



TPN Vacancy Survey

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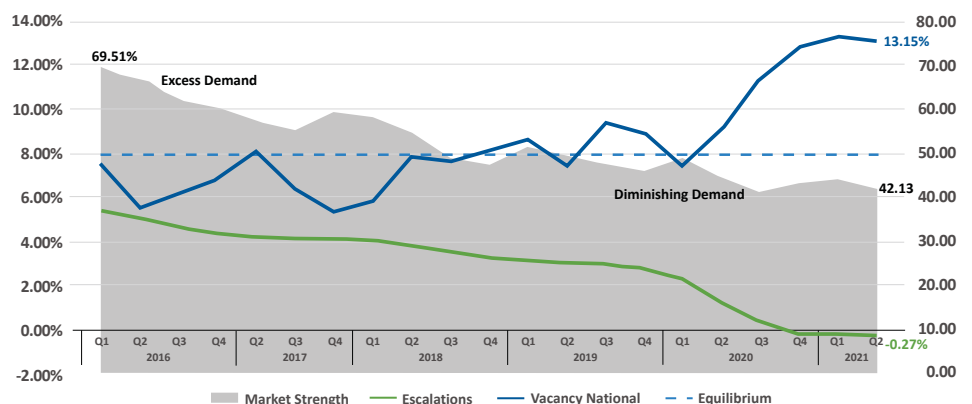
Eastern Cape – home to the market most in demand

Conclusion

Has the residential rental market recovered?

Did the market crash or was it just a blip in the road? The old argument is that ‘securing the roof over your head’ means there is infinite need for housing stock and landlords can negotiate on their terms.

TPN DIMINISHING DEMAND, INCREASED VACANCIES, LOWER ESCALATION



Nationally, Vacancy Rates have stabilised at 13.15%, a Demand Rating at 53.01 confirms that tenants are still in the market but in reduced numbers, and a Supply Rating of 68.76 means that landlords are competing for this limited tenant attention.

It’s a tenant’s market, an oversupply of vacant properties is driving down rental prices as tenants are in the position to shop around for a better deal. Price sensitivity is a critical consideration and remains the most important aspect for a tenant, followed closely by security and then distance to work, schools and shops.

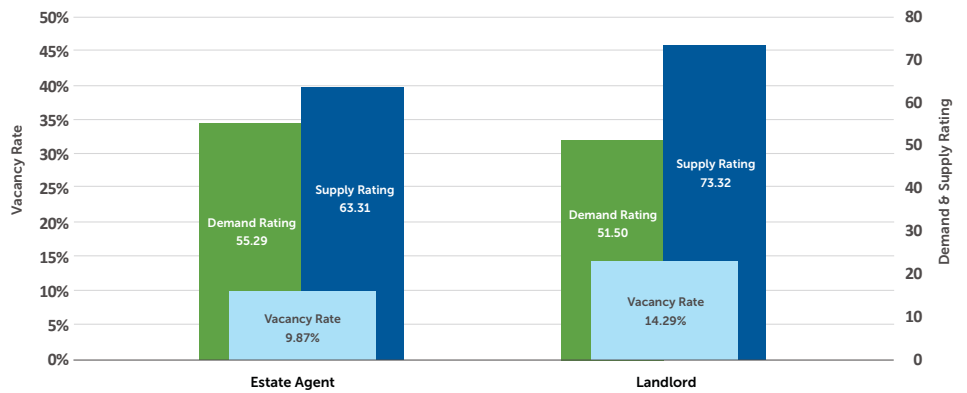


Landlord’s Market Assessment

Landlords have a more pessimistic perception of the market. They reported a weaker view of demand at 51.50 and perceived a strong Supply Rating of 73.32. No doubt driven by fewer tenants responding to their property adverts, in some instances landlords report zero interest in the property until the price is dropped and re-advertised. Perception aside, the Vacancy Rate reality reported by landlords is a high 14.29%.

This begs the question, did landlords react slower to reducing their rent and so bear the bigger brunt of overall vacancies?

TPN RESIDENTIAL RENTAL MARKET PERCEPTION 2021 Q2 ESTATE AGENT & LANDLORD



Estate Agent’s Market Assessment

Estate agents have the benefit of foot traffic through their shop, or many adverts for a variety of properties to entice the reduced number of tenants. As a result, the estate agent’s perception of the market strength indicates slightly more tenant demand than landlords perceive. Estate agents also perceive the supply of rental properties to be strong at 63.31 but not as overstocked as the landlord’s perception of 73.32 - this may be an impact of the estate agent property stock supply which is created by landlords farming out their tenant procurement to multiple agents at the same time.

Nonetheless, estate agents seem to have better occupancy with only 9.87% Vacancy Rate.

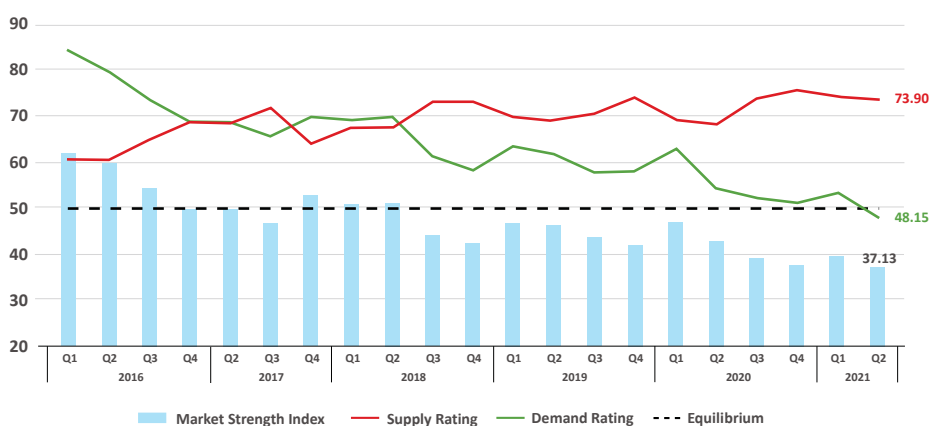


Location, location, location

Gauteng - home to half the rental population

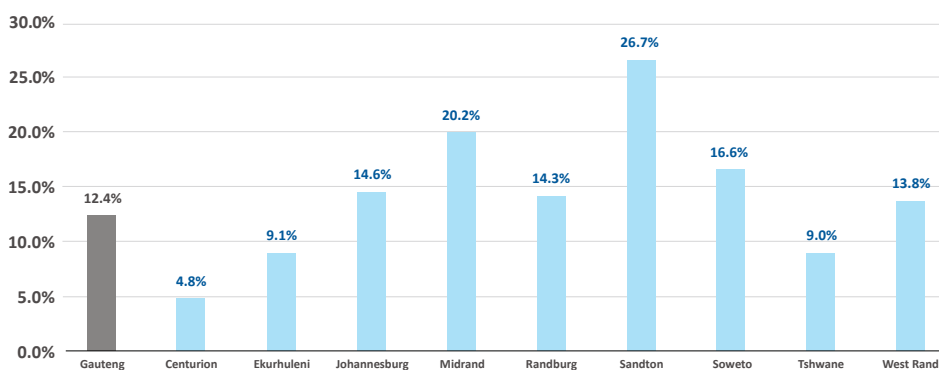
Gauteng is home to 47% (source: *StatsSA General Household Survey*) of all tenants and even so, the Demand Rating has dipped below fifty to 48.15, coupled with persistently strong Supply Rating of 73.90. The aggregation of the Demand and Supply Rating as reported by landlords and estate agents result in a severely restricted Market Strength of 37.13. The perception of recovery not showing in the data yet.

TPN RENTAL MARKET STRENGTH INDEX GAUTENG



Although Gauteng estate agents and landlords are faced with diminishing demand, Vacancy Rates in the second quarter have recovered from 13.8% to 12.4% quarter-on-quarter. Sandton remains a concern with 26.7% Vacancy Rate - the impact of office-to-residential conversions, with large lease-up portfolios of quality new units with enticing incentives, putting pressure on this area.

TPN VACANCY RATE 2021 Q2 GAUTENG



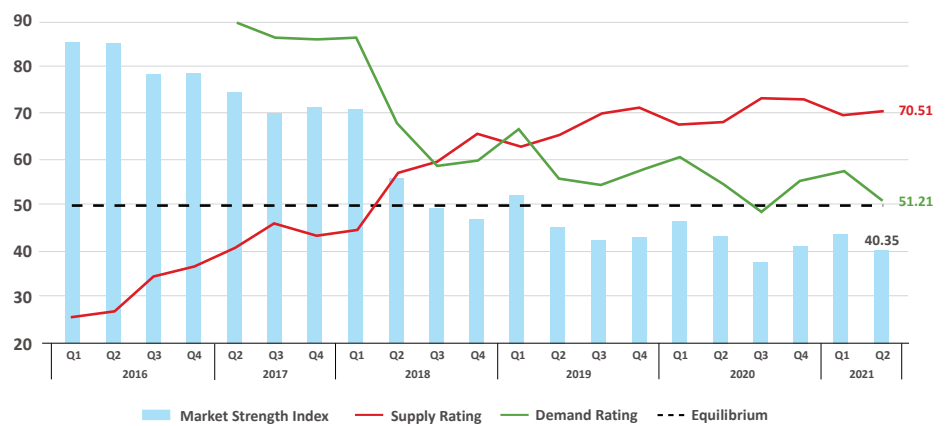


Western Cape - home to the best paying tenants

Although by no means a full recovery, 82.92% of Western Cape tenants are back in good standing. And even more pleasing, only 5.6% of Western Cape tenants are in the did not pay status. The biggest challenge for arrears are the 11.48% of Western Cape tenants who remain in the partial paid status.

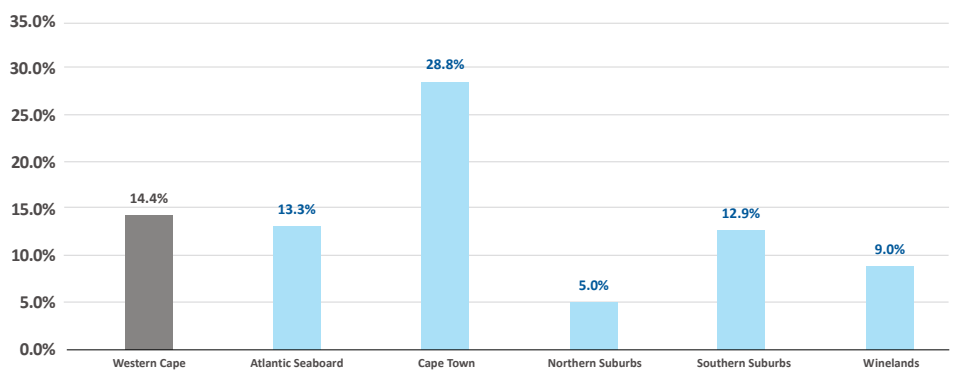
Hold onto your tenants because tenant demand has also deteriorated down to 51.21. The strong Supply Rating of 70.51 keeps the Market Strength in excess supply territory at 40.35. Landlords and estate agents are not feeling a recovery in the market yet.

TPN RENTAL MARKET STRENGTH INDEX WESTERN CAPE



The Cape Town story is a double whammy of increased supply caused by converting short-term holiday rentals into long-term lets and work-from-home opportunities which allow tenants to relocate to the more affordable northern suburbs. Overall, the Western Cape Vacancy Rate of 14.4% will be a worry as this is the first time the Vacancy Rate has breached into double digits.

TPN VACANCY RATE 2021 Q2 WESTERN CAPE



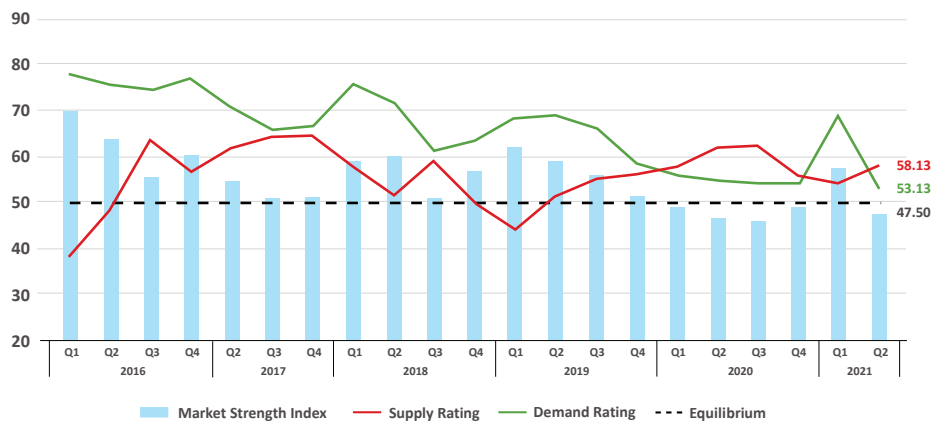


KwaZulu-Natal - home to winning Constitutional Court tenants

The Constitutional Court recently found that occupiers on the Ingoyima Trust land had been unjustly charged rental and ordered the Ingoyima Trust to refund tenants with the amount at stake running into the billions.

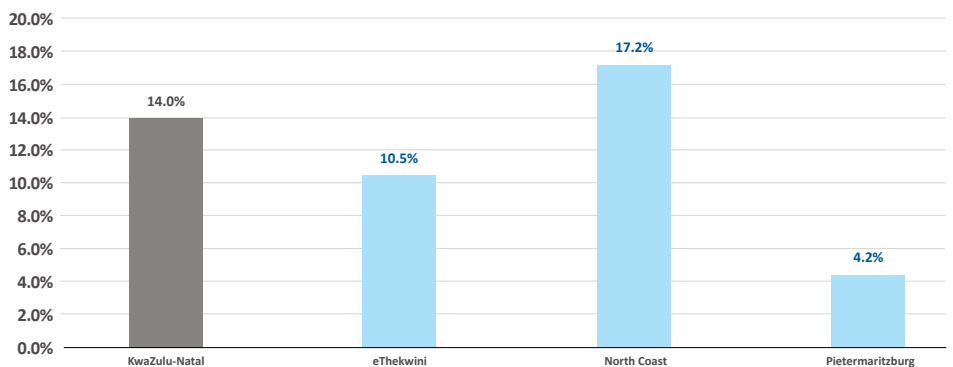
But, back to the private open market, where landlords and estate agents perceive a stable Supply Rating of 58.13, meaning that the potential shock of the pandemic on Market Strength was cushioned by a recent history of limited supply of new rental property stock. The Demand Rating has diminished over time but still supports sufficient demand for supply available.

TPN RENTAL MARKET STRENGTH INDEX KWAZULU-NATAL



This translates into a province which has been able to maintain a positive escalation of 2.4%. The North Coast, which is the region benefiting from the limited new supply and home to upper-end tenants, has felt the impact on vacancies pushing up to 17.2%.

TPN VACANCY RATE 2021 Q2 KWAZULU-NATAL

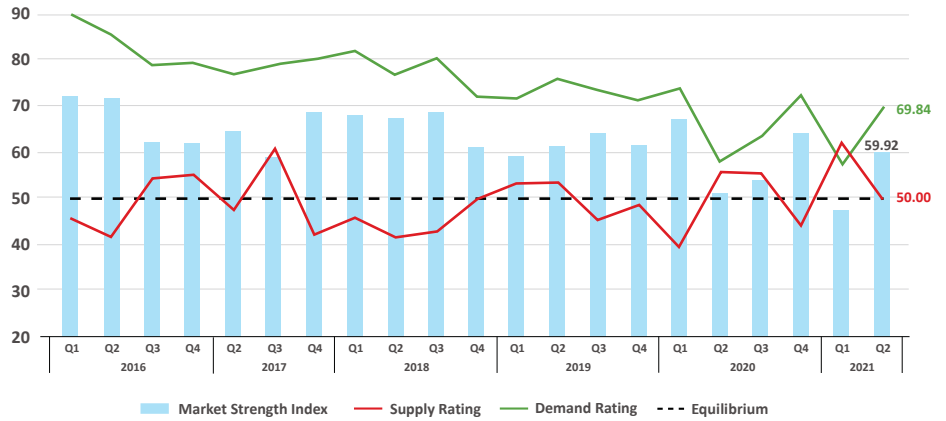




Eastern Cape – home to the market most in demand

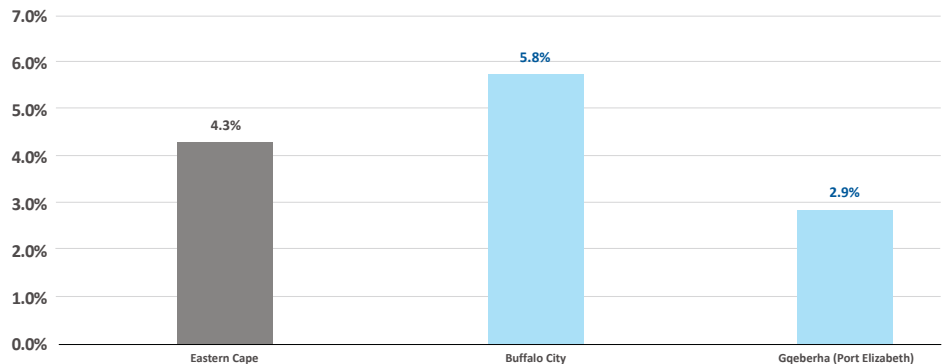
Put simply, supply has not kept up with demand. Inconsequential new supply to the rental market has kept the Supply Rating at a current level 50, with a Demand Rating of 69.84 delivering a market with excess demand at a Market Strength of 59.92.

TPN RENTAL MARKET STRENGTH INDEX EASTERN CAPE



Excess demand keeps occupancy levels high, leaving landlords with only 4.3% vacancies. And, still smiling with positive escalations of 2.9%.

TPN VACANCY RATE 2021 Q2 EASTERN CAPE



Conclusion:

Tenant payment recovery is painfully slow, but landlords can take comfort in the fact that 78.38% of tenants are back in good standing for the first quarter of 2021.

Tenants in arrears with a salary are still recovering from their partial, full or temporary loss of earnings during the hard lockdown from a year ago, as the 13.9% of tenants stuck in the partial payments status indicate.

The biggest threat to the recovery of the residential rental market remains the persistently high and increasing rate of unemployment.

Household size is expected to increase as co-living becomes a solution for affordability while tenants get back on their feet financially.