



# State of the Rental Industry 2020

Full survey results and report



In this issue:

**Property professionals share their views on technology, their rental portfolios and the impact of nine months of COVID-19 on their businesses.**

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# Who took part?

PayProp recently conducted its second State of the Rental Industry survey. The aim was to uncover the perceptions of rental agents and other property professionals about the rental market, especially after the difficult year that was 2020.

Our survey once again covered a wide range of topics including technology, current challenges in property businesses and the future of the rental market, and we highlight and analyse the most important findings in this report.

PayProp's entire database of customers and other industry players was invited to take part, with 89.5% of respondents made up of PayProp users.

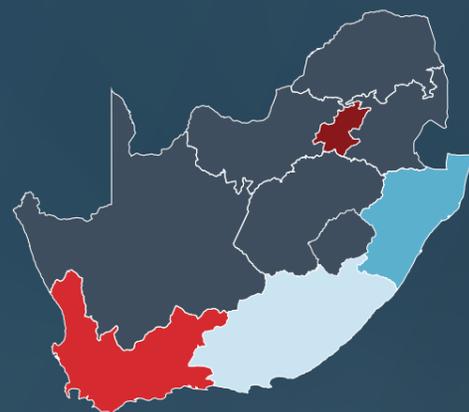
**89.5%**

PayProp users

**10.5%**

Other industry professionals

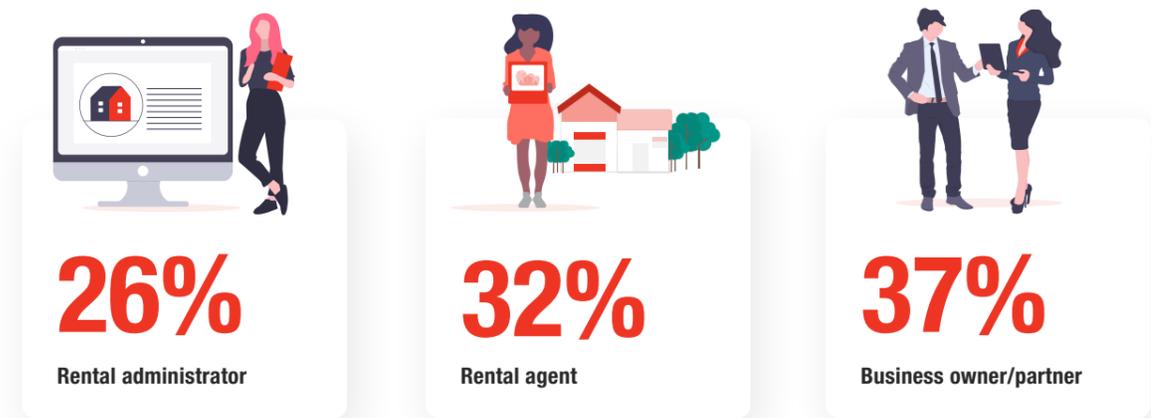
The majority of participants (85%) were from four provinces – the Western Cape, Gauteng, the Eastern Cape and KwaZulu-Natal.



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

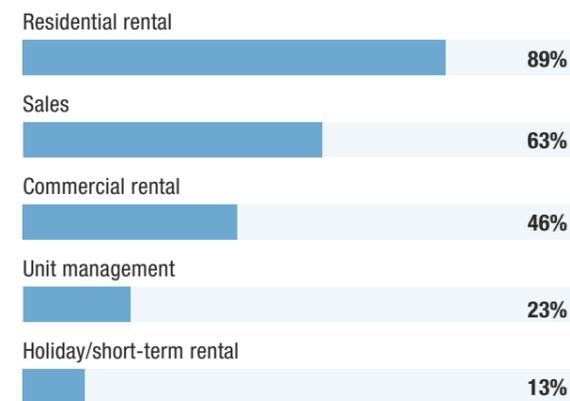
Most participants reported working in the rental industry, as owners/business partners (37%), rental agents (32%) or rental administrators (26%).

## Which of the following best describes your job?



Some 89% said they worked at agencies offering residential rental services, followed by 63% offering sales and 46% offering commercial rental services.

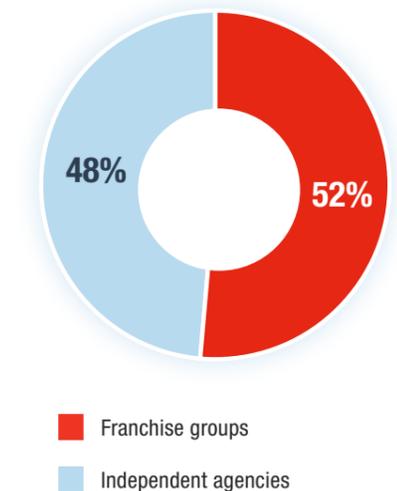
## What services does your agency offer?



Respondents could select multiple options.

The split between franchised and independent participants was fairly even.

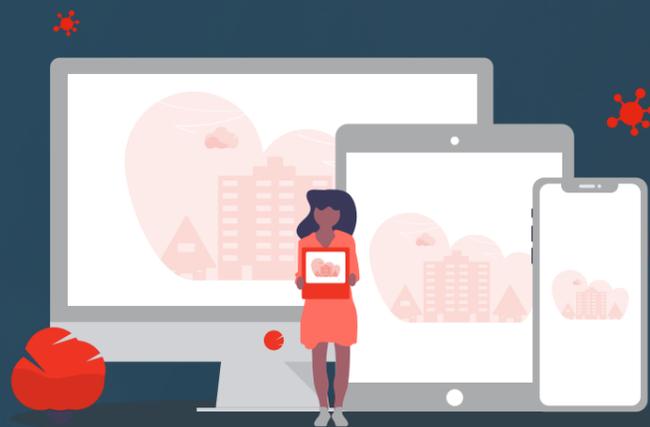
## Are you part of a franchise group or are you an independent agency?



# Technology in your business

COVID-19 forced most industries to rethink the ways in which they work. Companies and employees responded by increasing the use of technology in their daily lives to digitise their work processes and overcome bigger distances enforced by lockdowns.

Fully 96% of respondents reported using technology frequently in their businesses (2019: 89%). Due to the pandemic, 92.5% said they increased the use of technology in their businesses over the past year, and 98.5% believe it enhances their jobs and businesses (2019: 90%).



I use property technology in my business

**96%**

Agreed

The use of technology increased in our business due to the pandemic

**92.5%**

Agreed

Property technology enhances my job/business

**98.5%**

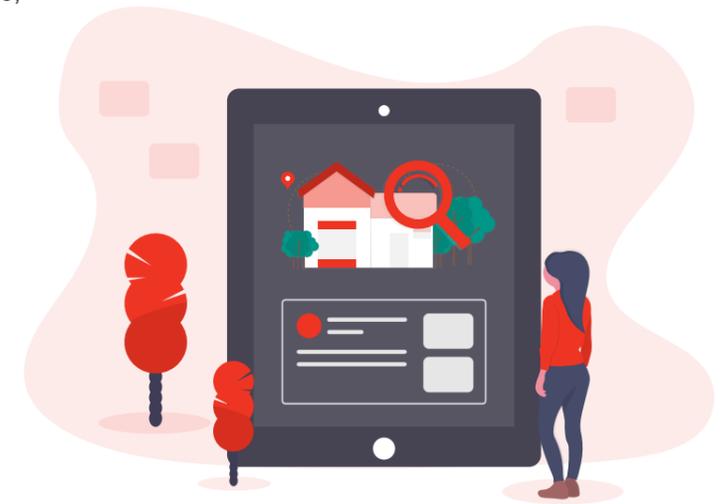
Agreed

With viewings moving increasingly online, 89% of respondents believe virtual and 3D tours are not going to disappear when the world returns to 'normal'.

Virtual viewings and 3D tours are here to stay

**89%**

Agreed



Many agents and business owners further realise that technology is not only cheaper, but also more efficient than increasing the workforce. It is no surprise then, that 98% agreed technology is a worthwhile investment. Going even further, 89% of respondents said they are willing to pay more for technology that will help grow their business.

Property technology is a worthwhile investment

**98%**

Agreed

I expect to pay more for technology that allows me to grow my business

**89%**

Agreed

It is cheaper to increase automation than to increase the workforce

**90%**

Agreed

To further improve property technology, some participants suggested digitising rental applications, increasing integration between different platforms, and simplifying online rental listings. More user-friendly virtual tours also made the list.

# The rental market and your portfolio

Many tenants experienced financial difficulty during 2020, and it shows in the results. Income losses affected their ability to pay rent and afford rent increases. More than 70% of respondents said they passed smaller increases than they normally would have, and 77% said they had more tenants in arrears in 2020.



	Higher than usual	The same as usual	Lower than usual
<b>This year, the rental increases that I have implemented have been:</b>	<b>7%</b>	<b>23%</b>	<b>70%</b>
<b>This year, the amount of time I've spent on admin per property per month has been:</b>	<b>60%</b>	<b>35%</b>	<b>5%</b>
<b>This year, the number of tenants in arrears has been:</b>	<b>77%</b>	<b>20%</b>	<b>3%</b>

It was encouraging to see how understanding agents, landlords and business owners have been of tenants' cash flow challenges. Some 93% reported agreeing alternative payment arrangements with tenants due to the pandemic. In the circumstances, it is easy to see why 60% have been spending more time on monthly admin – revisiting payment arrangements can be time-consuming!

**Did you make alternative payment arrangements with tenants because of the pandemic?**

**93%**

**Yes**

Almost two thirds (65%) of participants indicated they lowered their commission in order to retain a mandate. This can negatively affect a rental business over both the short and long term. Over the short term, your main source of income (commission) will decrease, creating potential cash flow problems. In the long term, agents might struggle to justify raising their commission again without adding additional services – meaning their income may take a permanent knock.

**Have you lowered your commission in the last year to keep a landlord as a client?**

**65%**

**Yes**

An identical percentage of respondents (65%) thought landlords didn't have a good understanding of the prevailing rental landscape. This highlights the importance of educating landlords and managing their expectations on an ongoing basis.

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

**65%**

**No**

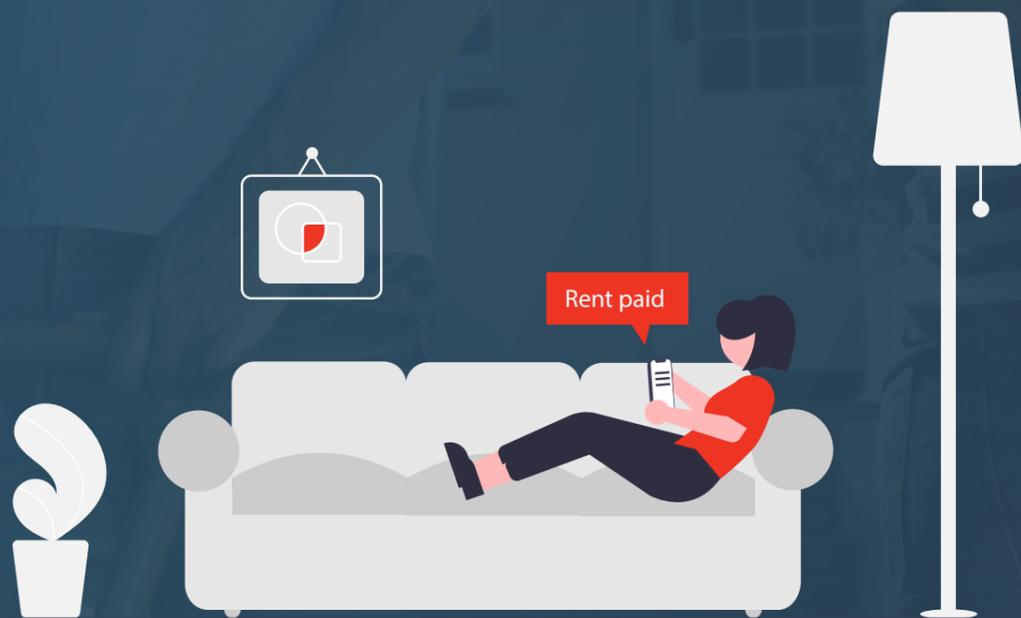


Admittedly, this number did improve from 2019, when it was 74%.

# Risky business

Damage deposits exist to protect property owners against any damage or arrears once a lease has come to an end.

However, it seems as though the pandemic upped the ante somewhat, highlighting the value of high-quality tenants who pay their rent in full and on time.



More than 63% of respondents said they would rather have a good tenant without a deposit than a not-so-good tenant with a two-month damage deposit. On the spectrum of property management activities, constantly chasing tenants for payment is just as time-consuming as renegotiating payment terms!

## Which of the following would you prefer?

A good tenant with no deposit



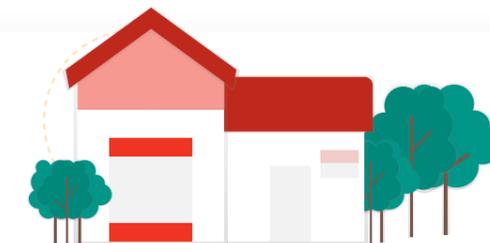
A not-so-good tenant with a 2-month damage deposit



A vacant property



Of the three non-ideal situations, keeping a property vacant was thought preferable by only 14% of survey respondents.

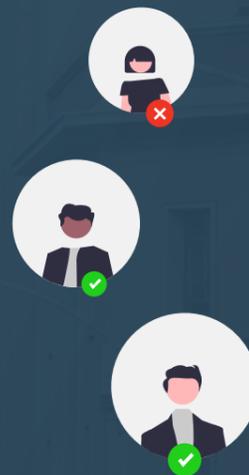
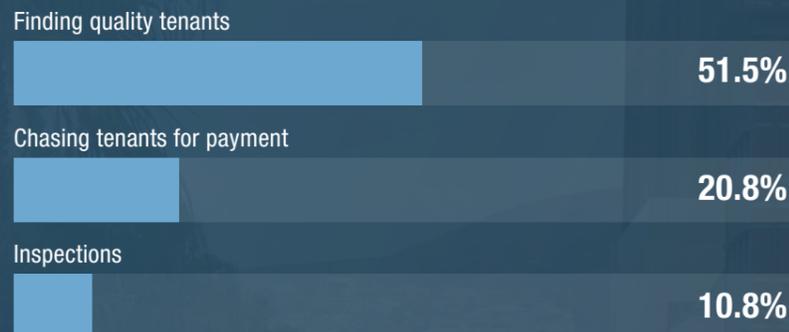


# Challenges

When asked what their single biggest challenge was, 51.5% of respondents said they struggled to find good tenants. In second place, 21% said arrears were a challenge. Of course, job and income losses during lockdown affected many tenants' ability to pay rent and fuelled both of these challenges.

Rounding out the top three were inspections – the biggest challenge for 11% of respondents.

## What do you consider the most challenging part of the letting process?



**2019**

In 2019, the top 3 challenges were more evenly spread at 27% for chasing tenant payment, 24% for finding quality tenants and 23% for inspections. This highlights just how scarce good tenants were in 2020.

- 27%** Chasing tenants for payment

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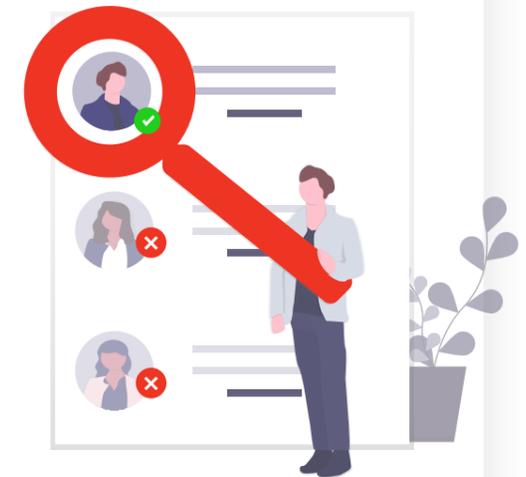
- 24%** Finding quality tenants

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- 23%** Inspections

## There are two possible reasons for the perceived lack of good tenants:

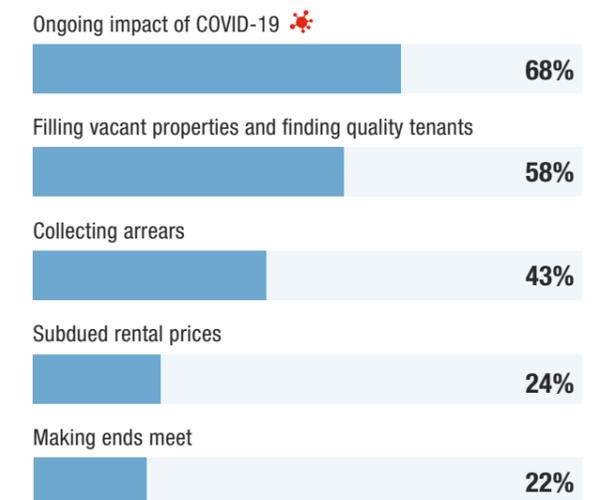
1. Tenants' financial health worsened due to the pandemic.
2. With low current interest rates, many good tenants have opted to buy property instead of renting. Good tenants have found it easier to qualify for loans and have consequently left the rental market by purchasing a home of their own.



Looking ahead to 2021, 68% of participants were most worried about the ongoing impact of COVID-19 on their businesses. In line with 2020's challenges, a big ongoing worry going into 2021 was finding good tenants (listed by 58% of participants), followed by managing and collecting arrears (44%).

Participants also listed affordability as a significant issue, with tenants often unable to afford the rent in their areas. Many others listed oversupply of properties and vacant properties.

## Which of the following worry you about 2021?

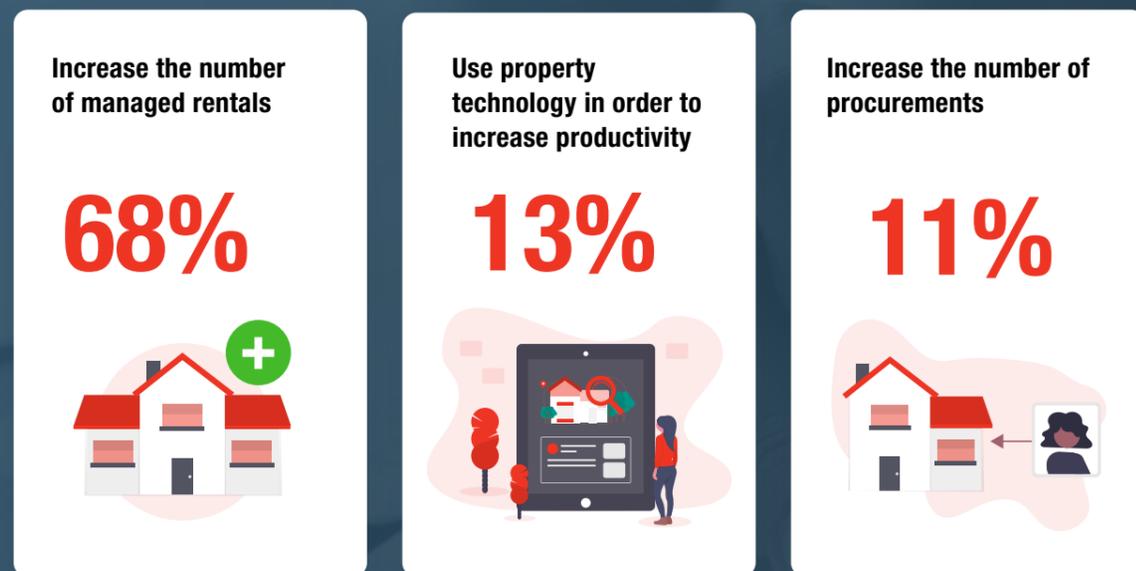


Respondents could select multiple options.

# Business and revenue

Increasing the number of managed rentals was thought the best way to increase revenue by 68% of respondents. And with the right technology and property management systems, this makes perfect sense – as these require only a marginal effort to manage additional properties.

How would you increase revenue in your agency?



A further 11% said that they would rather increase their number of procurements. Just over 13% of respondents thought property technology had the potential to increase productivity, and less than 1% were willing to decrease their employee headcount in order to save on the bottom line.

This shows that business owners may prefer increased volumes to increase revenue, but they also understand technology can be used to empower the workforce to increase productivity and ultimately, profitability.



It is encouraging to see that, even during a difficult year, only 15% of participants considered selling their agency. On the flip side, more than a third considered buying another agency – indicating that there is still value in owning real estate businesses. Of course, buying an agency boils down to increasing the number of rentals managed, which aligns with the preferred method to increase revenue.



# The future of the industry

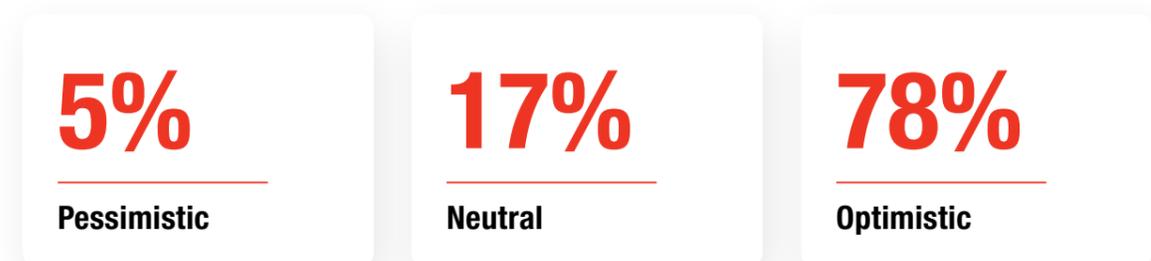
Despite a tough year for many industries – and specifically the rental sector – it is good to see the resilience we’ve witnessed among business owners and agents. Only 9% of respondents said they are unlikely to still be working in the industry in five years.

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



The world today looks very different from little more than a year ago. And it will continue to evolve at a rapid pace. Nevertheless, an overwhelming 78% of survey participants said they are optimistic about the future of the rental industry.

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



# State of the Rental Industry 2020

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.

## Contact details

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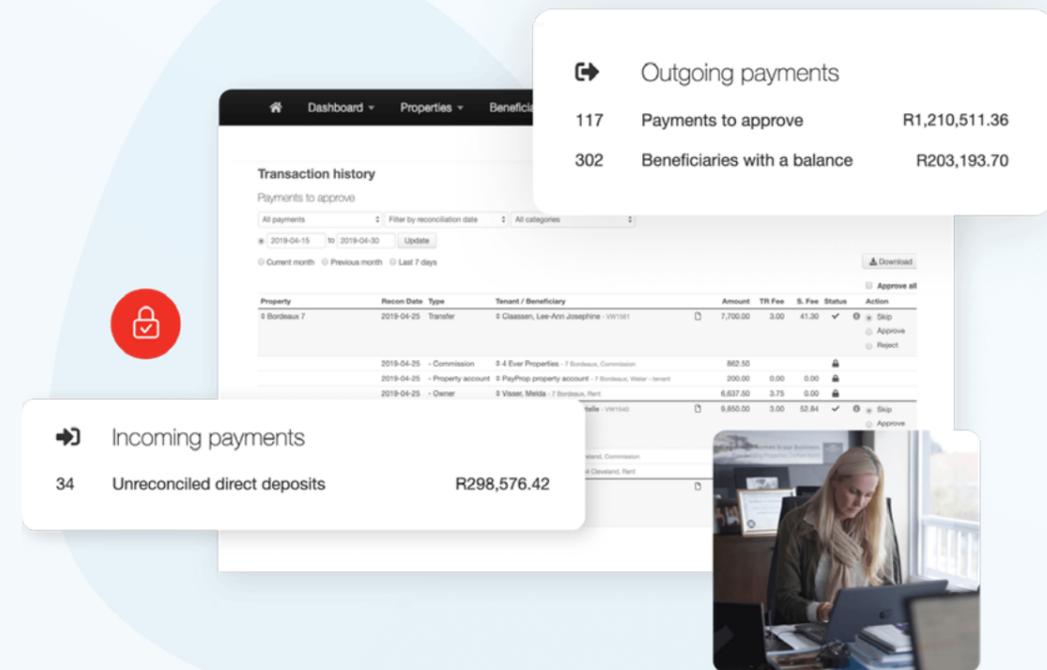
## Join PayProp

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[www.payprop.co.za](http://www.payprop.co.za)

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”



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