

TPN Tenant Survey Report 2024



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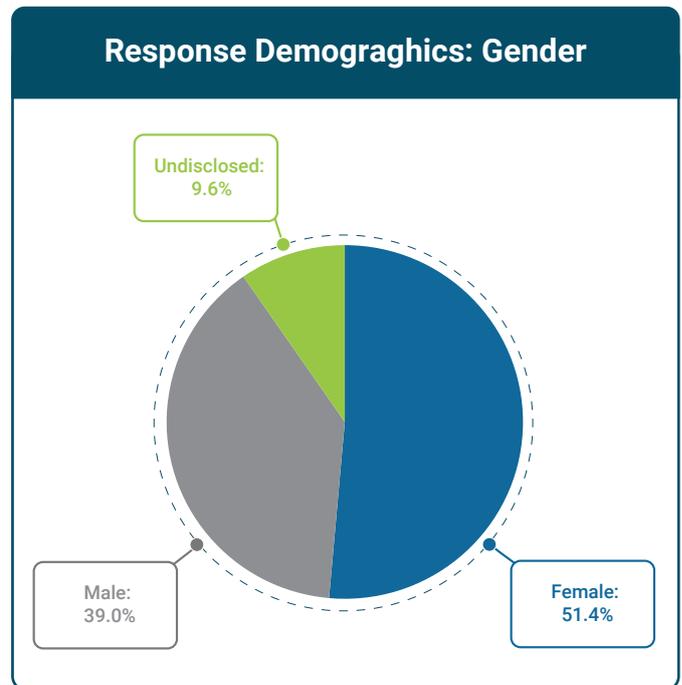
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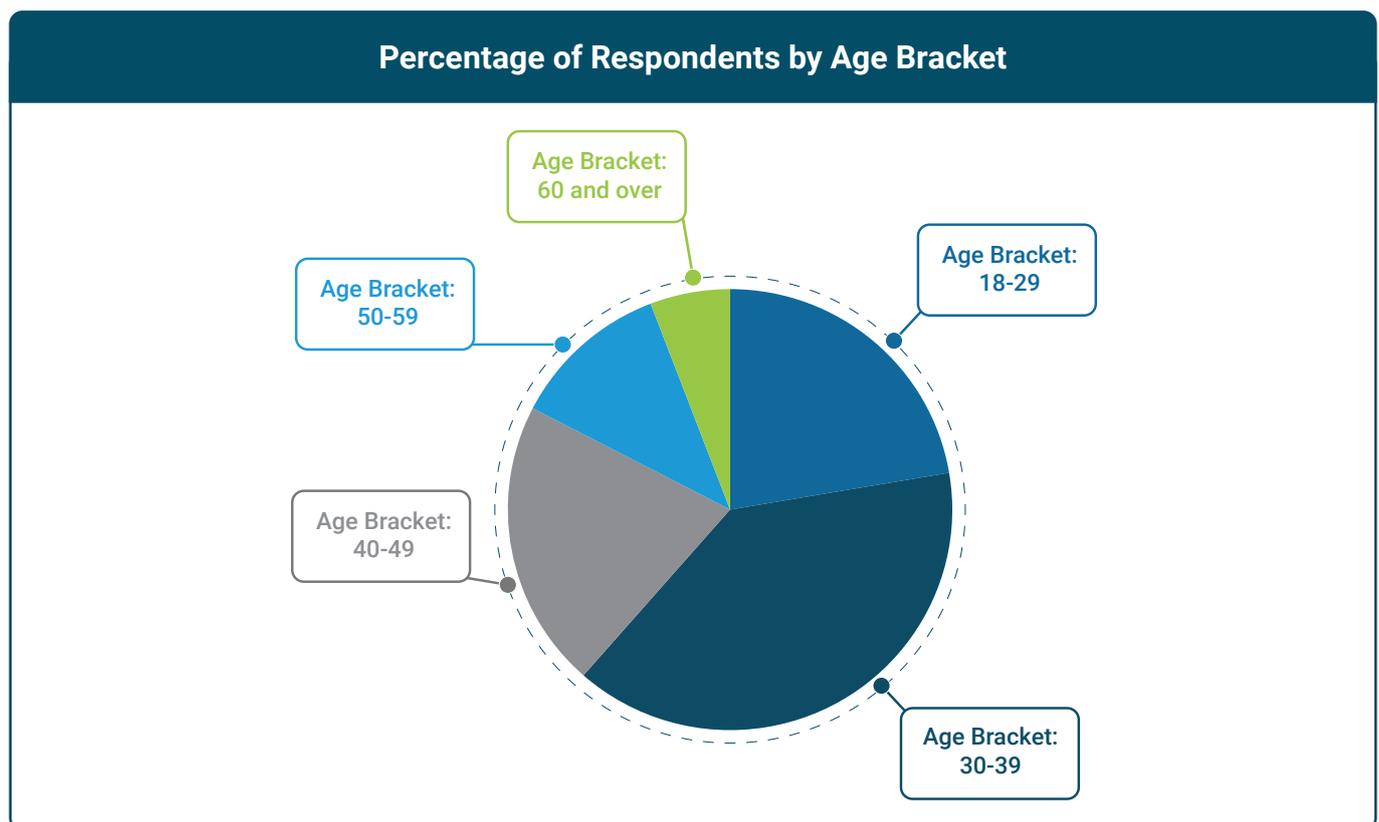


About the TPN Tenant Survey Report

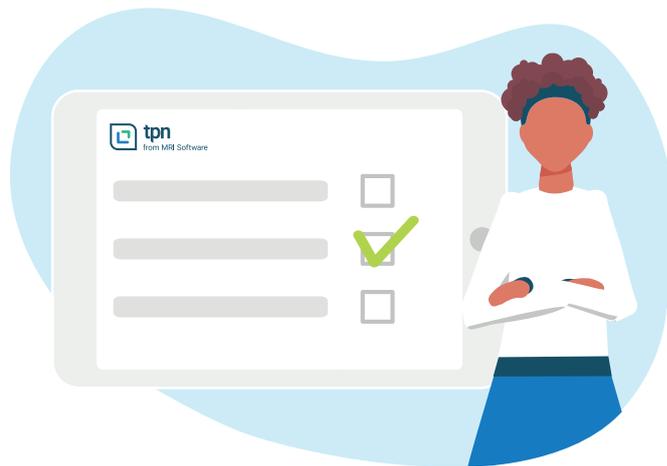
TPN's third national residential tenant survey provides the property sector with insights into tenants' needs, wants, aspirations, and challenges to ultimately serve their core market more effectively. Over 170 000 tenants were surveyed, and 19 000 completed responses were received, making this the largest holistic tenant survey in South Africa.



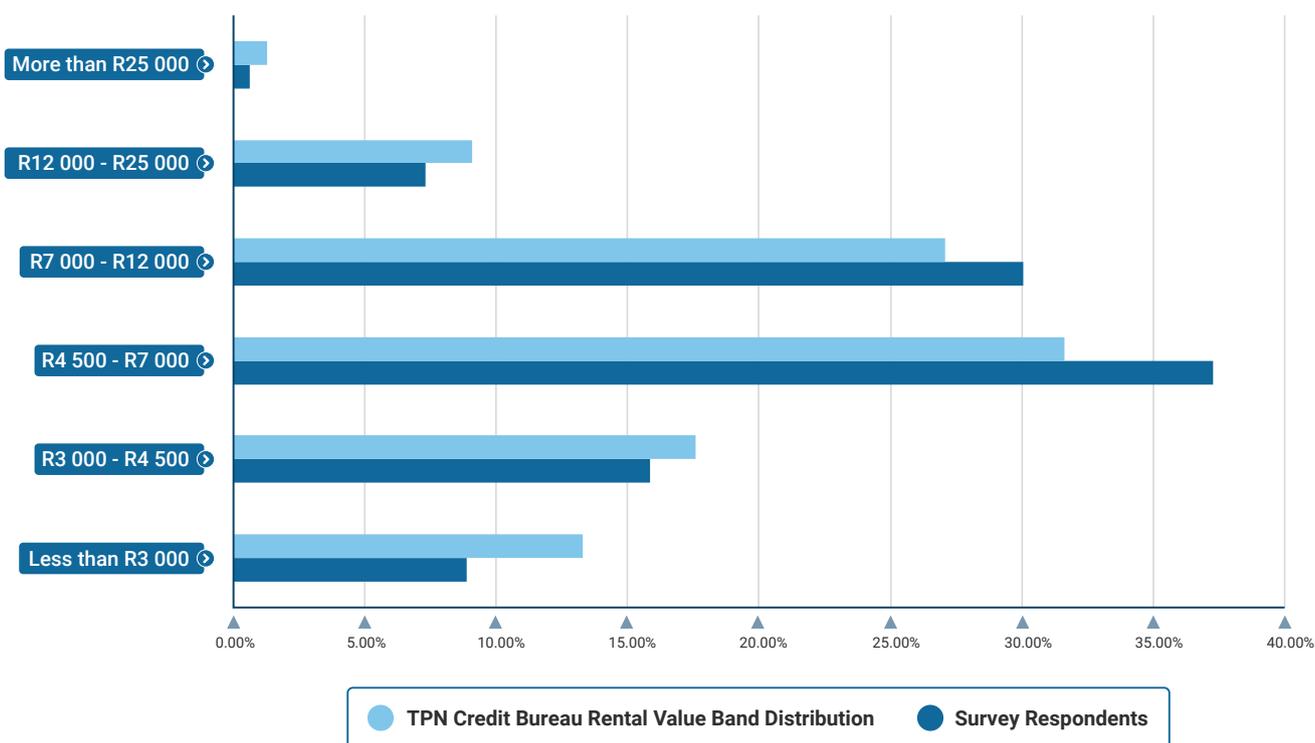
The responses are primarily sorted by gender, age, location, and rental value band, which aligns with TPN's Quarterly Residential Rental Monitor, regarded as the most comprehensive and complete residential property sector benchmarking report, and which draws on a wide range of databases and sets. The Rental Monitor gauges the overall health of the rental market, as well as rental growth, demand, and supply. Its unique data helps drive key investment and business decisions. The Tenant Survey provides further insights to property owners and managers to enhance their property offerings and understand future trends based on consumer inputs.



Survey participants have been classified into different rental value bands based on the amount they pay for their rental accommodation every month. The largest number of respondents fall into the R4 500 to R7 000 per month rental value band, followed by the rental value band of R7 000 to R12 000.



TPN Tenant Survey Respondents by Rental Value Band

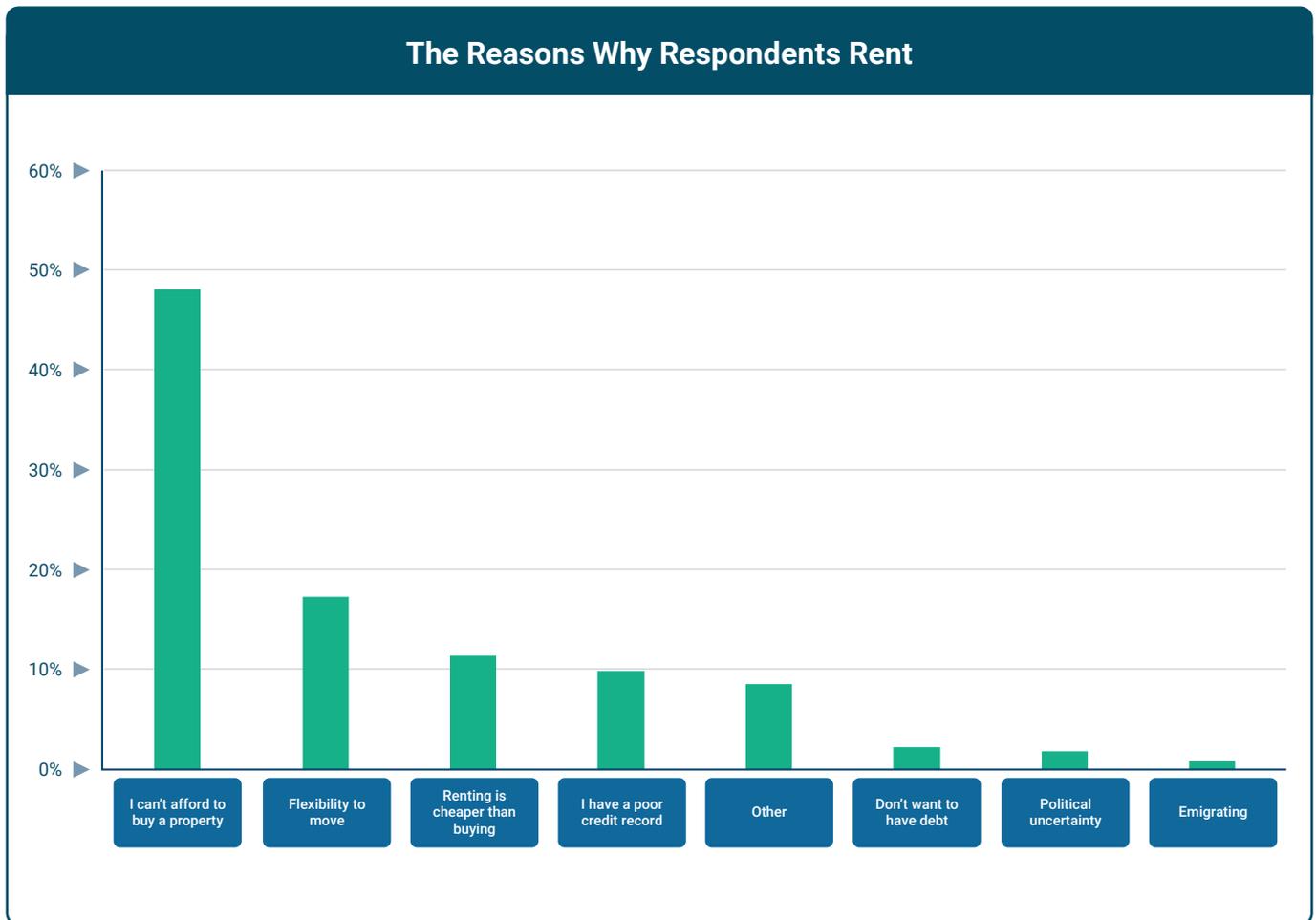


Financial barriers the primary reason people rent

A significant 58% of respondents reveal that financial barriers are the reason they rent, with 48.1% reporting that they can't afford to buy a property. This is not surprising given that consumers are faced with high interest rates, inflation, and restricted employment opportunities. A poor credit record prevents 9.9% from purchasing a property, another financial barrier to becoming a homeowner.

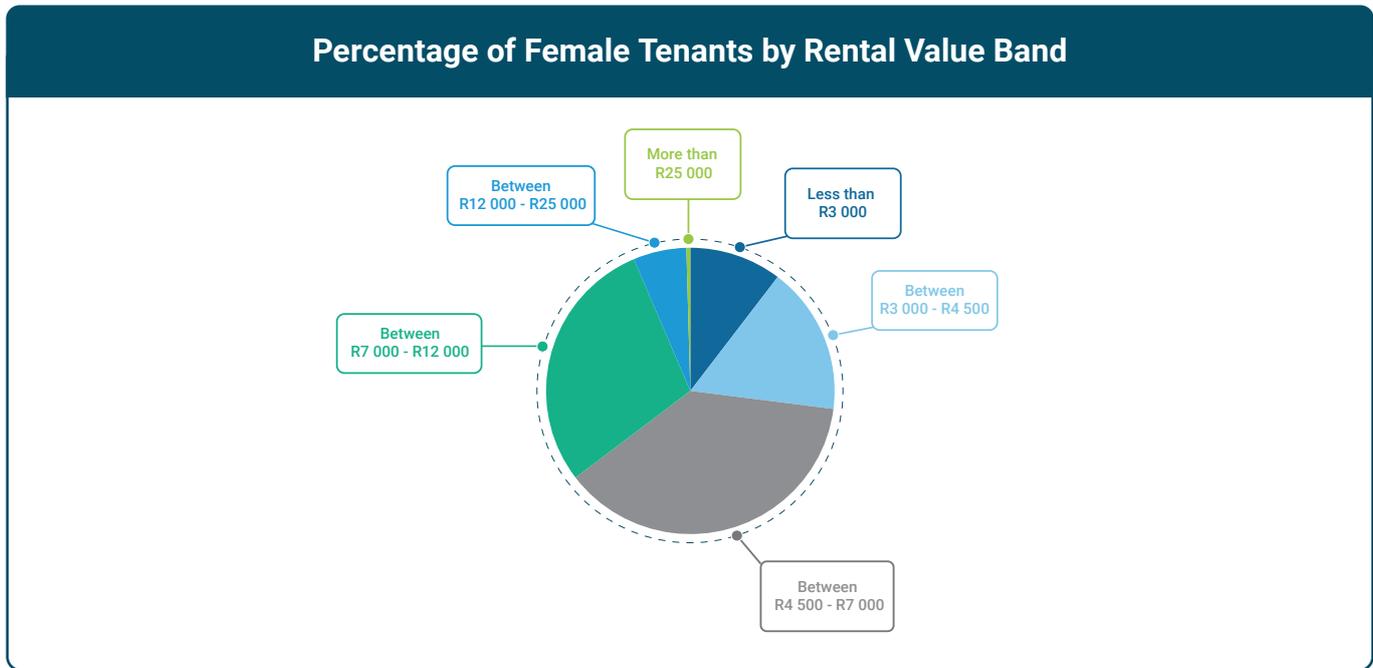
Overall, 17.2% want the flexibility to move and 0.8% are either in the process or planning to emigrate and would, therefore, rather rent than purchase a home. Mobility appears to remain an important consideration. Political uncertainty motivates 1.8% of respondents to rent rather than buy property.

Due to the high cost of debt, transfer costs, and other expenses related to homeownership, 11.4% of renters are of the opinion that it is cheaper to rent rather than to own a property, while 2.2% do not want to incur the debt that home ownership would require.

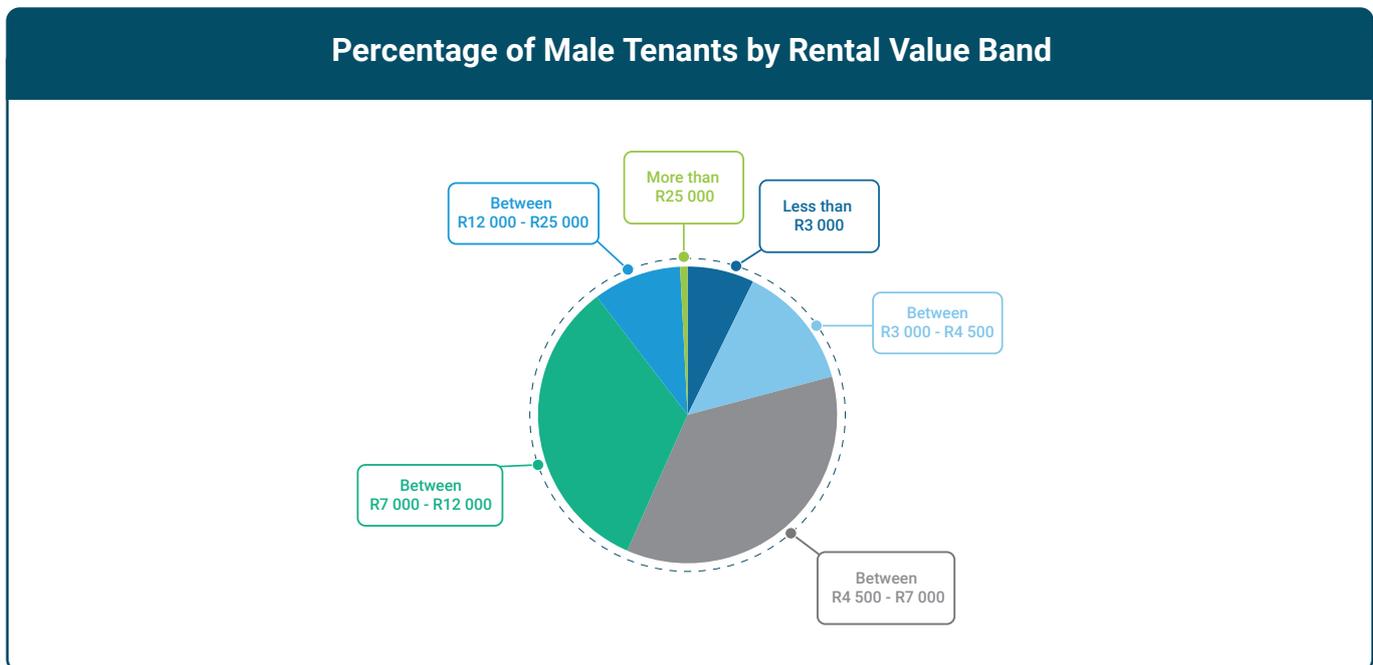


Women rent in lower value bands compared to men

Interestingly, women tend to rent in lower rental value bands compared to men with 10.4% of female tenants renting for R3 000 or less per month and only 0.4% paying R25 000 or more per month for their rental accommodation. The majority of women pay between R4 500 and R7 000 per month.



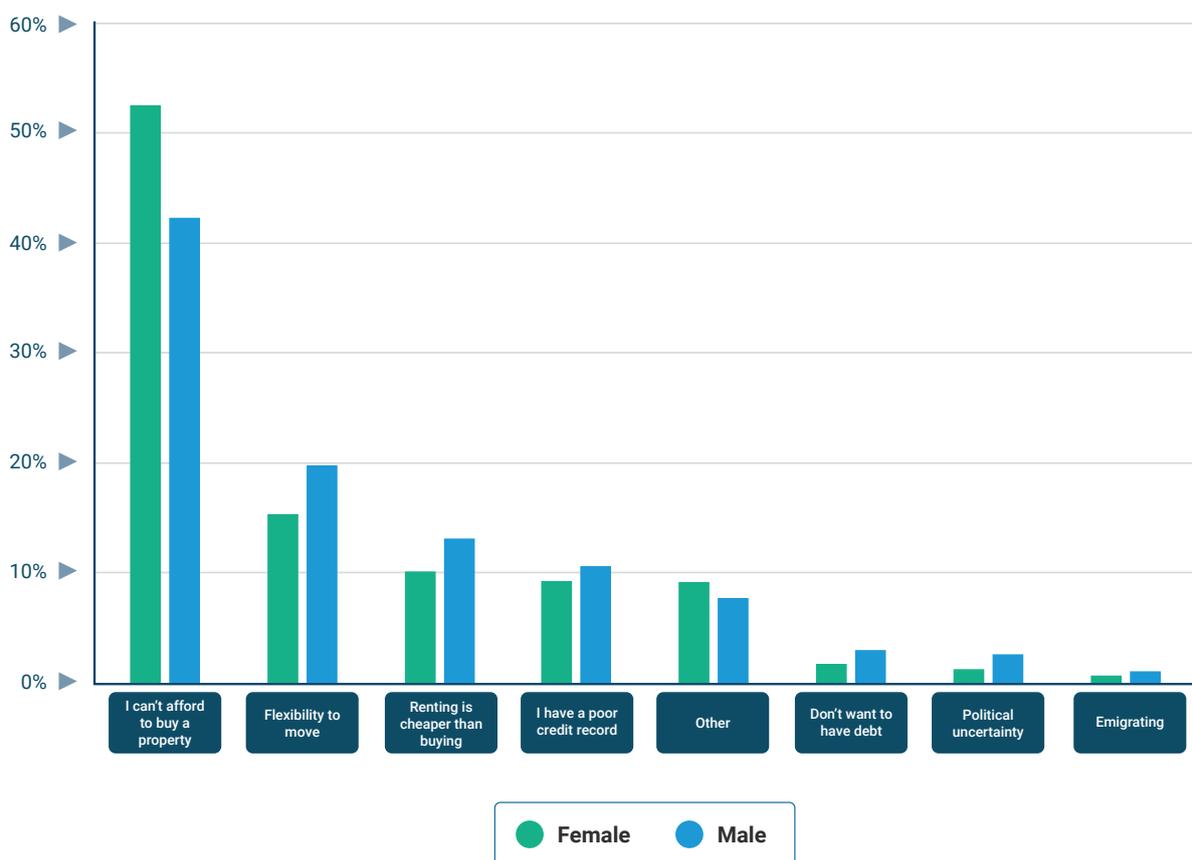
Men tend to rent in the higher rental value bands with 7.2% paying R3 000 or less a month. Most men rent in the value band between R4 500 and R7 000, followed by R7 000 to R12 000 rental value bands, which equates to a third of the male rental population. Only 0.8% of men pay R25 000 or more a month.



Over half of female respondents are renting as they can't afford to purchase a property. This is 10.2% more than men. More than half of respondents with an undisclosed gender – 9.6% of respondents – say they can't buy property, citing affordability as the main reason why they rent.

Men, on the other hand, are grappling with different concerns. They are more preoccupied with South Africa's political uncertainty and are considering or are in the process of emigrating. Men are also struggling more with bad credit records than their female counterparts. This shift in focus towards mobility and debt reflects the unique challenges men face in the property market. Men are also more inclined to believe renting is cheaper than buying property.

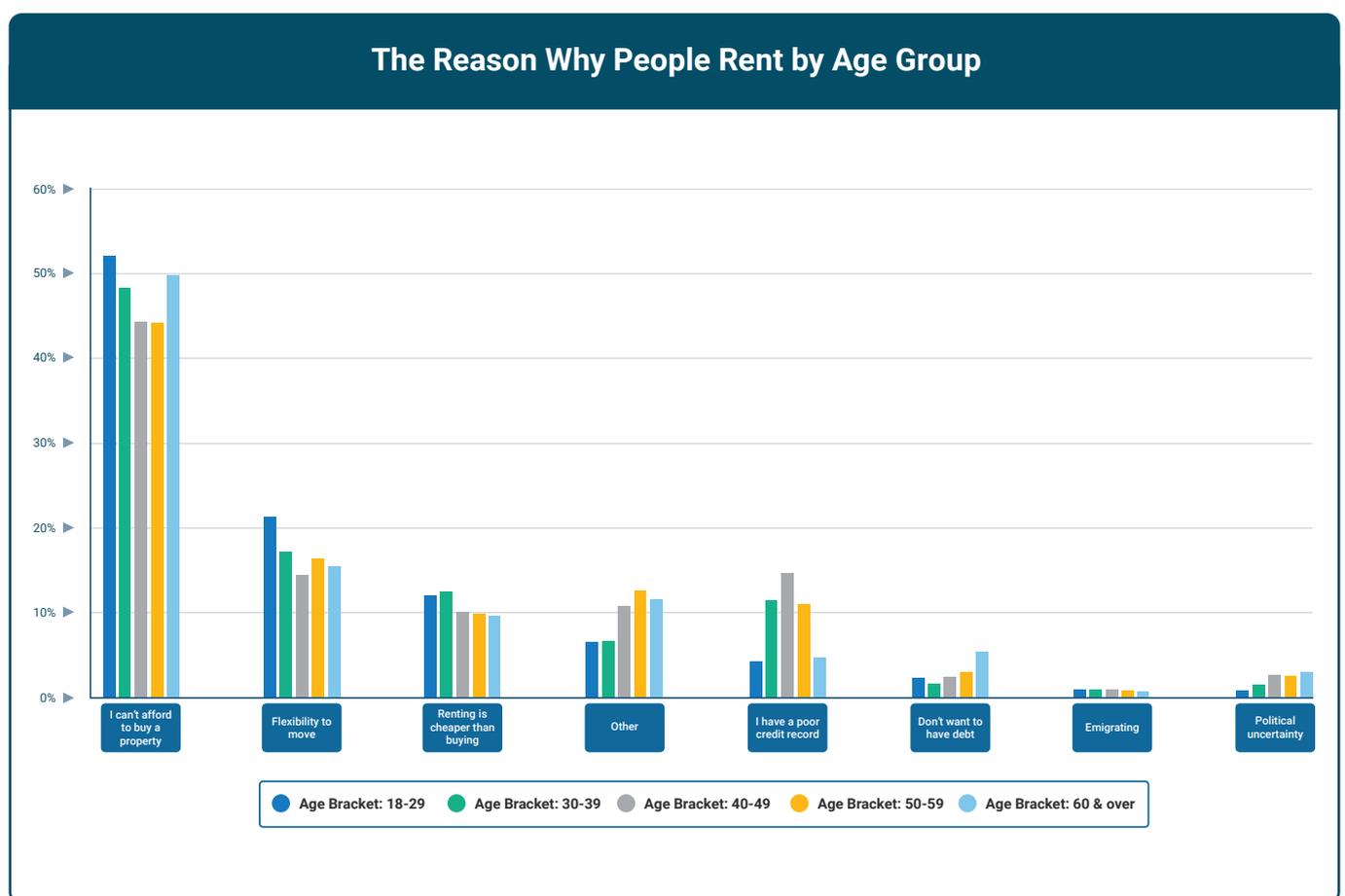
The Reasons Why People Rent by Gender



Generation Z (age 18 to 29) are more focused on flexibility and tend to view renting as more affordable than owning a property. The Millennial generation (age 30 to 39) are the biggest believers that renting is cheaper than owning. This belief is largely influenced by factors such as high property prices, maintenance costs and the flexibility to move without the burden of selling a property.

Many of those aged between 40 and 49 are renting because of poor credit records. However, this age group also values the flexibility to move.

Particularly noteworthy trends are around the desire to avoid debt and concerns around political stability. Older respondents are more likely to cite these two factors as reasons for not owning property. The younger generation, on the other hand, is less concerned about political and financial risk.



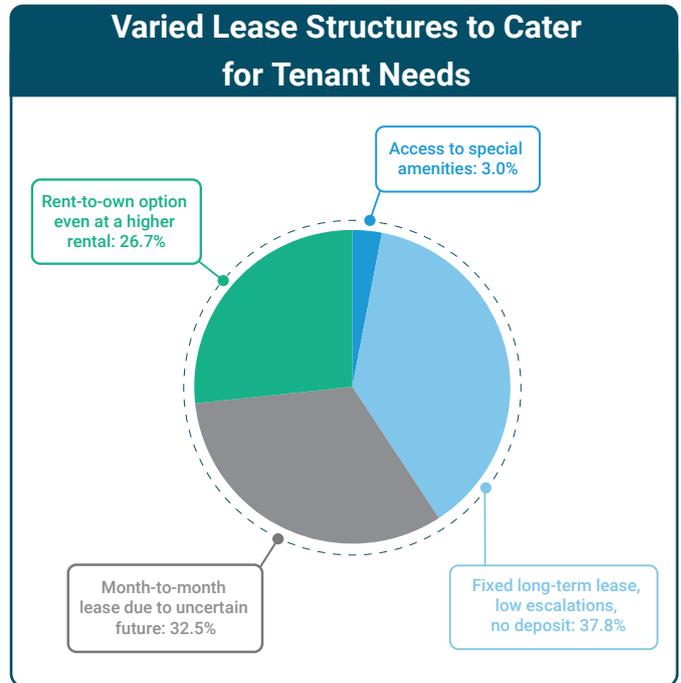
Preferred lease structures

The survey asked tenants to indicate their ideal lease structure and lease terms to provide rental market stakeholders with various permutations of the traditional residential business model.

A lower rental escalation, with no deposit requirements, is the preferred lease structure for 37.8% of tenants. This group is willing to commit to a longer fixed-term lease agreement. Various factors drive tenants to select this option, including the need to manage cash flow with a longer fixed period. It also shows that tenants are willing to remain renters for longer to mitigate uncertainty.

This kind of lease structure not only offer investors more security with fewer vacancies but also a predictable income stream. The downside is that it could impact returns. While deposits offer investors and managers some security, they are a barrier for tenants and prospective tenants, especially in the lower rental value bands. Alternative solutions like deposit insurance is a relatively new trend which has appeared in recent years to assist tenants and investors alike in navigating the need to manage, collect, and provide security deposits.

The more flexible option of providing a month-to-month lease, which 32,5% of tenants selected, highlights the need for flexibility, which is primarily fueled by economic, social, and political uncertainty.



A more flexible lease option ranks highest in the rental value band between R4,500 and R7,000. This option is less attractive amongst tenants renting in the highest rental value bands.

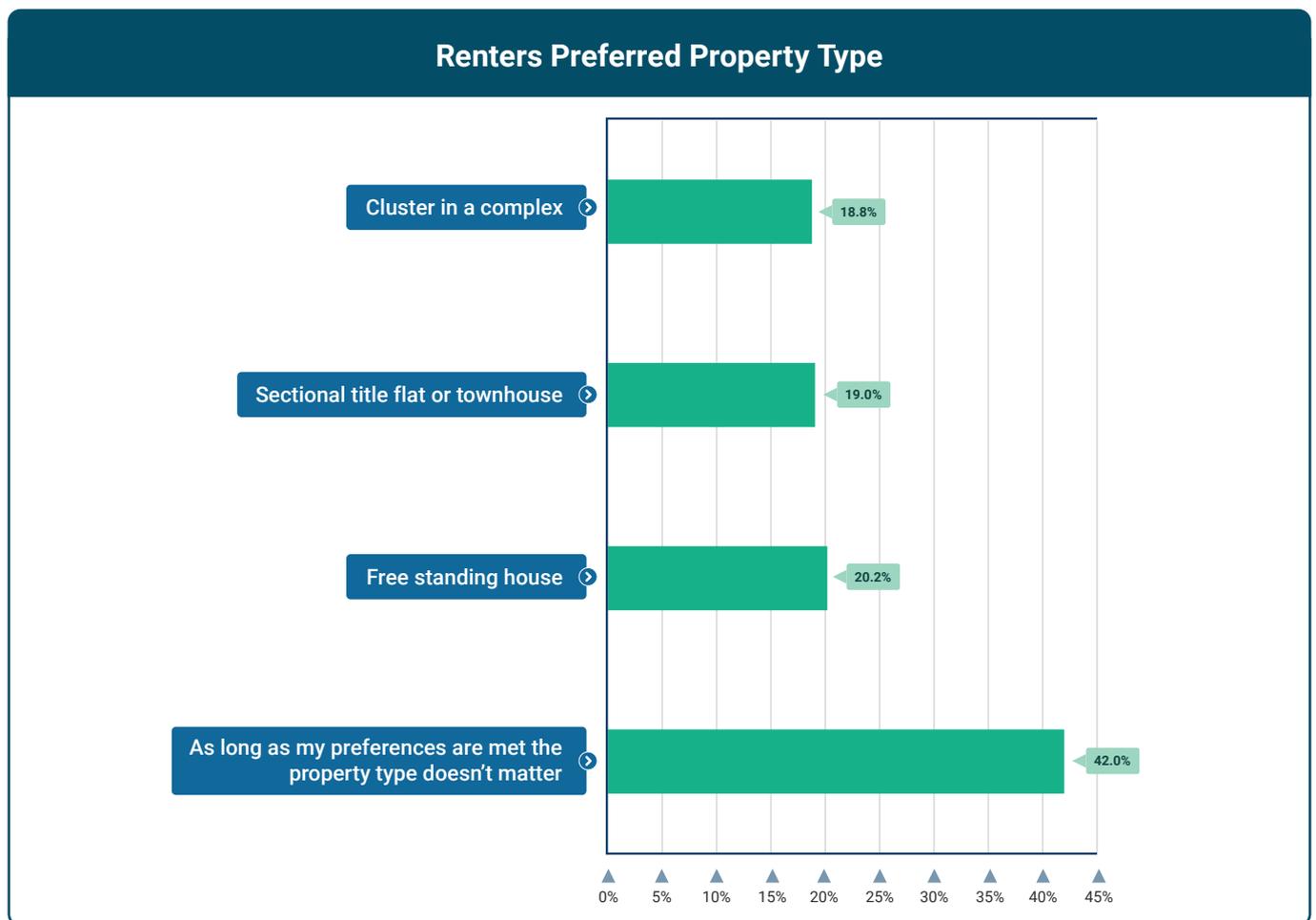
The rent-to-own proposition appeals to 26,7% of tenants, illustrating that property ownership remains a strong aspiration. Property owners need to look at innovative funding models that will appeal to both parties. The upside, however, is that developers can convert tenants into owners based on a property's life cycle and access to capital in the longer term.

The number of tenants that require special amenities such as collaborative working spaces, communal gardens, and facilities is less of an attraction compared to lease flexibility, indicating that a tenant's long and medium-term financial needs are a bigger priority than fringe benefits. Only 3% of respondents identified special amenities as a rental need.

What are tenants looking for in their rental property?

The majority of tenants - 42% - don't have a specific property type preference as long as the property addresses their feature preferences. This followed by free-standing homes which are the preferred option for 20.2% of tenants, followed by sectional title flats and townhouses (19%). Clusters in a complex elicited the lowest interest at 18.8%.

Women are more likely to select sectional-titled flats, townhouses, and clusters in a complex before considering a free-standing house. Conversely, men prefer free-standing houses, followed by a cluster in a complex, and have the least preference for a sectional title flat or townhouse.



The survey required tenants to select the three most important features when deciding what property to rent. The data provides investors and managers with critical insights into tenant preferences. Understanding these preferences can help shape new developments, investment strategies, marketing activity, and where to focus resources to ensure lower vacancies, improved rental growth, and balanced future demand and supply.

The survey revealed that rental price is the most important factor for tenants when deciding on a rental property. Nearly half (47%) of respondents considered rental price the most critical consideration when looking for accommodation. After price, the quality of security is the second most crucial evaluation measure, with 35.7% of tenants considering it essential, while 5.5% look at a pet-friendly property first when they hunt for new rental accommodation.

While property marketing communications often highlight space as a unique selling proposition, only 3.3% of tenants indicated this as their most important feature. Being close to work is also an important first consideration for tenants with 3.1% making this a deciding factor for finding a suitable property.

When asked to select their second most important feature, 34.7% of tenants want quality security. This was followed by price and then the property's space and size. When choosing their second selection, tenants again looked at pet-friendly properties and travelling distance to work. Access and distance to schools and internet connectivity became more important for tenants' third feature criteria. Interestingly, pre-paid electricity and a private garden are also important features for tenants.



The fact that tenants' primary selection criteria for a rental property are price and security, followed by property size and space underscores the importance of these factors in tenant decision-making and highlights the need for property developers and managers to prioritise these aspects in their offerings. This could involve offering competitive rental prices, ensuring top-notch security measures, and providing spacious and well-designed properties.

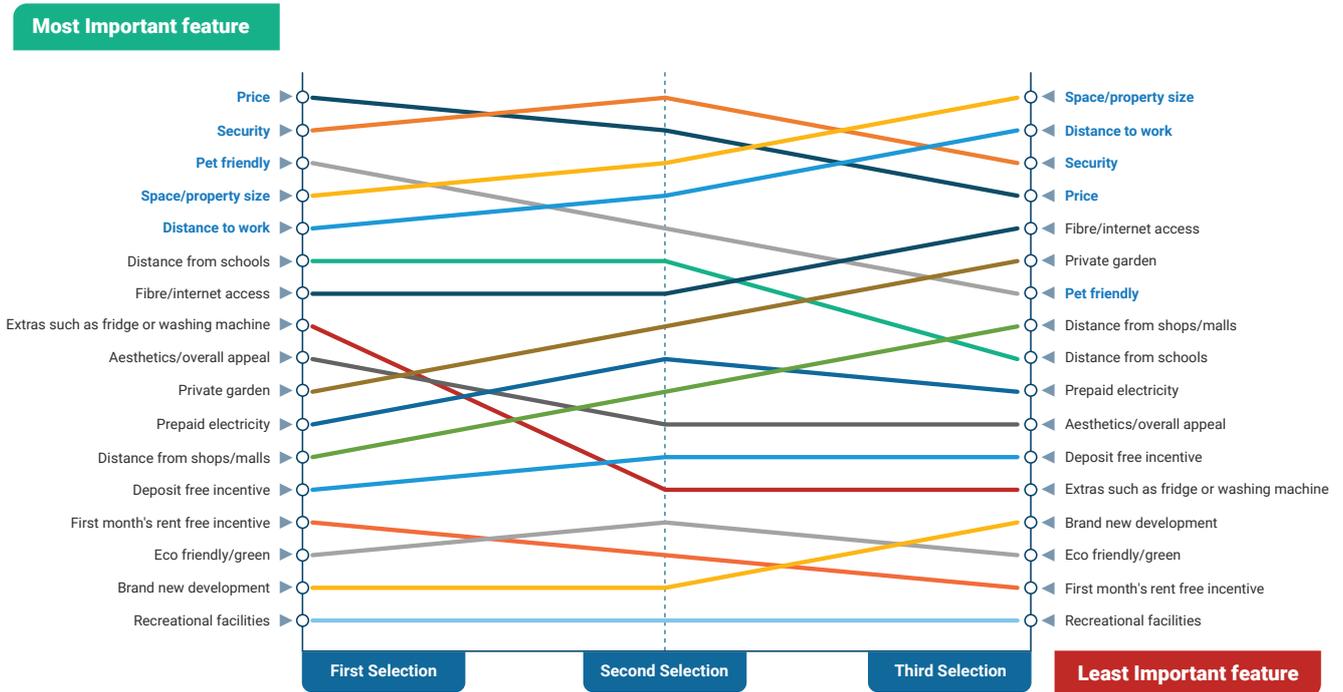
Women identified the following features as their most important selection criteria:

- Price
- Security
- Property size and space
- Pet friendly
- Private garden

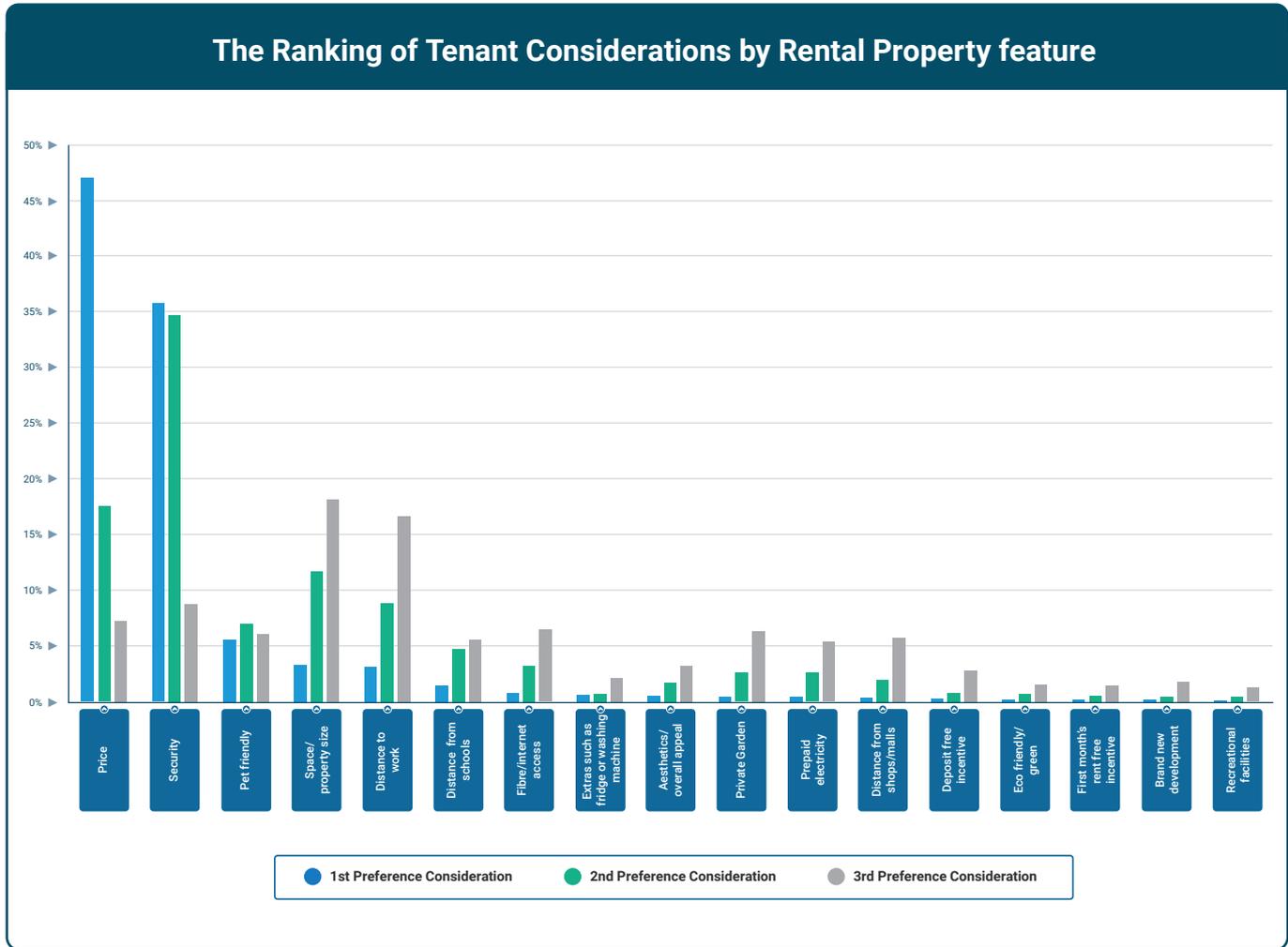
Men identified the following features as their most important selection criteria:

- Price
- Security
- Property size and space
- Pet friendly
- Distance to work

Ranking of Tenant Considerations by Rental Property Feature



When selecting a new property, the least important features for tenants are recreational facilities or financial incentives such as one month's free rental or no deposits. The fact that it needs to be a new development or that the property needs to be green or eco-friendly is also not high on their priority list.





Monitor your tenant risk in real time

Understand your risk profile as it shifts from month to month! Activate the Tenant Risk Monitor on your TPN Credit Bureau account to make better decisions with a continual review of your tenant payment risk throughout the agreement.

Learn More >

Tenant aspirations: The trends that impact property purchases



Having insights into what tenants aspire to can help property managers, investors, and practitioners better understand potential movement within the residential rental market.

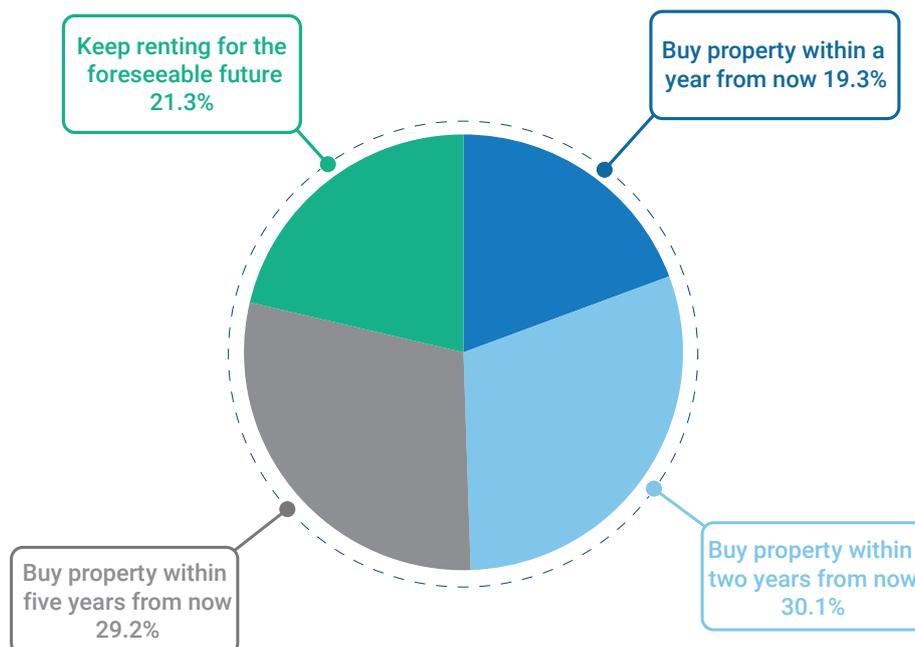
This can also help them shape supply and possible client migration and movements.

More than a fifth of tenants (21.3%) indicated they would continue renting for the foreseeable future and had no intention to purchase a property.

Although most respondents said they can't afford to buy, 11.39% believe it is cheaper to rent, 2.24% don't want the debt burden and 1.8% are unsure about the current political environment which is acting as a deterrent to home ownership.

Some tenants, however, are optimistic about their plans to become homeowners with 19.3% aspiring to purchase a property within the next 12 months and 30.1% wanting to buy a property within 24 months. That leaves 29.2% of tenants considering taking the property plunge within five years.

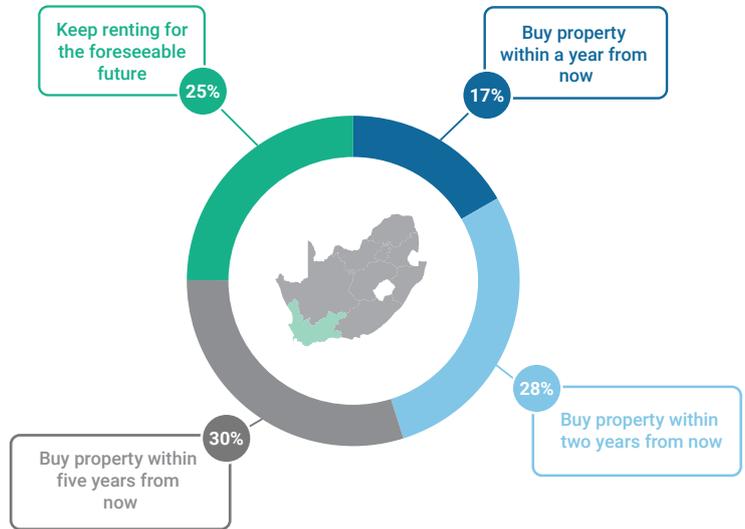
Tenant Aspirations



Provincial breakdown

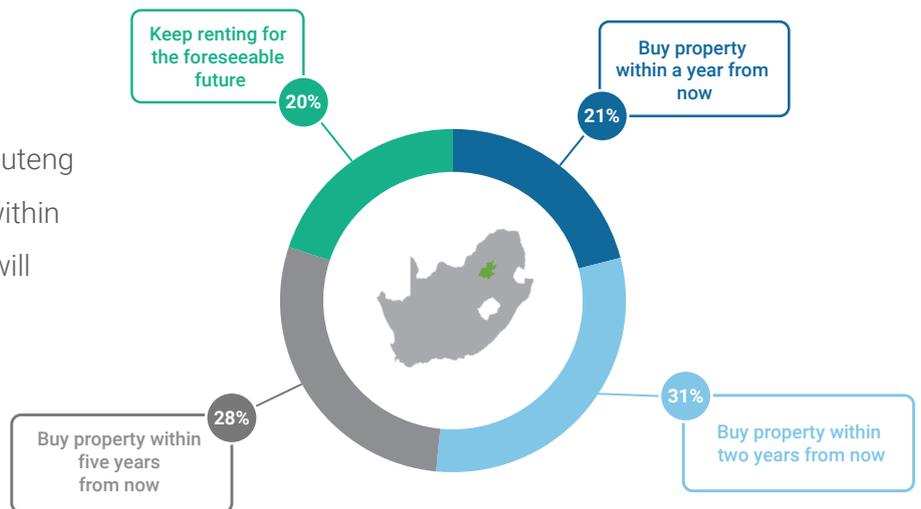
Western Cape

Most tenants in the Western Cape only intend to purchase property within five years, and a quarter will continue renting for the foreseeable future.



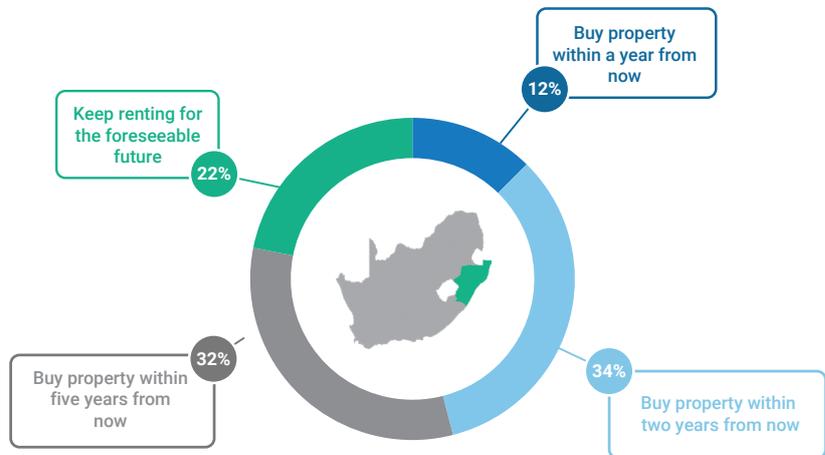
Gauteng

Only 31% of tenants living in Gauteng intend to purchase a property within two years while 20% said they will continue to rent.



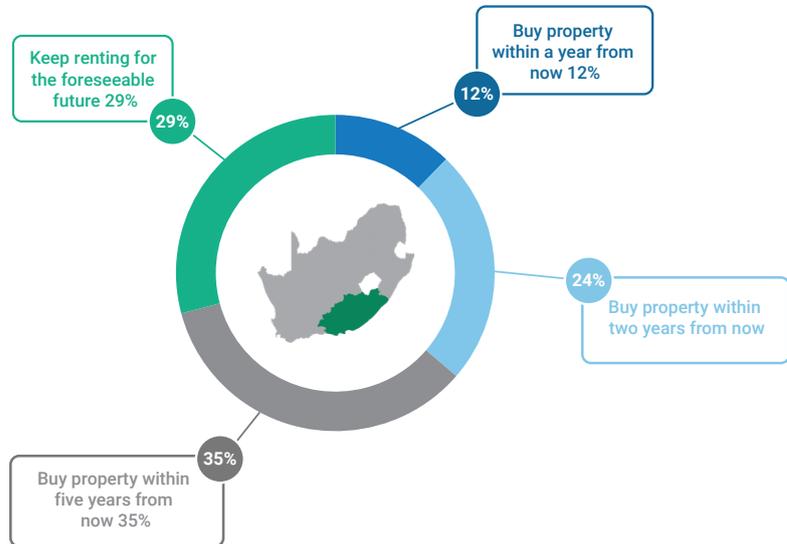
KwaZulu-Natal

Two thirds of KwaZulu-Natal tenants will consider buying property within the next two to five years. Only 12% of tenants in this province are considering buying within 12 months.



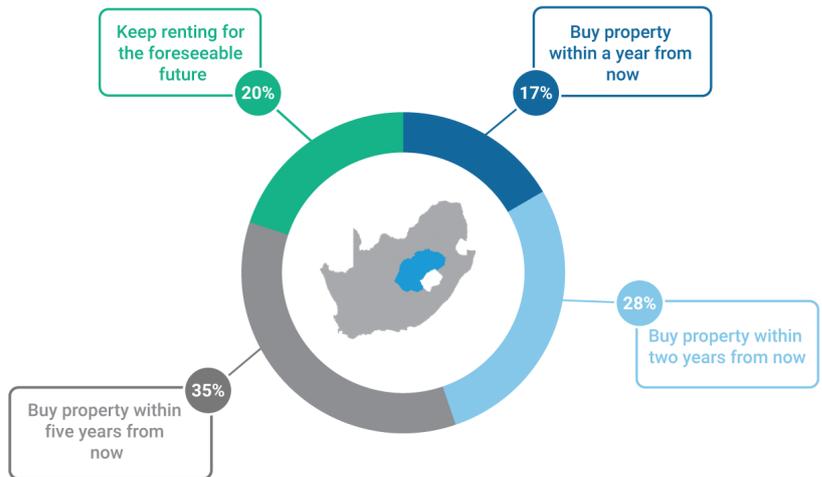
Eastern Cape

The majority of tenants in the Eastern Cape are looking at delaying owning a property for five years with 29% saying they will continue to rent for the foreseeable future, while only 12% will purchase within a year.



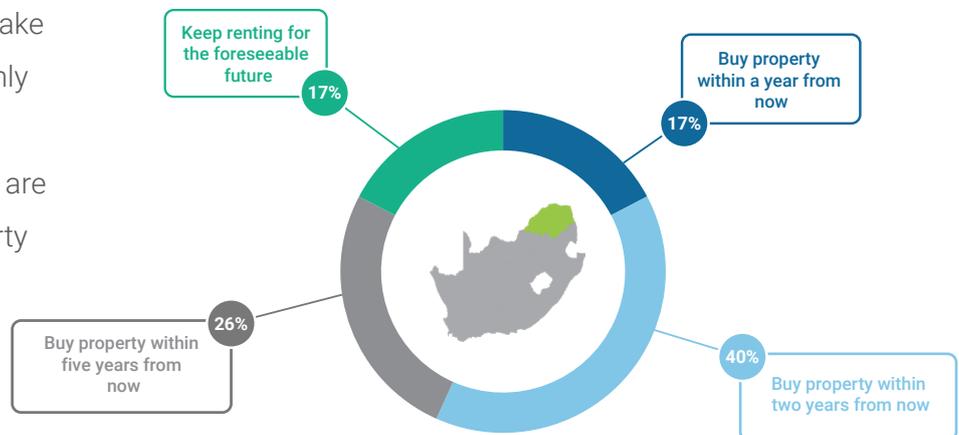
Free State

A fifth of tenants in the Free State will continue renting property. Most of the respondents in this province will potentially purchase property in the next five years.



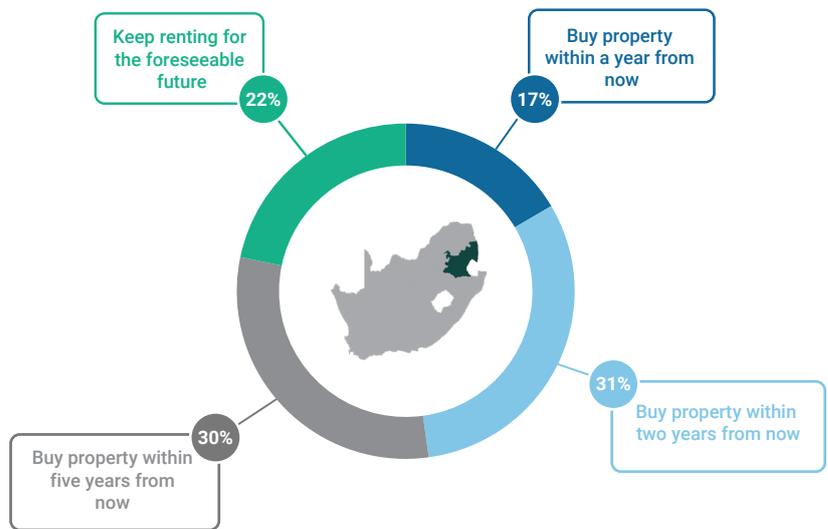
Limpopo

Limpopo tenants hope to make a property purchase, with only 17% intending to continue renting. Most tenants (40%) are planning to purchase property within two years.



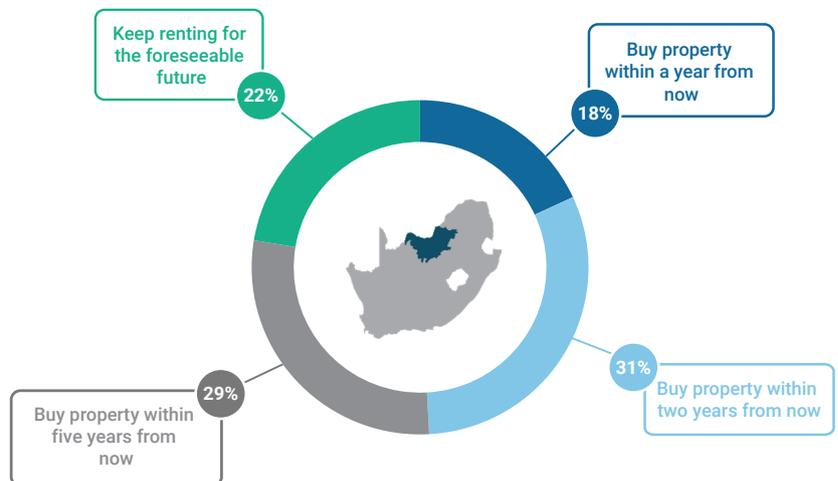
Mpumalanga

While 78% of the province's tenants plan to purchase a property, 22% see themselves as renters going forward.



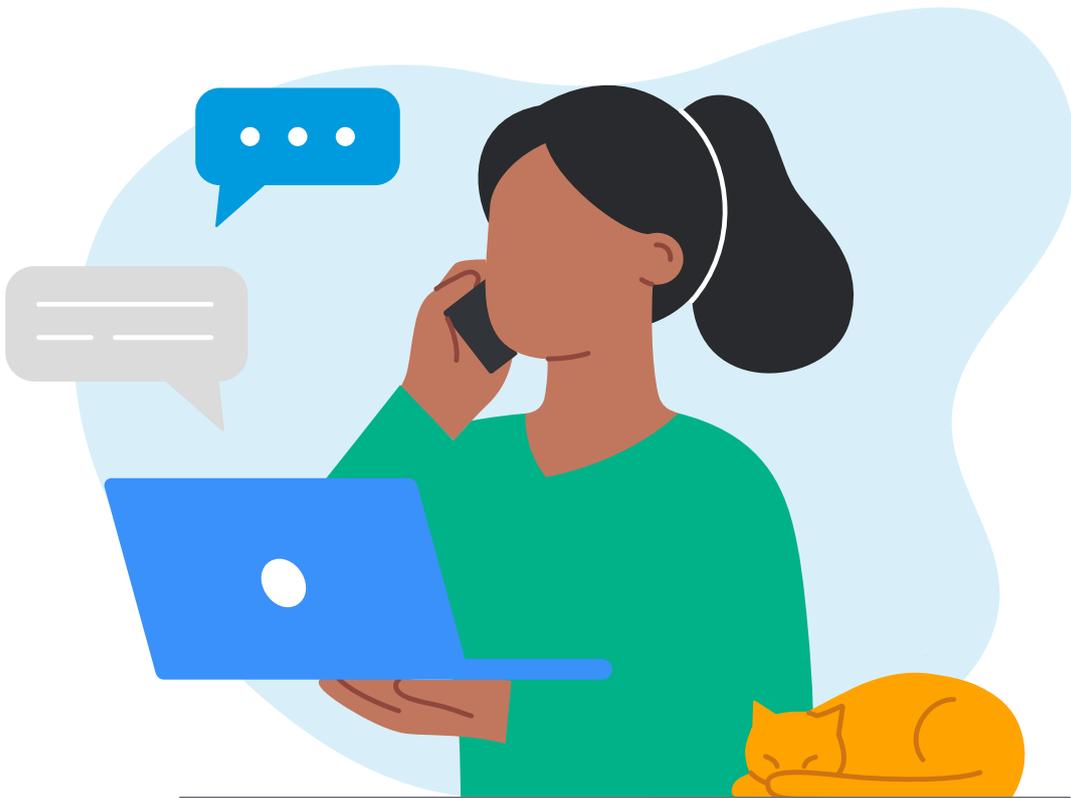
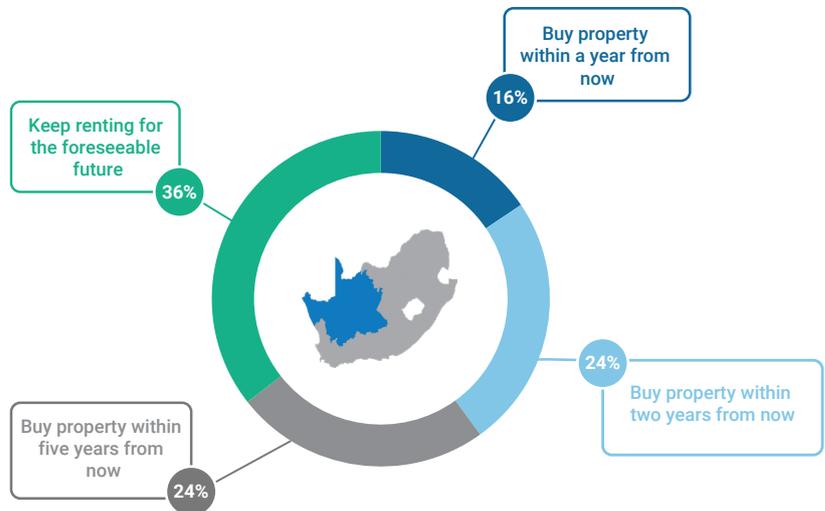
North West

More than half of tenants (60%) plan to purchase a property within two to five years while 22% plan to continue renting property.



Northern Cape

The Northern Cape has the highest number of tenants who have yet to make plans to purchase property and move out of the rental market. Only 48% plan to buy property within the next two to five years while another 16% plan to buy in the next 12 months.



Security is key for future property purchases

Security is the most crucial feature of a property that tenants intend to purchase for 76.7% of respondents, followed by the space and size of the property when selecting their first ranking. The third most important consideration is the quality of the suburb. Proximity to work and school is also a key consideration for future property purchases.

Not surprisingly, property rates and taxes have emerged as one of the top six considerations for prospective buyers. These costs underscore the high financial impact of rates and taxes on home ownership and the significant role they play in the decision-making process. Potential buyers have started accounting for high property rates, taxes, and levies when estimating their purchasing budget and bond repayments. Municipalities and suburbs that provide well-managed infrastructure and value for rates and taxes will attract prospective property buyers.

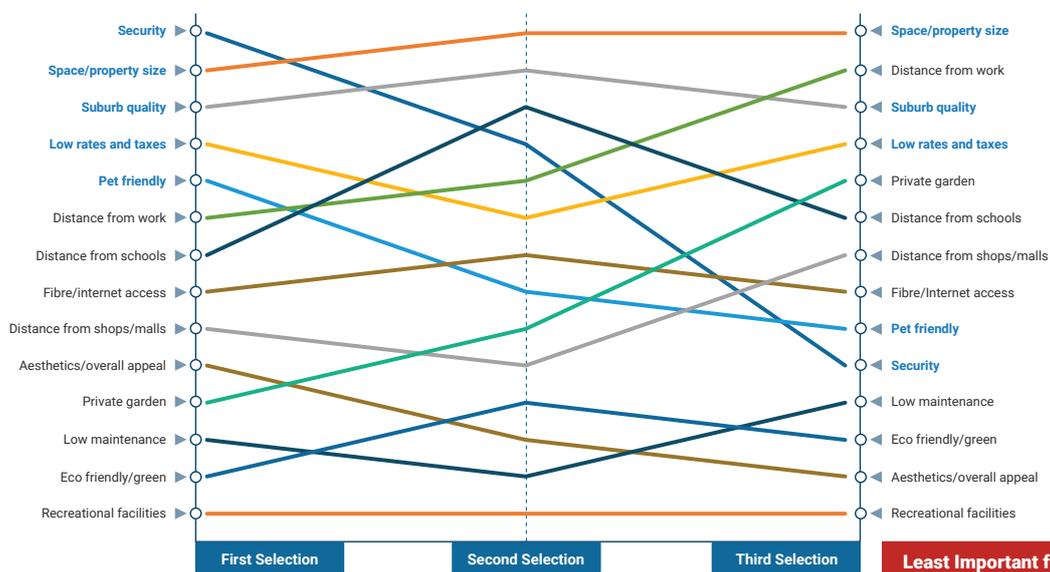
A consolidated view of the key features prospective property owners consider places the property size and the living space it provides as carrying the highest value overall, followed by the suburb being situated close to work and schools. Prospective owners also consider unavoidable expenses such as security costs and municipal rates and taxes.

The top 6 considerations and features for property buyers:

1. Property size and space
2. Suburb quality
3. Distance to work
4. Cost for rates and taxes
5. Security
6. Distance and access to schools

Top 3 Feature Considerations for Buying a Property

Most Important feature



Tenant challenges

Surprisingly, paying rent is not most tenant's top challenge. The biggest challenge they face, according to 28.3% of respondents, is landlords not attending to repairs and maintenance of the property. The problem is further compounded by the effort needed to coordinate the repairs and maintenance between the landlord, tenant, and contractors, according to 18% of tenants who selected 'Facilitating access for repairs and maintenance' as their top second-ranked challenge. Coordinating a mutually convenient time for all parties requires effective and efficient communication; this can be time-consuming for many property owners and managers.

Ensuring rental is paid is the second biggest challenge, according to a consolidated view of all the ranked challenges. Adequate parking is listed by 13,1% of tenants as their top challenge in their third selection option, placing parking overall at number three of all challenges listed.

As utility costs continue to increase well above inflation - a trend that is expected to continue - many tenants indicated that one of their biggest challenges is a lack of control over utility costs. The challenge is supported by tenants considering pre-paid electricity as an important feature when looking for a rental property. The ability to manage utility costs more independently will help investors and managers not just improve their asset's attractiveness to prospective tenants but also mitigate one of the rental market's top challenges.



When tenants selected 'Other' as a challenge, more information was requested to elaborate on what these include. Other challenges listed vary greatly, with some of the main issues including a lack of communication from the landlord, managing agent, and body corporate, especially around house rules, maintenance updates, and general feedback. It also appears that more tenants find it challenging to rent a property where ownership is dominant in a complex, estate, or sectional title unit, struggling with victimisation and discrimination in extreme cases.

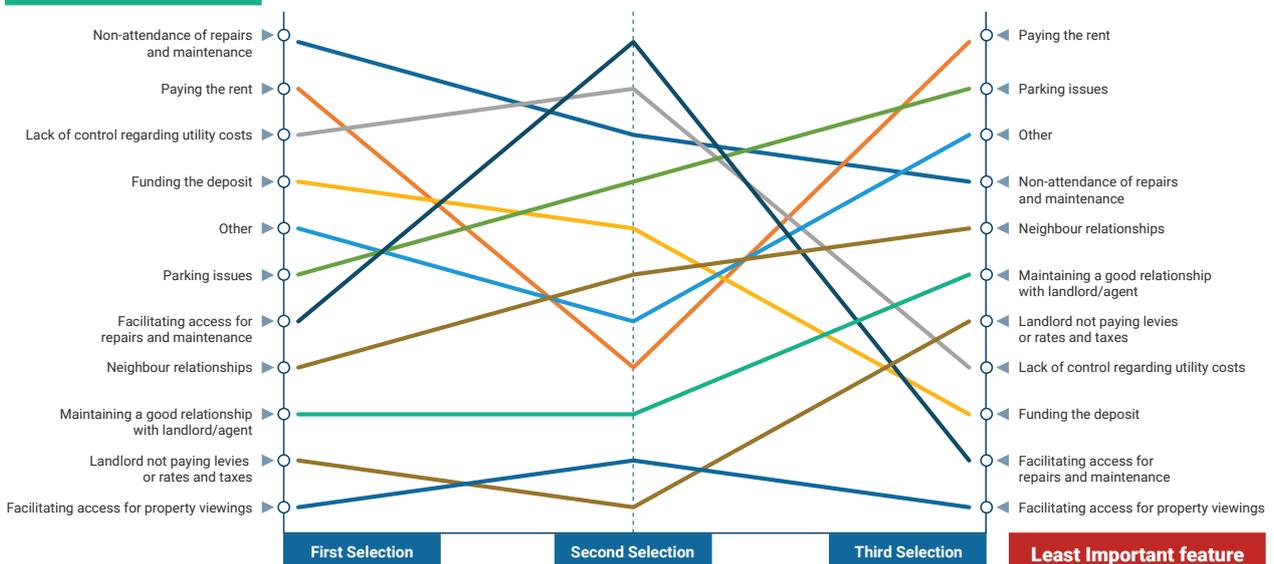
Tenants are faced with a constrained economy, unemployment, uncertainty, and, in many cases, hidden upfront costs such as lease and administration fees, moving costs, and ranked within the top six tenant challenges, funding a deposit. This is also evident when considering that 37,8% of tenants would prefer a longer fixed-term lease period with no deposit and lower rental escalations (*refer to 'Preferred lease structures' on page 7 for more information*).

The top 10 challenges tenants face when renting a property:

1. Non-attendance of repairs and maintenance
2. Paying the rent on time
3. Access to parking and availability of parking
4. Lacking control of utility costs
5. Other challenges such as lease costs
6. Funding security deposits
7. Neighbour relations
8. Maintaining a good relationship with the landlord, managing agent, or agent
9. The non-payment of levies, rates, and taxes by the landlord
10. Access to a rental property for viewings by the landlord

Top 3 Challenges Tenants Face in the Residential Rental Market

Most Important feature



Tenant's most significant challenges by age group:

- Tenants aged between 18 and 29 are most challenged by non-attendance of repairs and maintenance, followed by a lack of control over utility costs.
- Tenants aged between 30 and 39 have the same challenges as their younger counterparts but find funding a deposit more challenging.
- The top challenge for tenants aged between 40 and 49 is non-attendance of maintenance and repairs, followed by funding deposits. Their third most prominent challenge is paying rent.
- Although older tenants (50 - 59) find paying rent and funding a deposit a challenge, the non-attendance of repairs and maintenance remains their biggest challenge.
- Tenants that are older than 60 find paying rent and getting control of their utility costs more challenging than most other age groups, but once again, non-attendance of repairs and maintenance is listed as their biggest challenge.

Conclusion

Understanding tenant preferences is not just about knowing what they want, but about using this knowledge to shape new developments, investment strategies, marketing activity, and resource allocation. This understanding translates into lower vacancies, improved rental growth, and a balanced future demand and supply, making it a practical and valuable tool for any real estate portfolio.

About TPN from MRI Software:

The only credit bureau globally to specialise in tenant behaviour, TPN from MRI Software created the world's first rental payment profile. Its database has grown to become the most comprehensive and up-to-date authority on tenant behaviour in South Africa, covering both the residential and commercial sectors and transforming the way tenants pay their rent. TPN's unique data is widely used by organisations such as the South African Reserve Bank (SARB), commercial banks and industry bodies.

Report by Waldo Marcus, Industry Principal at TPN from MRI Software