

# Top findings from PayProp's State of the Rental Industry Survey

PayProp has released the results of its second [PayProp State of the Rental Industry Survey](#), with agents continuing to feel the effects of Covid-19 which has resulted in a shrinking viable tenant pool, lower tenant affordability and high arrears.

Here are some of the top findings from the survey.



## Top agent challenges

The top three challenges listed by agents in 2020 remained the same as the year before, but with a significant increase in respondents struggling to 'find good tenants' – from 24% in 2019 to 51% in 2020.

The battle with arrears likewise remains high on the list as well as the challenge of conducting routine inspections at rental properties.

Johette Smuts, head of data analytics at PayProp, says the drop in availability of 'good tenants' is linked to many South Africans facing financial strain due to the pandemic, whilst others have taken advantage of low interest rates to purchase property. "Good tenants have found it far easier to qualify for home loans than ever before, and are consequently leaving their rental properties for owned properties."

## Alternative arrangements

With the financial strain on tenants affecting their ability to pay rent, agents have had to be creative to keep cash flow going, find tenants and keep mandates.

"It is encouraging for continued security of tenure to see how agents have worked with tenants to help them overcome cash flow problems," says Smuts. "The survey results show that 93% of respondents agreed to some form of alternative payment arrangement with tenants, which also clarifies why 60% of respondents reported an increase in time spent on monthly administration – revisiting payment arrangements can be very time-consuming!"

Almost two thirds of survey respondents confirmed that they had lowered their commission in order to retain a mandate, a move that could negatively affect their businesses over both the short and long terms. "Agents might struggle to justify raising their commission in the long term without the addition of services," says Smuts.

Another risky move seen in the results was a 63% vote in favour of securing a good tenant without a damage deposit, over an average tenant with a damage deposit in place.

"Damage deposits exist to protect property owners against any damage and potential arrears once a lease has come to an end, so it's a risky decision on the agent's behalf to secure a tenant without it," says Smuts.



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## **Faster digitisation**

One good outcome of the pandemic was the forced adoption of technology to digitise work processes and overcome bigger distances enforced by the nationwide lockdowns.

Smuts says 96% of respondents reported using technology frequently in their businesses with 98% saying they believe technology enhances their jobs and businesses. 89% of respondents indicated that technology-enabled tools like virtual and 3D tours would remain in a post-pandemic world.

## **The future**

Looking ahead, the survey showed that 68% of agents were most worried about the ongoing effects of Covid-19 on their businesses. Others listed an oversupply of properties as a concern as well as vacant properties and the ability to fill these with quality tenants.

“However, it’s encouraging to see that even during one of the toughest years, only 15% of respondents considered actually selling their agency. In fact, just short of 80% responded that they see themselves working in the property industry in five years’ time.”

“The events of the past year have certainly steeled the resolve of property agents, and with much of the worst behind us, we can really start to look forward to what the future holds,” says Smuts.

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