

Annual PayProp report reveals uptick in residential rental market in Q4 2021

The PayProp Rental Index Annual Market Report for 2021 has revealed that the average residential rent increased by 0.8% year-on-year from R7,854 per month in Q4 2020 to R7,906 in Q4 2021. This compares favourably with year-on-year growth rates of 0.5%, 0.4% and 0.2% observed in the first three quarters of 2021.



Source: www.unsplash.com

PayProp head of data analytics Johette Smuts says it is a promising sign of things to come. “In December, the average rent increased by 1.5% year-on-year (YoY) – the fastest rise since July 2020. Rental growth of 0.3% and 0.6% was recorded in October and November respectively.”

Arrears return to normal range

In 2021, both the percentage of tenants in arrears as well as the average arrears percentage (the percentage they owed in outstanding rental payments) showed consistent improvement. At the end of 2021, only 18.4% of tenants were in arrears, which is even lower than the pre-pandemic level of 19.4% seen in Q1 2020.

Except for a slight increase in Q4, the average arrears percentage improved similarly. “A possible explanation for the Q4 exception could be that tenants held back some of their December rent to afford increased expenses during the festive season,” says Smuts. This metric measured 82.7% in Q4, still above the more normal 78.5% seen in pre-pandemic Q1 2020.



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1 Feb 2022



Consumers advised to watch rising interest rates

Nationally, tenants spent 45.3% of their income on debt repayments in Q4 2021, up from 40% the year before. A further 29% was spent on rent, in line with the position the year before. Overall, this left tenants with 25.7% of their take-home pay as disposable income to cover everyday expenses, down from 30.9% the year before – largely due to increased spending on debt repayments.

Smuts says that the lower interest rate might have given tenants a false sense of financial optimism. “With the lower cost of credit, it might be that the increase in the debt-to-income ratio was due to tenants taking on more debt – something that could soon prove problematic in the rising interest rate environment.”



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31 Jan 2022



Provincial metrics

In Gauteng, rents declined by 2% year-on-year in Q4 2021 – the third consecutive quarter of negative year-on-year growth in the province, and the lowest growth recorded in any province during the quarter. The province dropped from the second most expensive province in Q4 2020 to fourth most expensive in Q4 2021, behind the Western Cape, KwaZulu-Natal, and the Northern Cape. The average rent in Gauteng during the last quarter of 2021 was R8,253, still above the national average of R7,906.



Johette Smuts, head of data analytics, PayProp

Rents in the Western Cape increased by 1.7% from Q4 2020 to Q4 2021, ending with an average rent of R9,413. The Western Cape also outperformed all other provinces in both arrears metrics. Just 15.1% of tenants were in arrears in Q4 2021, down from 17.2% in Q1 and coming in below the 18.4% of tenants nationwide.

In the Free State, 23.7% of tenants were in arrears in Q4, the most out of all the provinces but in line with the pre-pandemic figure of 23.3% in Q1 2020.

There was good news for landlords in KwaZulu-Natal with the average rent in the fourth quarter hitting R8,286, an increase of 1.9% year-on-year. In terms of arrears, 21.8% of tenants in the province were in arrears in Q4 2021, in line with pre-pandemic levels of 21.7%.

Smuts say that whilst 2021 was a challenging year for tenants, landlords and property practitioners alike, it is encouraging to see that rental growth ticked up in the last quarter, showing promise of a stronger performance in 2022. “In addition, tenant financial health seems to be much improved following the

economic shock of Covid-19. However, consumers should be on guard against the rising interest rate, which might leave those with high debt feeling the pinch.”

The full report is available [here](#).