

Increase in tenant fraud is taking its toll

By [Gary Palmer](#)

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An unintended consequence of the sluggish economy has been a spike in the fraudulent behaviour of would-be tenants who are desperate to sign a lease, compromising the ability of the property owner to secure future growth finance.



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Tenants feeling the pinch

When speaking to both clients who own properties and to other lenders who have financed property portfolios, we are hearing about a marked increase in rental fraud. A significant jump in our cost of living, a sluggish economy and unemployment reaching a 27.5% high, has placed additional strain on people looking to secure both residential and commercial property leases.

The PayProp Rental Index for March showed that only one in four tenants are paying their rent in full each month with tenants in arrears jumping from 18.5% in April 2017 to 23.2% in March 2018.

Evidence from our own property clients and lending networks has also shown a spike in falsified bank statements, fake employer documents and even fake IDs from people applying for rentals.

Act (PIE) has made sourcing tenants of good standing an absolute necessity.

We recommend property owners implement the following as a bare minimum before signing a lease:

- **Do the legal search** – subscribing and using products like WinDeed and other databases and credit bureaus like Tenant Profile Network will show the personal history of your prospective tenant, including ID verification, judgements against them and company searches if they are signing the lease in the name of their company.
- **Do the personal search** – more and more we are seeing that a quick social media search on the prospective client will throw up anomalies in what they may have told you versus reality. Many of our clients have picked up discrepancies on employment, length of employment and other personal information of prospective tenants.

Check the references – Checking the people who are listed as past landlords or employers can also be a necessity as fraud becomes more complex. Using apps like TrueCaller which allow you to identify unknown numbers is one method to make sure that the person calling you is who they say they are.

Hold onto the good ones

Despite the number of people desperate to sign a lease, the lackluster economy has also taken its toll on rental growth and vacancies.

According to the PayProp Q2 figures, the growth in weighted average national (residential property) rentals has halved from a year ago and, as of June 2018, is at just 3.27%, down from 6.76% in 2017.

Similarly, TPN's Q2 figures show vacancy rates increased to 7.9% in the quarter. For properties with rentals higher than R12,000 a month, vacancies are at a worrying 14%.

This means that landlords who have good tenants who pay in full and on time should do everything in their power to hold onto them. This could be anything from a delayed or reduced annual increase, to having payment reprieves if the tenant finds themselves in a cashflow crunch.

Even from a commercial property perspective, one proactive client has actively designed and marketed his properties to create communities of likeminded businesses and people. By designing spaces which appeal to certain sector, like the creative or tech companies he has built hubs which offer far more than just a space to set up desk – which makes them far less likely to leave and helps him avoid the pain of searching for new tenants.

There is no doubt that property remains a solid investment. Attracting and retaining good tenants will not only make your investment more easily managed, but will de-risk it in the eyes of your investors and make additional growth finance all the more easy to secure.

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