5.0% in Q4 2023, the sixth highest in the country. While that's above the national average of 4.6%, it's also the slowest growth measured in the province in any quarter since Q1 2022, and a third successive fall in the rate of rental growth.

Rents in the province were the second highest in South Africa at R9 409 in Q4, up R448 compared to Q4 2022.



Rental growth: Northern Cape, Q1 – Q4 2023
Source: PayProp

Damage deposit ratio

1.07 | times the average rent



The Northern Cape has the lowest damage deposit ratio in the country at 1.07. This could be due to the rapid rental growth in the province over the last two years, meaning that older deposits are small compared to the average rent. Again, rental agents would be well advised to update deposit amounts at lease renewal so that landlords are sufficiently protected.

The Northern Cape recorded rental growth of 5.0% in Q4 2023, the sixth highest in the country

Arrears

17.5% of tenants in the Northern Cape were in arrears in Q4 2023, slightly above the 17.0% measured nationwide and the sixth highest in the country.

This percentage fell significantly from the 21.1% recorded in Q4 2022. However, it also ticked up slightly from Q3 2023, which could be worth keeping an eye on.

The average arrears percentage was the third lowest at 67.9%, below the 76.5% recorded in Q4 2022 and also below the 74.0% national average. This statistic also increased slightly from Q3 2023.

% of tenants in arrears

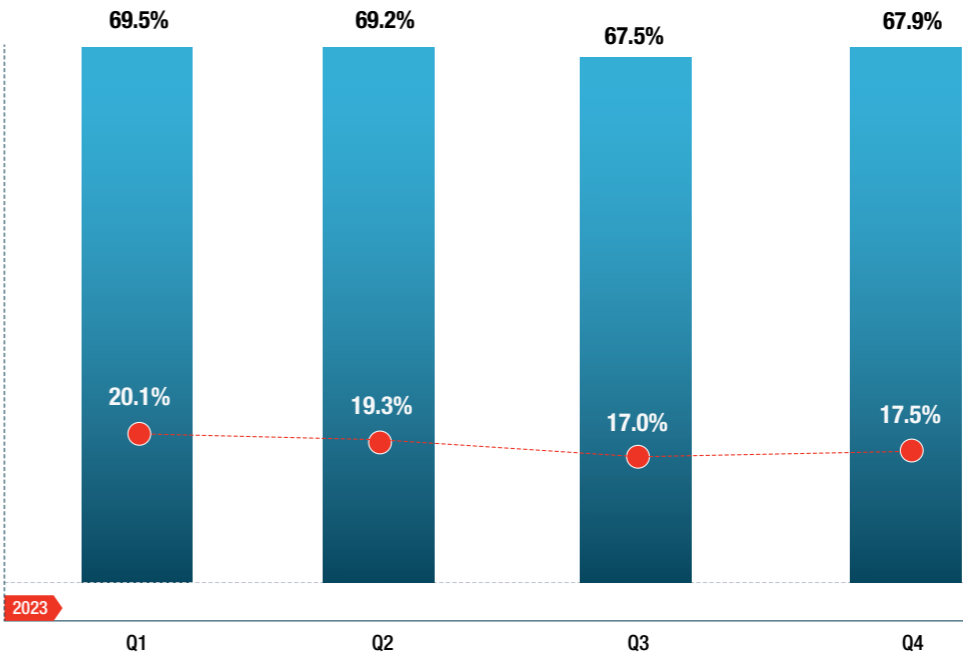
17.5% 😞

Higher than the national average (17.0%)

Average arrears %

67.9% 😊

Lower than the national average (74.0%)



Arrears: Northern Cape, Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

Income and spending

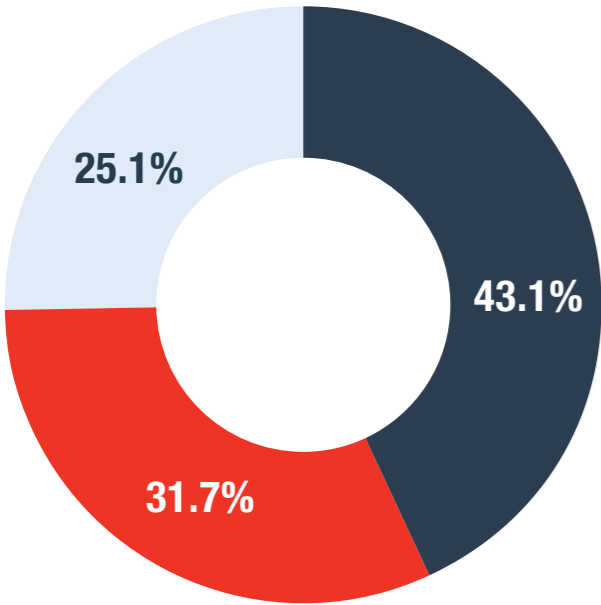
Income

Despite the province's high rents, tenants in the Northern Cape have the third lowest average incomes in the country at R35 643. However, a blistering 18.6% increase in 2023 made them significantly better off than a year previously. Unsurprisingly, this was the highest income growth in the country.

Spending

That massive income rise has turned spending statistics in the province on their heads. In Q4 2022, Northern Cape tenants spent 45.8% of their income on debt repayments and 31.6% on rent. By Q4 2023, that had fallen to 31.7% on debt (the lowest in the country, compared to 44.8% nationally) and just 25.1% on rent (the second lowest after North West, compared to 28.4% nationally).

As a result, disposable income has increased to the highest of any province. Tenants now have 43.1% of their income left over compared to 22.6% a year earlier. This could provide scope for further rent increases in 2024.



Q4 average income

R35 643

Lower than the national average (R39 105)

Q4 income growth

18.6%

Higher than the national average (7.5%)

Q4 rent-to-income ratio

25.1%

Lower than the national average (28.4%)

Q4 disposable income

43.1%

Higher than the national average (26.8%)

- Disposable income
- Debt
- Rent

Share of income spent on debt and rent:
Northern Cape, Q4 2023
Source: PayProp

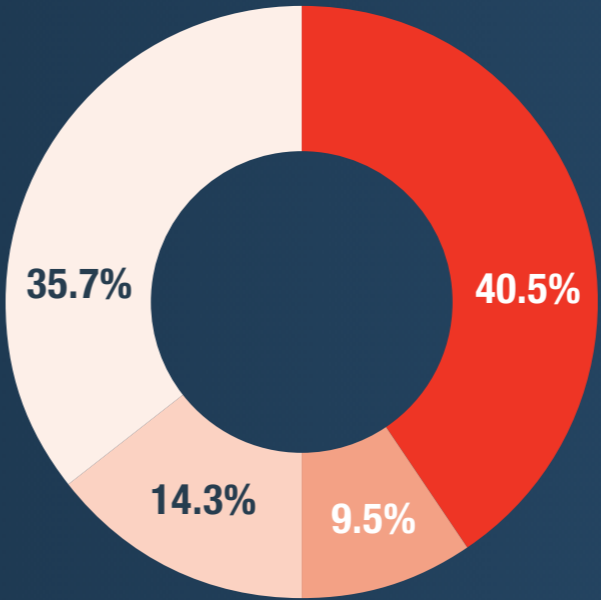
Risk

Risk metrics in the Northern Cape were mostly positive in Q4 2023, with one major exception.

The share of minimum-risk tenants stood at 35.7%, below the 37.7% national average but well above the 28.2% measured in Q4 2022. However, the province is also home to the highest share of high-risk tenants in the country, at 40.5%. This has also increased since Q4 2022, when it was 38.5% – and it's also well above the 28.5% national average.

Despite this polarised risk profile, the share of tenants with a major delinquency was the second lowest in the country at just 11.9%. This is an enormous improvement compared to the 32.1% recorded in Q4 2022.

The average credit score was also the third best in SA at 643, exactly in line with the national average. This is another major swing compared to Q4 2022, when it was the second lowest at 632.



- High risk
- Medium risk
- Low risk
- Minimum risk

Credit risk distribution: Northern Cape, Q4 2023
Source: PayProp

Average credit score

643

632 in Q4 2022

% of minimum-risk applicants

35.7%

28.2% in Q4 2022

% with major delinquencies

11.9%

Lower than the national average (16.0%)

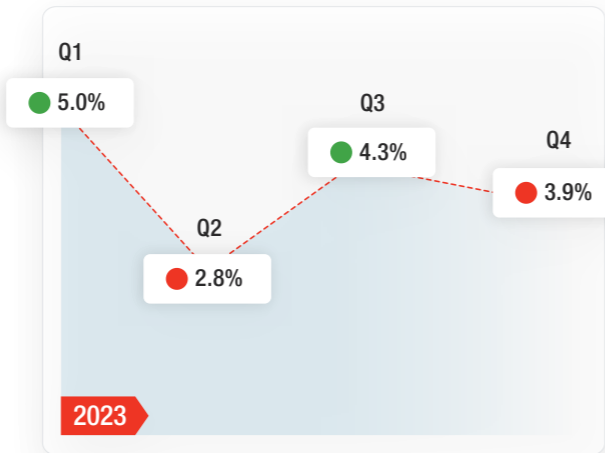
PROVINCIAL STATISTICS

Western Cape – still #1

Rent and rental growth

The Western Cape had been approaching an average rent of R10 000 at the start of 2023, and in Q4 it finally crossed the line. The recorded year-on-year rental growth of 3.9% was only seventh highest in the country, but it was enough to take the province's average rent to R10 118, up R382 from a year earlier.

Unsurprisingly, that still makes the Western Cape South Africa's most expensive province in which to rent, more than R700 (about 7.5%) ahead of the Northern Cape.



Rental growth: Western Cape, Q1 – Q4 2023
Source: PayProp

Damage deposit ratio

1.68 times the average rent

The Western Cape leads the nation in damage deposit ratios. At an average of 1.68, its landlords are the best protected in South Africa.

The Western Cape is still South Africa's most expensive province in which to rent.

Arrears

Despite having the highest rents in South Africa, the Western Cape also performs best on both arrears metrics. In Q4 2023, 14.3% of tenants were in arrears compared to a 17.0% national average. This has improved from 14.6% in Q4 2022.

Meanwhile, the average arrears percentage stood at 62.5% in Q4 2023, compared to 74.0% for the country as a whole. This also fell slightly from 64.8% in Q4 2022.

However, rental agents may want to take note that both arrears metrics increased slightly from Q3 2023 to Q4.

% of tenants in arrears

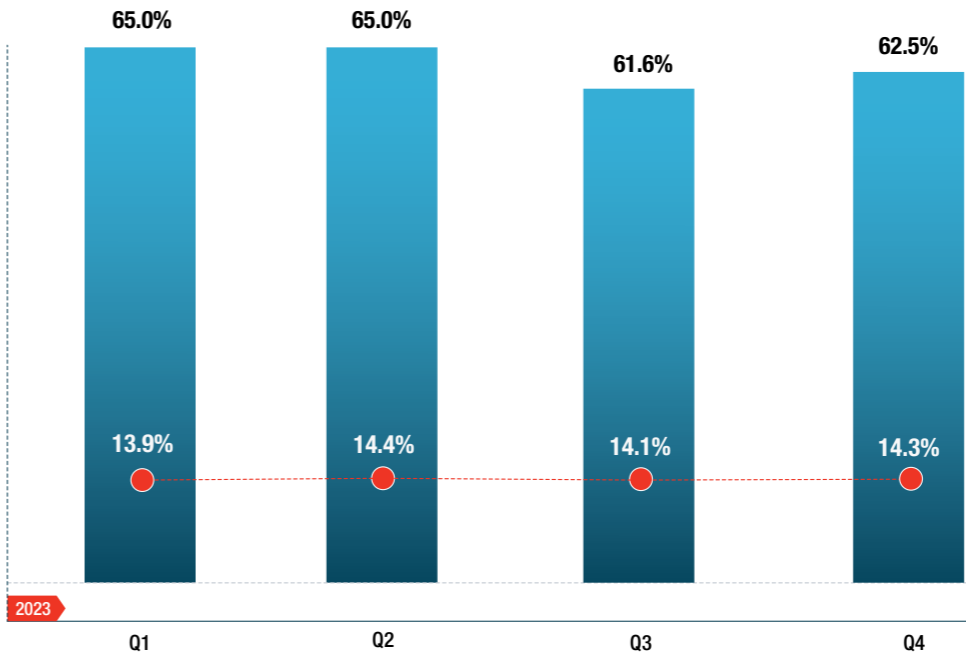
14.3%

Lower than the national average (17.0%)

Average arrears %

62.5%

Lower than the national average (74.0%)



Arrears: Western Cape, Q1 – Q4 2023
Source: PayProp

Average arrears %: Q1 – Q4 2023

Tenants in arrears: Q1 – Q4 2023

Income and spending

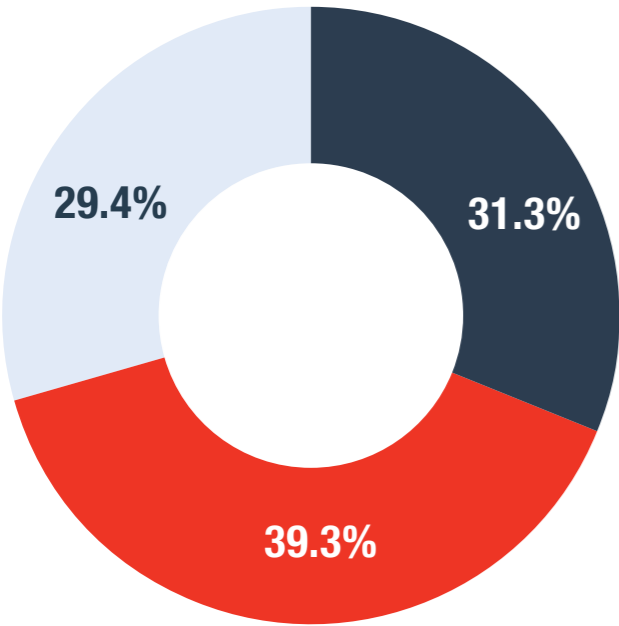
Income

Tenants in the Western Cape earn more on average than in any other province, with an average income of R45 824. Income growth in 2023 was relatively slow at 6.2%, making it the third lowest in the country, but the increase still came in above the official inflation rate of 6.0%.

Spending

Tenants' spending metrics were also healthy. The average tenant in the Western Cape spent 39.3% of their income on debt repayments in Q4 2023, the second lowest in the country and well below the 44.8% national average. Rental spending was the second highest of any province at 29.4%, which isn't surprising given the province's high rents, but it still follows the common rule of thumb that rental payments shouldn't be more than 30% of income.

Growth-wise, rental spending was identical to Q4 2022, but debt repayments rose from 37.5% of income. That being said, Western Cape tenants still have the third highest disposable income percentage at 31.3%.



Q4 average income

R45 824

Higher than the national average (R39 105)

Q4 income growth

6.2%

Lower than the national average (7.5%)

Q4 rent-to-income ratio

29.4%

Higher than the national average (28.4%)

Q4 disposable income

31.3%

Higher than the national average (26.8%)

■ Disposable income
■ Debt
■ Rent

Share of income spent on debt and rent: Western Cape, Q4 2023
Source: PayProp

Risk

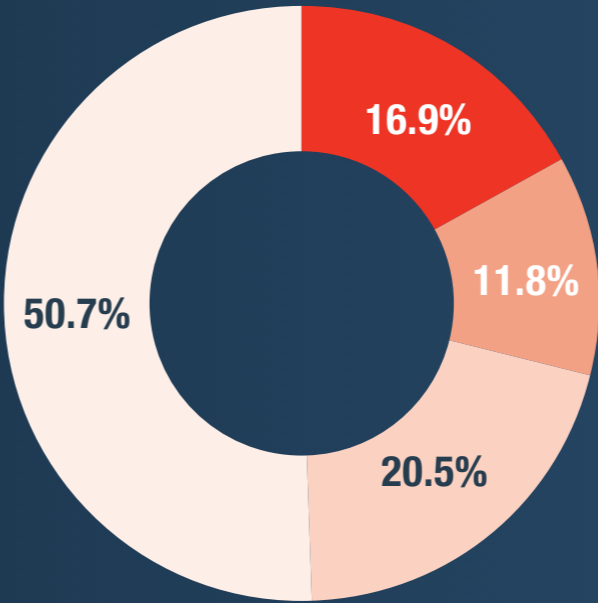
Tenant risk in the Western Cape is the lowest anywhere in South Africa.

More than half of all applicants in the province – 50.7% – fell within the minimum-risk bracket in Q4 2023, compared to 37.7% nationally. That's an improvement on a year earlier, when 49.8% were classed as minimum risk.

Meanwhile, 16.9% of applicants were classed as high risk – well below the 28.1% national average. That's once again the best in the country, and a very small improvement on Q4 2022 when this figure stood at 17.0%.

The Western Cape's share of tenants with major delinquencies? Also the lowest in the country at 11.8%. However, this was an increase from Q4 2022, when 11.0% had a major delinquency.

Finally, the average credit score in the province reached 657 in Q4 2023, up one point from a year earlier. ■



■ High risk
■ Medium risk
■ Low risk
■ Minimum risk

Credit risk distribution: Western Cape, Q4 2023
Source: PayProp

Average credit score

657

656 in Q4 2022

% of minimum-risk applicants

50.7%

49.8% in Q4 2022

% with major delinquencies



11.8%

Lower than the national average (16.0%)

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CASE STUDY

How Leandra Real Estate uses PayProp to attract and retain clients



An interview with



Leandra van Wyk
Owner

Since the day she founded Leandra Real Estate in 2005, Leandra van Wyk didn't want to spend all her time giving orders; she wanted to be out there selling and managing properties herself.

It's partly why she's kept her team so small – together with just her two daughters, Leandra cares for around 120 rental properties across the West Rand.

But just because she likes to be hands-on doesn't mean she wants to do all the administrative work by hand – and that's where PayProp comes in. PayProp automates rental reconciliation, reporting and accounting, freeing Leandra and her family up to manage the business the way they want.



Florida Park
Roodepoort, ZA



120+
Properties managed



2020
Joined PayProp

The search for efficiency

Over the years, Leandra tried out many different property management systems and found each one more frustrating than the last. In her experience, all of them had confusing designs and required too much manual data entry, which rightly made her worry about the risk of human error.

Then in early 2020, she came across PayProp's many glowing online reviews. She read about PayProp's powerful automation and ease of use, and that was enough to make her want to book a demo.

Leandra was still a bit hesitant due to her history with disappointing industry software. However, she was ready to find out more when a PayProp sales manager went the extra mile by visiting her office to show her the platform in person.



The cost was also a concern at first. But I don't even feel it because of how the pricing is structured. Either way, I'm happy to pay it, for all the comfort you get in return.

A dream come true

Leandra's workload was reduced right from the start. Throughout the onboarding process, before any of the heavy-duty financial automation, PayProp did most of the heavy lifting to get Leandra's account on the system – only needing her to provide and verify her portfolio information so the support team could transfer it to PayProp.

Then came the real benefits as she witnessed PayProp's astonishing automation of the entire payment life cycle, starting with the complex and tedious processes of collecting multiple forms of rent payment, applying reconciliation methods specific to each, as well as calculating and paying an array of recipients according to landlord-specific rules. All within minutes, requiring only a few clicks in approval.

Before PayProp, manual accounting devoured precious hours that could otherwise have been spent on the frontline of the business meeting with clients or conducting property inspections. Using the time and energy saved with PayProp's smart technology, Leandra and her staff can focus on building meaningful relationships with their clients.

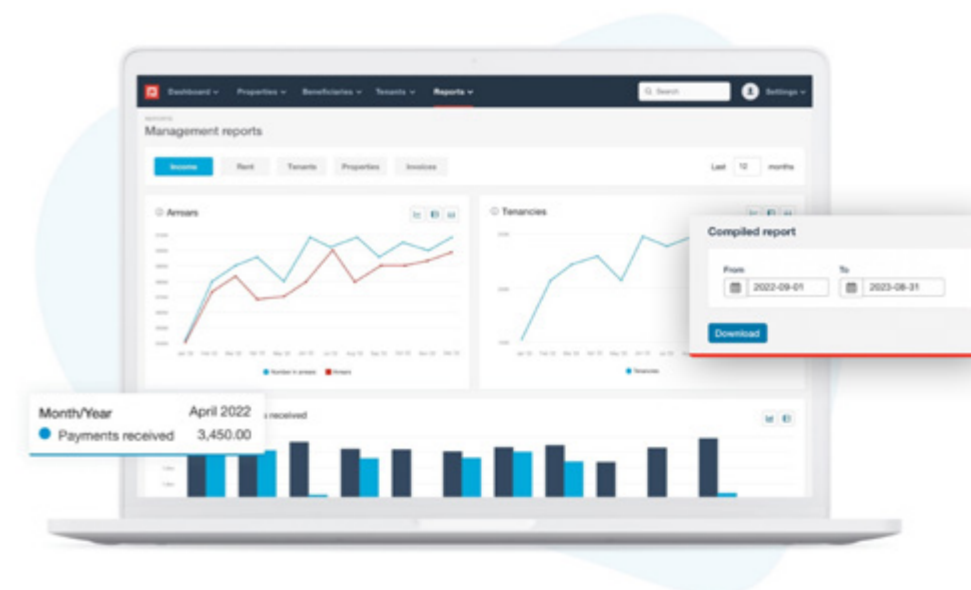


I don't have sleepless nights before an audit anymore. I don't have to worry about making accounting mistakes. It's nice to have that time back. And my owners and tenants are happier because of it.

And because account totals displayed on PayProp are pulled directly from the bank in real time, Leandra is confident that the statements she sends to owners and tenants are accurate and up to date – something she would previously lose sleep over.

If she needs to check back on a disputed transaction later, PayProp's complete and uneditable audit log makes it easy to find what she's looking for – including human error or whether a transaction failed due to bank downtime.

With PayProp's management reporting feature, Leandra has access to detailed reports on her trust account and rental portfolio to track her business performance or even compare it with the average local or national competition – and it's proven to be a great tool for marketing as well as business development.



We actually print some of these reports and put them in our 'brag bag' that we take to potential owners. It's even helped some of them decide between us and another company.

This is especially beneficial given the current rental market, which Leandra says is more challenging than she’s ever seen in her 20 years of experience. But with features such as PayProp’s automated arrears reminders and Tenant Assessment Report supporting her, Leandra feels prepared to take on any market conditions.

Additional benefits

Overall, Leandra finds PayProp much more user-friendly than any of the systems she had tried before. PayProp has built-in integrations with many popular services including Mailchimp, Fixflo and Experian, with more in the works.

By using the Mailchimp integration, her oldest daughter can quickly and easily send custom client e-mails with Leandra Real Estate branding, automatically pulling in the contact details captured in their PayProp account. Personal contact with her clients has always been a top priority for Leandra, making straightforward owner and tenant communication a must-have.

Because of how intuitive PayProp is, Leandra doesn’t often have queries about how the platform works. But when she does, she can rely on PayProp’s local team of friendly platform experts. All PayProp clients receive unlimited free training and support, so help is only ever a call or e-mail away.



The best part about PayProp is the helpline. They’re all so nice, they’ll guide me through each step if I need it, and they can all help me in English and Afrikaans.

Paying it forward

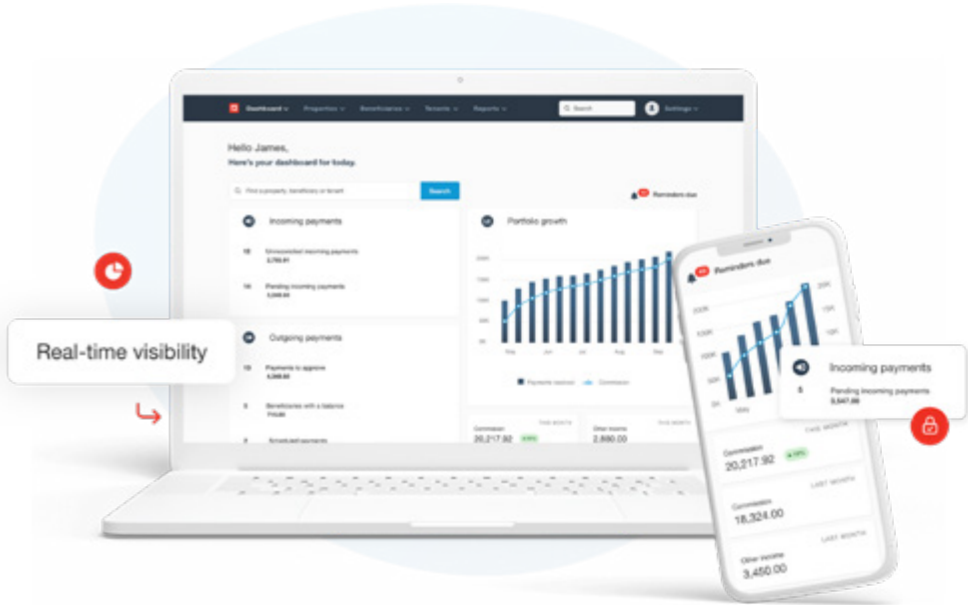
Rather than keeping her competitive advantage quiet, Leandra has been recommending PayProp to her fellow rental agents, hoping to rescue them from the same pitfalls she once faced.

Most recently, she talked a colleague out of selling her entire rental business when her bookkeeper suddenly left the agency. Thanks to her experience with PayProp, Leandra could explain how its easy-to-use payment automation makes bookkeeping a breeze even without a dedicated employee.



She said, ‘I can’t do this on my own.’ And I said, ‘But you can!’ She just signed up with PayProp at my recommendation and I’m so excited for her.

Thanks to partnering with PayProp, Leandra is exactly where she wants to be professionally: leading her successful rental agency from the front. If she could change just one thing about her journey, it would be discovering and switching to PayProp sooner.



PayProp is the best thing that could have ever happened to me.

PAYPROP AWARDS

Top agents again honoured at annual PayProp Awards

The third annual PayProp Awards celebrated top South African rental agents for their outstanding portfolio performance, use of innovative PropTech and long-standing commitment to excellence with SA’s leading rental payment platform.

We were honoured to recognise the property practitioners who over the previous year showed the amazing things that can be accomplished with the right processes, platforms and professional standards to lift industry payment practices. Powered by PayProp, these pros have grown their books without adding overheads, delighted their clients with speed, accuracy and transparency of rental payments, attracted new business, and raised standards in the industry.

Since the ceremony, PayProp’s client services team have also enjoyed visiting the winners’ offices across South Africa to hand-deliver their certificates!

The heart of the ceremony was dedicated to the rental administrators who use PayProp to power the most important part of any rental business – their rent collection, reconciliation and distribution. Their great work brings clarity, control, speed and efficiency to agencies’ rental payments and keeps the residential rental sector running like clockwork.



The PayProp Masters Award

The PayProp Masters Award was the first highlight of the event, **acknowledging clients with 15 years or more of uninterrupted processing on PayProp**. Fifteen clients joined this elite group in 2023.

The PayProp Performance Awards

One of two PayProp Performance Awards celebrated exceptional portfolio growth over the last three financial years. **Seeff Independent Agency** took the spotlight, growing almost double despite challenging market conditions. We took the time to highlight their remarkable journey and showcase their commitment to excellence.

The second PayProp Performance Award recognised exceptional growth over the last financial year, ending February 2023. It went to **Property Connect**.

The PayProp Processing Award

The PayProp Processing Award recognised franchised and independent agencies separately for exceptional monthly processing volume during the 2023 financial year. The winners were **SA Investor Rentals and Century 21 Potchefstroom - Student Hub**.

The PayProp Power User Awards

The PayProp Power User Awards acknowledged clients who stood out in their optimal use of various platform features, including damage deposit management, the Property account, and the Tenant Assessment Report. The winners included **Property Affair, Fine & Country Franschhoek, and Century 21 Sandton**.

The PayProp Velocity Award

The PayProp Velocity Award honoured clients who demonstrated outstanding overall growth in processing volume and ecosystem product usage. **Batts Properties** emerged as the winner, having shown remarkable acceleration in that year.

The PayProp Pinnacle Award

The grand finale was the PayProp Pinnacle Award, which was presented to **Property DeCoded** for their exceptional overall performance across all aspects of using the PayProp platform. Tracy Stephenson and her team were commended for their dedication and consistent excellence, marking the third consecutive win for Property DeCoded.

As the curtains closed on the third annual PayProp Awards, we trust the industry luminaries and rising stars honoured by it were left inspired, motivated, and ready to forge ahead in their pursuit of excellence. We look forward to honouring new and returning winners at the PayProp Awards 2024! ■



IN SUMMARY

In good *health*

After eight quarters of accelerating rental growth, South Africa's rental market appears to have settled into a groove at the end of 2023. Rental growth remained flat at 4.6%, taking the average rent to R8 598. But while the national rental market appears to have levelled off, it has done so in a healthy position. Rental growth is still at its highest level since 2017.

Meanwhile, arrears have fallen to the lowest level ever recorded in the PayProp Rental Index, while tenant spending and risk metrics are moving in the right direction in most provinces.

Additionally, rental growth kept accelerating in the provinces with lower average rents. The bottom four – Limpopo, the Eastern Cape, the Free State and North West – all saw faster rental growth in Q4 2023 than in Q3, and the massive jump in rental growth in the Free State in particular will be great news for local investors.

Biggest takeaway:
Rental market rebound due to better market and financial conditions, but it might be reaching its peak in the current cycle.

There are still a couple of factors that could knock the rental market off its plateau this year. If SARB chooses to cut rates aggressively, more tenants could purchase their own homes, reducing the current high demand for rental properties. Meanwhile, if inflation rises again, this could put further pressure on tenants' incomes and reverse the improvements in risk and spending metrics.

On the other hand, the significant rise in tenant incomes recorded in Q4 2023 shows there is scope for further rent increases. If incomes keep rising in 2024, higher rental growth could follow.

And if rental growth does flatten out in the longer term, there are still ways for rental agencies to increase their income by reviewing their fee structures. Discover the latest industry benchmarks for commission, inspection fees, tenancy administration fees and more in the State of the Rental Industry Report, out soon. ■

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Georgina Harwood marked her 100th birthday with a skydive to raise funds for the NSRI.

If Georgina can do it, you can too.

Become a champion



State of the Rental Industry

2024 Edition

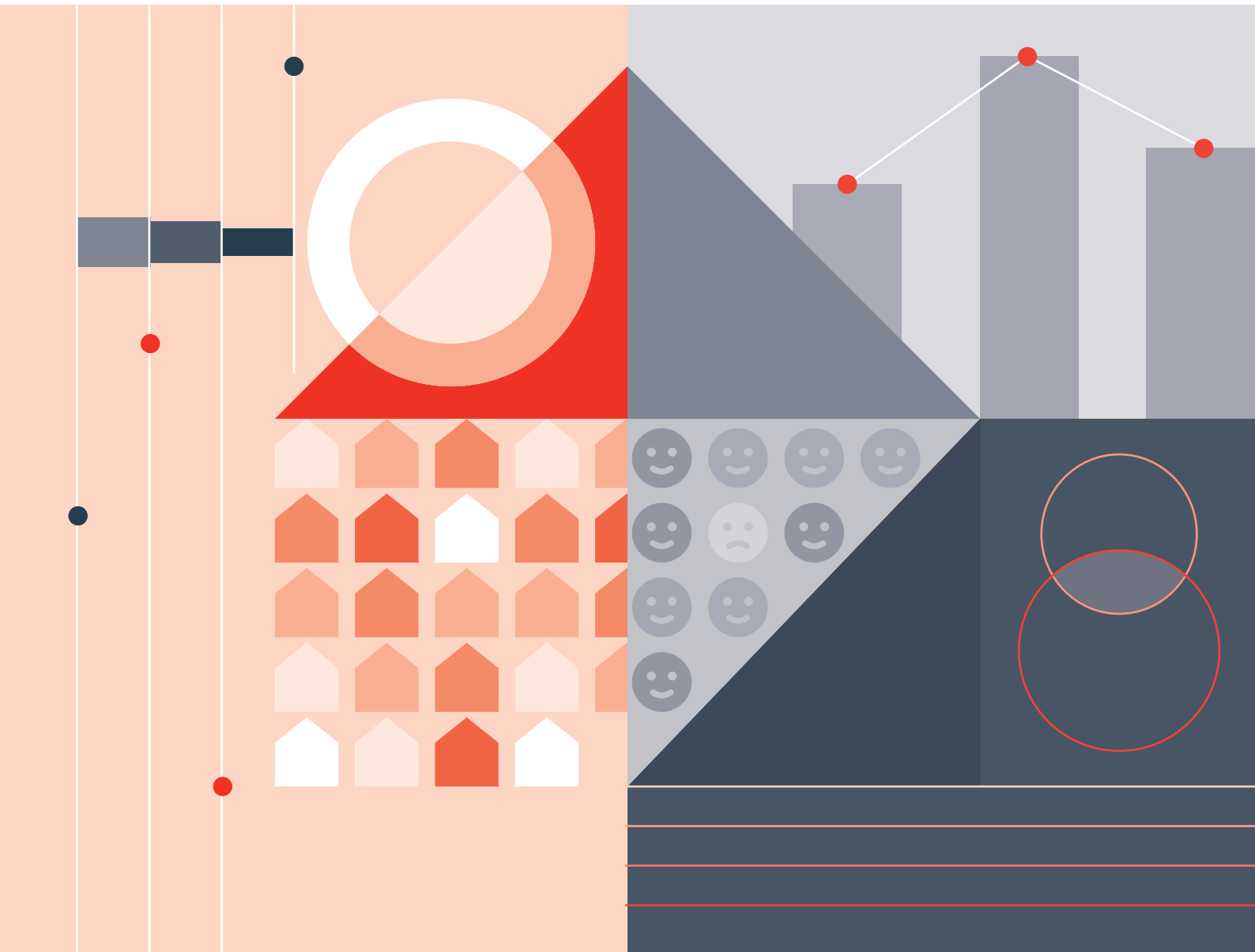


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In this issue:

In this abridged version of the upcoming PayProp State of the Rental Industry report, we share key findings from responses to our recent survey of the residential rental industry, including common business growth strategies. We hope these insights will help you grow your book this year! ■

BUSINESS – growth the overwhelming priority for 2024

Our survey respondents' top two business priorities remained unchanged from 2022.

Signing more landlords is still the overwhelming top pick, and by an even bigger margin than in 2022: 51.5% vs 44.3%. A smaller percentage than the previous year named improvements to the customer experience (12% vs 16.1% in 2022), but it still ranked second highest. The focus on new and increased revenue remains, while reducing administration time, which held the 3rd spot in 2022, is now the main priority of just 8.4% of respondents, down from 11.2% (ranked 5th). As we've concluded in the full State of the Rental Industry report, the continued adoption of technology and digitisation of agency processes might have reduced the need for further administrative time savings.

What is your agency's main priority at the moment?

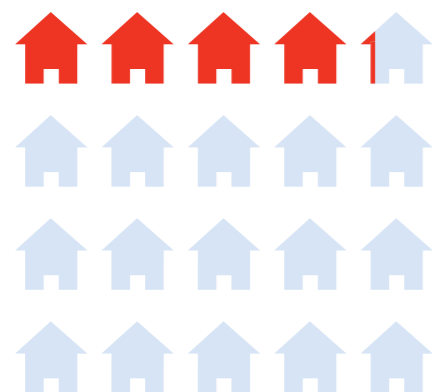


The **top 3 challenges** in **2023** remained unchanged from the year before.

Finding quality tenants, finding new properties, and inspections and maintenance are still key obstacles for rental agencies to overcome.

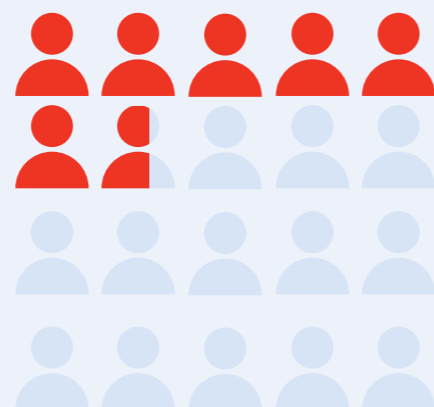
21.1%

Finding new rental properties



30.7%

Finding quality tenants



17.2%

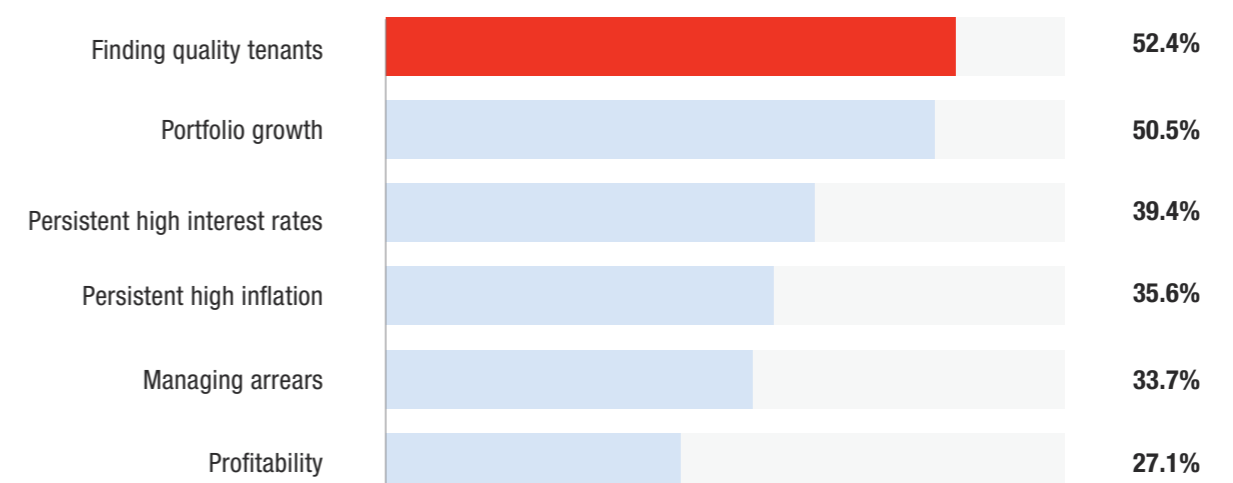
Inspections and maintenance

These challenges are mirrored in **respondents' concerns for 2024.**

Finding quality tenants and portfolio growth remained the top two worries, unchanged from 2022. Persistent high interest rates and inflation moved up from 6th and 5th position in 2022 to 3rd and 4th in the most recent survey, highlighting the effect of these factors on tenant and business financials.

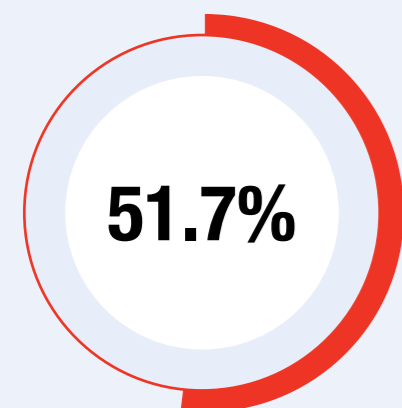
Fewer respondents were concerned about arrears (33.7% vs 38.8% in 2022) and profitability (27.1% vs 36.0% in 2022), which could be due to the rebound seen in the rental market.

Concerns for 2024



**Respondents could choose up to 5 concerns*

Lastly in this section, we asked respondents how they plan to **improve profitability** this year.

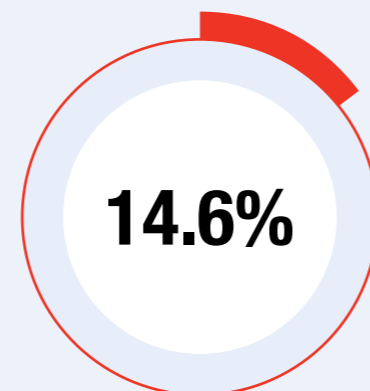


Increase the number of managed rentals

Growing their rental book was by far the most popular strategy among agencies to increase profits, with 51.7% of respondents saying this is their preferred method.

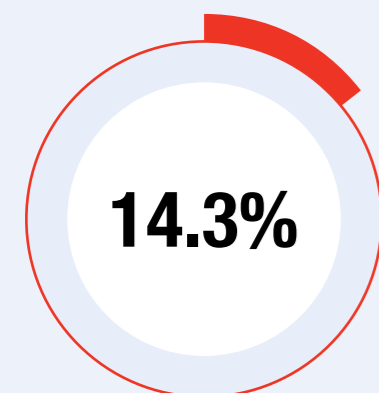
Use property technology to increase productivity

More agencies are realising the power of automation as a productivity driver – 14.6% said property technology is their number one way to increase profits, up from just 7.9% the year before.



Increase the number of procurements

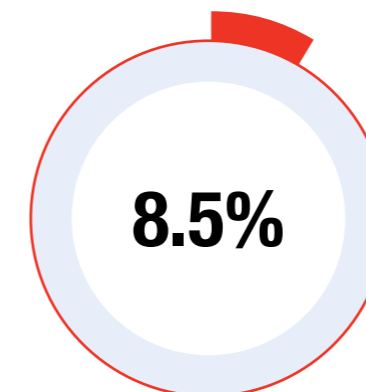
Procurements also remained in the top 3, with 14.3% of participants planning to increase profits in this way (up from 6.5% in 2022).



Business leaders' growth strategies

Business leaders were especially keen on increasing their number of managed rentals: 55.1% of them picked this option as their top profitability strategy for 2024. They were also more likely to favour property technology as a

profitability strategy than other surveyed occupations, with 16.2% choosing this option. As owners tend to be the decision makers in a business, this suggests the industry will continue to automate and digitise processes.

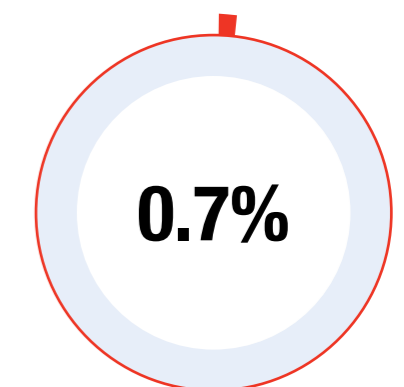


Increase management fees

On the other hand, agency leaders were less enthusiastic about management fee increases than rental agents or administrators. While they might be concerned that higher fees could drive away current and prospective clients, our data on industry fees (available in the full State of the Rental Industry report) suggests ways in which owners and partners can generate extra fee income.

Reduce staff to increase the bottom line

Encouragingly, almost none of our respondents planned to improve profitability by cutting staff (0.7%) or reducing their use of technology (1.0%) – a sign that confidence is high in the industry overall and technology in specific. Staff cuts were actually slightly less favoured by agency decision makers than by the industry as a whole.



BUSINESS GROWTH – putting 2024 priorities into practice

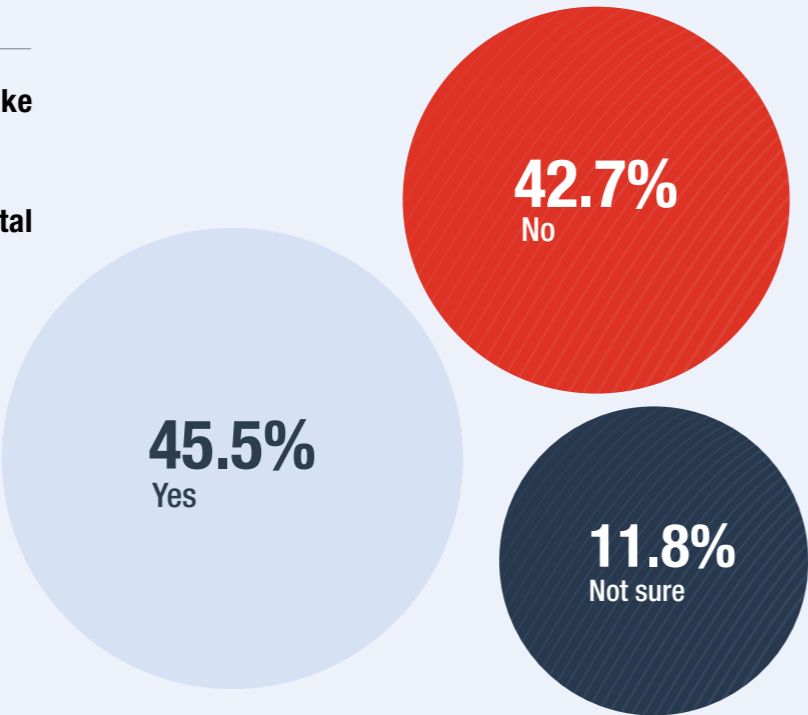
With portfolio growth a top priority and challenge for survey participants, we also asked a few questions to find out how agencies are marketing themselves to landlords.

Less than half (45.5%) of respondents said their agency uses a tailor-made presentation when looking to sign up new landlords. As regards their service offering, more than half (55.8%) only offer a single

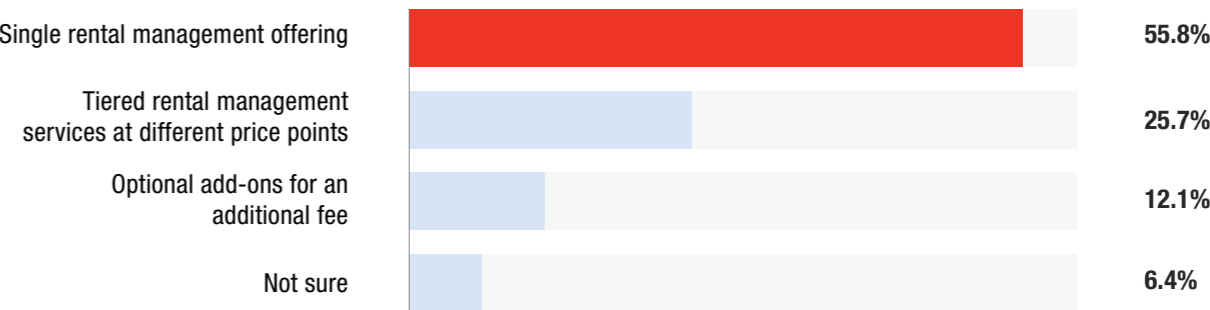
standard rental management offering to landlords, as opposed to a range of add-on services, or a choice of tiered management options.

Using rental presentations can differentiate an agency from its competition, and offering tiered services can improve profitability, while also allowing an agency to appeal more directly to different investor types.

Does your agency make use of a tailor-made sales presentation when negotiating rental mandates?

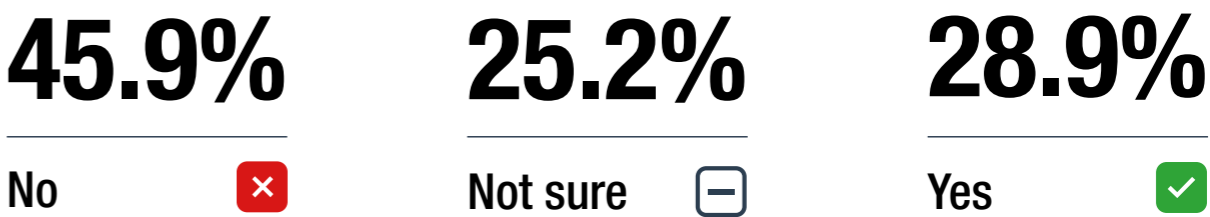


Does your agency offer a single rental management service at a single price point, or do you offer tiered services or premium add-ons?



Agencies wanting to grow their managed rental portfolios should be willing to dedicate a budget to advertising, employment and training of rental agents and administrators, and also invest in property technology to boost its acceptance. But currently, almost half (45.9%) of respondents said they have no dedicated budget to increase managed rentals, while only 28.9% said they do.

Does your agency dedicate a specific budget to the growth and development of your managed rentals?

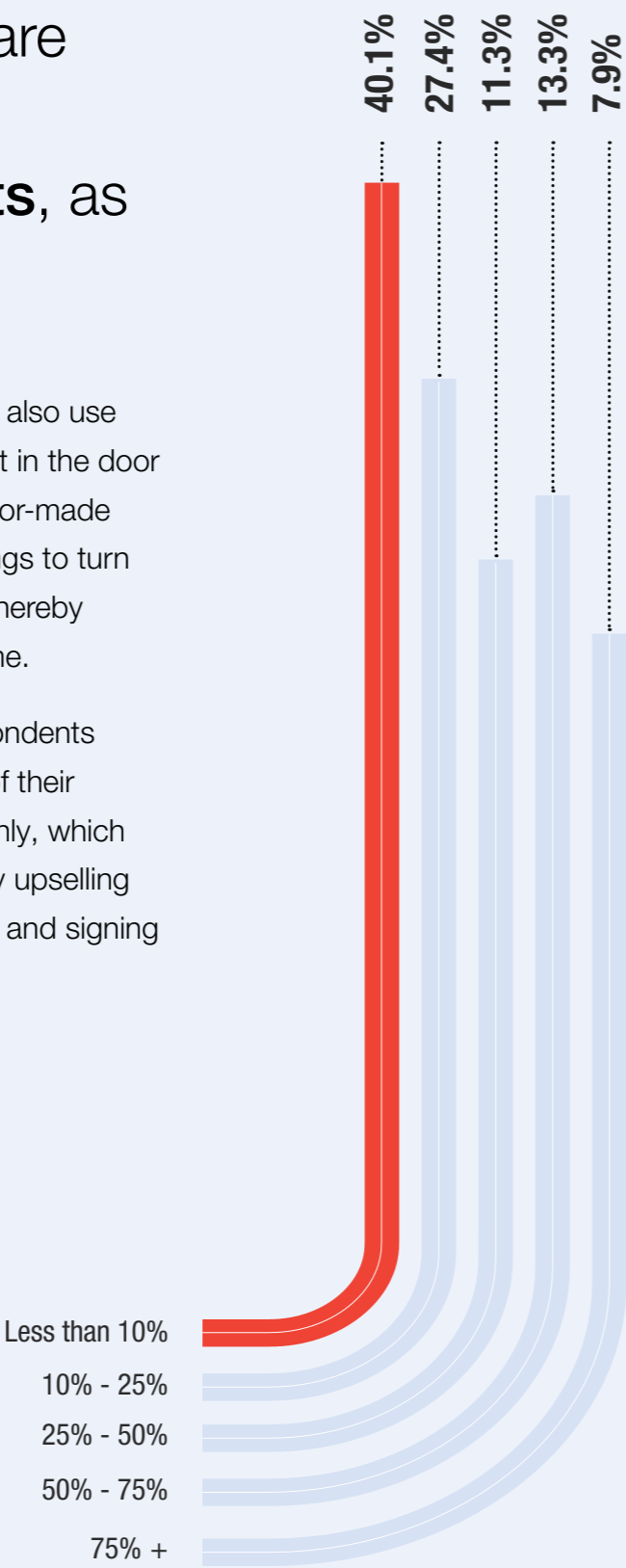


Procurements are another way to **increase profits**, as said earlier.

More indirectly, agencies can also use procurements to get their foot in the door and then use professional tailor-made sales tools and service offerings to turn them into managed rentals, thereby increasing their annuity income.

More than two thirds of respondents (67.5%) said less than 25% of their rental book is procurement only, which indicates scope for growth by upselling landlords to managed rentals and signing new clients.

Roughly what percentage of your rental business is procurement only?

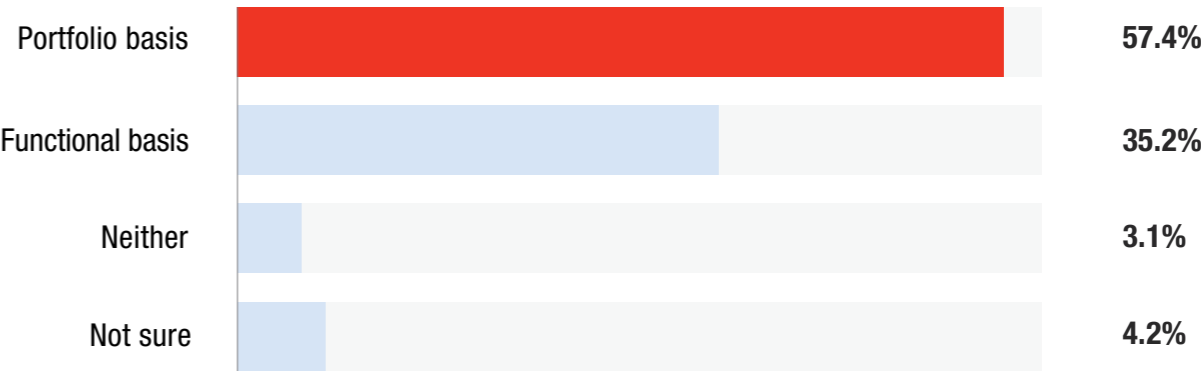


Last but not least in the business growth section, we also queried respondents' **rental book structure**.

Some 35.2% split their rental books by function (where one agent or team takes care of a specific function such as inspections or administration), while 57.4% said their books are managed on a portfolio basis (where one agent or team performs all functions for their assigned landlords or group of landlords).

Business owners might want to review their current structure to ensure that it benefits both landlords and the agency optimally.

Is your agency's day-to-day work organised by function, or are rentals managed on a portfolio basis?

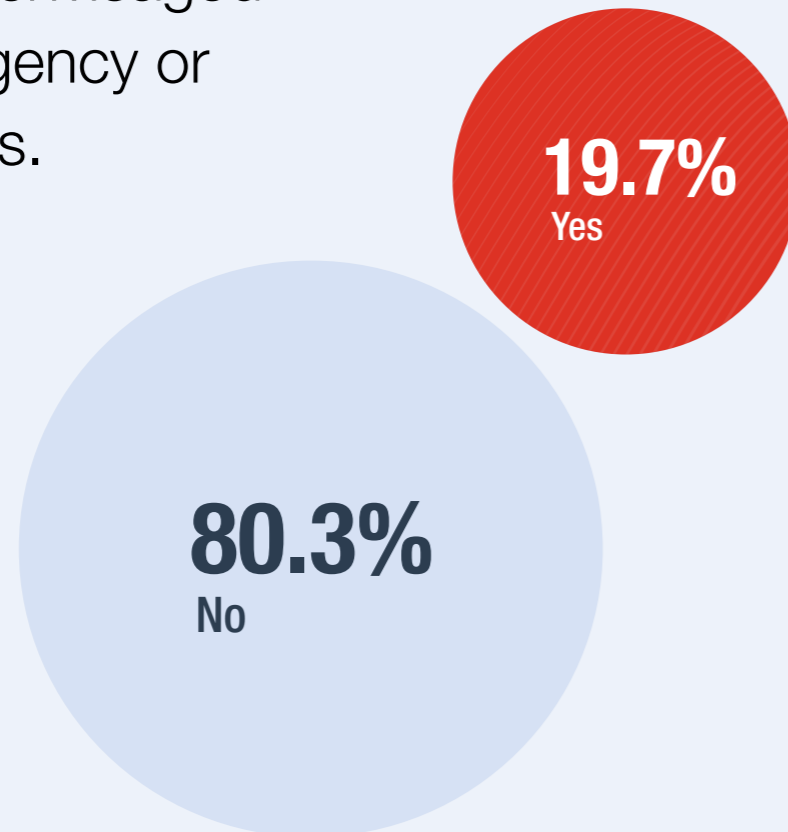


BUSINESS ACQUISITION – owners are biding their time

Finally, we asked business owners about their continued **participation in the industry** – specifically, whether they envisaged selling their agency or acquiring rivals.

Among those who answered our business acquisition questions, more than double the percentage of last year's survey said they considered selling their agency – up from 9.2% last year to 19.7% this year.

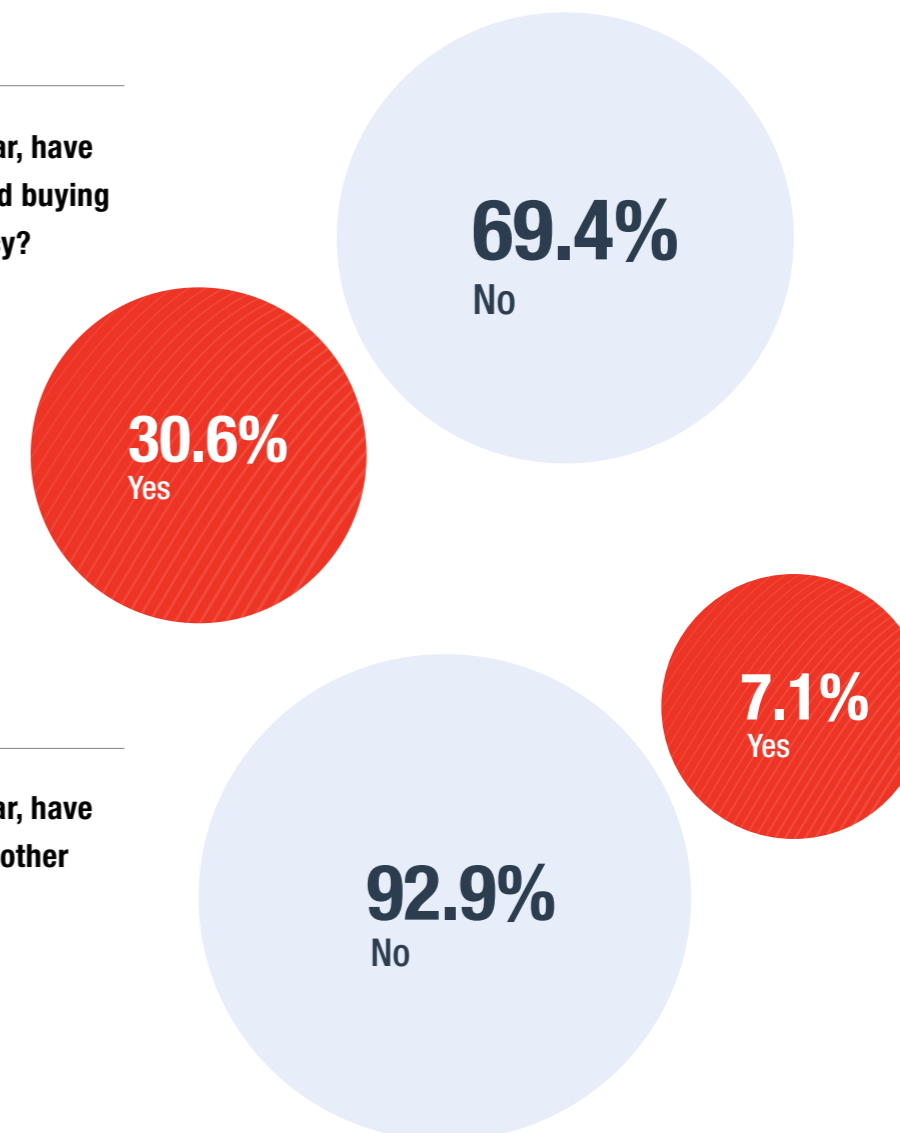
In the past year, have you considered selling your agency?



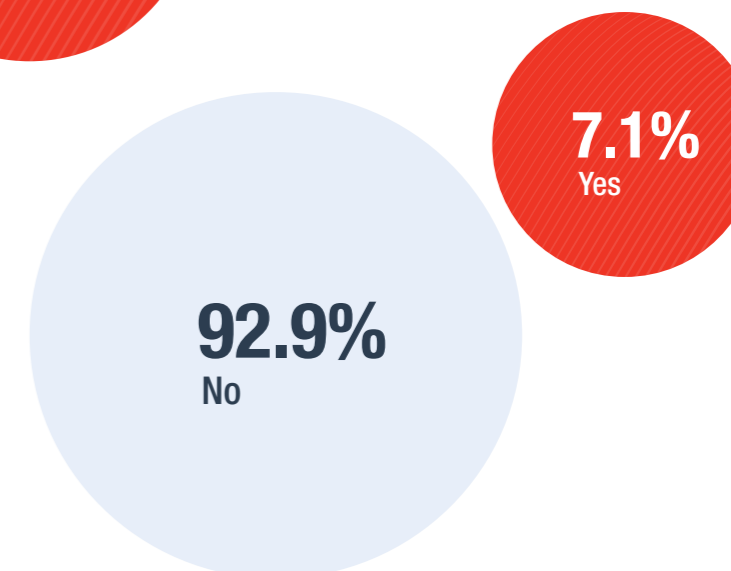
Consolidation, on the other hand, declined slightly, with only 7.1% of owners saying they bought another agency in the past year, down from 10.3% the previous year. But the share of owners who considered buying another agency was almost unchanged from last year at 30.6% (30.5% in 2022). Business owners still see acquisitions as a path to growth, but they may be waiting for better market conditions.

Having a well-run property management system in place is an asset for any owner looking to buy or sell, as it streamlines the customer off- and onboarding process.

In the past year, have you considered buying another agency?



In the past year, have you bought another agency?



IN CONCLUSION – Opportunities ahead

For most businesses, tenant selection and portfolio growth will continue to be challenges this year, and profitability is a perennial key concern. However, as this report shows, there are answers to be had.

Agencies are competing for a limited number of landlords, so distinguishing your business from the competition will be a key factor in growing a high-value managed rental book. Business owners should decide on the growth strategies that make sense in their own environment, from specific budget allocations to reviewing their service offering.

As ever, tech-enabled agencies can count on PayProp. PayProp has dedicated the last 20 years to supporting and developing technology to make thousands of real estate businesses more efficient, profitable and attractive to new skills. We remain resolutely dedicated to property professionals' growth, efficiency and profitability with top-notch enabling and efficient technology and market intelligence. ■



Fast, seamless rental payments for property practitioners.



With PayProp, rental payments are automated from invoicing to reconciliation and banking.

Set your payment processes to autopilot and free up more time to sign new landlords.

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Q4 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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“

**PayProp is the best thing
that could have ever
happened to me.**

”



LEANDRA VAN WYK

Owner,
Leandra Real Estate



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