



# TPN Quarter 1 | 2021 Commercial Rental Monitor

**By Michelle Dickens**  
Chief Executive Officer  
TPN Credit Bureau

## In This Edition:

**Page 1:**  
Delinquency Differentiators

**Page 2:**  
Three Billion Rand Rental Relief

**Page 3:**  
Retail tenants primary recipients  
of rental relief

Location, location, location

**Page 4:**  
Rent by Value

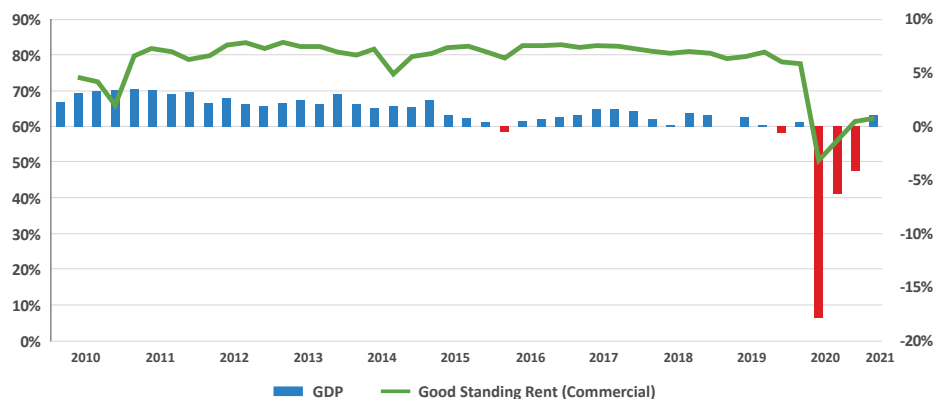
Business Liquidations and  
Business Rescue

**Page 5:**  
Conclusion

**In positive news, GDP is out of the red in 2021, clocking 1.1% growth for the first quarter, after wave 2 rolled through January and the vaccination rollout for health care professionals got underway.**

Commercial tenant recovery ticked up, albeit at a slower pace than the recovery in the second half of 2020. Nationally, commercial tenants in good standing reached 62.5%. The classification of tenants in good standing includes tenants who have paid on time (45.89%), grace payments (4.56%) and paid late (12.07%), effectively their account balance is fully settled and no arrears balance carried forward.

## TPN GOOD STANDING RENT (COMMERCIAL TENANTS) AND GDP



## Delinquency Differentiators

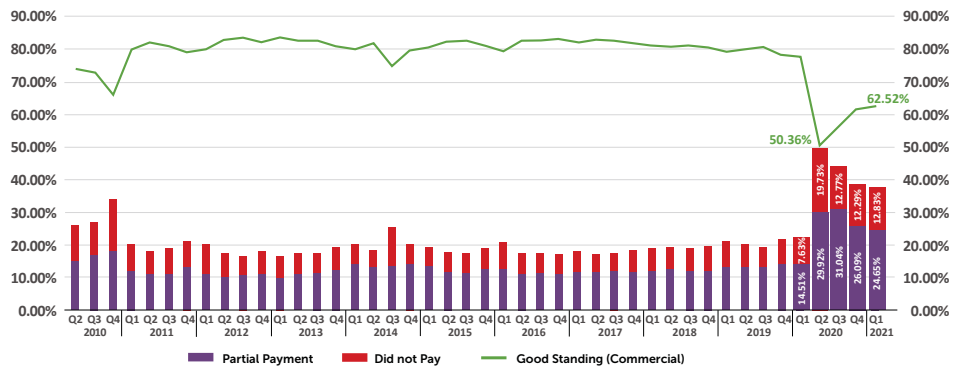
Tenants in the partial paid (24.65%) or did not pay categories (12.83%) are classified as delinquent.

The hard lockdown quarter, Q2 2020, left landlords reeling with one-in-two tenants crashing into delinquency, effectively doubling in number. Severe delinquency, tenants in the did not pay category increasing from 6 to 7% prior to the pandemic, to one-in-five tenants unable to pay, before recovering to 12% of non-paying tenants for the last three quarters. Recovery in the non-payment tenant category seems to have stalled at twelve percent.

Tenants in the partial paid category also doubled in the hard lockdown quarter from 14% prior to the pandemic, to one-in-three tenants unable to make full payment of rent. Recovery for this partial paid segment is more muted as tenants slowly catch-up deferral arrangements, dropping to 26.09% by the end of 2020 with further improvement to 24.65% in the first quarter of 2021.



**TPN** COMMERCIAL TENANT PAYMENT BEHAVIOUR

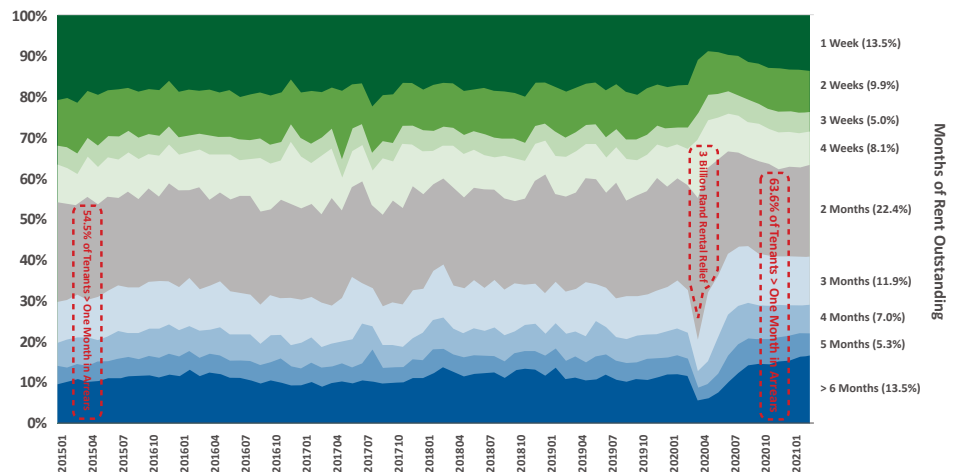


**Three Billion Rand Rental Relief**

Landlords gave a whopping 3 billion rand in rent relief during April to June 2020, significantly reducing the number of tenants who were more than 3 months in arrears with their rent. Fast forward nine months, three billion rand swallowed up and arrears continue to grow.

Managing tenant arrears is an ongoing strategy. With the length of tenant delinquency being significant, landlords will be focused on the 13.5% of delinquent tenants who are now more than 6 months in arrears. Overall, tenants more than two months in arrears have increased from 54.5% to 63.6%; less risky are the 26.4% of delinquent tenants who are less than a month in arrears. This key metric will be important to follow in the coming months to confirm that partial paid tenants are paying down arrears.

**TPN** COMMERCIAL TENANTS GROUPED BY SEVERITY OF ARREARS  
SEVERITY OF RENTAL ARREARS EXPRESSED AS NUMBER OF MONTHS OF RENT OUTSTANDING

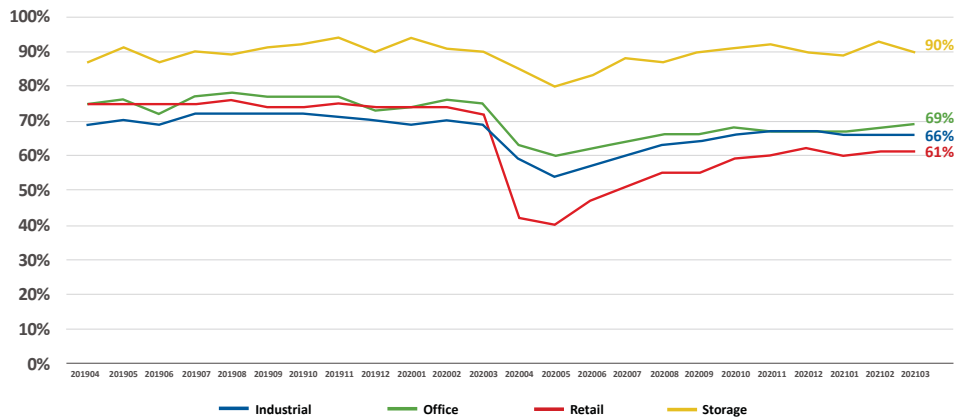




**Retail tenants primary recipients of rental relief**

If the shop is shut, trading stops - as experienced by the majority of small and medium sized retailers last year, driving retail tenant good standing to a mere 40% in May 2020. Recovery has been the most significant for this sector up to 61% for the first quarter of 2021. But still lagging are the industrial and office sectors. Industrial tenants are flat-lining at 66% in good standing, while office tenants are ticking up to 69% of tenants in good standing.

**TPN COMMERCIAL RENTAL GOOD STANDING BY SECTOR**

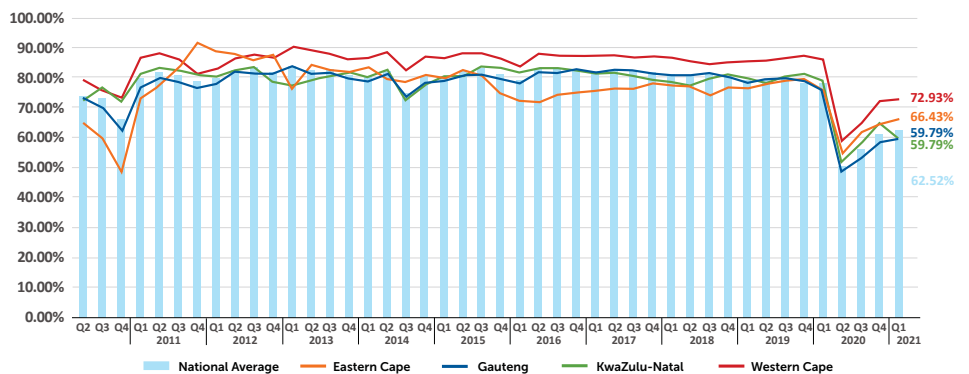


**Location, location, location**

Western Cape is home to the best paying residential tenants with 72.56% in good standing and best performing commercial tenants with 72.92% in good standing.

Gauteng commercial tenants are lagging behind at 59.79% in good standing along with Kwazulu-Natal commercial tenants, who have faltered back down to 59.79%.

**TPN COMMERCIAL RENT GOOD STANDING: BY MAJOR PROVINCE**

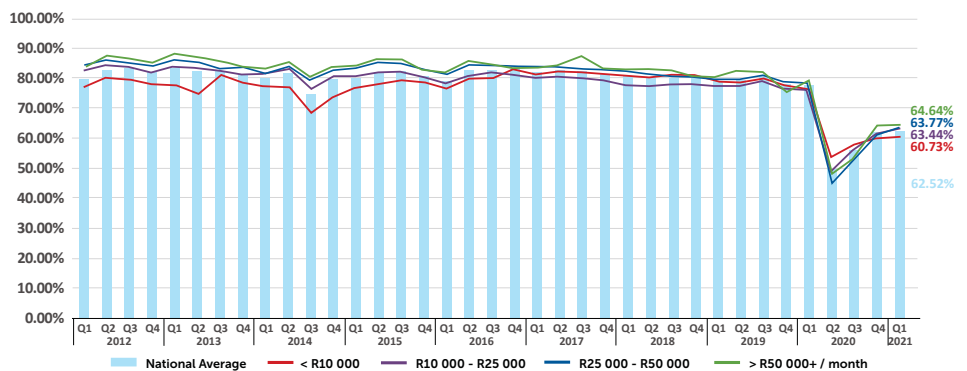




### Rent by Value

Commercial tenants segmented into monthly rental price buckets are equally stressed, with the smaller space below R10,000 per month recording 60.373% in good standing and, commercial tenants paying between R10,000 to R25,000 and those between R25,000 to R50,000, achieving 63.44% and 63.77% respectively. Commercial tenants paying more than R50,000 per month are only slightly better with 64.64% of tenants in good standing.

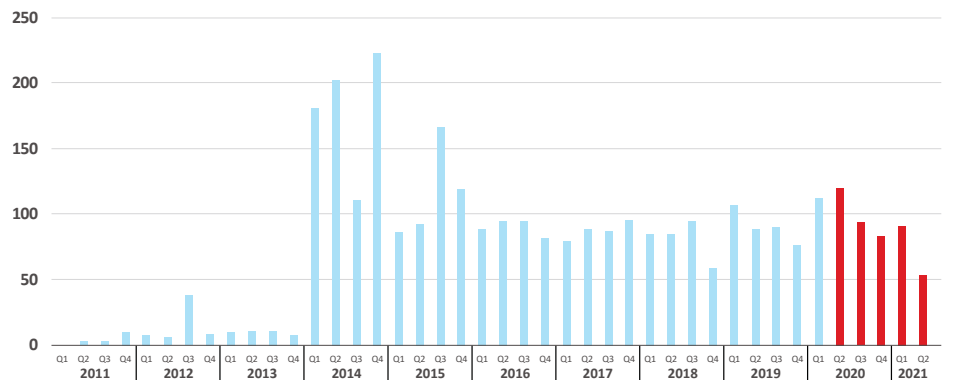
### TPN COMMERCIAL RENT GOOD STANDING: BY RENTAL VALUE BAND



### Business Liquidations and Business Rescue

A total of 3,246 businesses have entered business rescue since the Companies Act provided for this mechanism ten years ago. Initially the uptake was rather muted, only becoming more evident in 2014. For the pandemic period so far, 442 businesses have entered business rescue with the rent often renegotiated as part of the business rescue plan adding additional pressure to the commercial real estate sector.

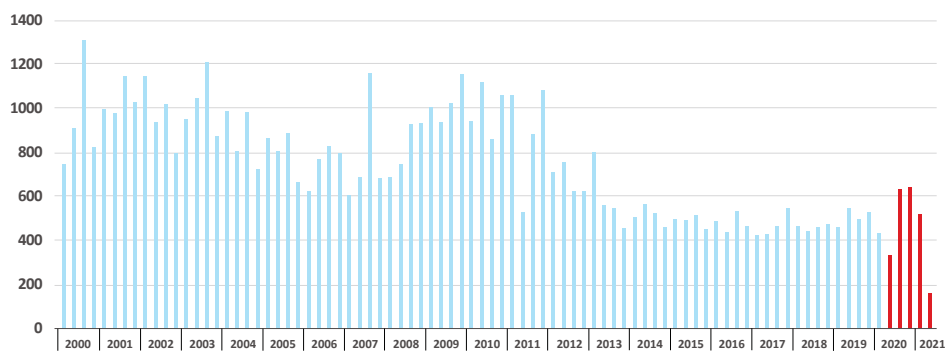
### TPN BUSINESS RESCUE





Unlike business rescue, where business recovery is the objective, business liquidation is the end of the road for a failed business. Business liquidations peaked in 2002/03 and again in the post global financial crisis (GFC) period of 2009. There is another clear spike in liquidations, although given the lag of liquidations post the GFC, more failed businesses in the coming months/quarters, after the pandemic shock to the economy seems very likely. So far, 2,275 failed businesses have liquidated since the shock of the hard lockdown in April 2020.

### TPN BUSINESS LIQUIDATIONS



### Conclusion

Commercial real estate recovery relies on business recovery. Constraints to business productivity as a consequence of work from home, coupled with home schooling as schools remain partially open, particularly in the public school environment, has been significant. Curfews and electricity constraints are additional factors limiting recovery. The broader vaccination rollout to the education market and over fifty age group is certainly a step in the right direction.

Not yet a TPN Commercial LeasePack Client?

