

# RENTAL INDEX

QUARTERLY SOUTH AFRICAN RESIDENTIAL RENTAL MARKET DATA

Q2 2022

## All provinces post positive rental growth after 5-year drought

In this issue:

Tenants feeling the pinch: should we worry about arrears yet?

Spending patterns amid high interest rates and inflation



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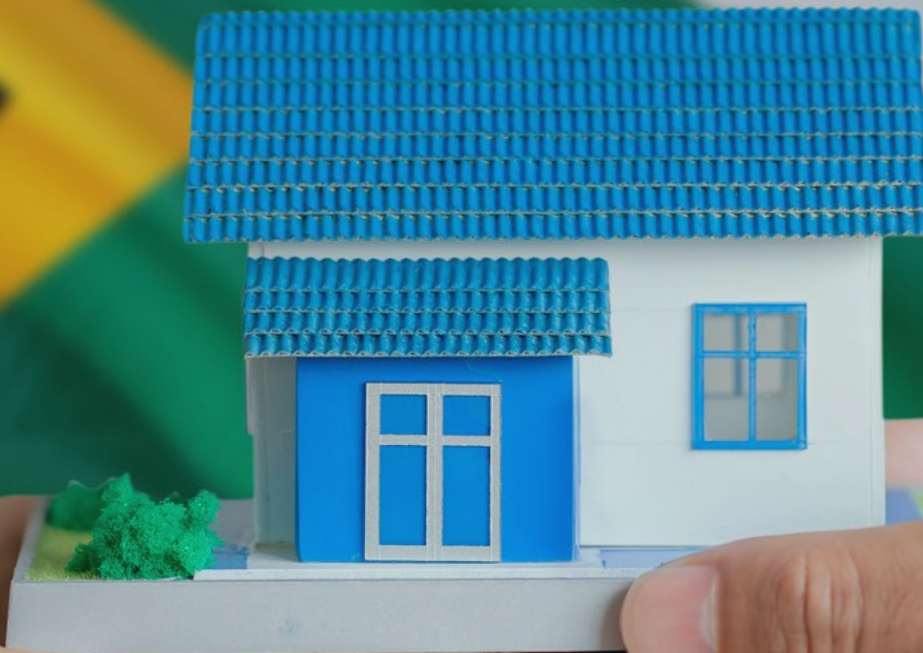
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In this issue, we take a look at national rental growth for Q2 as well as provincial rental growth patterns over the last 10 quarters



## INTRODUCTION

# Halfway through

I'm a summer girl – winter is just not my season. Yet every winter I find myself enjoying the brisk mornings, hot chocolate with marshmallows, and spending more time at home with my dogs. I might still be looking forward to spring and summer, but if I focus on the small things that bring me joy, winter isn't all that bad.



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You might feel that the real estate industry is going through a winter of its own right now. Inflation, interest rates, a looming recession and Eskom's woes certainly affect even the strongest businesses and industries – and ours is no exception. But there are pockets of good news everywhere if you look for them.

In this issue, we take a look at national rental growth as well as provincial rental growth patterns over the last 10 quarters. Alongside that, we analyse the credit metrics of tenants in different rent brackets to help you spot any potential red flags.

We also share the story of Rawson Rentals Cape Metro Classic, a long-standing PayProp client that has been steadily growing their business in Cape Town's southern suburbs for over 10 years with the help of our platform. And lastly, we look back on the success of the PayProp Roadshow that took place in June this year.

**I hope you enjoy this issue of the Rental Index. As always, please feel free to share your thoughts with us! ■**

NATIONAL RENTAL GROWTH

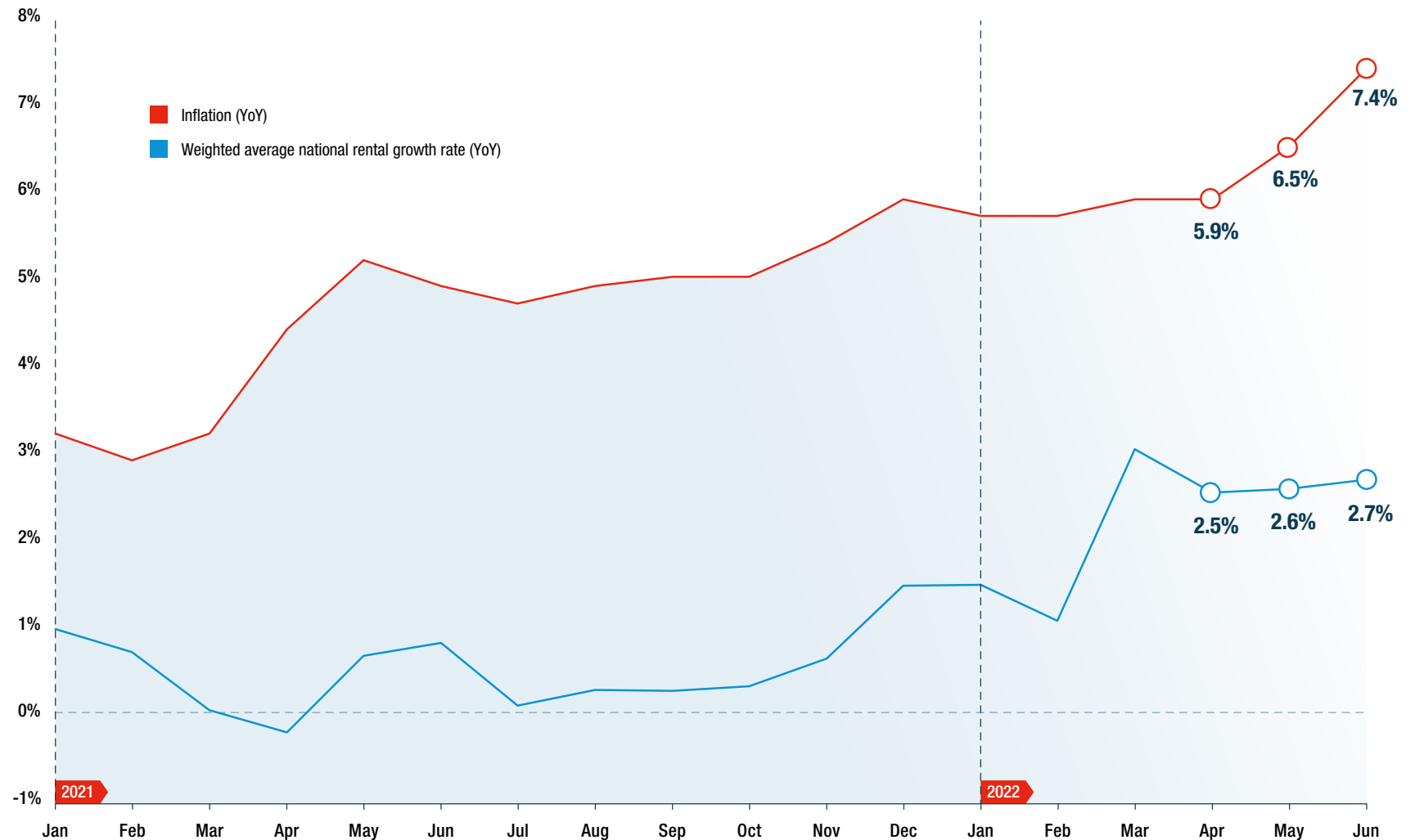
# Rent and inflation

During the second quarter of 2022, we tracked rental growth of 2.5%, 2.6% and 2.7% in April, May and June respectively. The upward trend seen since April 2021, although very gradual, remains encouraging.

Inflation, unfortunately, also continued to rise in the most recent quarter, with the Consumer Price Index breaching the Reserve Bank's target upper limit of 6% during May and June. An astonishing 7.4% year-on-year increase in prices was recorded in June, the highest in 13 years.

The rising cost of fuel and food contributed to current high levels of inflation, which can be seen around the world. Central banks are responding by increasing interest rates – including the Reserve Bank, which has raised it at every bimonthly meeting since November 2021.

In July this year, the South African repo rate was increased by 75 basis points, and further aggressive hikes can be expected during the rest of the year. ■



**DATA METHODOLOGY**



National statistics throughout the PayProp Rental Index are calculated using provincial aggregates that are weighted according to the provinces' contribution to GDP.

Weighted average national rental growth rate (YoY) VS inflation, Jan 21 – Jun 22  
Source: PayProp

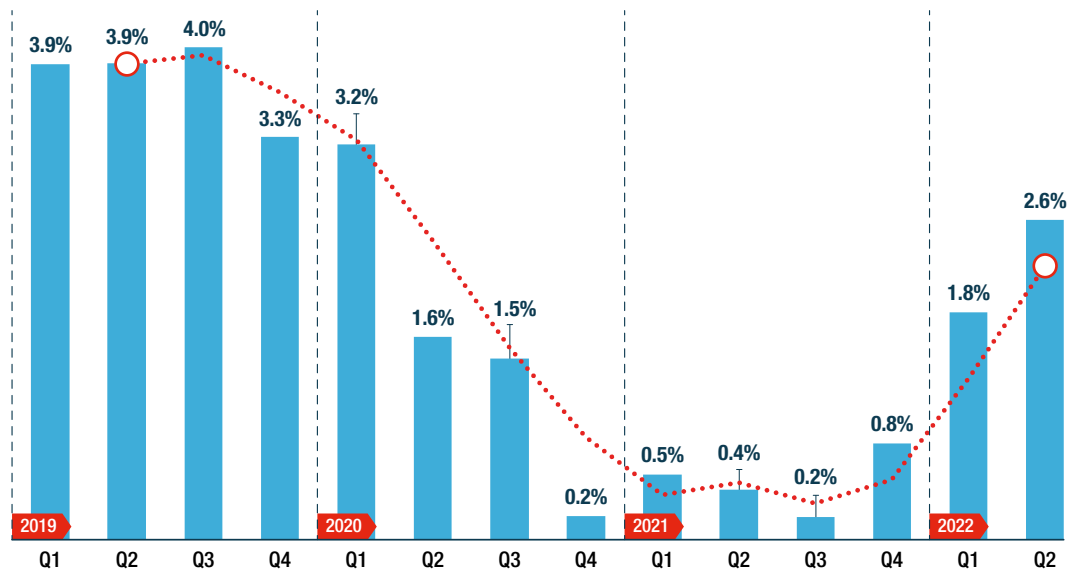
## NATIONAL RENTAL GROWTH


# Quarterly rental growth

First, the good news. Quarterly year-on-year rental growth continues to climb, with a rate of 2.6% recorded during the second quarter of the year. Average rent increased by R193, reaching R7 971 in Q2 from R7 778 in the same quarter last year. The moving average trendline shows a clear upward trend.

However, high levels of inflation and increasing interest rates will continue to put pressure on tenants' already strained finances and could even force some to look for cheaper accommodation. This could prevent further rental market recovery. On the other hand, higher interest rates and a

reduced ability to save may mean that some higher-income tenants decide to keep renting instead of buying their own properties, which would have the opposite effect. ■

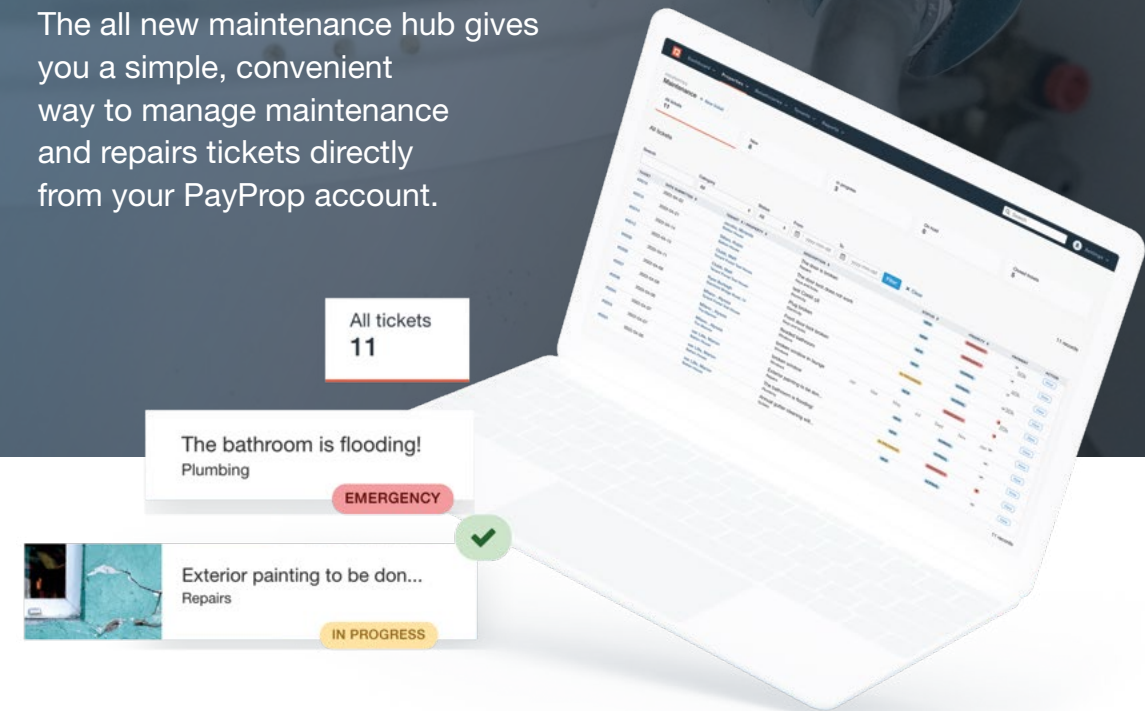


 Quarterly rental growth rate (YoY) with a moving average trendline, Q1 19 – Q1 22  
Source: PayProp



# Announcing our new integrated maintenance hub

The all new maintenance hub gives you a simple, convenient way to manage maintenance and repairs tickets directly from your PayProp account.



By combining maintenance and payments, this new feature makes your maintenance admin super easy, putting you ahead of the competition and giving you more out of work and more out of life.

**Book a demo to find out more.**



**Book a demo**

PROVINCIAL STATISTICS

# Rental growth patterns

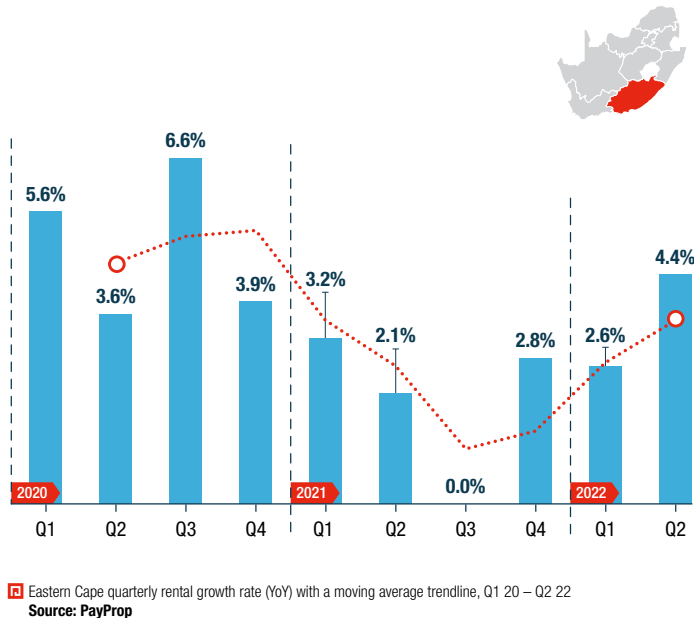
In Q2 2022, all nine provinces recorded positive YoY rental growth. The last time this happened was almost five years ago, in Q3 2017.

In this section, we look at provincial rental growth since the beginning of 2020 – just before the start of the pandemic. While all provinces’ rental growth rates were in some way affected by COVID-19, we know from experience that various other factors also influence house prices, and therefore rental growth rates in the provinces. These factors include housing shortages, development, short-term rental listings and overall economic performance.

## Eastern Cape

Rental growth in the Eastern Cape has outperformed the national average in all but one of the last 10 quarters. The moving average trendline shows that the downward trend from the end of 2020 ended in Q3 2021, with rental growth picking up again over the three most recent quarters.

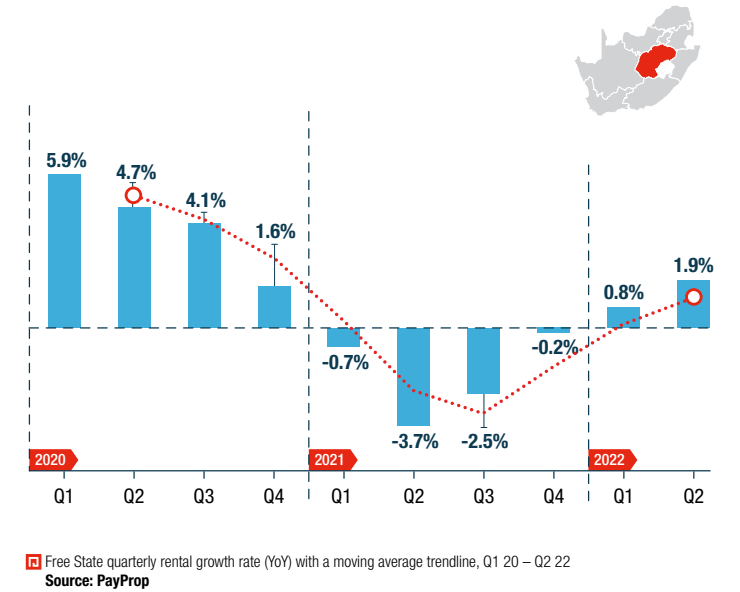
In Q2 2022, rental growth in the Eastern Cape was 4.4%. Rents increased to R6 451, up from R6 365 the same quarter a year ago. During this most recent quarter, the province was the third cheapest to rent in.



## Free State

In the Free State, rental growth has rebounded over the last four quarters but overall performance is still weak. The province experienced negative rental growth throughout 2021, and while the 1.9% of Q2 2022 was the region’s fastest since Q3 2020, it was still the second lowest in the country.

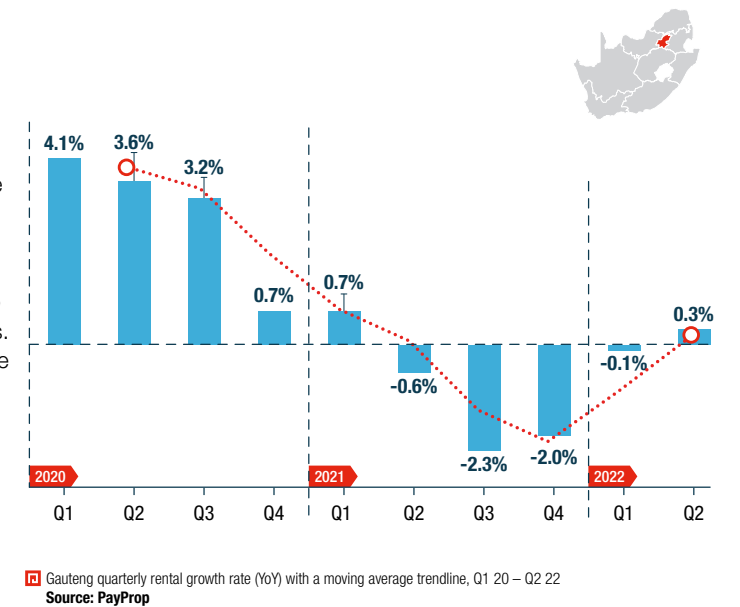
Average rent during the most recent quarter hit R6 328, also the second lowest out of all provinces.



## Gauteng

Gauteng, too, experienced four consecutive quarters of negative rental growth recently. In Q2 2022, however, the province may have started to recover – its most recent recorded rental growth of 0.3% is the first positive change since Q1 2021, but is also the lowest out of all nine provinces. Encouragingly, the moving average trendline indicates a positive trend over the last two quarters.

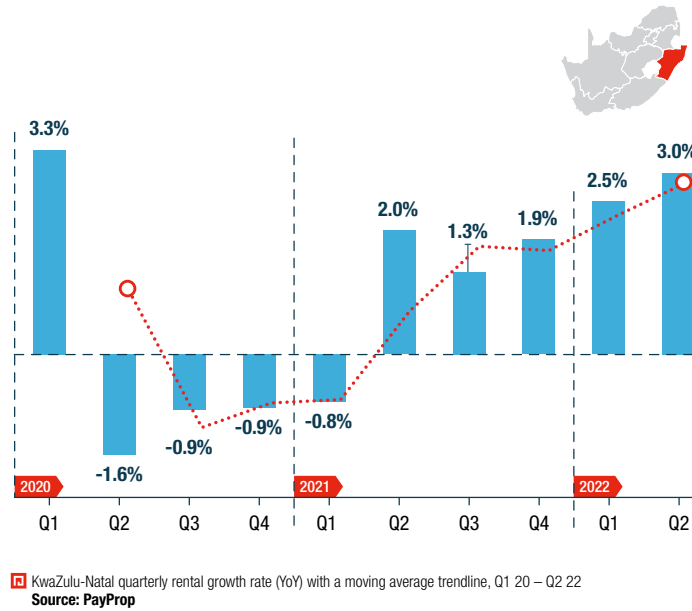
Average rent increased to R8 319, up from R8 292 in the same quarter last year – comfortably above the national average.



## KwaZulu-Natal

During the first four quarters after lockdown was announced, KwaZulu-Natal experienced negative YoY rental growth. However, the province has now been outperforming the national average for five consecutive quarters since Q2 2021. KZN has seen escalating growth over the last four quarters and recorded 3.0% YoY growth during Q2 2022, above the national figure of 2.6%.

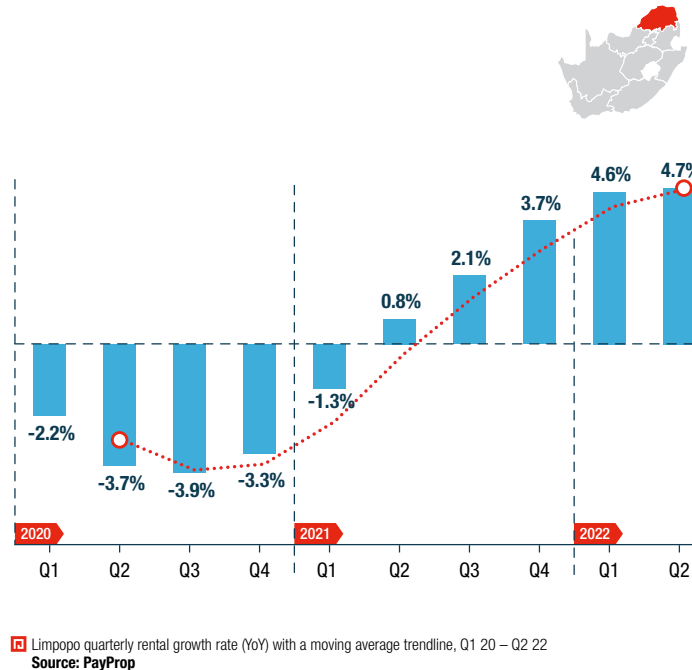
Average rents have increased to R8 443 from R8 200 since Q2 2021, and KwaZulu-Natal is currently the third most expensive province.



## Limpopo

Limpopo's winning streak continues, with year-on-year rental growth of 4.7% recorded in Q2 2022. It's a stunning turnaround for a province that recorded 14 consecutive quarters of negative rental growth up to Q1 2021. Since then, Limpopo's rental growth has outperformed the national average every quarter since Q2 2021 – although the trend line shows that it may now be levelling off.

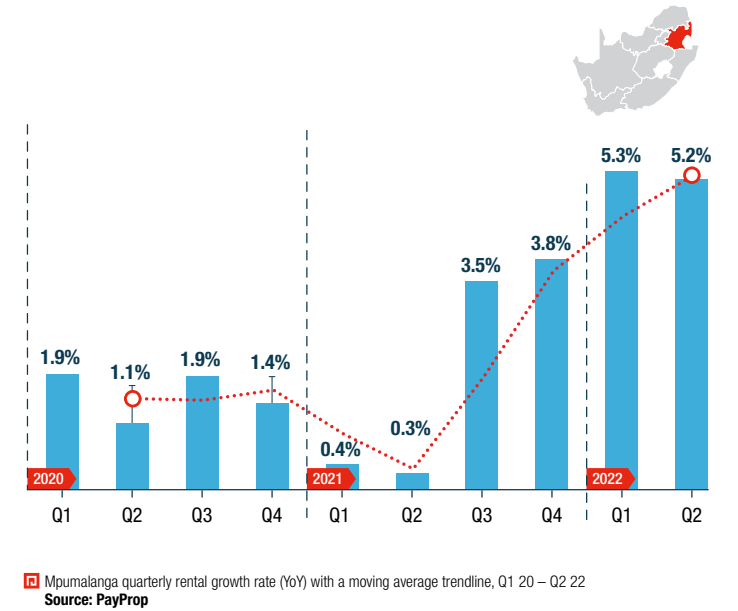
The province experienced the third highest rental growth of any province this quarter, with average rent increasing from R7 017 in Q2 2021 to R7 350 in Q2 2022.



## Mpumalanga

Mpumalanga has been another star of recent times, recording rental growth above 3% in the last four quarters and outperforming the national average by far. The moving average trendline indicates steep upward growth over the last year.

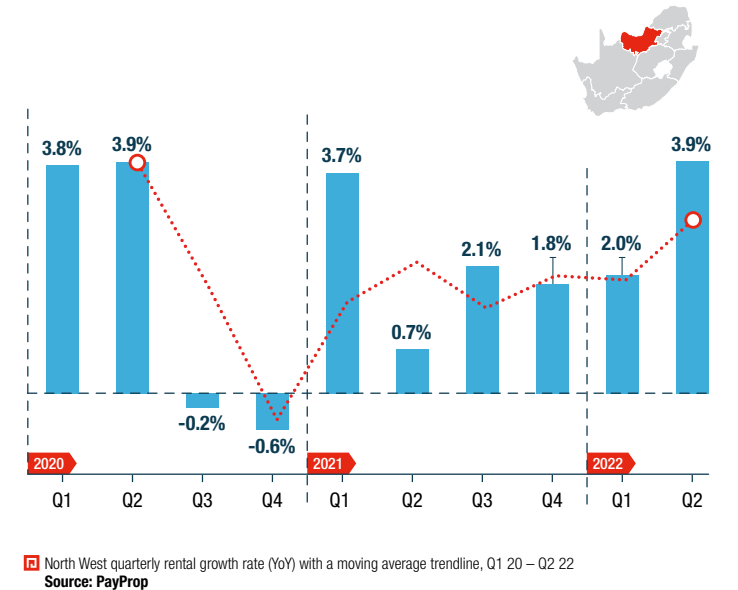
During the most recent quarter, the province notched up growth of 5.2%, the second highest rate in the country. Average rents rose to R7 870 in Q2 2022, up from R7 484 over the corresponding period the year before. Continued strong performance could see it overtake the national average, currently at R7 971, by the end of next year.



## North West

In the North West province, average rents increased by 3.9% during Q2 2022. This was substantially higher than the national average of 2.6%, and an improvement from the 2.0% seen the preceding quarter. Growth rates in this province have outperformed the national average for the last six quarters, after relatively small falls in 2021.

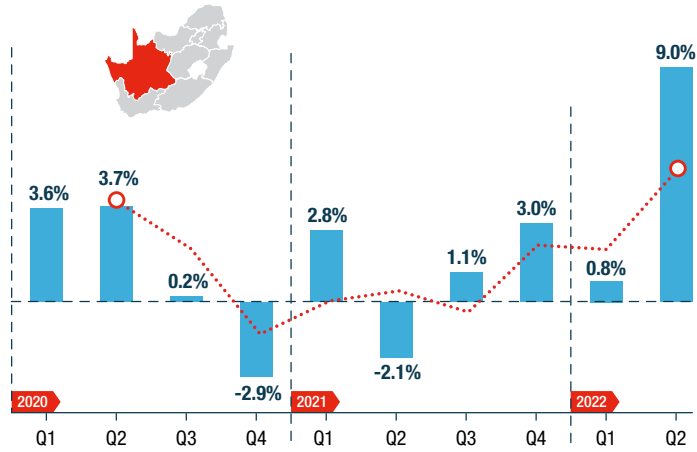
In Q2 2022, North West was still the cheapest option for tenants, with average rents increasing to R5 478 from R5 274 in Q2 2021 – a difference of R204.



## Northern Cape

In the Northern Cape, the average rent increased by 9% year on year in Q2 2022, by far the highest out of all nine provinces. This figure finished at R8 626 – up R715 from the R7 910 recorded in Q2 2021, causing the Northern Cape to retain its spot as the second most expensive province in which to rent.

Rental growth in this province has been volatile over the past two years, and this can be seen in the moving average trendline as well.



Northern Cape quarterly rental growth rate (YoY) with a moving average trendline, Q1 20 – Q2 22  
Source: PayProp

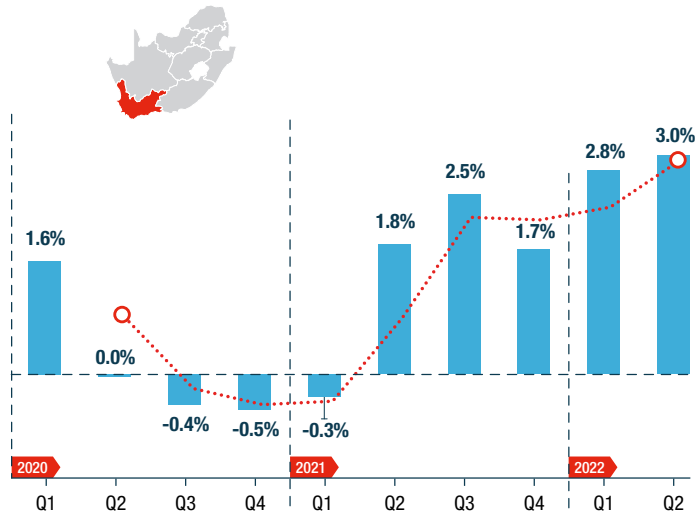
### DATA METHODOLOGY

It is worth noting that PayProp has relatively few clients in the Northern Cape compared to other provinces. This can lead to sharper fluctuations in our data for the province, without it unduly influencing national figures due to our weighted aggregation formula.

## Western Cape

To look at the Western Cape's performance now, you wouldn't know that it experienced four consecutive quarters of negative year-on-year rental growth from Q2 2020 to Q1 2021. In the most recent quarter, the province recorded rental growth of 3.0%, above the national average of 2.6%, and it has outperformed the national average for the last five quarters.

To top it all off, the Western Cape remains the most expensive province for tenants in South Africa. The average rent in Q2 2022 was R9 462, up from R9 185 in the same quarter the year before. ■



Western Cape quarterly rental growth rate (YoY) with a moving average trendline, Q1 20 – Q2 22  
Source: PayProp



# We need your input



After a decade of putting out the PayProp Rental Index, we want to ensure that our publication continues to serve the needs of South Africa's rental professionals.

Whether you're new to the Index or one of our regular readers, your input would be invaluable in helping us understand what our subscribers are looking for.

We've put together a **short 5-question feedback survey**. Please click on the link below to let us know what you want to see in future issues.

Scan to start



*Thank you*

Johette Smuts  
Head of Data Analytics  
PayProp South Africa

[Complete the survey](#)



NATIONAL ARREARS

# No reason to worry (yet)

As the rising cost of living squeezes tenants' incomes, some in the residential rental sector worry that this could lead to increased non-payment of rent. In this section, we take a look at two arrears metrics across PayProp to get a clearer idea of how payment behaviour is changing.

ARREARS METRICS

We consider two arrears metrics:

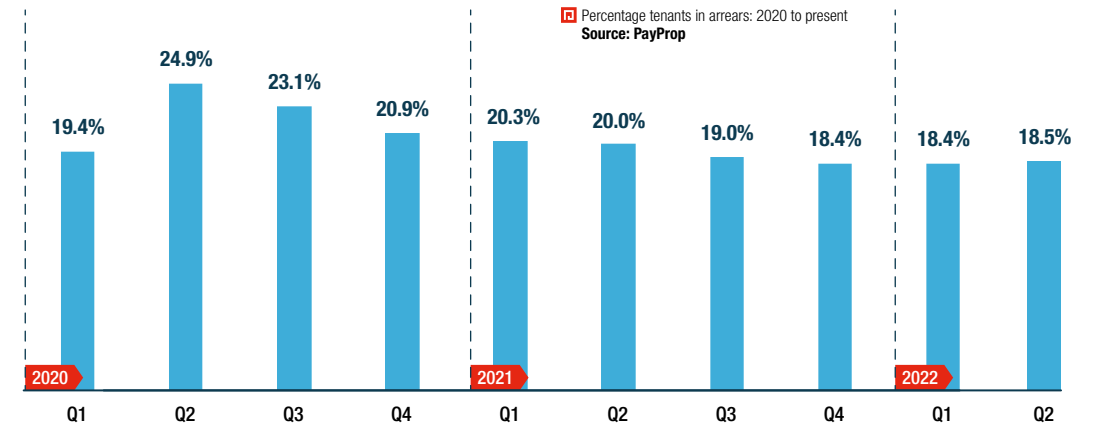
1. The percentage of tenants in arrears, which records the **number of tenants in arrears** as a percentage of the total number of tenants.
2. The average arrears percentage, which expresses the average **amount in arrears** as a percentage of the average rent overall – an average arrears percentage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



With tenants' incomes being squeezed, could this lead to increased non-payment of rent?

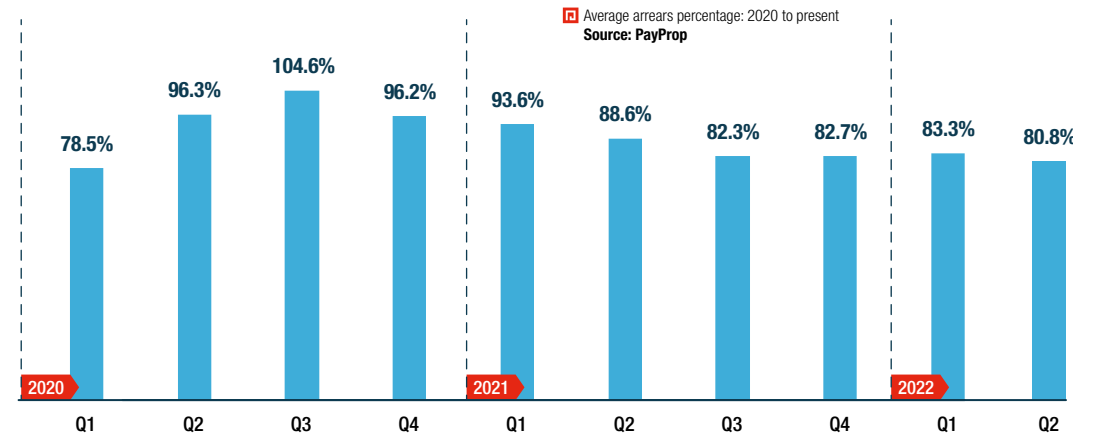
For the first quarter since the peak seen in Q2 2020, the percentage tenants in arrears increased from the quarter before, but so far any effect of the cost-of-living squeeze has been marginal. In the most recent quarter, 18.5% of tenants were in arrears (measured on the 7th day of each month), compared to 18.4% of tenants in Q1 2022. Still, fewer tenants are in arrears now than there were in Q1 2020, before the start of the pandemic.

While the quarterly uptick isn't large, it could point to increased financial pressures on tenants brought on by higher inflation and interest rates. Agents should keep a close eye on tenant arrears within their portfolios to see if the situation gets worse.



The average arrears percentage (amount owed as a percentage of one month's rent) peaked in Q3 2020 and has been slower to recover than the percentage tenants in arrears, suggesting that marginally fewer tenants owing significantly more are finding it tough to get out of debt.

After marginal increases in Q4 2021 and Q1 2022, this metric dipped back to 80.8% in Q2 2022 from 83.3% the quarter before, which was at least encouraging. The current level is just over 2% higher than that seen pre-pandemic.

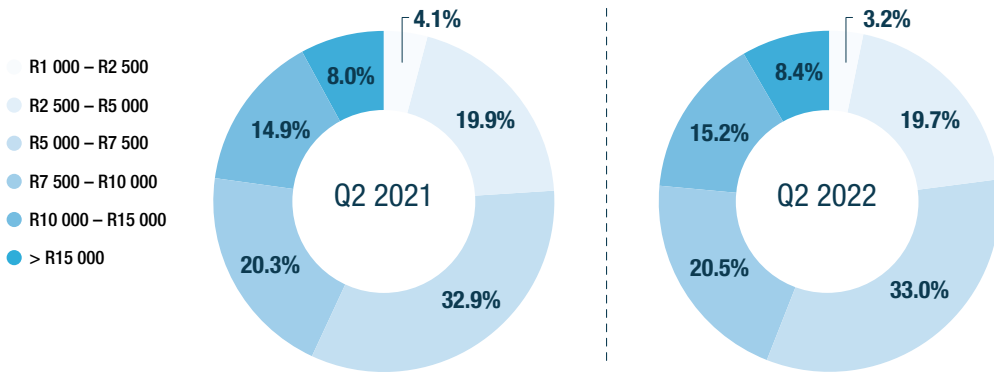


CREDIT METRICS

# Rent brackets and tenant health

## Tenant distribution

Between Q2 2021 and Q2 2022 there were only slight changes in the distribution of tenants across rental brackets. The most populous rental bracket remained the R5 000 – R7 500 per month category, with 33% of rents falling here (2021: 32.9%). In both years, about 20% of tenants rented for R2 500 – R5 000, and 20 to 21% for R7 500 – R10 000.



Distribution of tenants across rental brackets, Q2 2021 vs Q2 2022  
Source: PayProp



The most populous rental bracket remained the R5 000 – R7 500 per month bracket, with 33% of rents falling here.

## Income

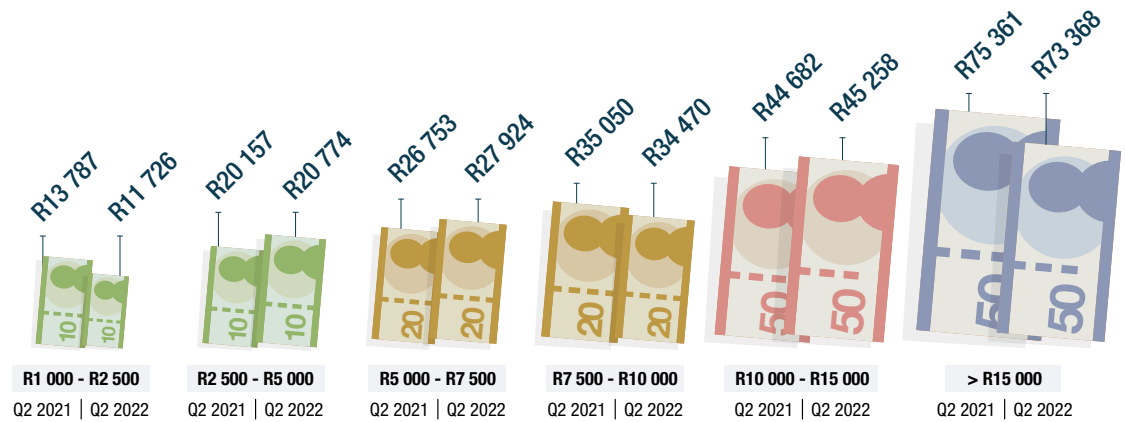
Tenants who earn more can most likely afford to spend more on rent. This is why it makes intuitive sense that incomes rise as the rental brackets get more expensive. That being said, it is also true that average income decreased in three rental brackets compared to the same quarter last year: R1 000 – R2 500 (-15%), R7 500 – R10 000 (-1.7%) and over R15 000 (-2.6%).

The most worrying of these is certainly the lowest bracket, where average tenant income decreased by 15% to R11 726. Unemployment in South Africa is at near-record highs: according to Statistics South Africa's Quarterly Labour Force Survey, 34.5% are out of work, and this number is higher among younger people. People in this bracket are also more severely affected by high inflation as they have little to no disposable income to absorb rising costs.



### EXPLANATION

The analysis takes into account credit checks done via PayProp during the period analysed, and represents a sample of rental applicants who are not necessarily existing tenants or successful applicants. However, we refer to all applicants as 'tenants' throughout the analysis, as credit checks are done with a view to become or remain tenants of a property.



Average income of tenants per rental bracket, Q2 2021 vs Q2 2022  
Source: PayProp

## Tenant risk

In this section we look at the distribution of tenants across the four risk categories (minimum, low, medium and high risk) for each rent bracket.

### Rent bracket: R1 000 – R2 500

In this rent bracket, 46.6% of tenants were labelled as high-risk in Q2 2022, while only 11.2% of tenants fell in the minimum risk category. What's more, the proportion of tenants in the two lower-risk categories decreased between Q2 2021 and Q2 2022 while the proportion in the two riskier categories increased.



### Rent bracket: R2 500 – R5 000

While just over a third of tenants were classed as high-risk in the most recent quarter, over a quarter of tenants fell in the minimum risk category. Another 21.3% of tenants in this rent bracket were labelled as low-risk.



### Rent bracket: R5 000 – R7 500

In this rent bracket, more tenants were labelled minimum-risk than high-risk – but only just. The changes from Q2 2021 to Q2 2022 across all four risk categories were small.



### Rent bracket: R7 500 – R10 000

For tenants spending between R7 500 and R10 000 on rent, just under 40% fell into the minimum-risk category. Another 21.5% were labelled as low-risk, with 24.7% deemed to be high-risk. The proportion of high-risk tenants in this rent bracket decreased slightly from Q2 2021 to Q2 2022.



Tenant risk distribution per rent bracket, Q2 2021 vs Q2 2022  
Source: PayProp

### Rent bracket: R10 000 – R15 000

In Q2 2022, 42.2% of tenants renting in this bracket were deemed to pose minimum risk of defaulting, but unfortunately, this was lower than the 45% seen the year before. Only 22.1% of tenants fell in the high-risk category, which was slightly higher than the 20.6% of tenants seen in the same quarter the year before.



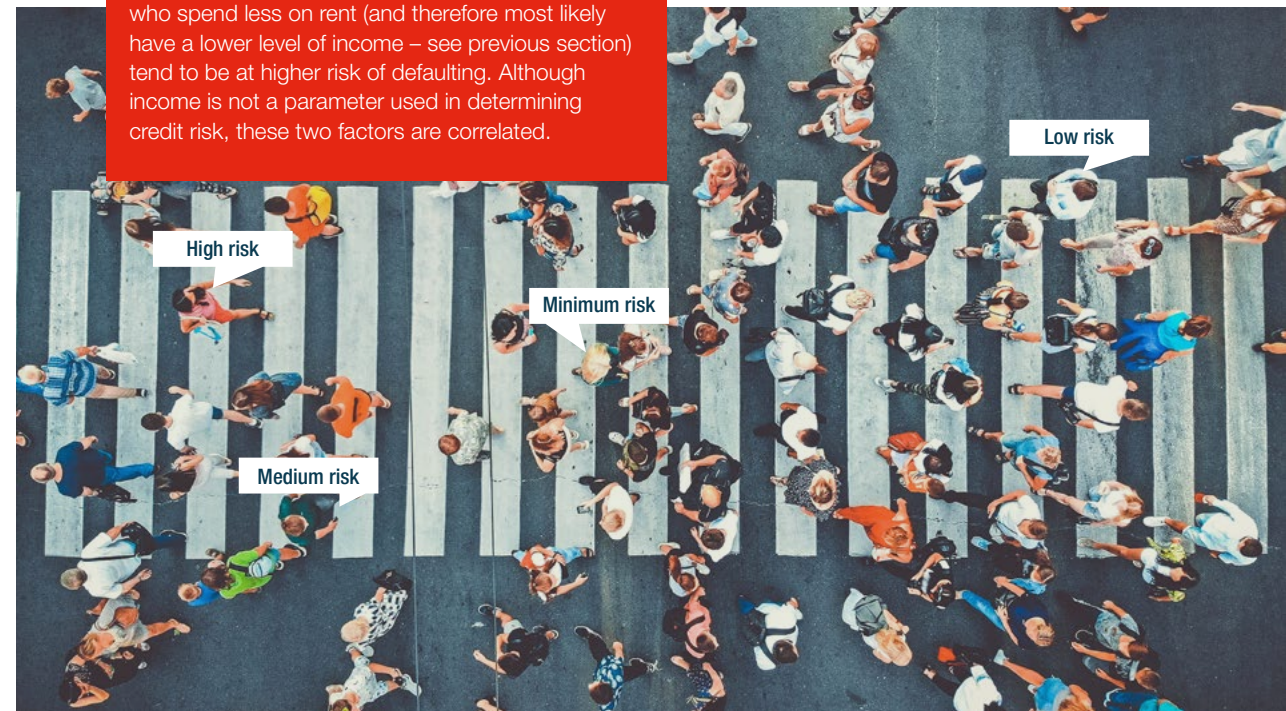
### Rent bracket: > R15 000

Only 12.7% of tenants who spent more than R15 000 on rent per month were flagged as high-risk during Q2 2022, in line with the 12.6% the year before. 55.1% of tenants fell in the minimum-risk category, which was even higher than the 54% seen in Q2 2021.



Tenant risk distribution per rent bracket, Q2 2021 vs Q2 2022  
Source: PayProp

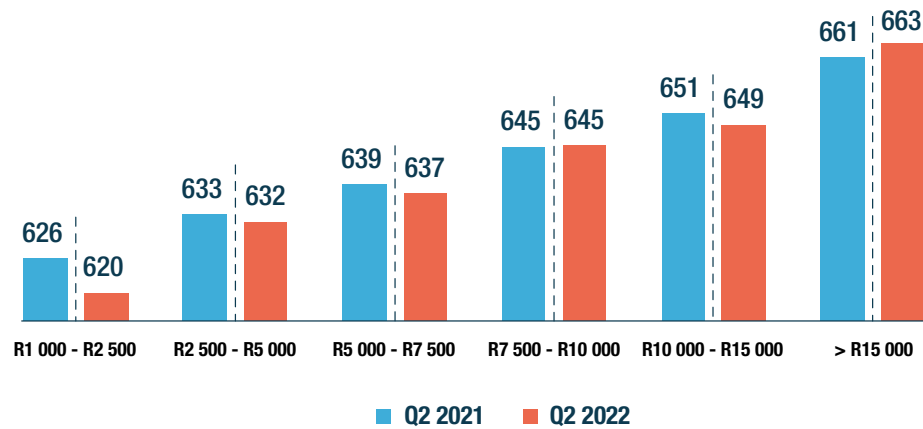
From this analysis, we can clearly see that tenants who spend less on rent (and therefore most likely have a lower level of income – see previous section) tend to be at higher risk of defaulting. Although income is not a parameter used in determining credit risk, these two factors are correlated.



## Credit scores

Since credit scores are likewise an indication of risk, and the risk levels of tenants in more expensive rented housing are on average lower, you would expect them to also have higher (better) credit scores than those in cheaper brackets. And this is indeed the case.

It is interesting to note that credit scores deteriorated slightly or stayed the same from Q2 2021 to Q2 2022 across all brackets, except for rents higher than R15 000, where there was a 2-point improvement. This is most likely because tenants with higher levels of income are best equipped to absorb the higher cost of living that comes with high inflation and higher interest rates without taking on more debt.



Average credit score per rent bracket, Q2 2021 vs Q2 2022  
Source: PayProp



Tenants with higher levels of income are best equipped to absorb the higher cost of living

## Tenant expenditure

A tenant's expenditure can be broken up into three parts:

- rent**
- debt**, which includes monthly debt repayments and other contractual debt such as cell phone contracts and
- disposable income**, which is what is left after debt and rent payments. Groceries, petrol, school fees and other expenses must be paid from this

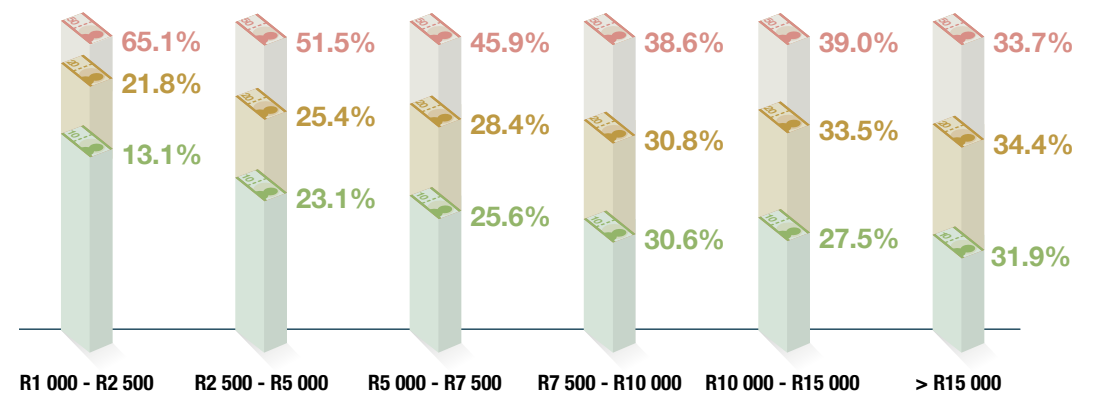
### Rent

So far in this index, we've seen that tenants with higher levels of income tend to spend more on rent, both in Rand terms and as a percentage of their income. In the cheapest rent bracket, tenants spent on average 21.8% of their take-home pay on rent. In the most expensive one, 34.4% of tenants' income went towards rent.

### EXPLANATION

For our rent- and debt-to-income calculations we consider net monthly income, i.e. the take-home pay that gets paid into a tenant's bank account each month after tax, as well as the rental amount applied for. These figures are provided by rental agents.

● Debt-to-income ● Rent-to-income ● Disposable income

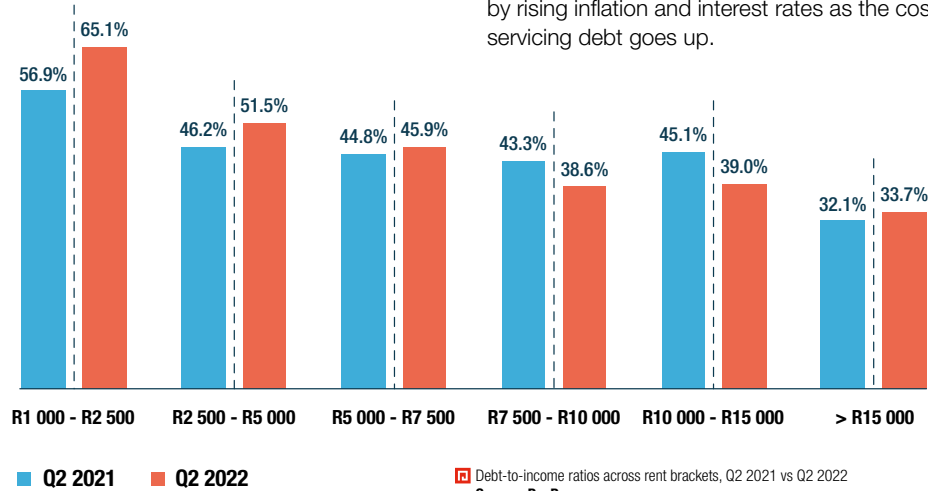


Distribution of expenditure across rent brackets, Q2 2021 vs Q2 2022  
Source: PayProp

**Debt**

While tenants in lower rental brackets spend proportionally less of their income on rent, they spend a much greater percentage than higher-income cohorts on debt repayments.

This figure increased for tenants in the lower rent brackets from Q2 2021 to Q2 2022, while the opposite is true for tenants in the higher rent brackets. This further illustrates the point that lower-income tenants are more likely to be affected by rising inflation and interest rates as the cost of servicing debt goes up.



**Disposable income**

Tenants in the lower rent brackets have a smaller portion of their income left after debt repayments and rent, mainly because they spend a larger proportion on debt. This flattens off in the three higher income brackets, where total expenditure is approximately equally distributed.

It is important for rental agents to understand specific tenants' spending behaviour. Not all tenants' expenditure will look the same as the averages we show. In the current economic climate where prices are rising rapidly and debt is becoming more expensive, a good rental agent should understand the potential effects of this on a tenant's expenditure and in turn, their ability to pay rent.

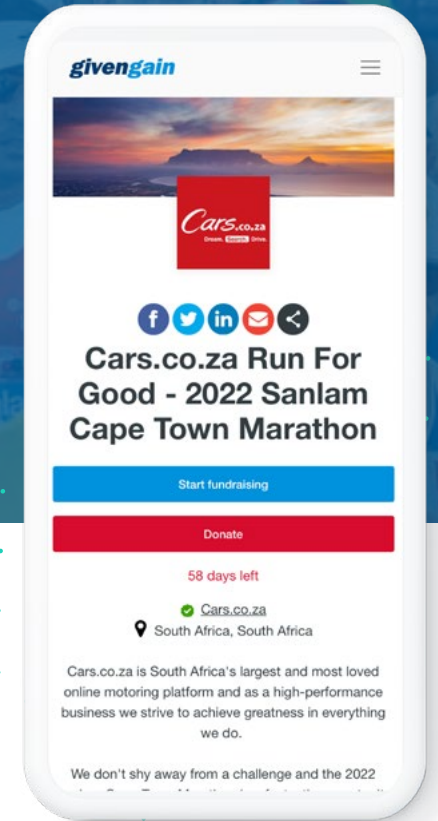


It is important for rental agents to understand specific tenants' spending behaviour.

*givengain*

# SPORT FOR GOOD

**Did you know** there's a super easy way to combine your favourite sport with your company's giving back initiative? Whether it's running, cycling, yoga or hiking, you and your colleagues can use your favourite way to stay in shape to make a big impact!



Several [Cars.co.za employees](#) will be running the Sanlam Cape Town Marathon and fundraising as a team. And so can you! It's good for you, great for your brand, and fantastic for the charity!

To get going, create a [corporate fundraising page](#) on GivenGain – or find out how by e-mailing [fundraising@givengain.com](mailto:fundraising@givengain.com) now.

\* GivenGain is a leading global online fundraising platform for charity. Founded in 2001 by Johannes and Jaco van Eeden, GivenGain is PayProp's non-profit foundation.

CLIENT SPOTLIGHT

RAWSON

# How Rawson Rentals Cape Metro Classic achieved 10 years of success with PayProp



Cape Town



900+ Properties managed



December 2012 Joined PayProp

An interview with:



Andrew Pike  
Director



John Birkett  
Director



Robyn Birkett  
Director



Letitia Sullivan  
Rental office manager



Chantel Peterson  
PayProp administrator

Rawson Rentals Cape Metro Classic has used PayProp to streamline their rental payment administration since 2012 – just a few months after they launched their rental arm. Over that time, the team have seen enormous changes to the rental market, including the rise of new PropTech services, a changing regulatory environment and, of course, the COVID-19 pandemic, during which they used PayProp and other digital platforms to adapt seamlessly to remote work.

They have also experienced the evolution of the PayProp platform first-hand, witnessing the launch of popular features such as the Tenant Assessment Report, integrated Letters of Demand and the PayProp Owner app.

Today they use PayProp to process rents on over 900 properties in and around Cape Town, most of them fully managed. So why does this successful franchise choose PayProp, and what has their experience been like over the last decade?

A short search for solutions

When the Cape Metro Classic team were looking for solutions in 2012, there was only one clear winner: market leader PayProp. And as the team tell it, doing it manually was no longer an option.

“When I started at the end of 2012, John and myself were doing manual invoices and statements on Excel which was – to put it politely – a nightmare,” says Andrew Pike, Director.

In fact, John Birkett, his co-Director, had planned on making payment automation part of the business even before they launched their rental arm.

**“I was very much inspired to start rentals because of PayProp. I had heard about it from Robyn [Birkett, now a Director at Cape Metro Classic], who had been using it at Rawson Observatory since they started their rental book. So it wasn't a case of discovering PayProp after we started.”**

John and Andrew signed up with PayProp in December 2012, and since then they have seen various competitors emerge claiming to offer the same speed, security and transparency.

**“We've always told them ‘Look, we'll give it a test, but we need to see proof’,” says Andrew. “And we've always come back to PayProp. No one can honestly match the systems, the simplicity, the security of what PayProp offers.”**

“My approach is ‘equal or better’,” adds Letitia Sullivan, the team's rental office manager. “I would compare the systems and say ‘No, forget it, we're not getting what we already have with PayProp’.”

Putting security first

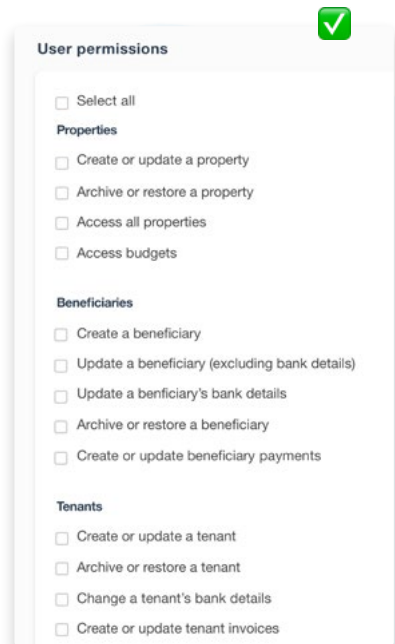
So what exactly makes PayProp so indispensable to Rawson Rentals Cape Metro Classic, setting it apart from every challenger? It depends who you ask, because PayProp's feature set has something for everyone to help them get more out of work and more out of life.

For Letitia, it's all about peace of mind. Coming from a banking background she is a stickler for payment security, so PayProp's best-in-class security features make the difference for her.

“I worked for Absa for 10 years, and when I worked for a bank,” she explains. “So security has always been important to me. Coming into this business, at every turn I would ask ‘OK, so where's the

payment security? Where are the audit trails?’ Having a system in place with all of that was first prize for me. We've been approached by other companies wanting our business, but I have not discovered a better system than PayProp. It's the most robust, all-encompassing system I've worked with, and it's so user-friendly both on the front end and the back end.”

She explains that the platform's system of user permissions is also very useful. Letitia can regularly audit user permissions to ensure that no one employee can authorise a transaction from beginning to end, and also give new employees access incrementally as they learn to use the platform.



**Pitching with PayProp**

For Robyn Birkett, who focuses on the team’s marketing and social media, PayProp is a key part of her sales pitch to landlords.

**“A lot of my marketing to landlords is talking to them about PayProp and how much it can do for them as an owner – having their paper trail in one place for tax and all of that. It’s a massive thing.”**

PayProp’s straight-through automation means that landlords get their money more quickly from PayProp-powered agencies, and with the platform’s comprehensive Tenant Assessment Report risk scoring system, agents can find reliable tenants for their properties.

Robyn also has one huge advantage when explaining the benefits of PayProp to potential clients – she uses it herself as a landlord to manage her own investment properties, so she can show them her own first-hand statements to demonstrate exactly what they’ll get.

**TENANT ASSESSMENT REPORT**

PayProp’s industry-leading Tenant Assessment Report uniquely combines traditional credit scores with rental payment data to give you the best indication if a tenant can afford the rent.



**Running like clockwork**

“Can I tell you a funny story?” asks John Birkett. “My brother and I ran a portfolio over the years. He has some properties and he’d been doing everything manually, creating his own spreadsheets and reports and that kind of thing. And doing it manually wasn’t going so well.”

“I said to him ‘Look, we can do everything on PayProp. All the properties are there, all the reports you want.’ I did a simple annual report for him and then sent it to him the next morning. He said, ‘It must have taken you all night!’ It took me five minutes – something that would have taken him weeks to put together.”

As director of Rawson Cape Metro Classic, John has a much bigger set of properties to manage – over 900 – split across nine separate portfolios.

It’s the sort of setup that gives agency owners the flexibility they want, but it would be an administrative nightmare if they were still handling their rental payments and reporting manually. With PayProp, however, it’s a snap.

**PORTFOLIO OVERVIEW**

Detailed dashboards show the properties under your management, money flows, high-risk tenants and much more in one place.



“The whole financial side is so easy. On the 12th of the month [as per our policy], all the rent that’s in is read for commission. On the morning of the 12th, it is so easy to read all the commissions under the Income button [on the PayProp platform]. Just in that one exercise, I can get a handle on the whole business. It really works for us, the reports are excellent. I love this business, absolutely passionate about it. It runs like a well-tuned V8. A lot of pistons, but it works.”

“I started with PayProp, that’s what I was brought on to do,” adds Chantel Peterson, the team’s dedicated PayProp administrator.

**“It’s simply awesome. I’ve worked with so many financial systems at different companies and PayProp is the best I’ve ever worked on. If you can read and you know the terminology, you can work on PayProp – it’s that user-friendly.”**

**10 years later**

Almost 10 years after they signed up, the Rawson Rentals Cape Metro Classic team are only more convinced of the value of PayProp to their business.

**“For me, it’s the four S’s,” says Andrew Pike. “PayProp is secure to the max. It’s simple, anyone can use it without too much training. The support that the team offers is the best ever. And then it allows you to work in a smart way. Like I always say, work smarter, not harder.”**

## GROW YOUR BOOK

# How rental agents in the field can use PayProp to sign more landlords

In some rental agencies, especially smaller ones, everyone does a little bit of everything. In others, jobs are split with dedicated people doing admin, supervising maintenance, and so forth. In these cases, rental agents in the field are often only responsible for dealing with landlords and tenants – tasks like signing new mandates, vetting applicants and arranging maintenance and inspections.

These rental agents often don't know the first thing about their rental payment platform – and many would question the need to. However, that is a dated concept with high-value PropTech that not only makes a difference to the agency, but has untold benefits for their clients as well.

PayProp is a powerful tool that can be one of your key selling points when offering your services to landlords – if you know what it can do for them. Let's look at some of the ways landlords benefit.

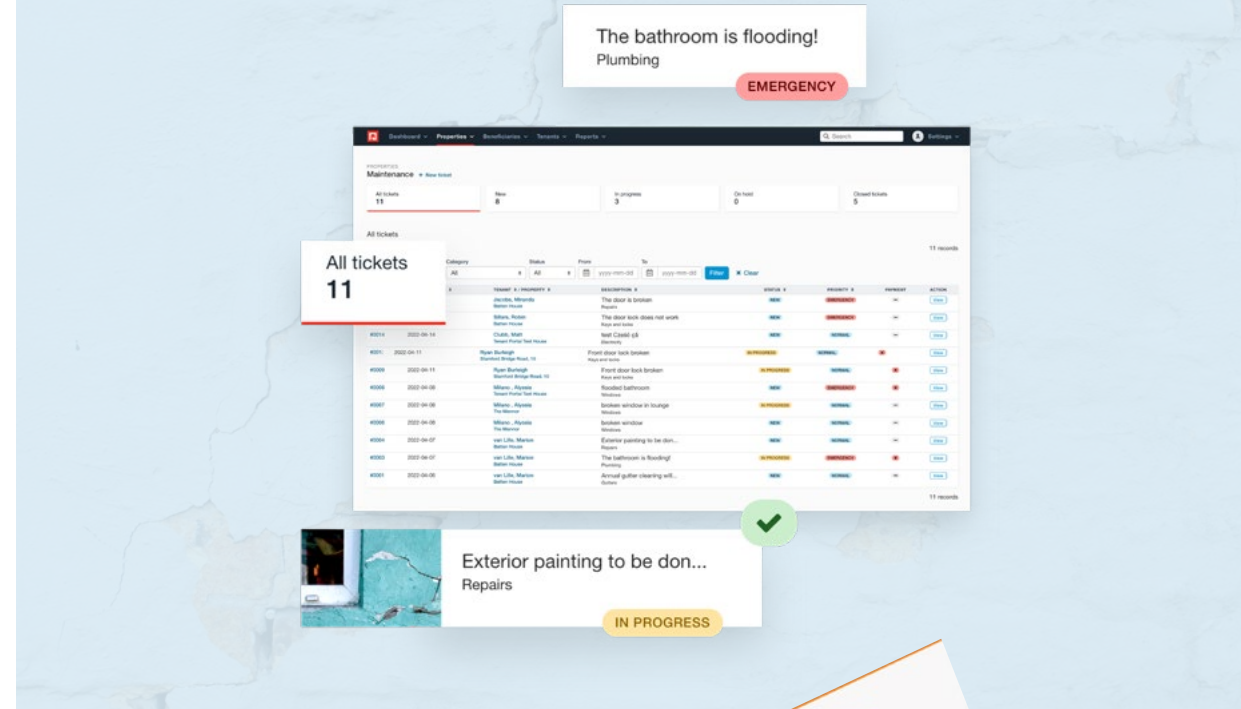
### Faster payments, more options

PayProp's Tenant portal provides tenants with multiple payment options, meaning responsible payers won't be stuck for suitable ways to pay their rent on time. And because the platform auto-reconciles rents instantly, landlords can get their money on the day it arrives, with live payment (or non-payment) notifications.

### The Property account – for emergencies and more

The Property account is a “kitty” linked to each property that can be topped up automatically from incoming rent payments. Landlords can mandate their agents to keep an agreed-upon minimum amount in the Property account, allowing agents to pay right away for urgent maintenance (with the owner's approval), rather than having to wait for the next rent payment to arrive – and in the meantime, any funds kept in it earn interest.

The Property account is also great for landlords living outside South Africa. Monthly rent can sit in the Property account temporarily, earning interest until the landlord requests an international transfer of several months' rent at once. A lower-than-monthly frequency of international payments reduces the banking fees a landlord would be charged if they received monthly international rental payments.



### Maintenance taken care of

PayProp's newest feature, an integrated maintenance ticketing system, will help agents and landlords alike to stay on top of any maintenance issues that may arise – ensuring that landlords' properties stay in good condition. Tenants can also report issues through the Tenant portal, send messages, upload photos and stay updated with the progress on any maintenance issues, creating a paper trail automatically. Rental agents and administrators can notify tenants of maintenance works and pay contractors directly from PayProp.

**Rental agents and administrators can notify tenants of maintenance works and pay contractors directly from the PayProp platform.**



### Better than a credit check

There are few things that keep landlords up at night more than non-paying tenants. Confirming that industry truism, the most recent PayProp State of the Rental Industry survey found that sourcing good tenants is the biggest challenge that rental agents face. PayProp's Tenant Assessment Report was designed to give them peace of mind, helping rental agents pick only the most reliable applicants. It combines traditional credit scoring with rental payment history and affordability ratios to give the fullest possible picture of tenant risk.



## Trusted and secure

PayProp is an international payment platform customised for and regulated in multiple countries. All client funds are handled within a secure and controlled environment subject to bank-grade security. By taking a security-first approach, PayProp has built an unrivalled reputation for protecting client money. The platform has never once been involved in any loss of trust funds since it was founded 18 years ago.

## More visibility for owners and tenants

The PayProp Owner app allows landlords to view their properties and transactions in real time and get self-service access to their statements from any Android or iOS device. Owners can also use the app to check up on their tenants' arrears status, see their deposit balance and interest, as well as the linked Property account balance and interest. It is a completely transparent tool that will help landlords feel informed and in control.

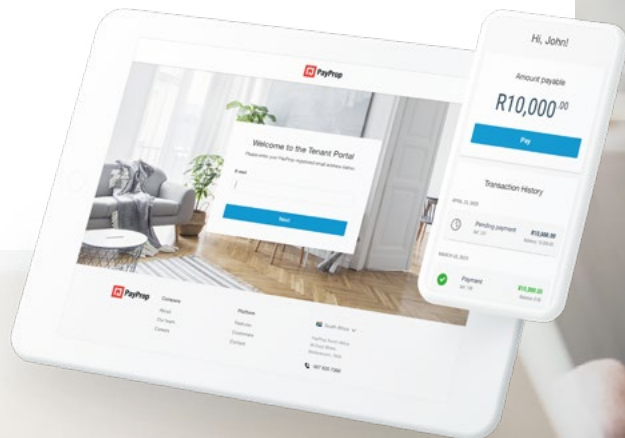
Tenants can also stay in the loop using the Tenant portal, enjoying automatic invoices and receipts for greater transparency of payments, rapid reporting of maintenance issues and planned works, and quicker resolution of disputes with full documentation.

## Out-of-the-box documents

PayProp provides free legal documentation including mandate forms, tenant application forms and lease agreements, compiled and regularly updated by our team of specialist lawyers. These include the necessary disclaimers as outlined by the new regulations that came into effect on 1 February 2022. When you use PayProp documentation, landlords can rest assured that it is all compliant.

## It's not just for administrators

PayProp was designed to automate mundane, error-prone tasks for rental agents, giving you time back to focus on the people side of the business. We have built lasting credibility in the market by providing benefits to rental agencies, landlords and tenants alike. When you explain to landlords the extra security, visibility and peace of mind they get by working with a PayProp-powered rental agent, they'll wonder why they ever considered any alternative. ■



## PAYPROP ROADSHOW 2022

# Live events are back!

In June, for the first time since 2019, the PayProp team traversed the country for a PayProp Roadshow. And it goes without saying that it was great to be in front of an audience full of real estate professionals again!

The team painted the town PayProp red, giving talks in Gqeberha, Durban, Johannesburg, Bloemfontein and Cape Town, on topics as varied as return on investment in property technology, the new Property Practitioners Act and using market statistics to inform business decisions. Attendees also got a glimpse of the exciting recent and future developments on the PayProp platform, as well as talks from guest speakers including PayProp partners Absa and Private Property.

We are already looking forward to the next one! ■



It was great to be in front of an audience full of real estate professionals again!



## IN CLOSING

# Past the halfway mark

We've seen a continued recovery of the rental market in Q2 2022, but agents and landlords should remain mindful of the potential negative effects of persistent high inflation and rising interest rates on tenants' ability to pay their rent.

For the first time in almost five years, all provinces experienced positive year-on-year rental growth during the most recent quarter.

The slight quarterly deterioration in the percentage of tenants in arrears could point to the continued financial pressures that tenants are under, and agents should keep an eye on arrears in their rental portfolios. Overall, tenants in lower rental brackets might have it worse, as they have less disposable income and more debt on average.

The challenge for rental agents over the next few months will be to monitor their portfolios for signs of growing arrears; use the tools available to them to recover late payments where necessary; and vet all applicants carefully. We'll have further updates on rental behaviour in the next PayProp Rental Index. ■



The slight quarterly deterioration in the percentage of tenants in arrears could point to the continued financial pressures that tenants are under.

## Q2 2022

# 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. PayProp SA is operated under licence from Humanstate.

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The PayProp Rental Index is available on the PayProp website at [www.payprop.co.za](http://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](http://www.payprop.co.za)

### Disclaimer

This document is intended as a basis for debate and discussion and should not be relied on as legal or professional advice. While every reasonable effort has been made to ensure the accuracy of the content, no warranty is made with regard to that content. PayProp accepts no responsibility for any errors or omissions. PayProp recommends you seek professional, legal or technical advice where necessary. PayProp cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining from acting as a result of the material included.

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**ANDREW PIKE**

Director, Rawson Rentals Cape Metro Classic



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