

Most SA tenants pay their rent

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The payment behaviour of residential tenants in the third quarter of 2010 is relatively unchanged compared to the second quarter remain, which is possibly a sign that embattled consumers have settled down to the discipline of keeping household expenses under control.

According to the latest TPN rental payment profile tenants in the paid on time category increased marginally for the second consecutive quarter to 68%, but those who paid late declined to 13%. The combination of paid on time and paid late categories are viewed together as tenants in good standing, which has declined slightly from 82% for the second quarter, to 81% during the third quarter.

The group of tenants who made partial payments toward their rents rose from 8% to 9%, indicating that increases in additional charges such as the higher cost of electricity are placing considerable strain on tenants, which in many cases translates to the non-payment of utilities.

Tenants in the did not pay category remained unchanged at 10%, says Michelle Dickens, managing director of TPN.

“Analysis continues to suggest that in most households the underlying reason for non-payment remains a matter of insufficient funds, usually due to loss of income or very tight budgets that have made no provision for savings to cope with extraordinary expenses. Deposits used as last month’s rent, or tenants giving notice to cancel fixed term agreements with little or no warning – often mid-way through leases, are unfortunately still common practice.”

Comparatively good payment performance by tenants in the categories from R3 000 to R7 000 and R7 000 to R12 000 continues to show slight improvement. Unfortunately those in the brackets below R3 000 and above R12 000 remain weak. Most significant, only 55% of the tenants in the R12 000 plus rent group are in the paid on time category, with 23% paid late.

This late payment trend places an additional burden on property investors who still need to meet monthly mortgage bond commitments.

The Western Cape and Eastern Cape continue to outshine KwaZulu-Natal and Gauteng. Most significant for KZN is the number of tenants in the did not pay category at 16% – which is 60% above the national average. Seen in perspective, tenants in the did not pay group for the Western Cape are at 6%, Eastern Cape 7% and Gauteng 12% respectively.

“There is still an increased trend of tenants moving in with family while they get back on their feet financially,” says Dickens.

“Many delinquent tenants are choosing to rent directly through landlords, many of whom are not landlords by choice. A large number are unable to sell their property, so they choose to rent them out as a second source of income. Unfortunately these unsuspecting landlords don’t have the tools (such as TPN enquiries) to assist them in identifying quality tenants. Also, in an attempt to save costs, they often avoid using property managers to place tenants.”

The report found that non-maintenance of properties is leading to more tenant disputes. This gives tenants excuses for non-payment of rent – in some cases due to material non-maintenance. In most cases tenants are looking for any excuse not to pay. Maintenance issues need to be dealt with swiftly and appropriately to avoid giving tenants any opening to withhold rent.