

Affordability tops reason for renting, TPN Tenant Survey reports

According to the latest Tenant Survey by credit bureau TPN, most people rent residential properties for financial reasons, with nearly half indicating that they cannot afford to buy a property.



Source: jcomp via Freepik

According to the latest tenant survey by credit bureau TPN, most people rent residential properties for financial reasons, with nearly half indicating that they cannot afford to buy a property.

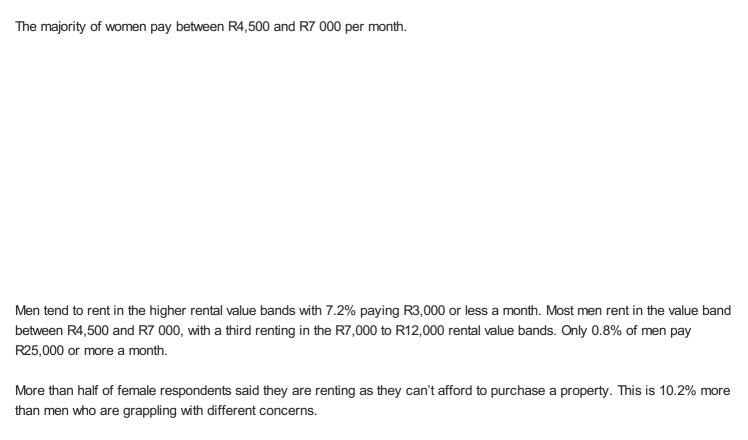
The annual Tenant Survey Report provides the property sector, including property owners and managers, with insights into tenants' needs, wants, aspirations, and challenges, allowing them to enhance their property offerings and better understand future trends based on consumer inputs. More than 170,000 tenants were surveyed, and 19,000 completed responses were received, making the TPN Tenant Survey Report the largest holistic tenant survey in South Africa. Tenant responses were sorted by gender, age, location, and rental value band.

High interest rates, inflation and restricted employment opportunities are having a significant impact on the ability of many people to own their homes. Just short of 10% of respondents said a poor credit record prevented them from becoming a homeowner.

However, people don't only rent because it's all they can afford. More than 17% of respondents rent because they want to have the flexibility to move; 11.4% believe that it is cheaper to rent than to own property; 2.2% don't want to incur debt; 1.8% are motivated by political uncertainty and would, therefore, rather rent than purchase a home, and 0.8% are either in the process of or planning to emigrate.

More women rent than buy

The survey found that women tend to rent in lower rental value bands compared to men with 10.4% of female tenants renting for R3,000 or less per month and only 0.4% paying R25,000 or more per month for their rental accommodation.



Waldo Marcus, Industry Principal at TPN Credit Bureau, an MRI Software company, reveals that men are more preoccupied with South Africa's political uncertainty, are considering or are in the process of emigrating and are struggling more with bad credit records - particularly those aged between 40 and 49 - than their female counterparts. They are also more inclined to believe renting is cheaper than buying property.

"Older respondents are more focused on avoiding debt and being concerned about political stability. Younger respondents, on the other hand, are less concerned about political and financial risk," says Marcus.

Preferred leases: Lower escalations, no deposit

More than a third of respondents (37.8%) said their ideal lease structure and terms included a lower rental escalation, with no deposit requirements, but they are willing to commit to a longer lease period. This kind of lease structure benefits landlords, says Marcus, offering more security, fewer vacancies and a predictable income stream.

"The downside is that it could impact returns. While deposits offer investors and managers some security, they are a barrier for tenants and prospective tenants, especially in the lower rental value bands. Alternative solutions like deposit insurance is a relatively new trend which has appeared in recent years to help tenants and landlords to manage, collect, and provide security deposits."

Slightly less than a third of respondents prefer the more flexible option of a month-to-month lease, highlighting the need for flexibility, which is primarily fueled by economic, social, and political uncertainty.

A more flexible lease option ranks highest in the rental value band between R4,500 and R7,000 but is less attractive amongst tenants renting in the highest rental value bands. The rent-to-own proposition appeals to 26,7% of tenants. What this reveals, says Marcus, is that many people continue to aspire to property ownership. "Property owners therefore need to look at innovative funding models that will appeal to both parties. The upside is that developers can convert tenants into owners based on a property's life cycle and access to capital in the longer term."

Amenities such as collaborative working spaces, communal gardens, and facilities are less of an attraction to tenants than lease flexibility. "Only 3% of respondents identified special amenities as a rental need indicating that a tenant's long and medium-term financial needs are a bigger priority than fringe benefits," says Marcus.

Interestingly, 42% of tenants don't have a specific property type preference as long as the property addresses their feature preferences. Free-standing homes are the preferred option for 20.2% of tenants, followed by sectional title flats and townhouses (both 19%). Clusters in a complex elicited the lowest interest at 18.8%.

Women prefer sectional-titled flats, townhouses, and clusters in a complex to a free-standing house while men prefer free-standing houses, followed by a cluster in a complex, and have the least preference for a sectional title flat or townhouse.

Tenants' primary selection criteria for a rental property are price and security, followed by property size and space. "This highlights the need for property developers and managers to prioritise these aspects in their offerings. This could involve offering competitive rental prices, ensuring top-notch security measures, and providing spacious and well-designed properties," says Marcus. "Financial incentives such as one month's free rental or no deposits, and new, green or eco-friendly developments are not high on the priority list when selecting a new rental property."

Security key in property buying

Security is by far the most crucial feature of a property that tenants intend to purchase, followed by the space and size of the property, the quality of the suburb and proximity to work and school. Property rates and taxes are one of the top six considerations for prospective buyers which, points out Marcus, underscores the high financial impact of rates and taxes on home ownership and the significant role they play in the decision-making process.

Landlords' repair failures trouble tenants

Surprisingly, paying rent is not the biggest challenge facing tenants but rather landlords not attending to repairs and maintenance of the property. Paying rent on time is their second biggest challenge, followed by access to parking and availability of parking; and a lack of control over utility costs.

"The ability to manage utility costs more independently will help investors and managers not only to improve their asset's attractiveness to prospective tenants but also mitigate one of the rental market's top challenges," points out Marcus.

"Understanding tenant preferences is not just about knowing what they want, but about using this knowledge to shape new developments, investment strategies, marketing activity, and resource allocation. This understanding translates into lower vacancies, improved rental growth, and a balanced future demand and supply, making it a practical and valuable tool for any real estate portfolio," concludes Marcus.

For more, visit: https://www.bizcommunity.com