



TPN Vacancy Survey

No income, no tenants.

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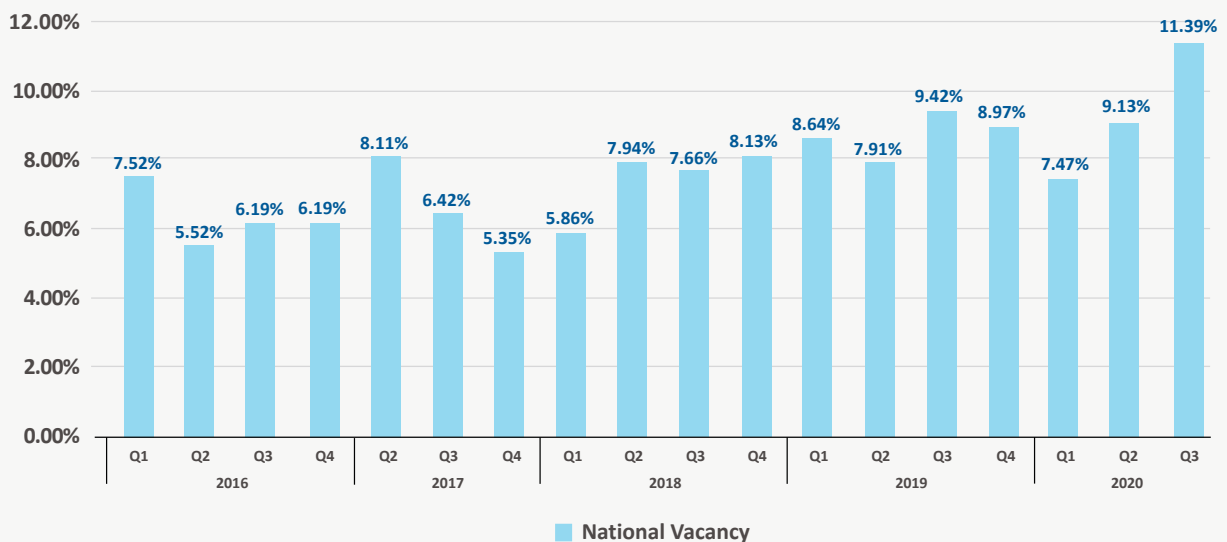
Vacancies hit 11.39% in quarter 3 of 2020, noticeably up from 9.13% in the “hard-lockdown quarter” Q2 and 7.47% in Q1.

To quote the BankservAfrica Take-home Index, *“the number of take-home monthly payments in June 2020 decreased by -20.7% on a year ago... It is possible that a fifth of employees in the private sector did not receive a salary in June 2020.”*

Now more than ever, a vacant property is preferable to a squatting tenant. “Lockdown” Regulations have dramatically suspended landlords’ rights to execute on their eviction orders.

Residential eviction orders in Alert Level 3 were being granted with a five to ninety day stay on execution once Alert Level 3 ended. That means some landlords who obtained eviction orders in Alert Level 3 now have to wait till 17 November to execute. All the while, tenants live rent free.

TPN VACANCY RATE NATIONAL



By Michelle Dickens
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 TPN Credit Bureau

In Alert Level 2, the execution of evictions are stayed until the end of the State of National Disaster – which is a moving goal post.

Most importantly, until there are job recoveries, the residential rental market will remain under pressure and high vacancies will be the new norm.



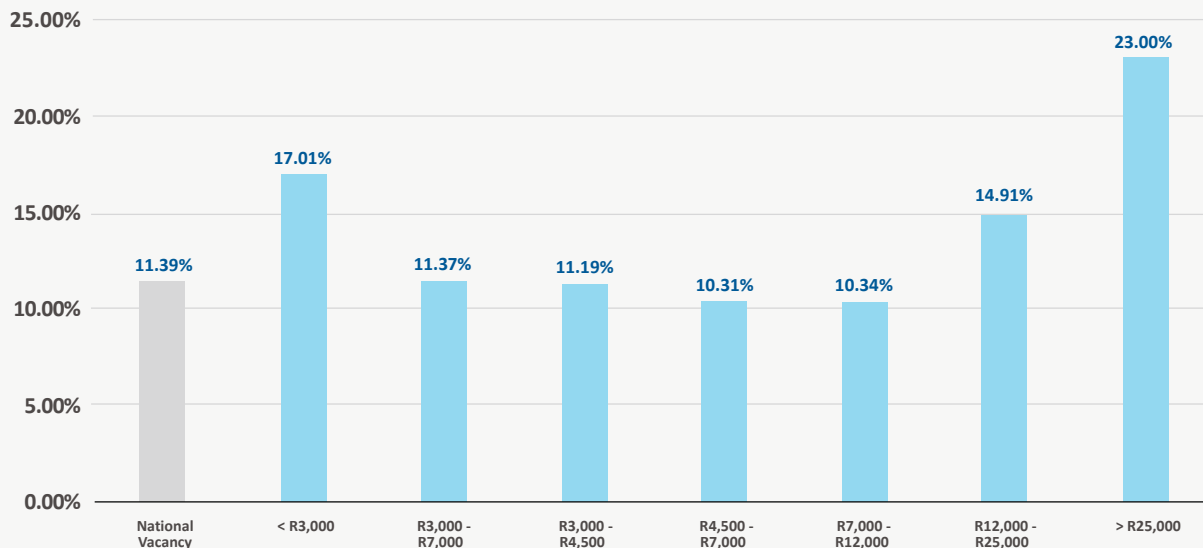
Hardest-hit sectors with soaring vacancies are the properties at the low-end and luxury property markets. The affordable market showing the most resilience.

The luxury market, rentals >R25,000 pm, contracted by fifty percent from 1.8% market share to 0.9% q-o-q spurred on by a 23% vacancy rate. And in the high-end of the market, rentals between R12,000 to R25,000 also experiencing extreme vacancies of 14.9%. Downscaling is a stark reality for many households.

The low-end of the market, rentals <R3,000 pm, 17% of properties recorded as vacant. Referring back to the BankservAfrica Take-home Index, the category hardest hit with loss of earnings were individuals in the Daily / Casual payment earners (-35.2%) and weekly wage earners (-17.1%). No doubt having the biggest impact on the low-end of the rental market. Interestingly, this segment showed increasing market strength as the demand for < R3,000 increased. Sadly for these tenants, only 63% are in good standing with their rent which means high risk applications and more tenants not qualifying.

No sector of the rental market was left unscathed with double digit vacancies across the board. Although affordable properties in the R4,500 to R7,000 and R7,000 to R12,000 range with 10.31% and 10.34% vacancies respectively the least impacted.

TPN VACANCY RATE: RENTAL VALUE



Market strength drives vacancies, and as the TPN Market Strength Index confirms demand is drying up coupled with plenty supply on offer. For those tenants with an income, it is a tenants market. Landlords should brace themselves for price negotiation and competing tenant incentive take-on benefits like zero deposit, first month rent free, new appliances and free WIFI.

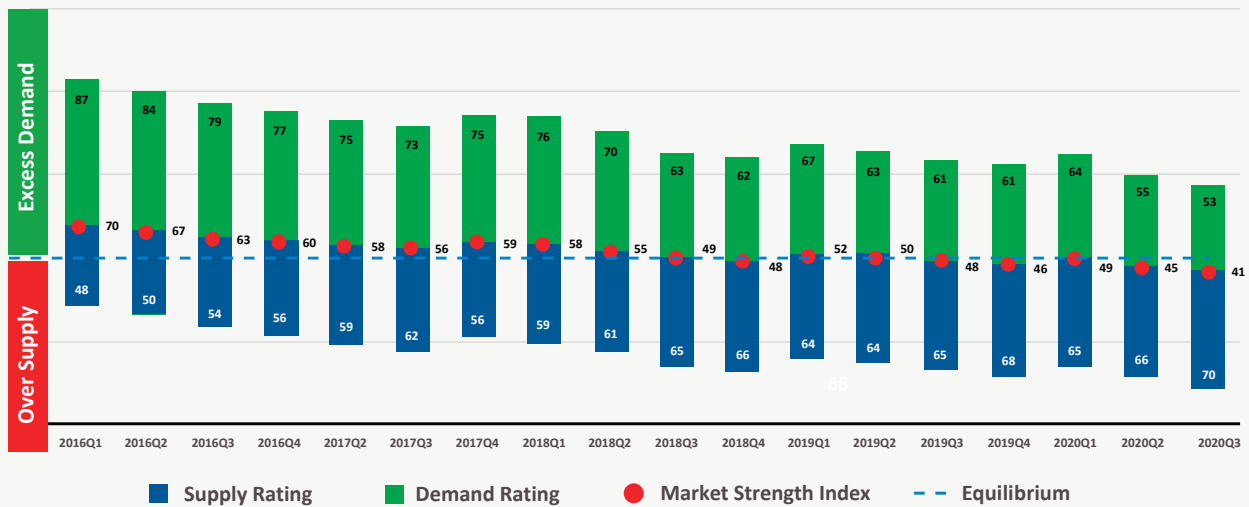


The Demand Rating (53) for rental property, now the lowest on record from the start of the TPN Rental Market Strength Index. And the Supply Rating (70) for rental property, also the highest on record, means the Market Strength has fallen sharply to 41. Equilibrium is achieved at 50, anything below 50 indicates a market with excess supply.

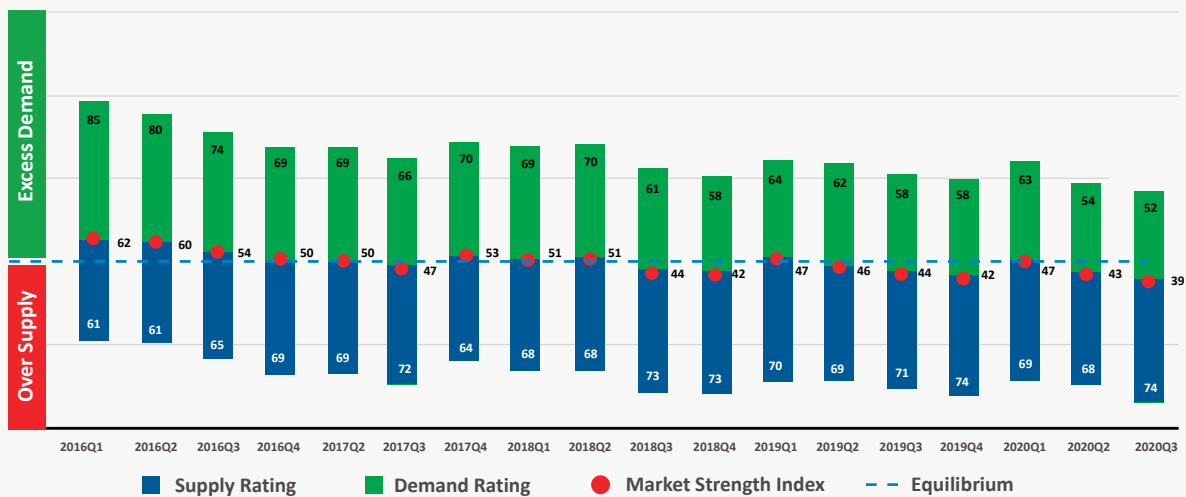
Rental Market Strength

Most affected areas are Gauteng and Western Cape.

TPN RENTAL MARKET STRENGTH INDEX NATIONAL



TPN RENTAL MARKET STRENGTH INDEX GAUTENG

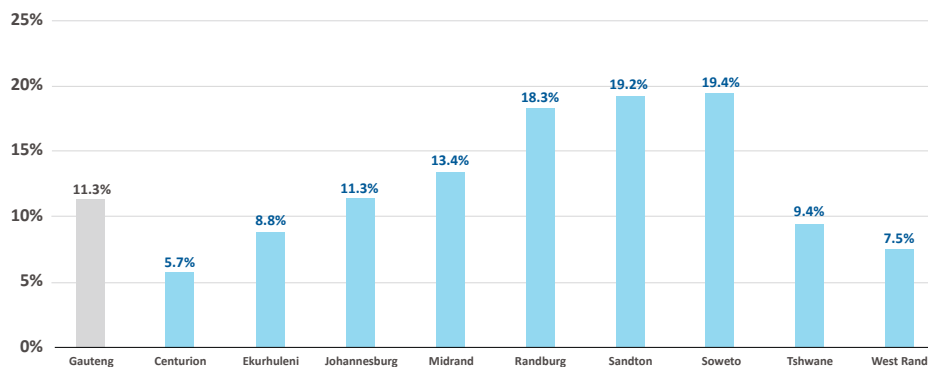




Gauteng

The Market Strength Index in Gauteng crashing down to 39 – an oversupplied market with a Supply Rating of 74 and a weakening Demand Rating of 52. Staggering vacancies recorded in Randburg (18.3%), Sandton (19.2%) and Soweto (19.4%).

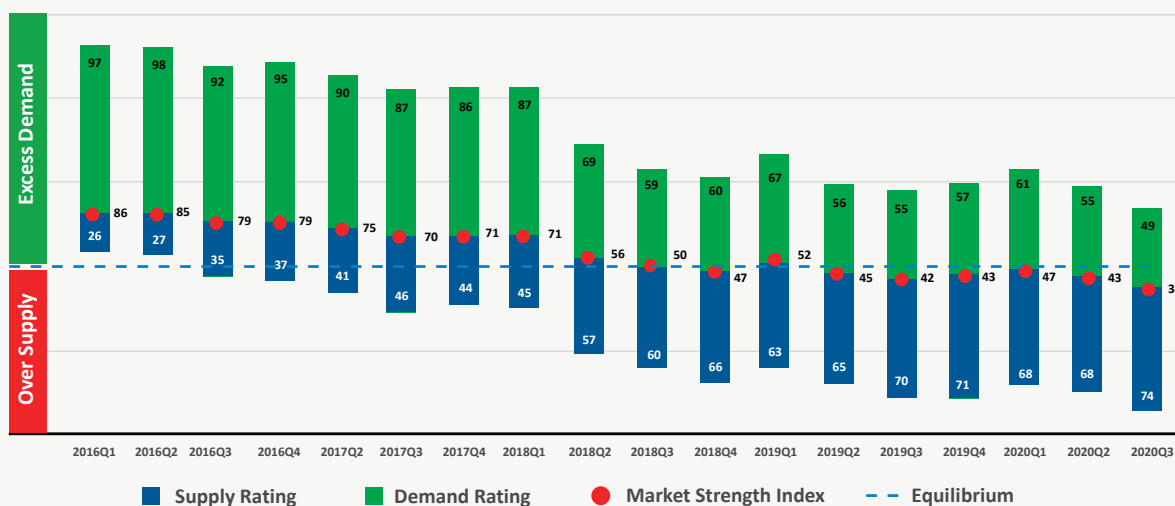
TPN VACANCY RATE GAUTENG



Western Cape

Western Cape’s Market Strength Index at 38 is the worst performing province – Demand Rating of only 49 coupled with excessive supply of 74 probably driven higher by the number of Airbnb properties looking for long-term tenants due to the impact of lengthy prohibition on short-term lets. More affordable properties in the Northern Suburbs of the Western Cape helping to keep vacancies at a very acceptable 6.6%.

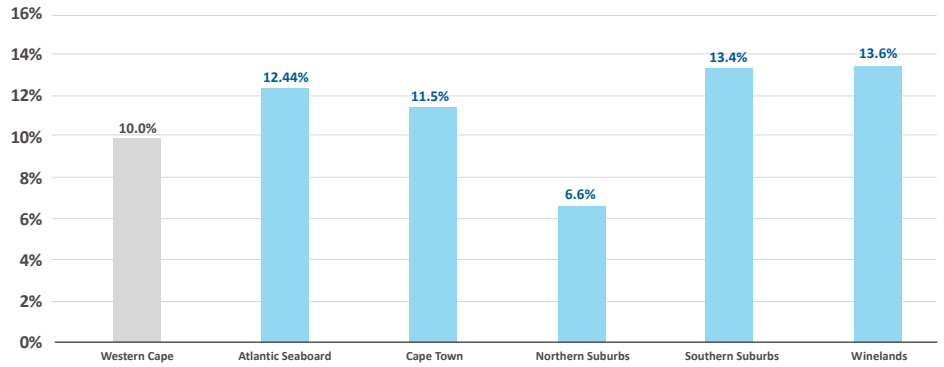
TPN RENTAL MARKET STRENGTH INDEX WESTERN CAPE





As a side comment, Western Cape continues to retain their position as best performing rent collection province, maintaining above eighty percent of tenants in good standing in the Lockdown quarter, Q2.

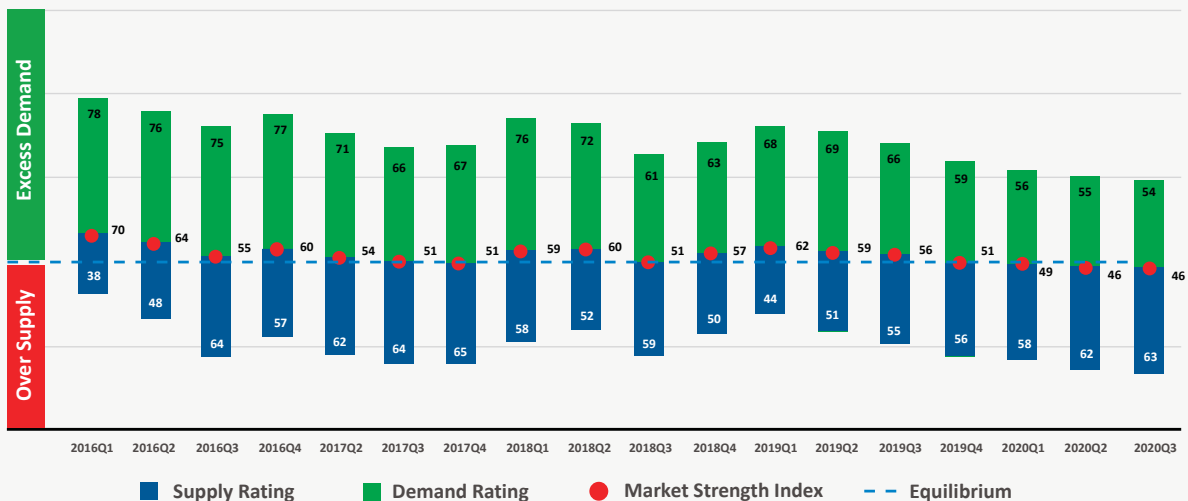
TPN VACANCY RATE WESTERN CAPE



KwaZulu-Natal

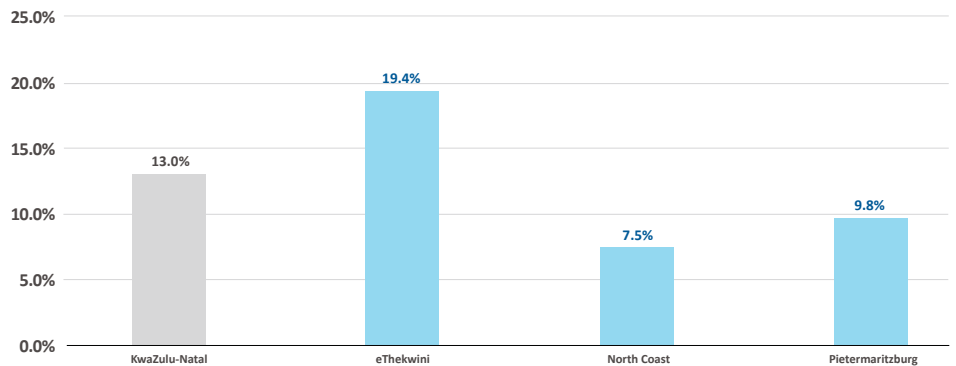
The Kwazulu-Natal Market Strength of 46 remaining flat from the previous quarter. Still reflecting a positive Demand Rating of 54 and flattish Supply Rating of 63 belies the carnage of vacancies in eThekweni at 19.4%. North Coast landlords will be happy with their 7.5% vacancy rate.

TPN RENTAL MARKET STRENGTH INDEX KWAZULU-NATAL





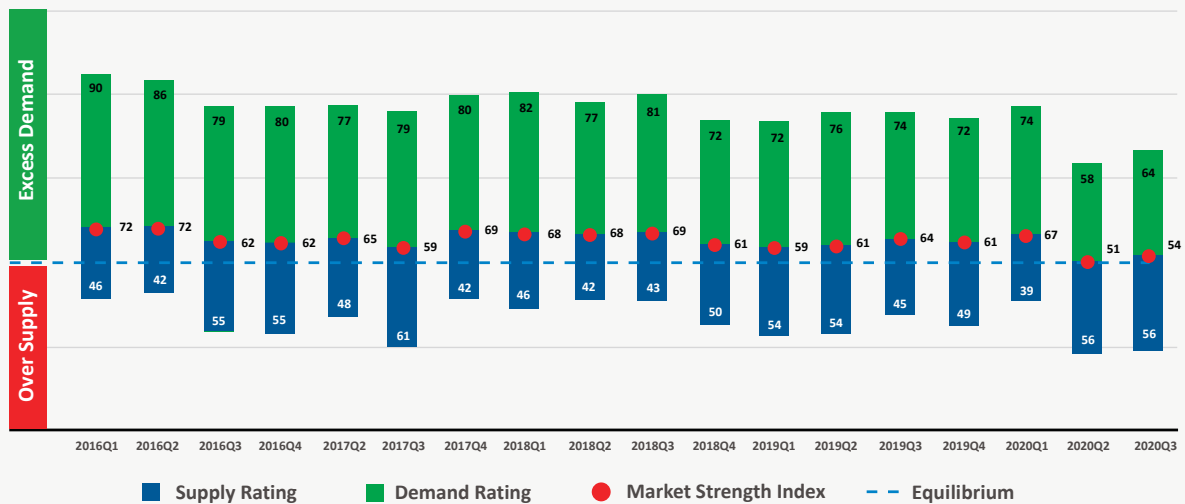
TPN VACANCY RATE KWAZULU-NATAL



Eastern Cape

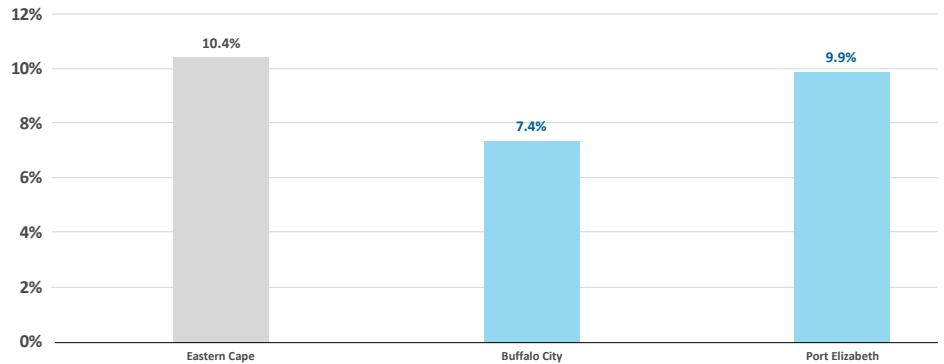
Eastern Cape has had very little construction in the recent past, with the result that there is still excess demand, with the Market Strength Index of 54. An increasing Demand Rating of 64 and flat Supply Rating of 56, very acceptable vacancy rates in Buffalo City of 7.4% and Port Elizabeth, 9.9%. The vacancy rate in the Eastern Cape as a whole sitting at 10.4%.

TPN RENTAL MARKET STRENGTH INDEX EASTERN CAPE





TPN VACANCY RATE
EASTERN CAPE



Conclusion

It is clear as day that landlords are under immense pressure with no end in sight. The impossibly difficult times we have been in are not yet over by any means. It is understandable then that a vacant property is a tough situation but not a disastrous one, given that even bigger challenges are felt by landlords with tenants whom they cannot evict immediately even though an eviction order has been granted.