

Top tips to master the pandemic property investment market



By [Shanaaz Trethewey](#)

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Property investment has long had a reputation for being a passive income tool used by the wealthy to become wealthier without much work. However, this is no longer true as the world still actively faces the relentless global pandemic.



Shanaaz Trethewey, CEO of RentMaster

The fact of the matter is that almost two full years in this survival state has changed the property investment game for renters, landlords and developers alike. The reality of shrinking pockets and budgets and ever-increasing expenses has placed immense pressure on us all to really streamline what payments matter most and forego others.

Passive property investment versus active property asset management

Property investment has always been attractive both because it is a physical immovable asset and because the idea of earning income with little effort is irresistible. Especially when over time, you could not only grow and amplify your earnings, but the asset itself could increase in value.

However, with the fluidity with which tenants are moving around the rental market over the last 18 months, it is safe to say that the idea of long term low-maintenance tenants signing lengthy rental agreements is something of a rarity. And by default, with the work involved in continuously securing new tenants, so too is true passive rental income.

Enter the concept of active property asset management. This is a mindset shift that everyone involved in property investment should become comfortable with and refers to taking an active approach to sourcing, vetting, signing, billing and monitoring the payment behaviours of your tenants. These steps are essential to make sure you place quality tenants that can afford your property and to ensure that existing tenants can afford the renewal of their lease agreements.

Stay up to date with data and trends

Relevant economic data, local property trends and tenant behaviour are all essential elements to stay on top of. They will allow you to fairly predict how competitive the property rental market will be and how challenging the rental recovery process will be. They will help you set rental at the right level and are essential to being able to place quality tenants in your property that reliably pay the returns you rely on.

Macro-economic indicators, such as interest rates and inflation rates, in conjunction with property specific indicators - like property vacancy rates and rental rate escalation trends - are also fundamental when we review our expectations regarding returns on our investment for our properties going into 2022.



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Inflation fluctuation

Inflation has increased from a reported 3.27% in 2020 to 4.41% in 2021 with a projected 4.48% in 2022. The impact of this is very real, given that pockets are shrinking whilst costs are growing. Increased maintenance costs, rising utility expenses and municipal levies are all eating into the profit earned by landlords. From a property perspective, investment returns are massively impacted which has resulted in landlords needing to carefully consider how to budget for maintenance and introducing ways to move variable charges - such as electricity - onto the tenants.

The 3% drop in interest rates earlier in 2021 was a welcome relief for many. However, it did mean that many good quality tenants who previously rented became first-time homeowners. This is part of why there are such extreme rising property vacancies and so many landlords on the hunt for quality tenants. In response to this, landlords have to process multiple tenant applications and exercise patience to ensure that they place a quality tenant.

Looking into 2022, monetary policy is going to weigh heavily on the direction of interest rates – and over time, it will be necessary to monitor whether these first-time homeowners will re-enter the rental market.

There was some, if marginal, relief for landlords facing high vacancy rates over recent years as the development of newbuilds significantly slowed in 2021. The previous approximately 25,000 newly developed homes introduced into the market dropped to an estimated 8,000 in 2021.



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Realists will be rewarded

Since 2020, with each change and Covid wave, I have been asked endless variations of what does the rental landscape look like? Where is it headed? What can we expect with regards to rental returns in the coming year?

The reality is that no one truly can predict the future fully and to say that 2022 will be easy would be foolish. Being a realist about how adaptive you need to be in 2022 means staying on top of data, monitoring your renters, planning for the risks that you see in the market and putting in as many contingency plans as you can. In South Africa, we have the privilege of having a tenant profiling credit bureau in the form of TPN Credit Bureau who continues to feed valuable trends and meaningful reports into the market.

We know that marrying consumer behaviour with property data is where the magic lies. It allows landlords to respond quickly and efficiently to changing behaviours but it requires proactivity. All property owners must be actively involved in their property investment to succeed in 2022. By monitoring data – rental property and payment profile data - keeping abreast of the latest inflation and interest rate developments and using this knowledge to inform their decisions.

With an attitude of ongoing monitoring and willingness to adapt, property investors can achieve a flexible yet calculated level of predictability in the face of numerous challenges. It all begins with the mindset to understand that one needs to engage and partner with the right people to get to where you need to. Times have changed – fast action, ongoing monitoring and watching the interplay between all these factors is a full-time job that is fast becoming a necessity for private property landlords and property investors.

ABOUT SHANAAZ TRETHEWEY

Shanaaz Trethewey, CEO of RentMaster, knows first-hand how quickly the rental process can go from a peaceful dream of passive income to a nightmare of debt collection and emotional stress. As a property owner herself, she knows how time-consuming and risky being a landlord is and she is passionate about spearheading RentMaster, which makes tenants and landlords lives harmonious, fair and stress-free.

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