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TPN Rental Monitor

Good news for landlords – paying your rent remains a top priority

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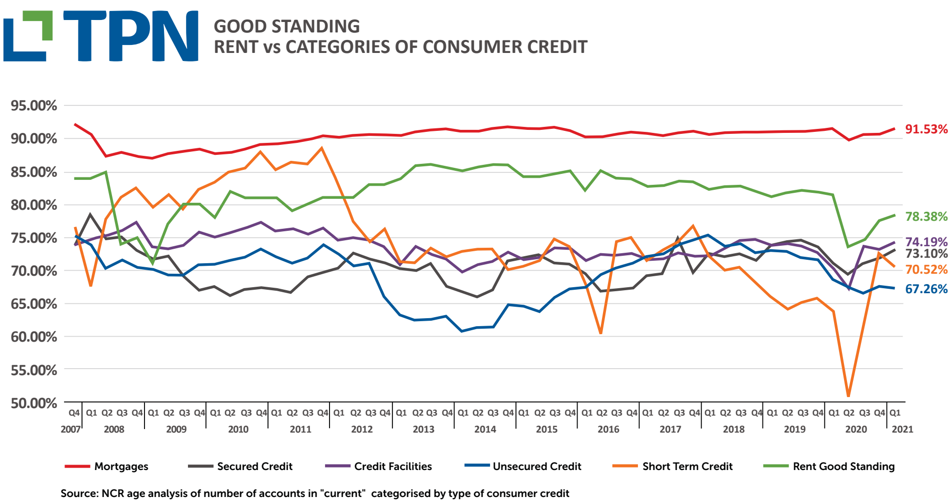
Both monthly mortgages and rental payments held tight to their number one position at the top of the pile of priority of payments. Not one category of consumer credit was spared in the hard lockdown as jobs were lost and income slashed. Most notably, short term credit took the biggest brunt of delinquency, dropping to the lowest level on record to only 50.59% of accounts paid in "current" terms, but recovering quickly the following quarter to back to over 70%.



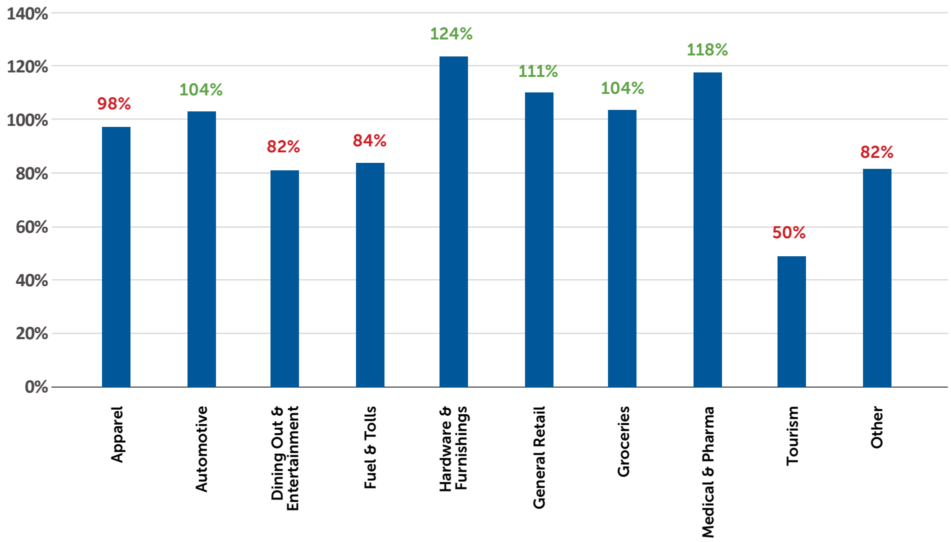
Credit facilities are a critical line of credit for consumers, given that two thirds of all credit agreements are granted for this category of credit - credit cards, store cards and bank overdrafts became a lifeline when income and jobs were at risk. Noticeably, consumers did reprioritise credit facilities to higher up the payment ranking with 74.19% of these agreements in "current" payment terms.

FNB card transactions highlights important insight into how consumer spending shifted year on year over the pandemic. Obliged to work from home, consumer spending on hardware and furnishings increased to 124% from January 2020 to 2021. Not surprisingly, medical and pharma spend also increased to 118% year on year. General retail is also up 111% year on year. Spend on groceries, automotive and apparel remained fairly flat at 104%, 104% and 98% respectively.[1]

FNB card transactions also highlight industries which suffered the biggest loss of spending with tourism down to only 50% of year on year value, dining out and entertainment as well as fuels and tolls spend down to 82% and 84% from the previous year.

[1] FNB Commercial Property Broker Survey by John Loos, 23 March 2021

JANUARY 2021 FNB CARD SPEND BY INDUSTRY EXPRESSED AS A PERCENTAGE OF JANUARY 2020 LEVEL OF CARD SPEND

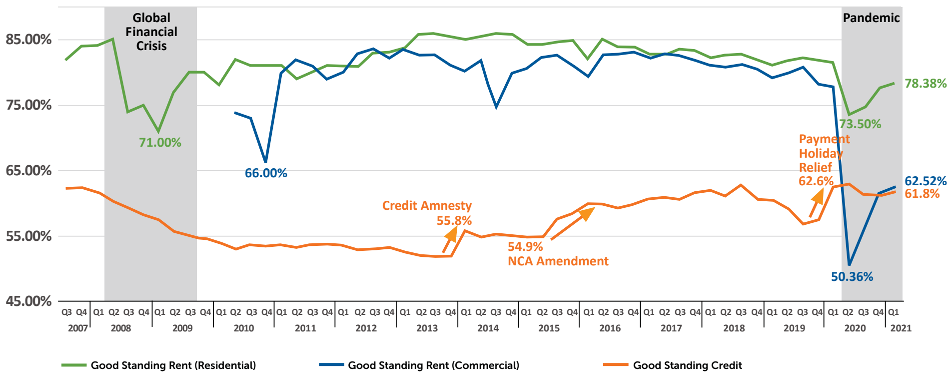


Rental Relief and Payment Holidays

Job losses and income vulnerability was the catalyst that sparked industry wide rental relief and payment holiday customer support.

In the period leading up to the pandemic, consumers in good standing on the credit bureaus were in decline, dropping to 57.1% in 2019. Payment holidays (rolled out in 2020 and which were recorded on the credit bureaus without adversely affecting consumer credit profiles) had the effect of actually improving the number of consumers in good standing to 62.6%. Payment holidays were only ever a short-term relief and consumer good standing has again started to slide, ending at 61.8% in Q1 of 2021.

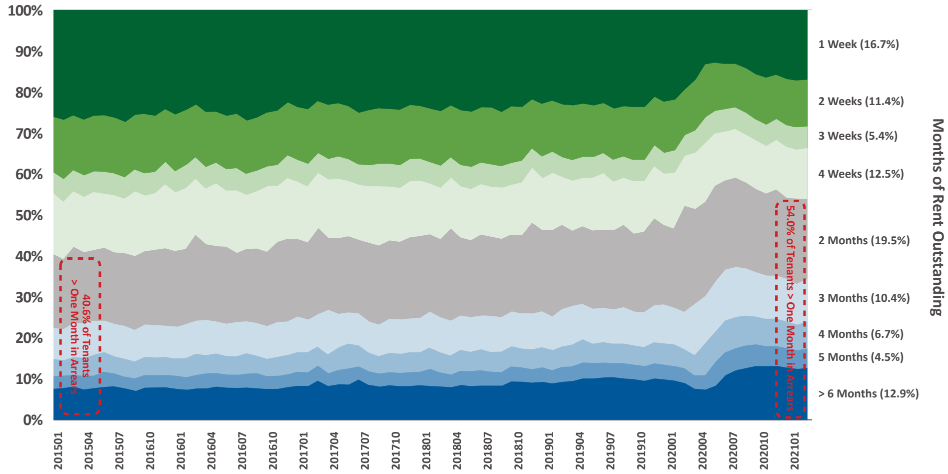
TPN GOOD STANDING RENT vs CREDIT



Rental relief provided by residential landlords reflected in the age analysis of arrears, there is a visible turnaround of tenants more than three months in arrears. Similarly to consumer credit, rental relief was a short term solution to assist tenants who had lost some or all of their income during a period where they were restricted from moving.

As soon as the restriction of movement was lifted in May 2020, TPN data clearly indicates how tenant arrears shot up in value to new records. 13% of tenants in arrears now more than 6 months behind on rent - all the while, still in occupation of the property.

RESIDENTIAL TENANTS GROUPED BY SEVERITY OF ARREARS
SEVERITY OF RENTAL ARREARS EXPRESSED AS NUMBER OF MONTHS OF RENT OUTSTANDING

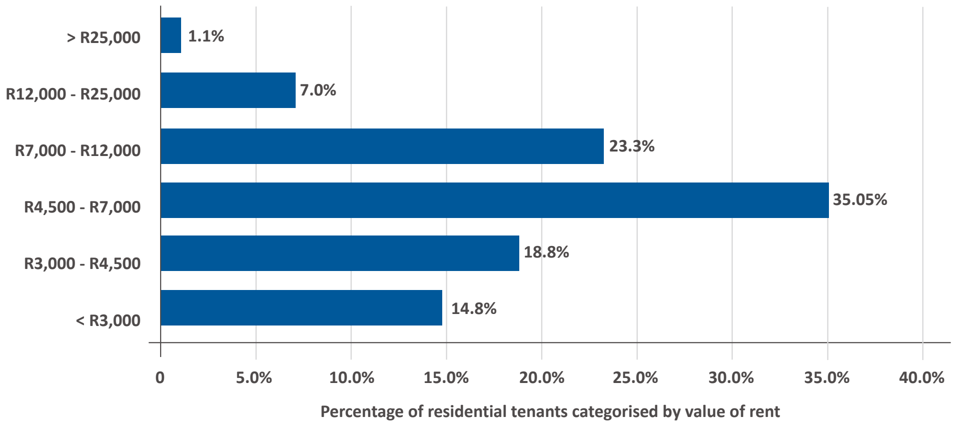


Rent by Value

Two in three tenants rent for less than R7,000 per month.

Rental properties in the affordable range of R4,500 to R7,000 being the most popular with one in three tenants occupying this space.

RENTAL DISTRIBUTION BY VALUE (2021 Q1)



As we have come to expect in the low end of the market, rentals below R3,000 per month remain under pressure with 65.73% of tenants in good standing. In fact, a very significant 17.76% are unable to make any contribution to rental payment and occupy the "did not pay" payment category.

The sweet spot, R7,000 – R12,000 rental per month, has grown to 23.3% market share, and landlords will be happy with the 84.37% of tenants in good standing, a mere 4.86% who were unable to make any payment at all.

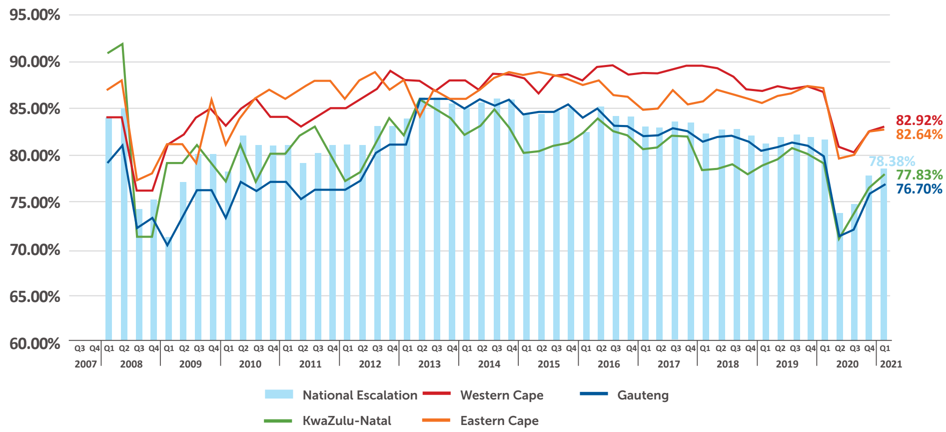
RENTAL GOOD STANDING: BY RENT VALUE

2021 Q1	Paid on Time	Grace Period	Paid Late	Partial Payment	Did not Pay	Good Standing	National Average	Market Share
< R3,000	51.46%	3.65%	10.62%	16.52%	17.76%	65.73%	78.38%	14.8%
R3,000 - R7,000	64.63%	3.37%	10.61%	14.85%	6.55%	78.61%	78.38%	53.8%
R3,000 - R4,500	*60.10%*	*3.76%*	*11.63%*	*16.70%*	*7.80%*	*75.49%*	*78.38%*	*18.8%*
R4,500 - R7,000	*67.05%*	*3.16%*	*10.06%*	*13.85%*	*5.87%*	*80.27%*	*78.38%*	*35.1%*
R7,000 - R12,000	72.78%	2.93%	8.66%	10.76%	4.86%	84.37%	78.38%	23.3%
R12,000 - R25,000	70.67%	3.44%	9.70%	11.26%	4.93%	83.81%	78.38%	7.0%
> R25,000	56.88%	5.45%	13.35%	15.87%	8.44%	75.68%	78.38%	1.1%

Performance by Province

Nationally, the Western Cape and Eastern Cape remain the top tenants, with 82.92% and 82.64% of tenants in good standing for the first quarter in 2021. Gauteng and KwaZulu-Natal are still struggling below the national average with 76.7% and 77.83% of tenants in good standing respectively.

RENTAL GOOD STANDING BY PROVINCE



Conclusion

Consumers are cautious as income remains under pressure. Although some jobs returned to the market in the last quarter of 2020 and the first quarter of 2021, the net effect of unemployment continues to be the highest on record. Nonetheless, the return to positive GDP growth to kick off 2021 provides a glimmer of hope that is desperately needed.