

# Renting securely

Research into the behavioural patterns of buy-to-let investors and potential tenants has revealed that both parties were contributing towards stabilising the rental market as a medium to long-term investment prospect.

Data collated by property services group, Just Letting Property reflected a 26% increase in the number of buy-to-let investors nationally contracting to receive guaranteed rental income should tenants default on their monthly commitments.

## The impact of the recession

Just Letting Property CEO, John Roberts says this indicated the impact of the recession in that investors had been bitten by non-payments or struggled with tenants refusing to move out of their rented properties, secure in the knowledge that legal costs involved in removing them were onerous.

"South African landlords cannot evict a tenant personally, but only seek a court order to evict them if that person has breached the contract. The landlord is then forced to take steps to strongly urge the tenant to rectify their breach, following which comes legal action - lodging a complaint with the Rental Housing Tribunal or seeking attorneys' assistance," Roberts says.

He says these elements required an investment in time and money with legal fees paid upfront to be potentially recovered from the tenant together with the rental arrears and accrued interest sometime in the future.

Meanwhile, tenants were effectively squatting in their property.

## Introducing RentSecure

The group's recently launched RentSecure product guarantees buy-to-let investors their full monthly rental despite tenants defaulting on rental payments; only paying a portion of their amount due; defaulting and refusing to move out, thus initiating eviction and continuing to live in the property during the eviction process.

RentSecure covers rental and legal fees up to a maximum of R100 000 per lease, during period of lease and tenant occupancy.

However, Roberts says conversely the number of tenants declined for Rentsecure during the credit checking process had more than halved, reflecting the extent to which people were putting their finances in order in line with the requirements of the National Credit Act (NCA) and thus qualifying for rental properties.

While the adage that location was not only the most important element of property, but also the second and third-most important elements, the essence of a buy-to-let investment was a good tenant. Roberts says securing that top-notch tenant - someone who had the credit references to sign the lease, paid their rent on time and then looked after that property as if it was their own - was the nugget landlords sought in building their wealth from that asset.

He says anyone seeking to boost their credit rating should consider their personal debt levels. The NCA takes into account all lines of credit whether activated or not, meaning the maximum amount on store cards, credit card limits and overdraft facilities were taken into account when applying for a credit rating.

"If you have 10 store cards each with a R5 000 limit, a R30 000 credit card limit and a R20 000 overdraft facility, the NCA deems you to have debt amounting to R280 000 even if you have not activated any of these debt levels. Add that to the car repayments, student loans or other debt instruments and the opportunity to secure the desired rental disappears in a cloud of debt-laden ether," he says.

Resolving that dilemma meant cancelling unnecessary store cards and reducing credit card and overdraft limits such that the potential debt levels falls within a manageable range.

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