



STATE OF THE RENTAL INDUSTRY 2021

Full report and survey results



In this issue:

Property professionals share their business priorities and expectations for 2022, and their views on current residential rental industry trends.

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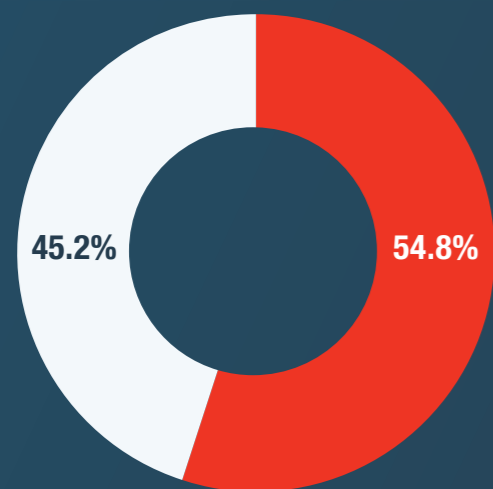
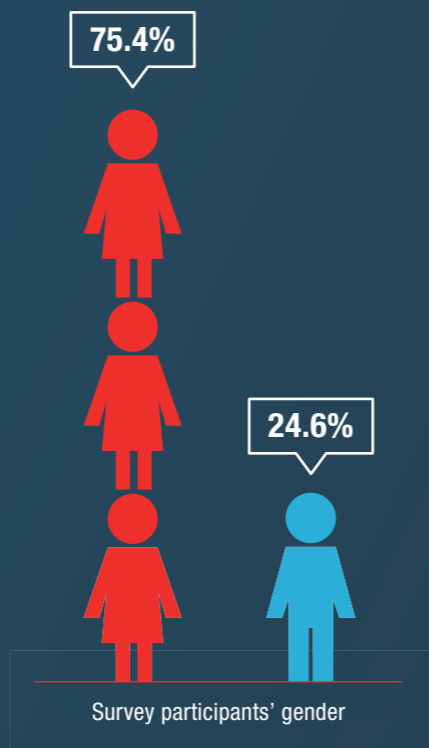
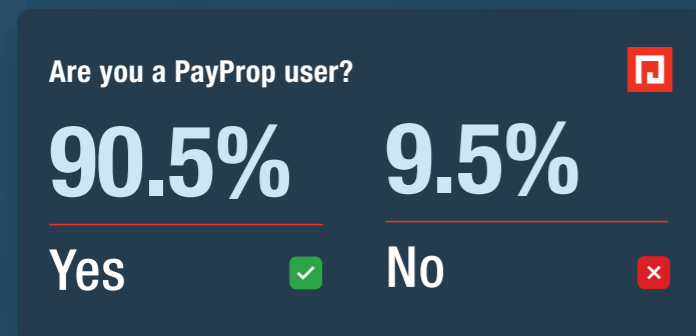
Who took part?

We recently invited our clients and other property professionals to take part in the third annual **PayProp State of the Rental Industry** survey, and the results are in!

The aim of the survey is to gauge agents' perception of PropTech, the state of their own businesses, and the rental market overall – and we will highlight the findings in this report.



So who took part?

Just over 90% of participants were PayProp users, and three quarters were female.








The split between franchised and independent agencies was relatively even.

Are you part of a franchise group or are you with an independent agency?

-  Franchise group
-  Independent agency

Almost 85% live in one of 4 provinces – the Western Cape, Gauteng, the Eastern Cape and KwaZulu-Natal.

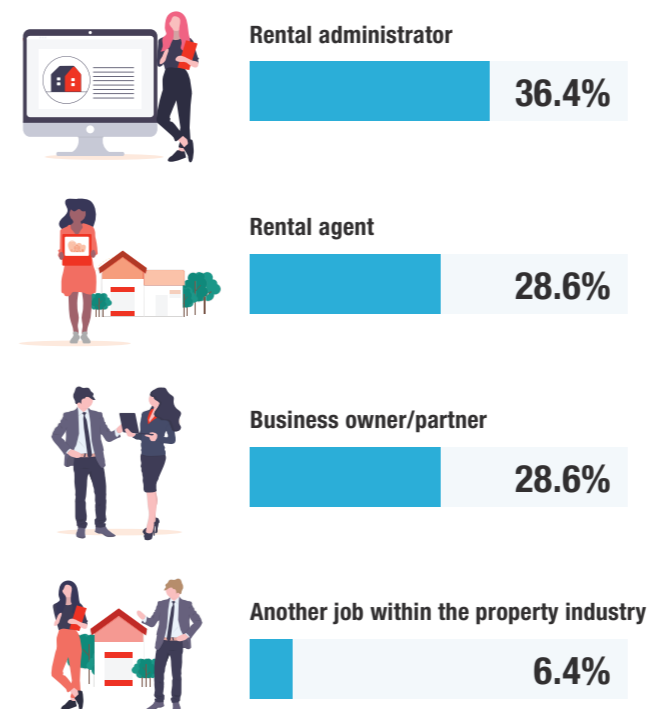
Where do you live?

-  **Western Cape:** 35.8%
-  **Gauteng:** 27.8%
-  **Eastern Cape:** 11.5%
-  **KwaZulu-Natal:** 9.5%
-  **Other:** 15.4%






36.4% of participants work in rental administration, while 28.6% are rental agents and another 28.6% are owners or partners in an estate agency.

Which of the following best describes your job?



While over 98% of respondents work with residential rentals, only 14% work for agencies that focus on rentals exclusively. 74% of respondents work for agencies that handle both sales and residential rentals. This diversification makes business sense, as the annuity income from rental commission can cover running costs even when property sales are down.

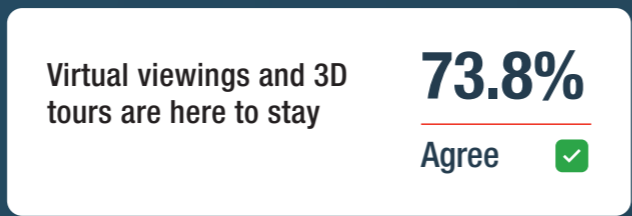
-  **Residential rentals** 98.4%
-  **Sales** 75.3%
-  **Commercial rentals** 53.7%

Participants could tick all that applied

Technology and automation

At this juncture, technology is no longer an optional extra but a non-negotiable in any estate agency's day-to-day operations. However, the pandemic fast-tracked the industry's adoption of certain kinds of technology – and having experienced the benefits first-hand, few agents are planning to give them up.

Almost three quarters of respondents agreed that virtual and 3D tours are here to stay. The majority of participants are also positive about automation in their businesses, with 62% saying it increases productivity more than a larger workforce does, and 59% agreeing that it's also cheaper.



It's no surprise then that about 90% of respondents agree that technology is a worthwhile investment. They're also comfortable with the idea of paying for it: almost two thirds said they expected to pay more for technology that allows them to grow their businesses.

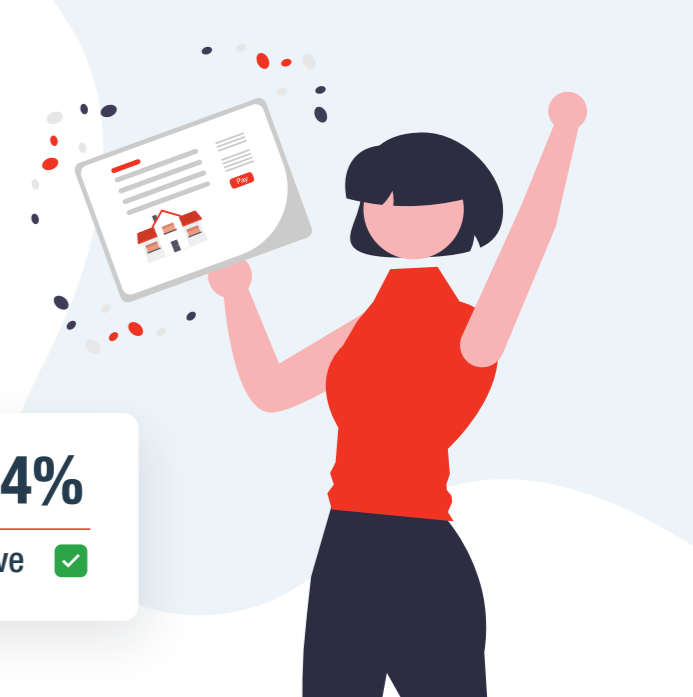
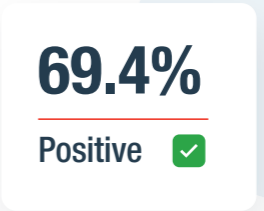
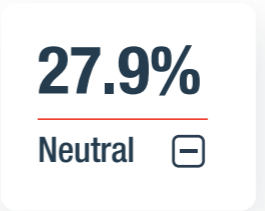
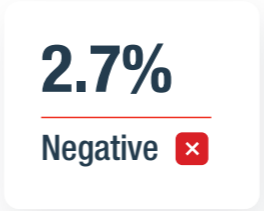


Investing in technology isn't just a future ambition: it's already happening at property businesses across the country. Over 60% of respondents said that automation increased in 2021. Almost a third reported that there had been no visible increase, but this may be because many companies had already increased their use of PropTech in 2020.



And while some fear that automation will affect their jobs negatively, the property sector doesn't seem to agree. Almost 70% of respondents believe automation will have a positive impact on their job over the next 5 years, while fewer than 3% think that it will change it for the worse.

What overall impact do you think automation will have on your job in the next 5 years?

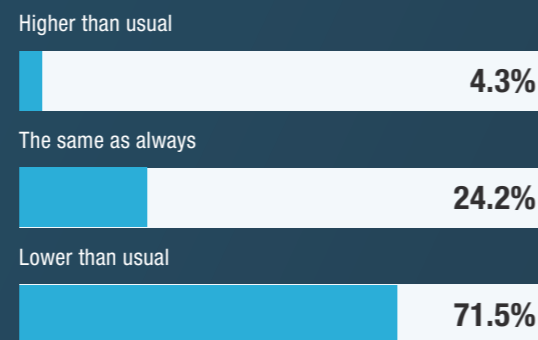


Your tenants

The pandemic's financial impact on consumers still shows up in 2021's survey results. Many tenants lost their jobs or at least part of their income, and the unemployment rate is at an all-time high. Affordability remains an issue for many tenants and is one of the main factors behind sluggish rental growth over the past 2 years.

71.5% of participants said they implemented lower than usual rental increases in 2021 (compared to 70% in 2020), with 24.2% saying increases were roughly the same as always (compared to 23% in 2020).

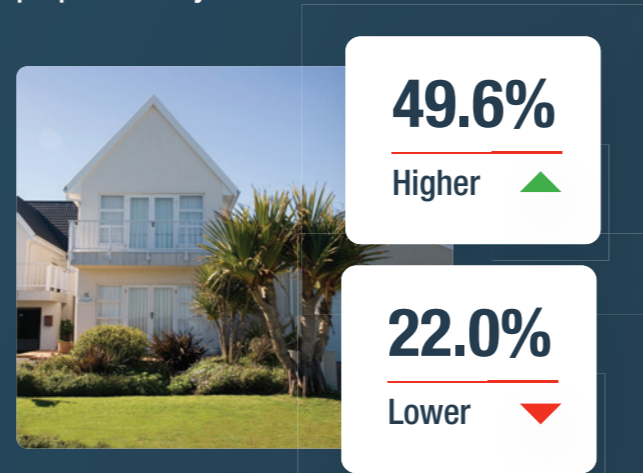
In 2021, the rental increases that you implemented were:



Rental professionals also found it tougher than usual to place tenants. Half said their vacancy rates were higher than usual in 2021, compared to 22% saying they were lower.

It is worth noting that other factors are often at play, many of them very location-dependent. For example, development in urban or suburban areas can cause a temporary oversupply of properties, while the migration to coastal towns can lead to an under-supply of property stock there.

In 2021, the number of vacant properties on your book was:



The ongoing financial impact of the pandemic can of course be seen clearly in rent arrears metrics too.

As PayProp's quarterly [Rental Index](#) reports, arrears peaked in 2020 but have been improving steadily since.

Our survey participants have noticed the same trend. 45% said arrears were worse than before the pandemic, compared to 77% in 2020. 43.5% said they were about the same in 2021 as before the pandemic, compared to 20% in 2020, and almost 12% said that tenants' arrears position had improved.



What is your arrears situation compared to before the pandemic?



About 90% of respondents said they made alternative payment arrangements with tenants in 2021 because of the pandemic. In 2020, this statistic was 93%, which led us to ask – are tenants honouring their arrangements?

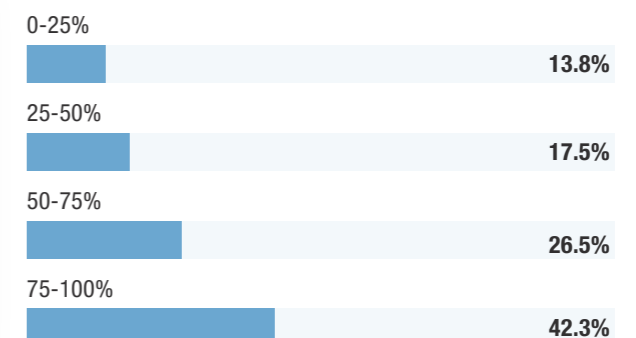
What percentage of your tenants are honouring these payment arrangements?

It depends who you ask. 42% of survey participants said more than 75% of tenants are paying as agreed, while 26.5% report 50% to 75% of tenants are keeping up. Less than a third of respondents said fewer than 50% of tenants paid as agreed during the pandemic.

Have you agreed to alternative payment arrangements with tenants because of the pandemic?



Agency distribution of tenants honouring payment arrangements



The pandemic also brought change on other fronts. Many companies introduced more flexible ways of working, for example, and spending more time at home sparked a re-evaluation of priorities for many people.

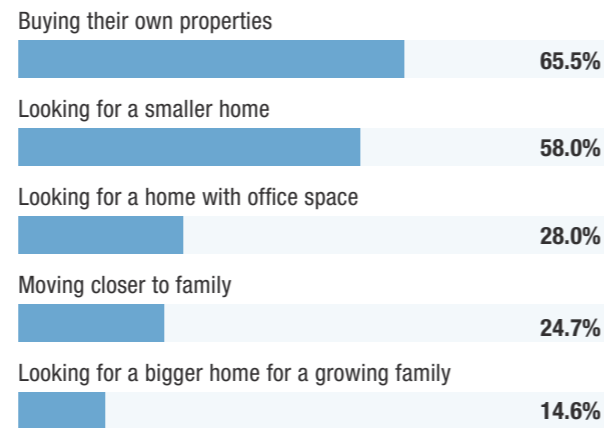
The current low interest rate environment also gave tenants the opportunity to become first-time homebuyers, since bond repayments were more affordable.

On the back of this, we asked – why are tenants moving?

Respondents could choose up to 3 out of the 5 options provided, and between them identified two clear winners, reflecting two very different realities for South African renters. Almost two thirds said that tenants were buying their own homes, while 58% said that tenants are opting to move to smaller – and hence typically cheaper – properties.

Lifestyle factors motivated some moves but proved less important overall. 28% said tenants were moving to a property that could better accommodate them working from home, while almost a quarter said this was to be closer to family. Less than 15% listed growing families as a reason for tenants moving.

Agency distribution of tenants' reason for moving



Participants could tick all that applied



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Your landlords

The pandemic affected landlords' pockets, too. In an effort to save money, many considered managing their own rental properties, while others renegotiated the commission they pay.

Almost 63% of respondents said they lowered the commission they have been charging during the pandemic to keep a landlord as a client (in line with 2020's 65%).

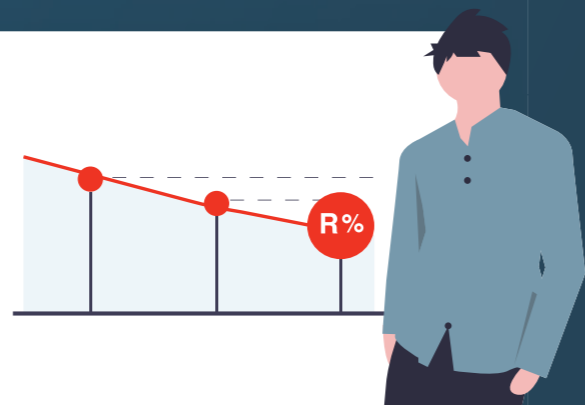
Have you lowered your commission during the pandemic to keep a landlord as a client?

62.9%

Yes 

37.1%

No 



Of these, almost 60% still charged a lower percentage commission than before lockdown, suggesting that lower rates could now be locked in.

What percentage commission are you charging compared to before the pandemic?

59.1%

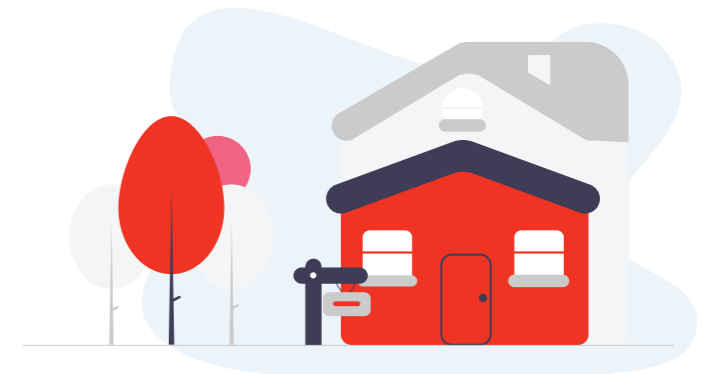
Lower 

40.9%

Same 

This adds up to a double blow for businesses. A lower commission percentage on top of slow rental growth means that rental income is shrinking in nominal terms. Additionally, high inflation means that commission income is declining in real terms – potentially leaving rental agencies with cash flow issues.

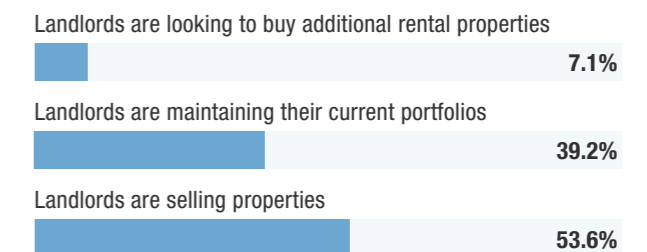
Equally worryingly, rental agencies could be fighting for a slice of a shrinking pie. The favourable interest rate encouraged renters to buy, but buy-to-let investors haven't followed suit. In fact, 53.6% of respondents said landlords are downsizing their portfolios, while just 7.1% said they are looking to expand.



This could indicate that landlords do not view the current property market as a good investment, perhaps deterred by subdued rental growth.

Some good news: It seems that landlords are becoming more informed. Only 52.7% of survey participants said they don't think landlords have a good understanding of the rental market – compared to 65% in 2020, and 74% in 2019.

What are your landlords' current plans and activities?



Do you feel that landlords have a good understanding of the current rental market?

47.3%

Yes 

52.7%

No 





Business priorities

The accelerated move towards doing business digitally has unfortunately also brought a rise in global cybercrime along with it.

Property professionals recognise the threat and understand that client money protection is paramount. Accordingly, more than 50% of respondents said that safety of client funds is their number one consideration when it comes to PropTech.

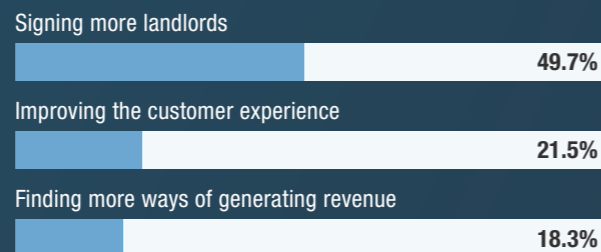
A further 18% cited systems security as their first priority. Rounding out the top 3 was support: as PropTech is increasingly critical to their businesses, agents want to know they can access help quickly.

Agency distribution of top PropTech considerations



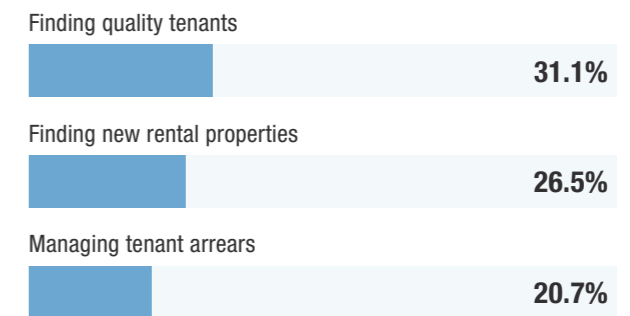
Half of the respondent base said signing more landlords is their main business priority – very understandable in a market where commission percentages and rental price growth are under pressure. 21.5% indicated that their focus is on improving customer experience, while 18.3% said they were exploring more ways to generate revenue.

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



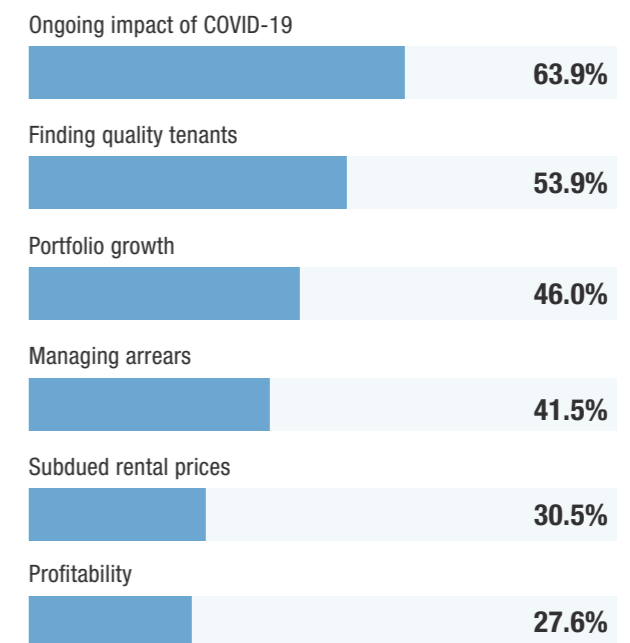
Just as it was in 2020, finding quality tenants was the biggest headache for rental professionals – but this time only 31% of respondents picked it, comparing favourably with the 51.5% seen the year before. 26.5% said finding new rental properties is their biggest challenge – a new entrant in the top 3. The third biggest challenge, chosen by 20.7% of participants, was managing tenant arrears. This was in line with 2020.

What is the most challenging part of the rental process in your business?



Moving into 2022, participants' biggest concerns are the ongoing impact of COVID-19, with 64% of participants listing this (compared to 68% last year). Other worries include finding quality tenants (54%, compared to 58% in 2020), growing their portfolios (46%) and managing arrears (41.5%). Just over 30% are worried about subdued rental prices, and 27.6% said that profitability is a concern.

Which of the following worry you about 2022?



Participants could tick all that applied

The future of the industry

One thing remains true, especially in tough times: South Africans are resilient, and it shows in the results.

Despite challenging market conditions, business owners and partners were almost twice as likely to have considered buying another agency than selling their own this year.

Business owners and partners:

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

38.8%

Yes 

61.2%

No 

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

22.0%

Yes 

78.0%

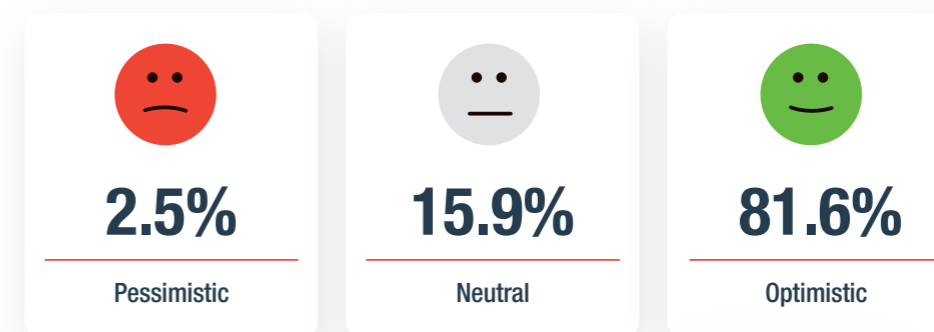
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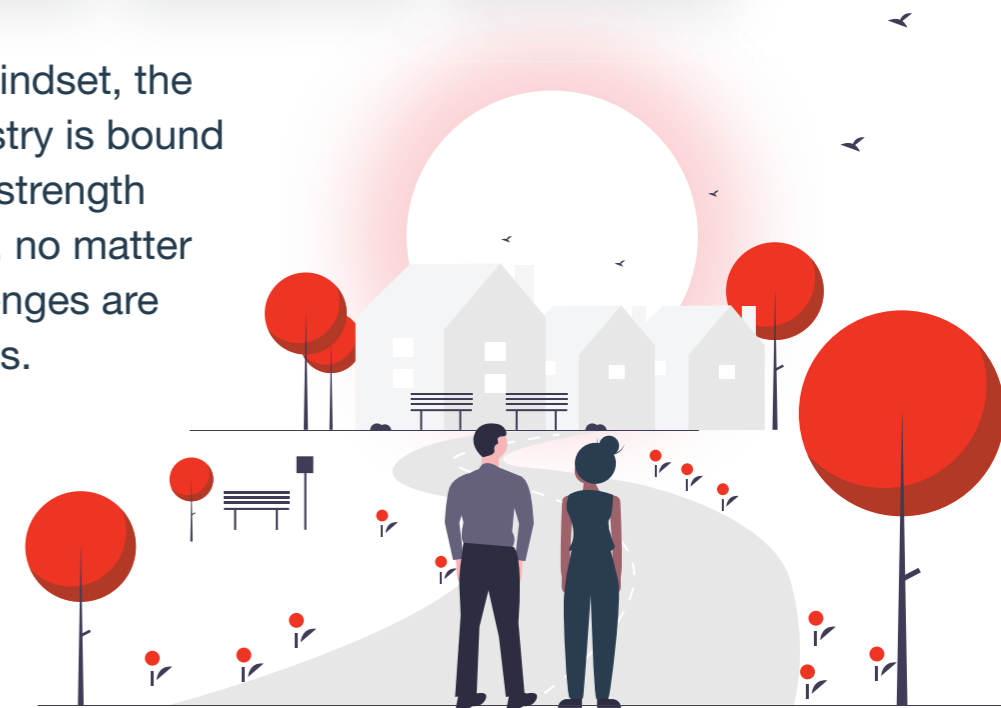
And that optimism extends beyond the boardroom: Almost two thirds of respondents said they are very likely to still be working in the industry in 5 years' time.

But perhaps the best display of resilience can be seen in this final statistic – 81.6% of participants remain optimistic about the future of the rental industry! Just 1 respondent in every 40 was pessimistic about the sector's prospects.

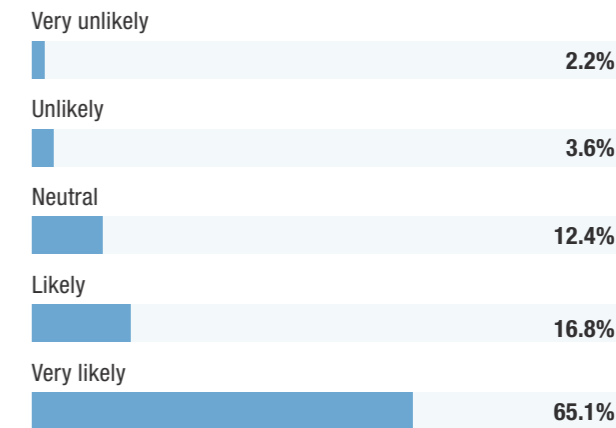
How optimistic are you about the future of the rental industry?



With this mindset, the rental industry is bound to go from strength to strength, no matter what challenges are thrown at us.



How likely are you to be working in the property industry in five years?



State of the Rental Industry 2021

The PayProp State of the Rental Industry report is an annual publication outlining the perceptions of rental agents and other property professionals about the South African rental market. It is compiled from survey results collected by PayProp, the largest processor of residential rental transactions in South Africa.

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“

Most of the rental management platforms out there leave some gaps in terms of transparency and accurate financial management, but PayProp talks directly to our vision. Between the owner access, the automated communication and the assistance with bookkeeping, I think the functionality is excellent.

”



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