



# TPN Vacancy Survey

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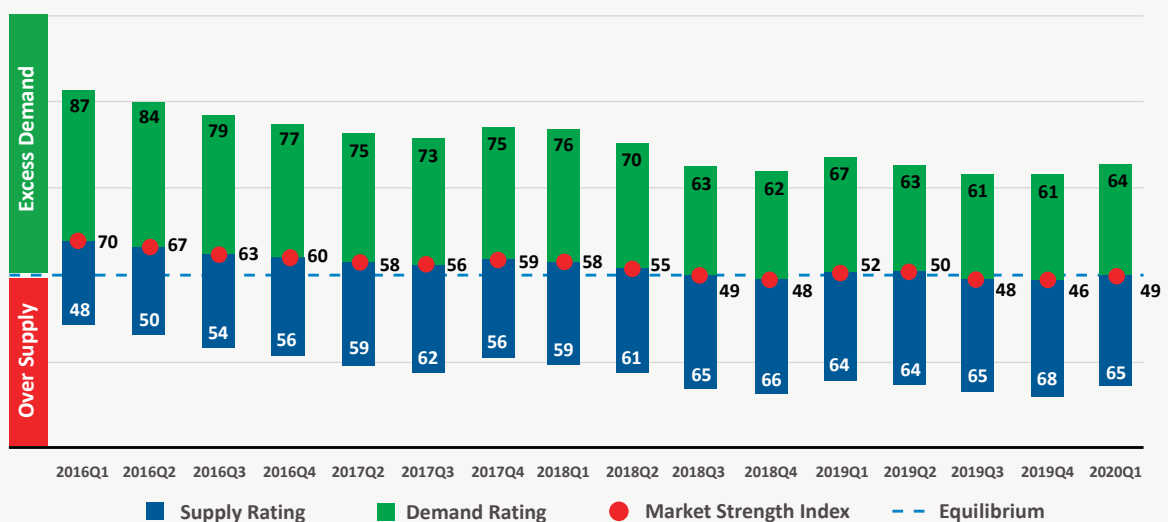
## A near perfect equilibrium

To gauge the strength of the residential rental market, the TPN estate agent and landlord survey asked respondents to rate supply and demand in their area.

Respondents simply indicate whether demand is strong (100), average (50) or weak (0). And whether supply is strong (00), average (50) or weak (0), the data is aggregated to provide a Demand Rating and Supply Rating. This difference is the Market Strength Index where a result of 50 would suggest a market in equilibrium.

For the first quarter of 2020, the TPN Vacancy Survey indicates a National Market Strength Index of 49.14, a residential market performing a near perfect equilibrium.

### TPN RENTAL MARKET STRENGTH INDEX NATIONAL



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The Market Strength Index is derived from estate agents and landlords perception of demand, with a Demand Rating of 63.56 indicating above average demand for residential property. And the perception of supply of residential rental stock, with a Supply Rating of 65.28.

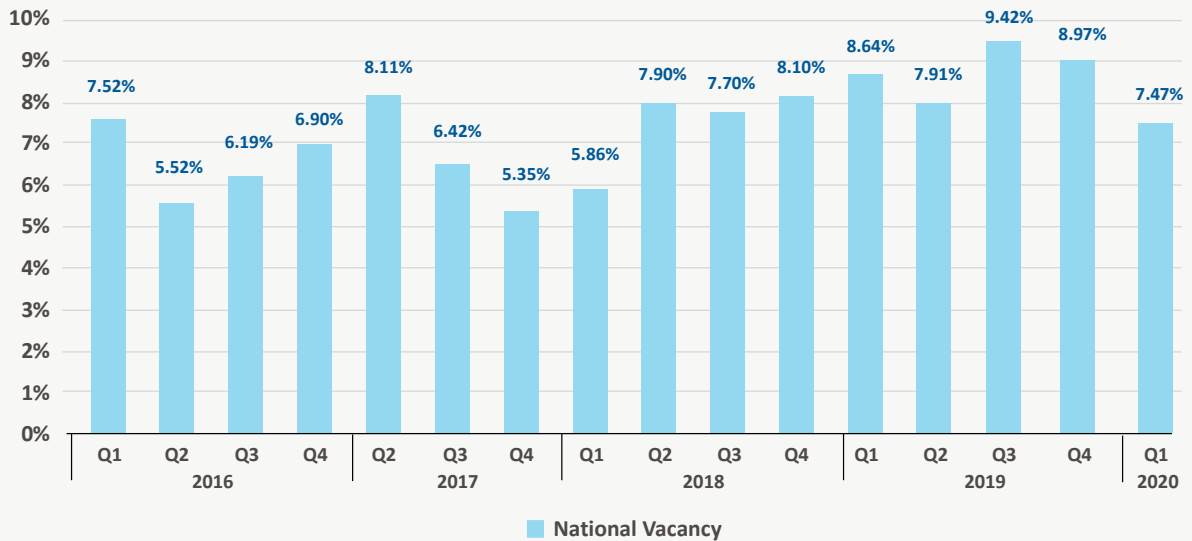


### National Vacancy Rate

Landlords will enjoy the declining vacancy rate of 7.47% for 2020 Q1. Vacancies peaked at 9.72% two quarters previously. No doubt the low escalations of 2.94% have helped secure tenants for longer occupation in existing properties.

Tenants are particularly price sensitive as revealed in the TPN Tenant Survey which indicated that the majority of tenants “choose” to rent because they cannot afford to buy.

## TPN VACANCY RATE NATIONAL



Most importantly, tenants shared their top criteria when looking for rental accommodation: 50% of tenants noted price as the primary factor, the second most important factor is security (30%) with pet friendly accommodation coming in third, space/property size and distance to work were the fourth and fifth preferred factors respectively.



### Summary by Province

#### Eastern Cape

On paper Eastern Cape ticks all the right boxes, this province has surpassed Western Cape to take top honours as the best performing province for rent collection with a rental good standing of 87.2%. With a market strength of 62.32 there is significantly more demand than supply which is driving down vacancies to the lowest in the country at 5.9% and pushing up escalations, the highest in the country at 4%.

#### Western Cape

Although Western Cape has continued to struggle with an oversupply of residential rental property the Market Strength Index has improved to 46.53 from 43.13 the previous quarter. It is still a tenant’s market, vacancy rates have only improved slightly to 6.16% from 7.55% the previous quarter. And escalations have remained fairly flat at 3.46%. Importantly, landlords can feel confident in knowing these tenants continued their excellent track record with 86.9% of tenants in good standing.

#### Gauteng

Gauteng tenants are also spoiled for choice, the number of new developments resulted in a low point of 42.45 for the Market Strength Index in 2019 Q3, with the current slowdown in new developments, the Market Strength Index has recovered slightly to 46.35. The glut of property stock means the continued trend of low escalations 2.33% and a vacancy rate of 7.69% although landlords will be pleased with the improvement from 9.51% in the previous quarter. Unfortunately, Gauteng tenants continue to struggle with rental payment as indicated by a tenant good standing of 79.8%.

## TPN SUMMARY BY PROVINCE (2020 Q1)

Province	Good Standing	Vacancy Rate	Escalation	Market Strength
National	81.5%	7.5%	2.8%	49.14
Eastern Cape	87.2%	5.9%	4.0%	67.32
Gauteng	79.8%	7.7%	2.3%	46.91
Kwazulu Natal	79.2%	6.1%	3.6%	49.14
Western Cape	86.9%	6.2%	3.5%	46.53
Smaller 5	80.8%	9.1%	2.8%	57.08



### Summary by Province

#### Kawzulu Natal

Not the worst province to collect rent from, that would be the Free State (tenant good standing 76.83%). Kwazulu Natal is the second most challenging province for rent collection, with a tenant good standing of 79.15%. For the first time this province’s Market Strength Index has dipped below equilibrium (50) to 49.14. Vacancies continue to hover around 6.06% and escalations around 3.64%.

### Summary by Rental Value

## TPN SUMMARY BY VALUE BAND (2020 Q1)

Value	Good Standing	Vacancy Rate	Escalation	Market Strength	Market Share
National	81.5%	7.5%	2.8%	49.14	100.0%
<R3,000	69.2%	8.3%	2.3%	53.19	14.0%
R3,000 - R7,000	82.4%	7.7%	2.8%	53.54	53.8%
R3,000 - R4,500	79.6%	7.4%		53.00	
R4,500 - R7,000	83.9%	7.8%		50.46	
R7,000 - R12,000	86.3%	6.2%	3.1%	47.55	22.9%
R12,000 - R25,000	84.3%	10.1%	2.4%	46.89	7.6%
>R25,000	78.0%	16.2%		46.50	1.8%

#### Rent per month: less than R3,000

Don’t let the Market Strength Index of 53.19 fool you, there is pent up demand in this segment of the market but the quality of tenants are high risk. Dipping below seventy percent for the first time, only 69.2% of tenants are in good standing. A vacancy rate of 8.3% indicates landlords still prefer a vacant unit than a risky tenant. And these tenants are also highly price sensitive keeping escalations the lowest in the sector at 2.3%.

#### Rent per month: R3,000 – R7,000

Market share dominates here, 53.8% of tenants rent for between R3,000 to R7,000 per month. Market Strength Index of 53.54 confirms more tenant demand than available supply. Vacancy rates hover around market average at 7.7% and so does escalation at 2.8%. The tenant good standing of 82.4% also tracking slightly above market average.



## Summary by Rental Value

It is important to note that TPN has observed that this category of tenants has split, with the R3,000 to R4,500 tenants performing worse than the R4,500 to R7,000 segment.

### Rent per month: R7,000 – R12,000

This segment has slowly been growing in market share to 22.9%. Although the Market Strength Index of 47.55 does indicate slight oversupply. Vacancies remain relatively low at 6.2% and escalations are above market average at 3.1%. But most importantly, this segment of the market is the best performing in terms of rent collection with a tenant good standing of 86.3%.

### Rent per month: R12,000 – R25,000

Not to be confused with luxury rental properties over R25,000 per month, in which tenants are the second worst performing in terms of rent collection (good standing of 78%), tenants in the R12,000 to R25,000 category are the second best payers with a tenant good standing of 84.3%. But landlords will suffer high vacancies at 10.1% albeit not as bad as the luxury tenant above R25,000 vacancy rate of 16.2%.

## Conclusion

This survey was conducted the month before the National State of Disaster was declared. Tenants were restricted from moving which severely impacted the 1st of April relocation of tenants. Although the restriction on tenant relocation was partially lifted on the 1st of May, it was only on the 7th of May that all relocation restrictions were removed. There is no doubt that this will have long term impact on the recovery of the residential rental market, driving down tenant good standing in the short term and limiting escalations as tenants look to downscale.