



# TPN Rental Monitor

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## The Impact of Lockdown

Good standing tenants have two important qualities, both a willingness and the ability (affordability) to pay their monthly rent. A good standing tenant settles their rent in full either on time (paid on time) or by the end of the month (paid late).

The full value of the rent includes any balance brought forward, basic rent and additional charges such as utilities, parking and sewerage or refuse removal. A good standing tenant has a zero balance due at the end of the month.

Residential tenants in good standing remained fairly flat at 81.52% for the first quarter of 2020, slightly lower than the 81.88% the previous quarter. The reality is that there has been a slow and steady deterioration of tenants in good standing from the peak of 85.95% in the 2013/4 period.

This slow and steady deterioration of 5.43% over the last 6 years, hardly noticeable in comparison to the overnight drop of 5.19% in good standing in a single month between March and April thanks to the effect of Lockdown. Preliminary data shows an April good standing of 76.33%, May of 71.44% and June currently only 62.43%. An important footnote is that there is still a week left of June collections, and as tenants receive their June salaries, many will make late payments pushing the June good standing up.

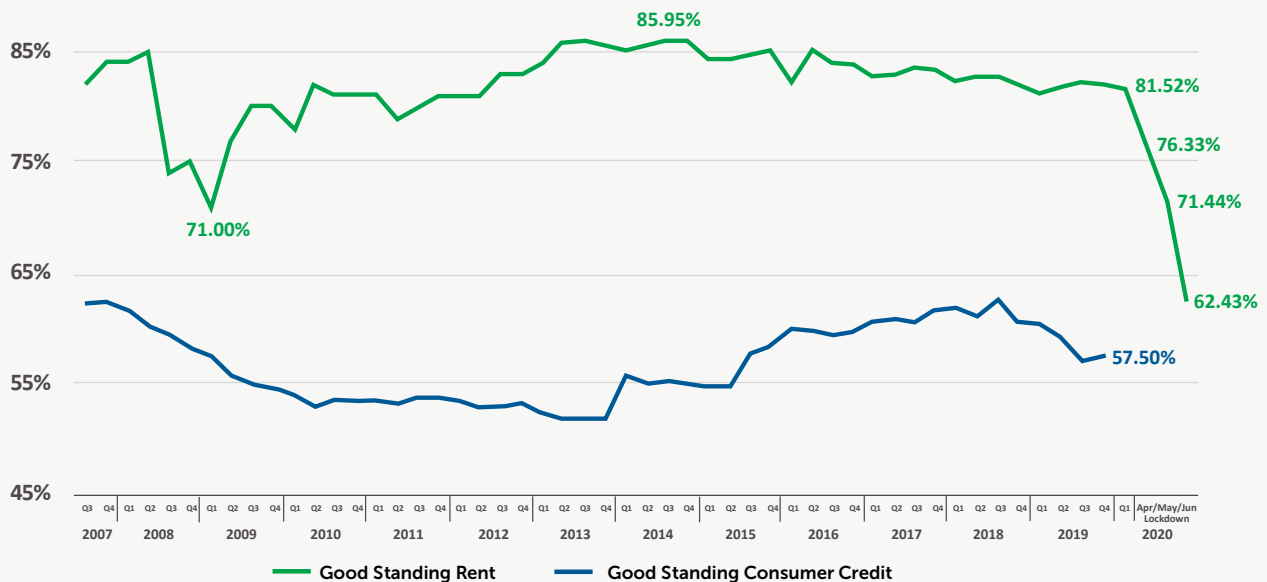
The impact of lockdown has mostly affected tenants' ability to pay as many tenants suffered partial, temporary or full loss of earnings. Compassionate landlords offered rental discounts, deferments or deposit utilisation agreements which undeniably prevented the good standing ratio from bottoming out at levels below the Global Financial Crises of 71%.

**By Michelle Dickens**  
Managing Director  
TPN Credit Bureau



This time round recovery will be slower as tenants will face the coming months needing to cover their basic rental plus top-up deposit and deferred rent catch-up payments.

**TPN GOOD STANDING: RENT VS CONSUMER CREDIT**



**Summary by Rental Value**

The entry level rentals, those tenants paying less than R3,000 rent per month have suffered the worst deterioration from 81.95% in 2014 to 69.23% in quarter 1 of 2020. This vulnerable segment of the market is most likely to be the hardest hit in lockdown, with many tenants opting to vacate early resulting in the post-lockdown vacancy rate popping up to 10.9%. Escalations flat at 2.79% will come under severe pressure possibly even experiencing rental price deflation.

The affordable market, tenants paying between R3,000 to R7,000 per month boasting the biggest market share at 54% of all tenants maintaining a good standing of 82.39% clinging to above the national average and also suffering an increase in post-lockdown vacancies of 9.2%. Current escalations of 2.74% will come under pressure but due to the high market demand, landlords should be able to maintain current rental prices.



The “sweet spot” of R7,000 to R12,000 holding on to best performing tenant segmentation with 86.30% of tenants in good standing and probably the least affected segment of the market during lockdown, reflected in the post-lockdown vacancy rate of 8.6%. Escalations at 3.11% might not be badly affected due to tenants in the higher rental values needing to downscale into this attractive R7,000 to R12,000 segment.

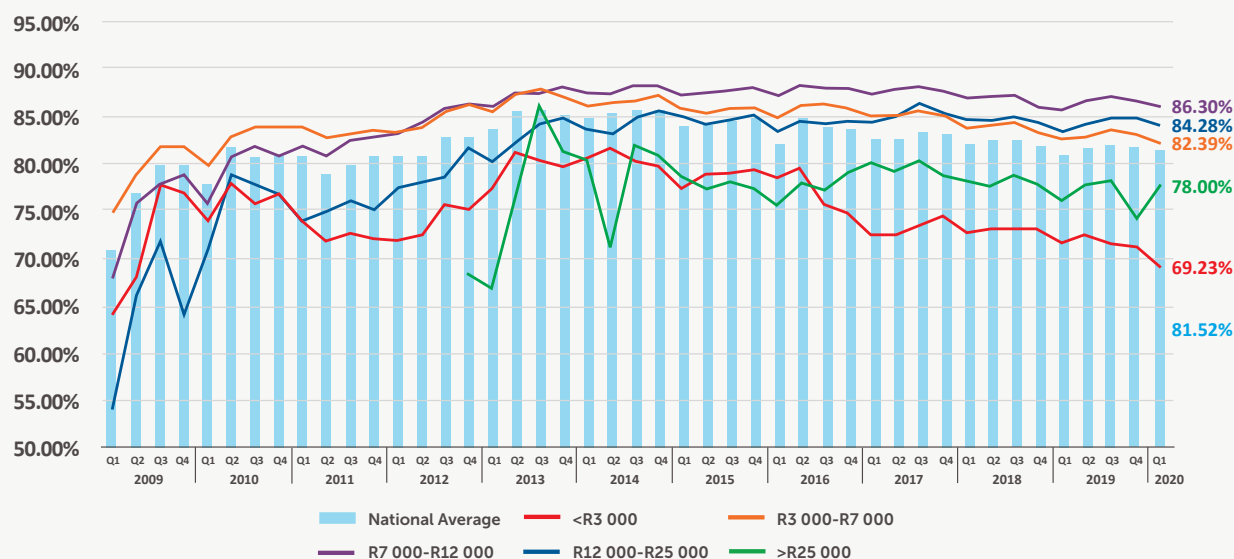
Only 7.6% of tenants rent between R12,000 to R25,000 but these tenants traditionally pay well with 84.28% in good standing. Post-lockdown affordability might be a reality as expressed in the vacancy rate of 11.3%.

In the luxury market, tenants fork out more than R25,000 per month, but only 78% manage to stay in good standing, and that’s pre-lockdown. While the rental values are high, the market share is low, with only 1.8% of tenants able to live it up in luxury.

**TPN RENTAL GOOD STANDING: BY RENT VALUE**

2020 Q1	Paid on Time	Grace Period	Paid Late	Partial Payment	Did not Pay	Good Standing	National Average	Market Share
< R3,000	52.89%	4.91%	11.43%	14.78%	16.00%	69.23%	81.52%	14.2%
R3,000 - R7,000	64.68%	5.11%	12.60%	11.79%	5.82%	82.39%	81.52%	54.8%
R3,000 - R4,500	60.04%	5.57%	13.94%	13.11%	7.33%	79.55%	81.52%	19.0%
R4,500 - R7,000	67.14%	4.87%	11.89%	11.08%	5.02%	83.90%	81.52%	35.80%
R7,000 - R12,000	72.18%	4.20%	9.92%	9.20%	4.49%	86.30%	81.52%	20.8%
R12,000 - R25,000	67.86%	5.00%	11.42%	10.38%	5.34%	84.28%	81.52%	6.7%
> R25,000	55.83%	7.70%	14.47%	15.26%	6.73%	78.00%	81.52%	1.7%

**TPN RENTAL GOOD STANDING BY RENT VALUE**





**Summary by Area**

Western Cape and Eastern Cape continue their command of best performing provinces at 86.88% and 87.19% respectively.

Western Cape also benefiting as the province with the lowest post-lockdown vacancy rate of 8%. Escalations of 3.46% having flattened out in the last year off a high of 9.5%.

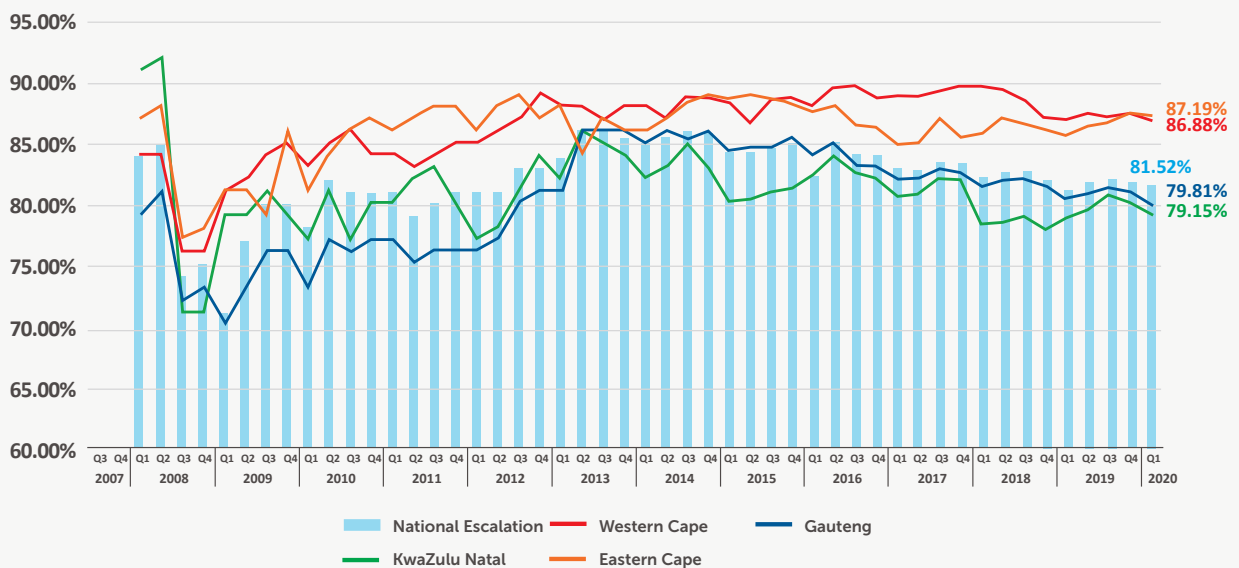
Eastern Cape on the other hand, now the province with the highest post-lockdown vacancies at 10.2% which will no doubt drive down escalations currently at 4%, the highest of all the provinces.

Meanwhile Gauteng and Kwazulu Natal trending downwards even before lockdown hit, with 79.81% and 79.15% respectively.

**TPN GOOD STANDING: RENT BY PROVINCE**

2020 Q1	Paid on Time	Grace Period	Paid Late	Partial Payment	Did not Pay	Good Standing	National Average
Eastern Cape	72.63%	4.04%	10.52%	8.84%	3.98%	87.19%	81.52%
Free State	62.72%	4.41%	12.81%	13.44%	6.62%	79.94%	81.52%
Gauteng	61.79%	5.40%	12.62%	12.40%	7.79%	79.81%	81.52%
Kwazulu Natal	63.51%	4.23%	11.41%	11.90%	8.95%	79.15%	81.52%
Limpopo	61.36%	5.39%	16.44%	9.92%	6.88%	83.19%	81.52%
Mpumalanga	66.24%	5.17%	11.94%	11.17%	5.49%	83.35%	81.52%
Northern Cape	70.13%	4.87%	11.04%	9.15%	4.81%	86.04%	81.52%
North West	58.82%	4.52%	13.49%	14.88%	8.29%	76.83%	81.52%
Western Cape	74.85%	3.73%	8.30%	8.78%	4.34%	86.88%	81.52%

**TPN RENTAL GOOD STANDING BY PROVINCE**

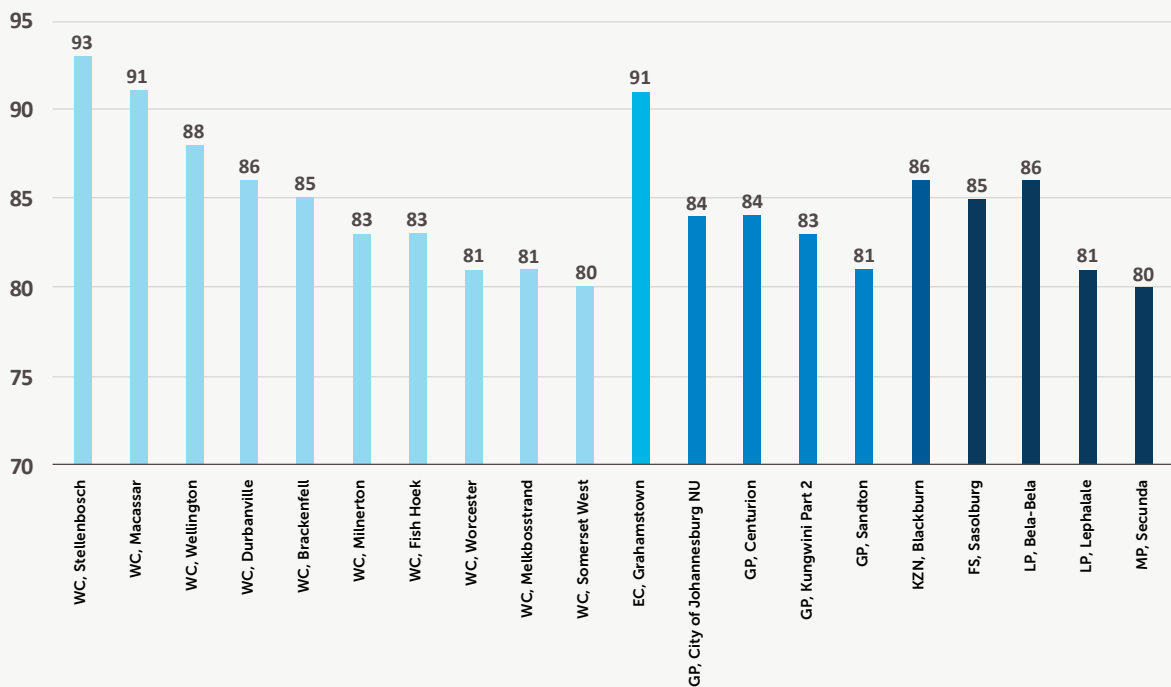




**Good Standing - Top Performing Suburbs during Lockdown**

A reminder that lockdown did not affect all towns equally, in fact only 20 towns managed to maintain a good standing rate above eighty percent.

**TPN LOCKDOWN GOOD STANDING**



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