

# Rental Payment Monitor

## Remarkable payment behaviour

Quarter 3 2012

Viewed against the backdrop of deteriorating consumer credit and a potential unsecured credit bubble, with house values declining in real terms and slower than expected GDP growth, it is surprising to note that residential tenants' payment behaviour firmed during Q3 2012. Tenants in good standing improved to 83% - an improvement of 2% from Q2, which had remained flat along with the previous 3 consecutive quarters. "Tenants in good standing" is based on tenants in the Paid on Time category (71%) and the Paid Late (12%) category. One would have to go back to late 2007 and early 2008 to see rental payment performance at such good levels.

Further analysis of rental payment behaviour by value and province showed improvement across all sub-categories, as well as confirming the rating order has remained intact. Tenants at the lower end of the market (Rent below R3000 pm) remain the most unreliable, followed by the top end (Rent above R12000 pm) with the middle categories faring best (R3000 – R7000 and R7000 – R12000)

Eastern Cape (89%) and Western Cape (87%) continue to record above average collections; Mpumalanga (89%) and Limpopo (85%) similarly reflect quality tenants. However, Gauteng (80%) and Kwazulu Natal (81%) continued to perform below average.

Average rent	R	%
	2007 Q4	4143
2008 Q4	4400	6.20%
2009 Q4	4629	5.20%
2010 Q4	4640	0.24%
2011 Q4	4782	3.06%



## Credit may influence performance

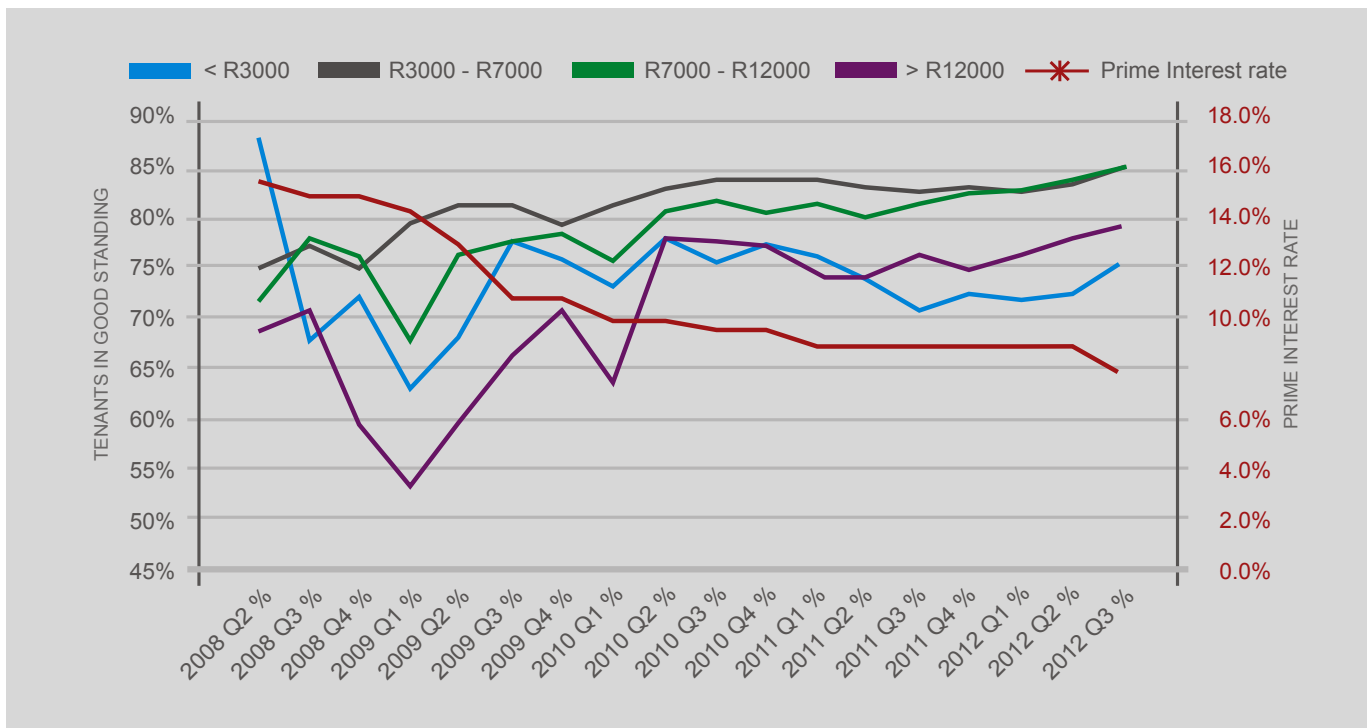
Another significant observation can be made from the provincial Did not Pay categories: Eastern Cape (6%), Western Cape (6%), Mpumalanga (5%), Limpopo (5%) vs. Gauteng (11%) and Kwazulu Natal (12%). This indicates that effectively Gauteng and Kwazulu Natal tenants are twice as likely to skip a month's rent. One of the reasons identified by TPN as a possible explanation for these provincial payment trends was suggested by looking at overall credit granted to the population per province: Gauteng appears to be the most heavily indebted at a factor 3.95, with Eastern Cape and Limpopo the least in debt at a factor 1.03 and 0.77 respectively.

TPN has also observed the national average rental price is once again achieving double digit escalations at 10.36% year on year. Nationally the average rental is R5102, while Mpumalanga has the highest average rentals at R5590, Western Cape R5343, Gauteng R5226, Limpopo R5003, Kwazulu Natal R4829 and Eastern Cape R4328.

	Paid on Time	Paid Late	Partial Payment	Did not Pay	Good Standing	Improve/Decline	Average
Western Cape	78%	9%	7%	6%	87%	1%	83%
Gauteng	67%	13%	9%	11%	80%	3%	83%
Kwazulu Natal	66%	15%	7%	12%	81%	3%	83%
Eastern Cape	79%	10%	5%	6%	89%	1%	83%
Mpumalanga	76%	13%	6%	5%	89%	3%	83%
Limpopo	71%	14%	10%	5%	85%	0%	83%

## Census 2011 observations

With the release of Census 2011 data, the industry has greater clarity on the number of households living in owner occupied vs. rented accommodation. Of South Africa's 14,450 million households 3,612 million (25%) reside in rented accommodation. 77.6% of these 14.450 million households live in formal dwellings. From a provincial perspective Gauteng and the Western Cape have the highest proportion of rented tenure at 37.1% and 28.9% while only 14.9% and 12.6% of households live in rented accommodation in Eastern Cape and Limpopo.



## Conclusion

Overall, Q3 2012 saw tenants improve their rental payment performance in all categories: across rental value brackets and regionally. The 50 basis point drop in prime interest may have offered a small amount relief, but the increase in unsecured lending of 36.12% y-o-y and credit facilities of 43.14% y-o-y raises the concern that tenants are using credit to pay for monthly living expenses, which of course is unsustainable.

Note: Due to rounding, the displayed totals in the tables do not always match the sum of the displayed rows or columns