

## Number of 'paid on time' tenants is shrinking

There has been a deterioration in the percentage of residential tenants who pay their rental on time.

The 1 percentage point increase in the VAT rate was also set to adversely affect tenant payment performance, forecasts the credit bureau TPN.

It noted last week there had been a noticeable shift from "paid on time" towards tenants "paying late" or in the "grace period" in the fourth quarter, resulting in a deterioration of almost 1 percent in the "paid on time" category.

TPN's latest rental monitor said tenants in good standing remained flat at 83.35 percent in the fourth quarter.

Tenants in good standing comprise all tenants who paid on time, those who paid late and those who received a grace period in which to pay.

The percentage of tenants who paid in full on time dropped to 66.38 percent in the fourth quarter from 67.29 percent in the previous quarter as those tenants who paid late or in the grace period increased to 16.97 percent from 16.18 percent. TPN said despite residential lease agreements being exempt from VAT, tenants' money would not stretch quite as far from April 1 when the new 15 percent VAT rate took effect, because there were other rental charges that would attract the increased VAT rate.

These included charges such as electricity, water, sewage and refuse removal, with landlords needing to pass these increased costs on to their tenants.

"Ultimately the tenant's monthly bill goes up. The landlord is no better off and is simply a conduit to collect the increased VAT," TPN said.

The credit bureau added that tenants would not only be faced with increases in property-related expenses, because the VAT increase would affect a wide variety of other living expenses, including food, telecoms and bank charges.

"Petrol and diesel are zero rated for VAT, but the increase of 52c a litre on the fuel levy will translate into higher transport costs, all of which slowly erode the tenant's buying power," it said.

TPN said it was worrying that payment trends in the R 3 000 to R 7 000 a month rental category, which accounted for 54.5 percent of tenants and previously also enjoyed the status of being one of the best performing tenant payment categories, had started to deteriorate.

It said this category now underperformed both the R 7 000 to R 12 000 and R 12 000 to R 25 000 rental categories. But TPN said tenants who paid less than R 3 000 rental a month had taken the most strain.

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