

Most property professionals optimistic about future of rental industry - PayProp

According to the fourth annual PayProp State of the Rental Industry Survey, almost 80% of property sector professionals are optimistic about the future of the rental industry. Johette Smuts, head of data analytics at PayProp, says that confidence is slowly returning to the South African real estate sector, as indicated by the falling number of respondents planning to leave the industry.



Johette Smuts, head of data analytics at PayProp

“The number of business owner respondents looking to sell their agencies decreased from 22.0% in 2021 to 16.6% in 2022,” says Smuts. “Real estate professionals weathered substantial challenges over the past three years, but they have stayed the course and are now looking forward to a good year ahead.”

Corroborating this view, PayProp's Rental Index for the first quarter puts national rental growth at the strongest figure recorded since Q4 2017.

Lower than usual rental increases

On the flipside of that hard transactional data, property professionals have been well aware of the affordability difficulties their tenants are facing. More than 40% of respondents indicated that they implemented lower-than-usual rental increases in the past year, with only 19.5% saying that their increases were higher than usual.

Market expectations also indicate that new lease agreements will again have a short market turnaround time this year. Encouragingly, 70.7% of rental agents said that they were able to secure a new tenant in four weeks or less.

Homeownership remains a top priority for tenants, with 50.1% of respondents reporting that tenants are buying properties. This is down from a high of 65.6% the previous year which could be a result of the higher interest rates threatening tenants' ability to secure an affordable mortgage. Affordability is also a major factor for tenants moving to new rented properties: 75.7% of respondents point to affordability as one of the top three reasons for tenants moving home.

Property technology on the rise

Landlords look to property practitioners to improve profitability by securing quality tenants and collecting rent in full and on time. As the survey showed, increasing numbers of property professionals use the support of safe and secure fintech platforms to achieve those priorities. More than 9 out of 10 of respondents agree that property technology is a worthwhile investment for the effective management of rental property portfolios. Added to that, 81% of respondents agree that automation will have a positive impact on their job over the next five years.

But not all property technology is equally effective, and professionals are selective about the platforms they adopt. Their top concern is protecting their clients: 48.1% of respondents ranked the safety of client funds as the number one factor when considering property technology, and over 80% included it in their top three.



Looking forward to the year ahead

When it comes to priorities and expected issues for rental property professionals this year, 44.3% of respondents listed signing more landlords as their main focus. Added to that, more than half of survey respondents listed securing rental properties and placing quality tenants as some of their biggest business challenges at the moment.

Portfolio growth was listed by 51.9% of respondents as one of the items that concerned them in 2023, along with finding quality tenants and the ongoing management of arrears.

Smuts says the profitability of rental property has been under pressure for many years, with higher vacancies and inflation further squeezing the bottom line. “It’s a tough market and almost half of the respondents (45.7%) reported that tenant arrears are higher than usual,” says Smuts.

“While this is concerning, it’s also not entirely surprising considering the high levels of unemployment in South Africa coupled with rising interest rates and increasing inflation.”

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