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TRENDSPOTTER from MRI Software

Residential Rental Monitor Report Q1 2025

83% of tenants still pay on time despite economic pressures

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Table of Contents

Introduction

TPN Credit Bureau remains the biggest property-specialised credit bureau in South Africa, and thanks to our loyal clients who provided over 15 million record updates last year alone, we are able to share deep and meaningful insights into South Africa's dynamic property market.

Property managers, investors, owners, and a wide variety of stakeholders entrust us with providing accurate and relevant insights to help them make better decisions, utilising our vast and diverse data sets.

In the past few months, we have embarked on an exciting journey with our clients and data team to develop the new TPN Rental Monitor. Our insight and benchmarking report now provides a comprehensive overview of the residential property markets, as well as the various factors that drive growth and the challenges the market faces.

The report includes overall consumer and business health, the rental growth experienced by various provinces and highlights key performance indicators, trends and possible challenges that the sector should consider.

About TPN from MRI Software:

The only credit bureau globally to specialise in tenant behaviour, TPN from MRI Software created the world's first rental payment profile. Its database has grown to become the most comprehensive and up-to-date authority on tenant behaviour in South Africa, covering both the residential and commercial sectors and transforming the way tenants pay their rent. TPN's unique data is widely used by organisations such as the South African Reserve Bank, commercial banks and industry bodies.

Written by Waldo Marcus, Marketing Director, MRI Software

Tenants across South Africa continue to show remarkable financial resilience despite mounting economic pressure. By the end of Q1 2025, 83.32% of tenants were in good standing, a modest but important improvement over Q4 2024.

While unemployment rose to 32.9%, with 75.7% of those classified as long-term unemployed, tenants have strengthened their payment behaviour, particularly in middle- and higher-income rental bands. This resilience stands in contrast to the broader economic environment, highlighting tenants' current commitment to housing stability.

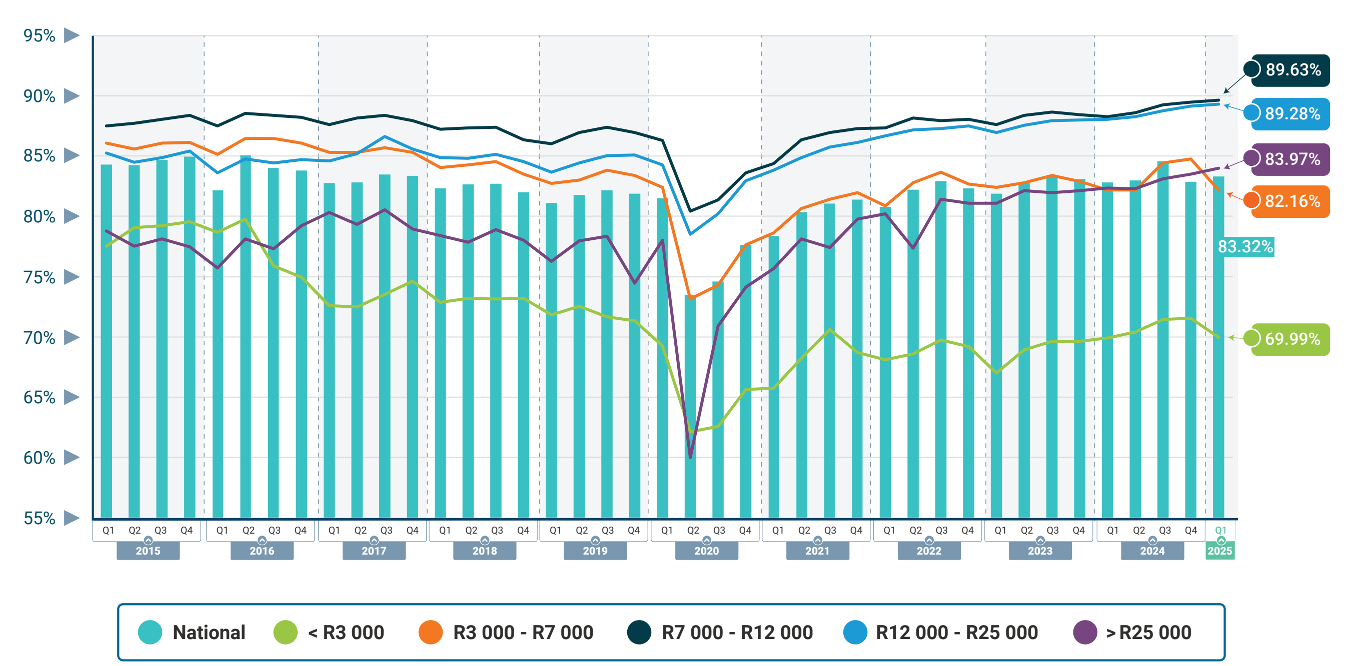
With that, the rental market distribution continues to shift upwards. In 2013, over 60% of tenants were in the R3,000 to R7,000 band. That number has dropped to 44.5% as escalating rental prices push more tenants into higher-value brackets. The R7,000 to R12,000 category now represents over 30% of tenants, triple what it was a decade ago. Luxury rentals (above R25,000) have also increased threefold and now account for 1.7% of the market.

This shift illustrates stronger national rental growth, which stood at 4.49% in Q1 2025. The higher-rental value bands are driving this figure, with escalations of between 5.12% to 5.68% in the R7,000 and above categories. In contrast, escalations in lower-value segments have been subdued, reflecting vacancy pressure and affordability constraints.

Provincially, the Western Cape continues to lead with 89.1% of tenants in good standing - despite having the highest rental escalations in the country. KwaZulu-Natal remains the weakest province, with only 76.92% of the formal rental population in good standing and the highest rate of non-payment. Gauteng, which houses 63% of South Africa's formal rental market, is experiencing mixed trends: tenant good standing declined slightly in Q1, while rental escalations rose from 3.03% to 3.58%.

These results underscore the critical balance landlords must strike, maintaining rental income while preserving occupancy through strict screening, proactive collection strategies, and market-sensitive escalation.

Residential Rental Good Standing by Rental Value



Residential tenant good standing

Tenants remain committed to paying rent on time

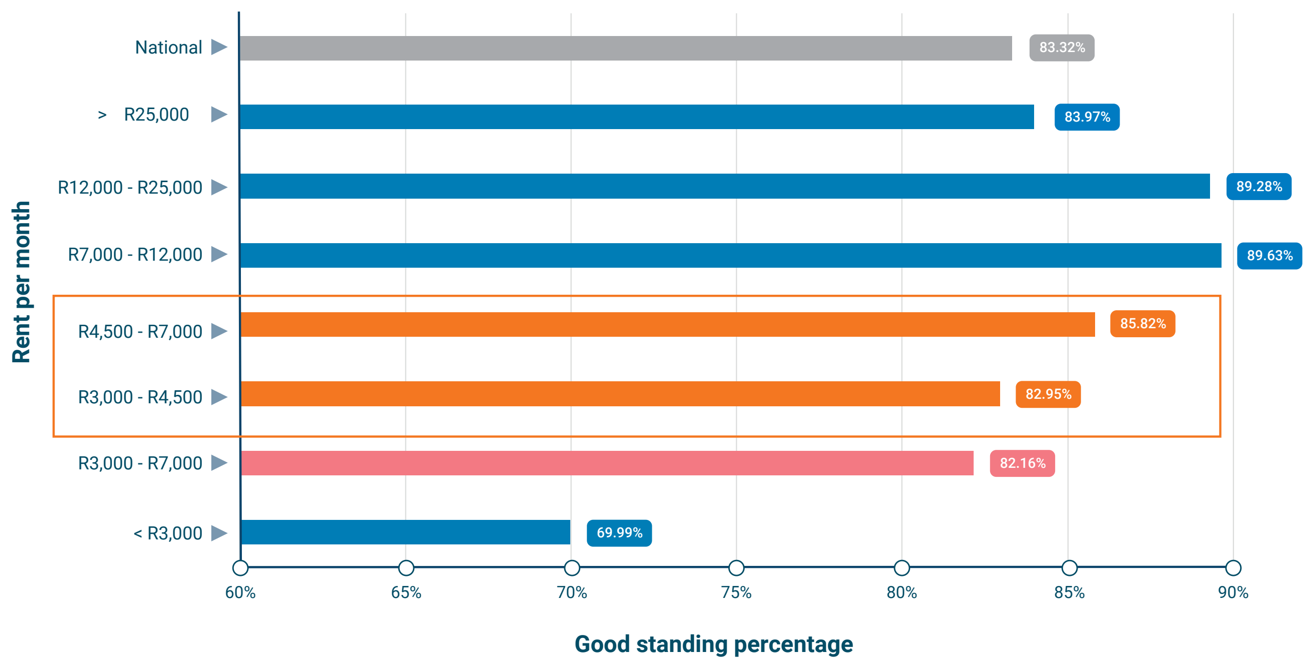
Despite the harsh economic realities facing most South Africans, 83.32% of tenants were in good standing at the end of the first quarter of 2025. Tenants remain committed to meeting their rental obligations, and although good standing dipped in the final quarter of 2024 - from 84.54% in Q3 to 82.87% in Q4 - payment behaviour improved in 2025.

Unemployment remains the biggest challenge tenants face. Stats SA's Quarterly Labour Force Survey shows that the official unemployment rate increased to 32.9%, with over 8 million South Africans of working age currently unemployed. Even more concerning is the rise in long-term unemployment, which now affects 4.8 million people.

Even under the ongoing strain of widespread unemployment, tenants continue to prioritise rental payments, showing stronger resilience than might be expected in the face of local and global economic uncertainty.

Tenants are classified as being in good standing if they have fulfilled all their rental obligations by the end of the month. This includes tenants who have paid on time (POT), paid within a grace period (GP) as determined by the landlord, or paid late (PL) but settled the full rental amount before the end of the month.

Residential Rental Good Standing by Rental Value



Mid to high-income tenants lead in payment performance

Lower-income households remain the most vulnerable to inflation, unemployment, and the steep rise in living costs. This is reflected in the latest TPN data: tenants paying R3,000 or less per month had the lowest good standing rate, with less than 70% meeting their rental obligations. Over 16% in this bracket made no rental payment at all in Q1, a rising trend since 2023.

Tenants paying between R3,000 and R7,000 per month recorded a good standing rate of 82.16%, with 5.47% making no payment. This group, traditionally the third-best performing, slipped to fourth place in Q1 2025. In Q4 2024, 84.76% of these tenants were in good standing, indicating a significant quarter-on-quarter decline.

When broken down further:

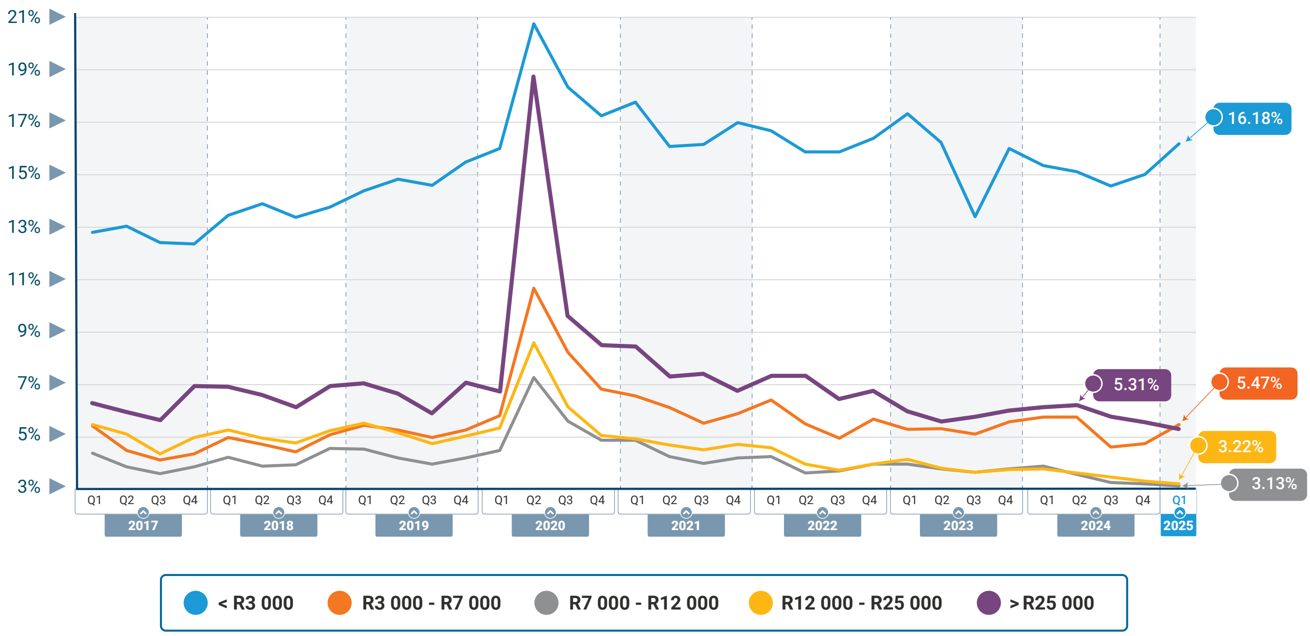
- Tenants paying **R3,000 to R4,500** had a good standing of 82.95%, with 5.62% making no payment.
- Tenants paying **R4,500 to R7,000** fared better, with 85.82% in good standing and just 4.25% failing to pay.

Tenants in the R7,000 to R12,000 range continue to show the best payment performance, as has been the trend since early 2014. In Q1 2025, nearly 90% (89.63%) of these tenants met their full rental obligations, with only 3.13% making no payment.

Following closely behind, those paying between R12,000 and R25,000 achieved an overall good standing rate of 89.23% and 3.22% failing to pay within the month.

The record payment rates in the mid to high-income rental market are expected to continue as landlords and property managers maintain strict pre-placement screening processes and align with proven collections activities to safeguard their assets.

Residential Tenants with a 'Did Not Pay' Rental Payment Profile



Luxury rental market triples in size

The luxury rental segment, defined as residential properties with a monthly rent of R25,000 or more, continues to show steady improvement. Currently, 83.97% of tenants in this category are in good standing with 5.31% of tenants failing to make any payment within the month.

While partial payments remain a concern, overall, tenant behaviour in this market reflects growing financial stability. Historically one of the weakest-performing categories (especially in 2020 when good standing dropped to 60%) this segment has recovered gradually.

Although it represents only 1.7% of the rental market, long-term trends show consistent growth. As rental escalations continue and tenants reassess the cost of homeownership, the luxury rental population is expected to continue expanding, supported by a shift toward longer tenancies.

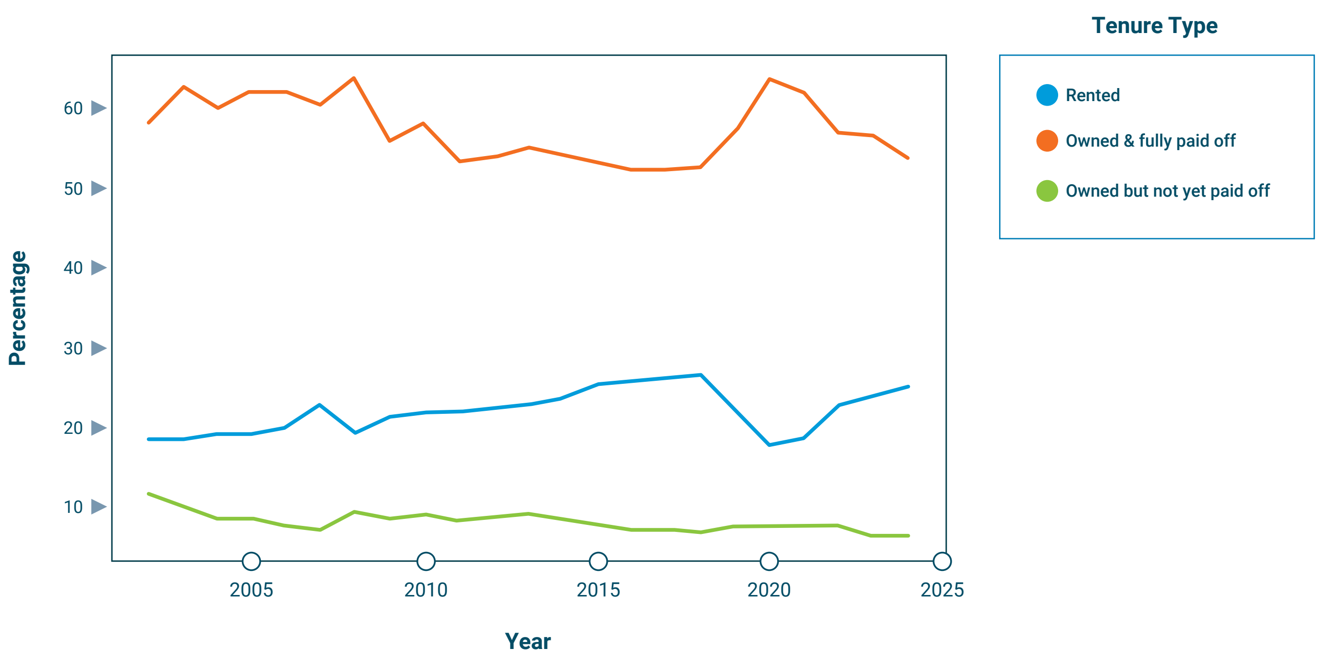
Residential market size and tenant population

More households opt to rent to avoid incurring debt

According to Stats SA's 2024 General Household Survey, a quarter of South African households are part of the residential rental market and rely on property investors to provide suitable accommodation. The shift away from homeownership has been driven by economic and political uncertainty, with rising interest rates fuelling a reluctance to take on debt.

Although interest rates have begun to decline, this has yet to translate into an increase in home purchases. Currently, just 6.3% of households are paying off a bond, down slightly from the previous year and part of a trend that has continued since 2020. As the percentage of fully owned properties declines, more households are opting to rent.

Influence of Ownership Trends on the Rental Market (2002 - 2024)



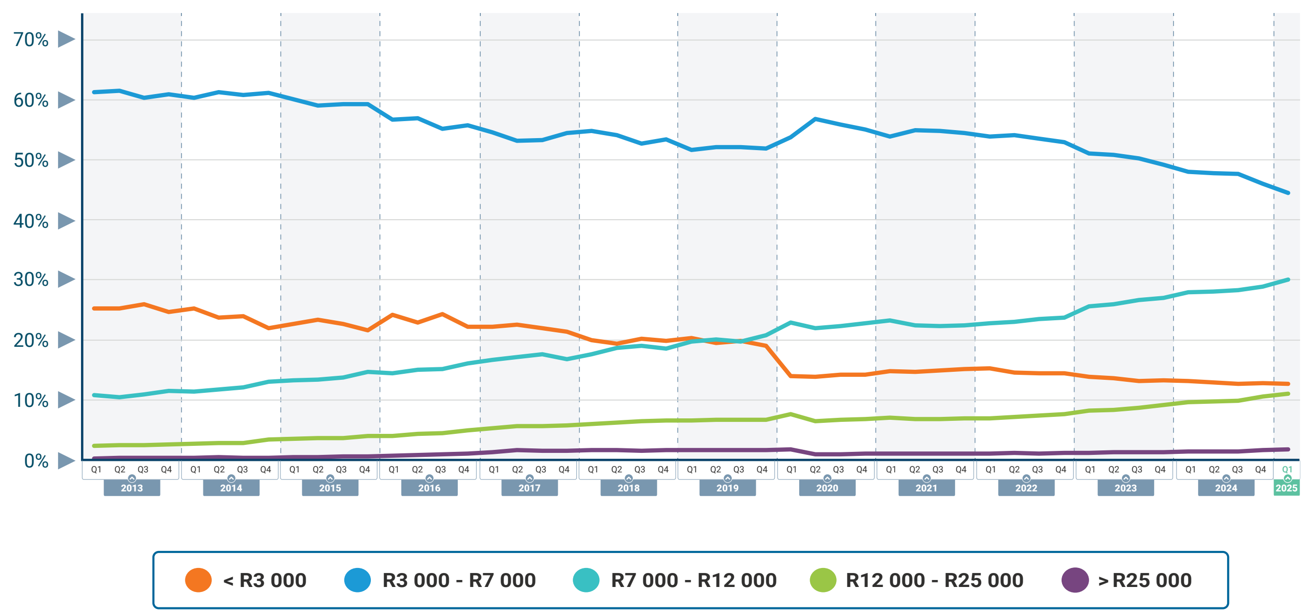
Source: Stats SA: GHS 2024

The market shifts upward as tenants migrate to higher rental value bands

The increase in households seeking formal rental options in South Africa has led to greater demand that has shifted significantly over the last decade. In 2013, over 60% of tenants were renting properties valued between R3,000 and R7,000 per month. This figure has steadily declined, resulting in it shrinking to 44.5% by Q1 2025.

Two-thirds of tenants in this band now fall into the upper tier, paying between R4,500 and R7,000. In a similar trend, the proportion of tenants paying less than R3,000 per month has halved from 25% in 2013 to 12.6% in 2025 as annual escalations shift tenants into a higher rental band.

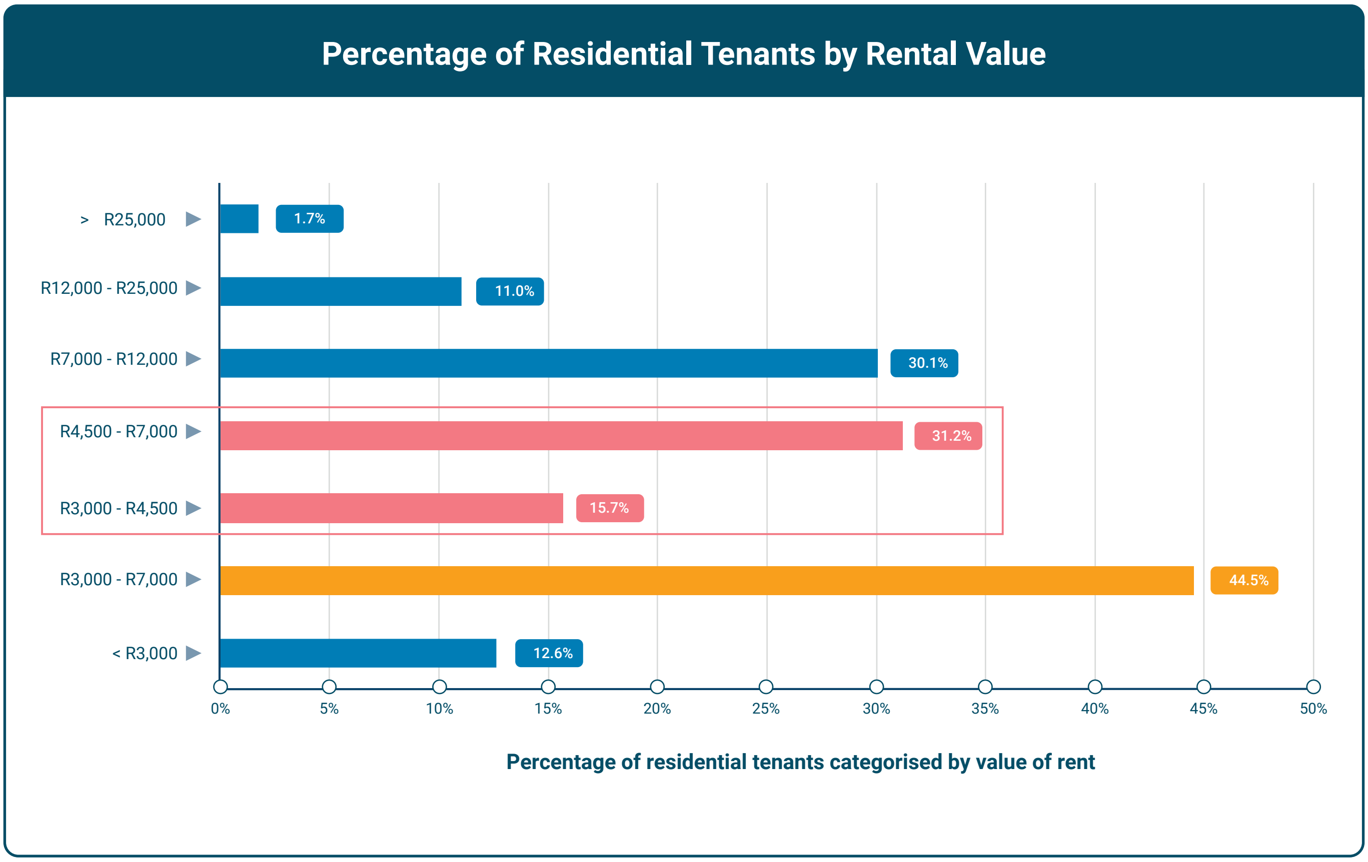
Percentage of Residential Tenants by Rental Value



In contrast, rental units priced between R7,000 and R12,000 have experienced consistent growth with a marked acceleration from 2023. As of early 2025, more than 30% of tenants now fall into this category, three times the figure we saw a decade ago.

The R12,000 to R25,000 band has also grown substantially - from 2.4% in 2013 to 11% today.

While the luxury rental market remains small at 1.7% of the tenant population, this represents a threefold increase from 0.5% a decade ago. Although the segment is unlikely to surpass 2% of the market in the near future, its steady growth may continue due to affordability concerns around homeownership and ongoing uncertainty in the South African landscape.



TPN's Exempted Mandatory Disclosure Form Approved for Rental Properties

We're proud to announce that the **Property Practitioners Regulatory Authority (PPRA)** has granted TPN Credit Bureau an exemption to use our Mandatory Disclosure Form exclusively for rental properties.

This means that you can now download and use a fully compliant, legally accurate Mandatory Disclosure Form that reflects the correct position under the Property Practitioners Act. This is a significant step toward simplifying compliance in the rental industry and ensuring that you are protected!

Read the full blog post here

The PPRA-approved rental Mandatory Disclosure Form can be sent via **eSign** to ensure your lease documentation is compliant, accurate, and legally sound. The proof of exemption is also available for download in the event of any PPRA audits.

Download the TPN Mandatory Disclosure Form

Rental growth and escalation

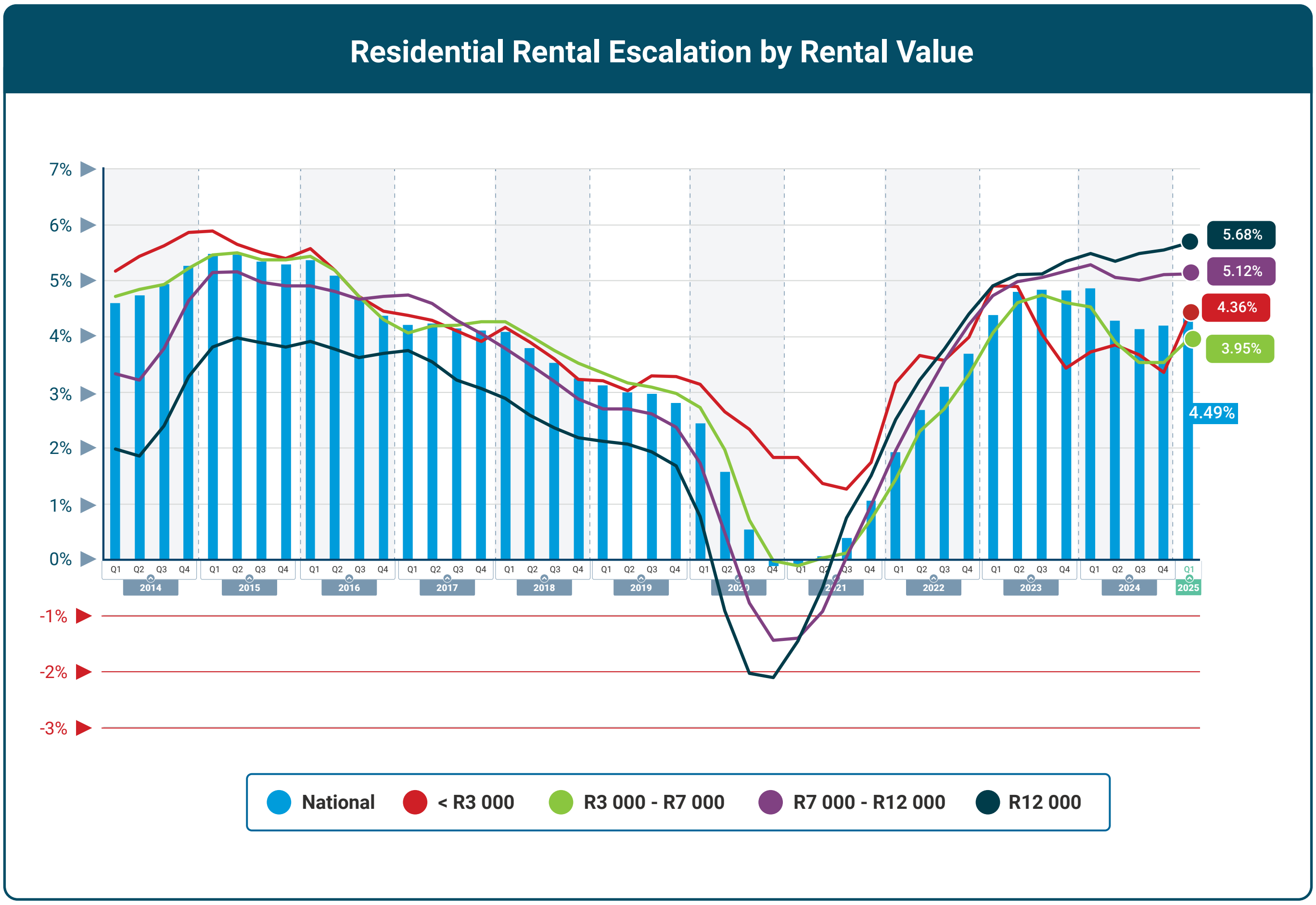
High-value rental segments sustain national escalation rates

The national residential rental escalation rate slowed in 2024, largely influenced by the lower rental value bands. In comparison to escalations in 2023, this is a strong reflection of the economic constraints that households faced in the last year. High inflation and rising interest rates left property investors grappling with the challenge of balancing the need for higher revenue with the risks of defaulting tenants or increased vacancies.

Although consumers experienced some relief from decreasing interest rates in the latter half of 2024, it took time for these lower rates to have a positive impact on over-indebted household budgets. As vacancies increased in the lower rental value bands, escalations were eventually sacrificed to maintain occupancy levels. In comparison, the higher rental value bands experienced lower vacancy rates and managed to sustain reasonable escalations throughout.

In Q1 2025, the national average rental escalation rate is 4.49%, up from 4.2% in Q4 2024. This increase is driven by a significant uptick in rental growth in the below R3,000 segment of the market. Rentals in this category grew by 4.36% year-on-year, a whole percentage point higher than in Q4 2024.

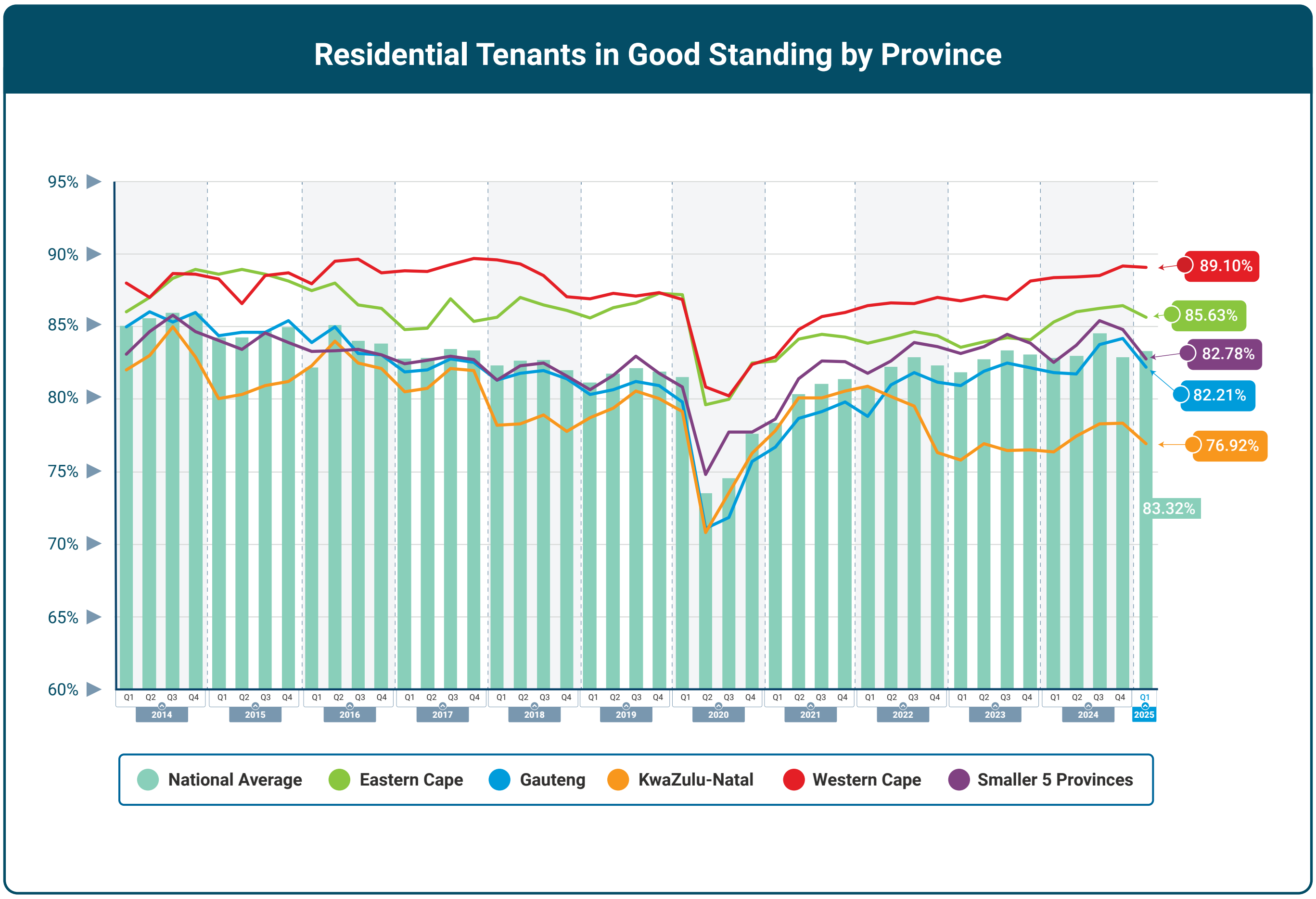
Rental growth also increased for properties priced between R3,000 and R7,000, with escalations sitting at 3.95%. Although this is still below the national average, it is nearly 0.5% higher than the previous quarter.



Residential rental units in the R7,000 to R12,000 band have shown strong performance. However, escalations in this segment levelled off at 5.12% and are likely to hover around the 5% mark in the short term as inflation eases. If interest rates continue to drop, homeownership may become more attractive, potentially slowing demand in this rental band.

Escalation remains strongest in rentals above R12,000 per month. Growth in this category reached 5.68% in Q1 2025. However, the rate of increase is expected to moderate as landlords factor in historic deescalations during 2020 and 2021 when rental increases were sacrificed to adjust for market sensitivity. Escalations are likely to continue in an upward trend but at a slower rate as these factors are considered in an environment where demand is fluctuating.

Provincial performance



The **Western Cape** remains a magnet for property investors due to previous years' semigration trends, effective governance, and perceived value for money among international buyers. These factors continue to fuel the market for both residential buyers and rental investors.

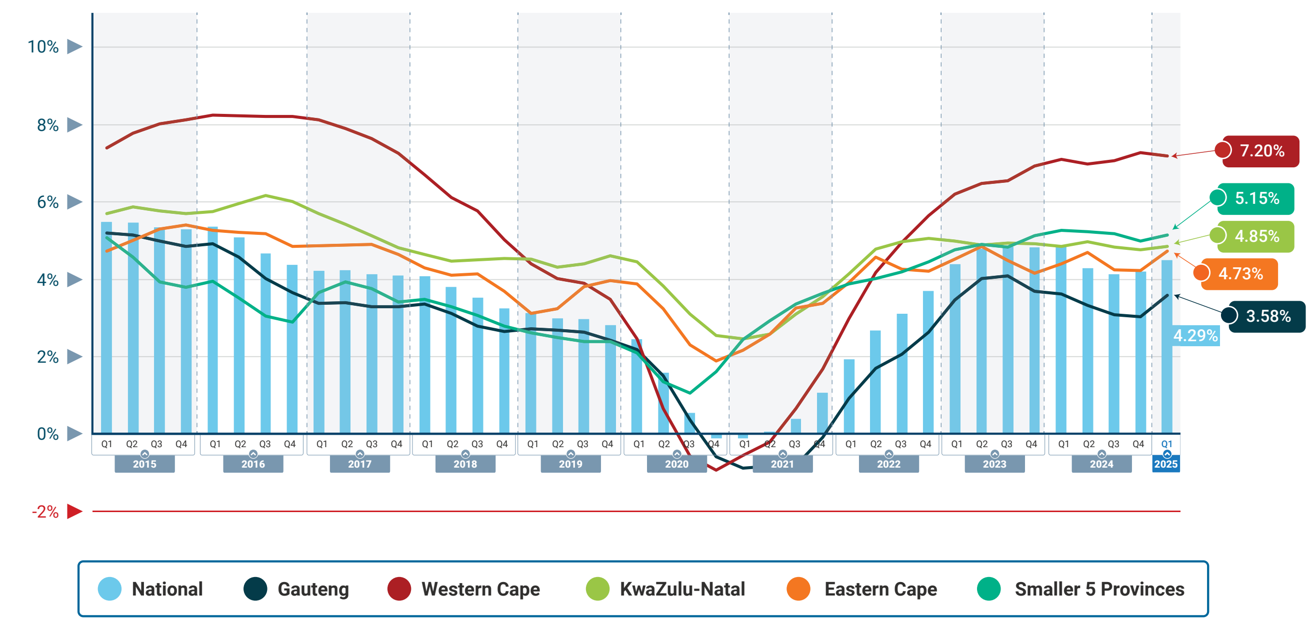
Western Cape maintains the strongest tenant performance

Tenant behaviour in the province reflects this strength. For the eighth consecutive year, the Western Cape recorded the highest percentage of tenants in good standing nationally. In the first quarter of 2025, the percentage of tenants in good standing still reached 89.1%, despite a marginal dip from the previous quarter. Demand for rental properties continues to exceed supply, with tenants demonstrating strong financial commitment.

Even with above-average rental increases since 2022, nearly 9 out of 10 tenants met their rental obligations during the quarter, while only 3.53% made no payments at all. The province also achieved record-high rental prices in South Africa for both full-title and sectional title properties.

However, growth is showing early signs of slowing. Rental escalation dipped slightly to 7.2% in Q1 2025, from 7.27% in Q4 2024, echoing a similar dip seen during the same period last year. Notably, the Western Cape was the only province not to record an upward trend in rental escalations this quarter, signalling a potential stabilisation after years of sharp increases.

Residential Rental Escalations by Province



The **Eastern Cape** experienced a decline in tenant payment performance during the first quarter of 2025. The percentage of tenants in good standing fell from 86.44% in Q4 2024 to 85.63% in Q1 2025 - a drop largely driven by a rise in non-payment. The proportion of tenants who made no rental payments increased from 4.94% to 5.37%, while there was also a modest uptick in partial payments.

Despite these challenges, rental escalation in the province picked up pace, with tenants on average paying 4.73% more for rent in the province. Historically, rental prices in the Eastern Cape have shown sensitivity to fluctuating demand and shifting vacancy rates, which tend to influence price adjustments throughout the year.

KwaZulu-Natal recorded the weakest tenant performance in the country. Only 76.92% of tenants were in good standing in the first quarter of 2025, down from 78.34% in the previous quarter. Partial payments rose to 14.4%, and non-payments to 8.67%. Despite this, property investors increased rental growth by 4.85%. KZN rental growth trends have remained flat since 2022, with early indications of a downward shift as property owners consider affordability and sustainable revenue collection in the region.

KZN and the Free State struggle with low good standing rates

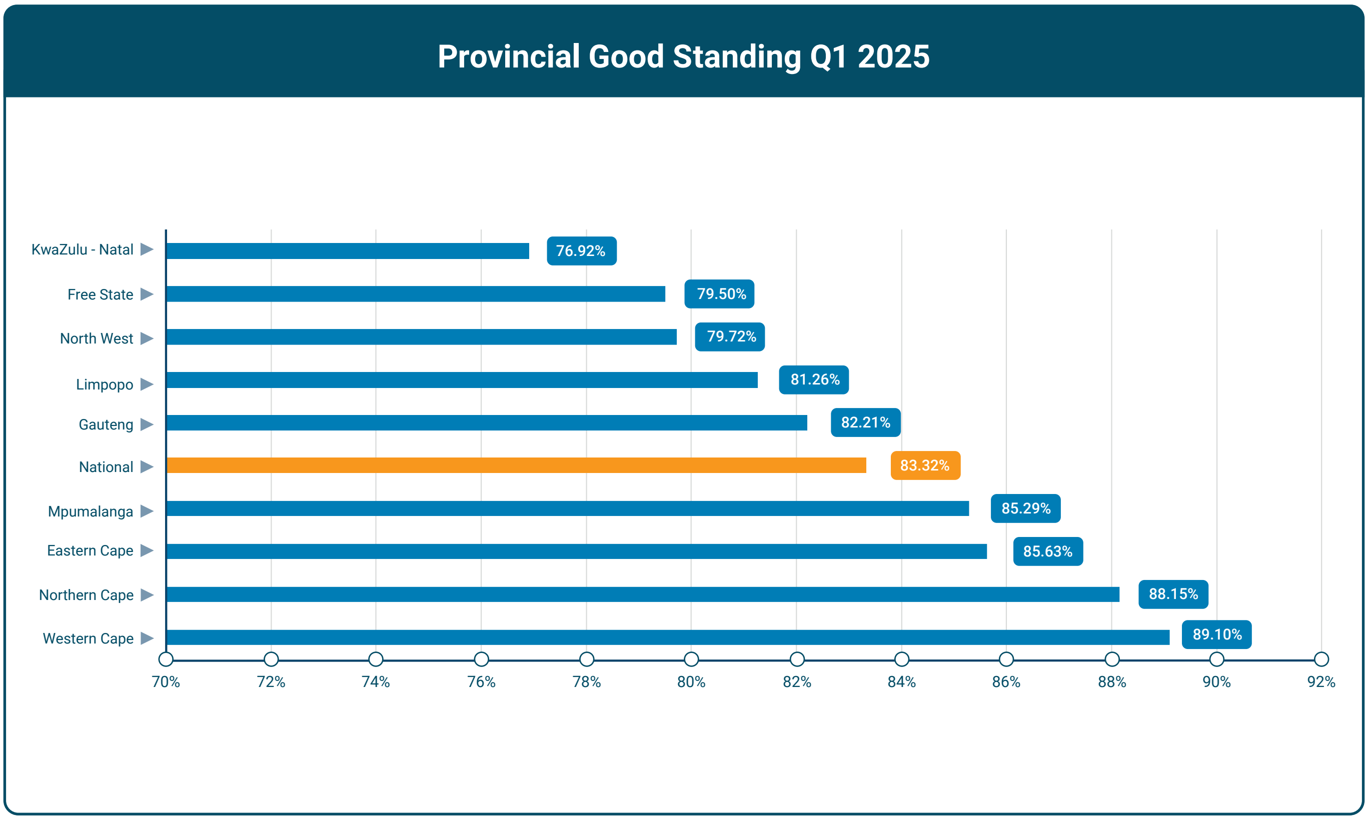
On the other hand, higher-income rental properties are experiencing improved collections due to aggressive tenant screening practices to help mitigate risks, particularly in the northern coastal parts of the province.

Gauteng remains the province with the largest tenant population in South Africa. According to TPN data, Gauteng accounts for 63% of the formal tenant market. By the end of 2024, rental collection improved, with the percentage of tenants in good standing rising to 82.78% in the fourth quarter, the highest level since 2017. The province has since seen a downturn similar to other provinces, with 82.21% of tenants meeting their rental obligations in the first quarter of 2025. Additionally, 6.63% of tenants did not make payments towards their rent, while 11.16% made partial payments.

Although the province has had the lowest rental escalations among major provinces since 2021, Gauteng experienced a marked rental increase, jumping from 3.03% in the fourth quarter of 2024 to 3.58% in the first quarter of this year. The truth is that landlords have been mindful of rental market dynamics, cautiously increasing rent in response to weaker demand, which has led to higher vacancy rates. Tenant payment performance continues to affect cash flow as Gauteng faces challenges such as service delivery issues, safety concerns, and higher-income earners relocating to areas for respite from the difficulties currently experienced in the province.

The five smaller provinces - **Northern Cape, Mpumalanga, Limpopo, North West, and Free State** - recorded a combined good standing rate of 85.63%, down from 86.44% in the fourth quarter of 2024. During this period, 5.57% of tenants in these provinces did not make any rental payments, while 11.62% made only partial payments. The average rental growth across these provinces reached 5.15%, exceeding the national average of 4.49%.

Within this group, the Northern Cape enjoyed the second-highest good standing rate at 88.15% while the Free State was second to last in provincial performance with 79.5% of tenants in good standing.



Data Resources

Page 16:

- Average Full Title (Freehold) rent by property size
- Average Sectional Title Rent by Property Size

Page 17:

- Average Market Value by Province Q1 2025 - Sectional Title
- Average Market Value by Province Q1 2025 - Full Title

Page 18:

- Average Property Value by Province Q1 2025 - Full Title
- Average Property Value by Province Q1 2025 - Sectional Title

Page 19:

- Rental Escalation by Province Q1 2025

Average Full Title (Freehold) rent by property size

Less than 3 bedrooms
R6,980 per month

Three bedrooms
R10,534 per month

More than 3 bedrooms
R14,785 per month

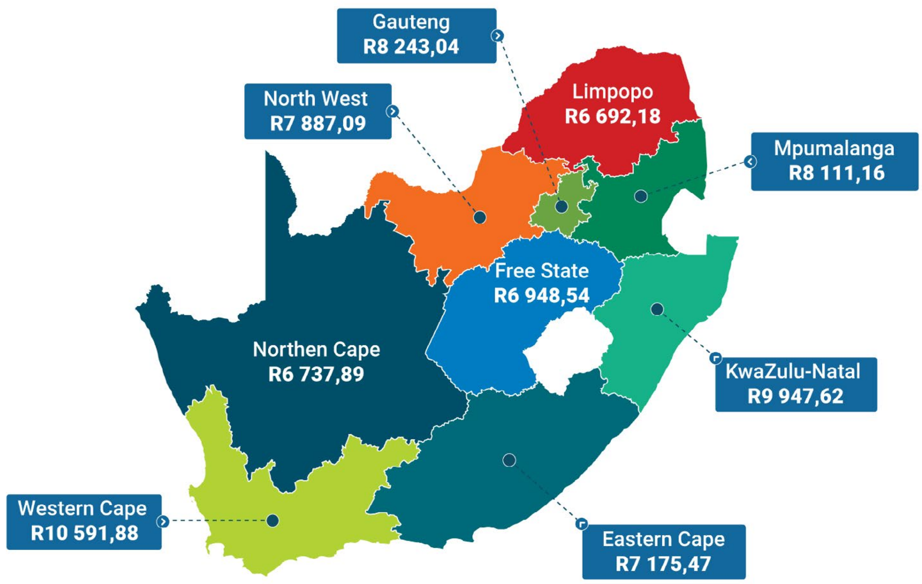
Average Sectional Title Rent by Property Size

Less than 2 bedrooms
R5,729 per month

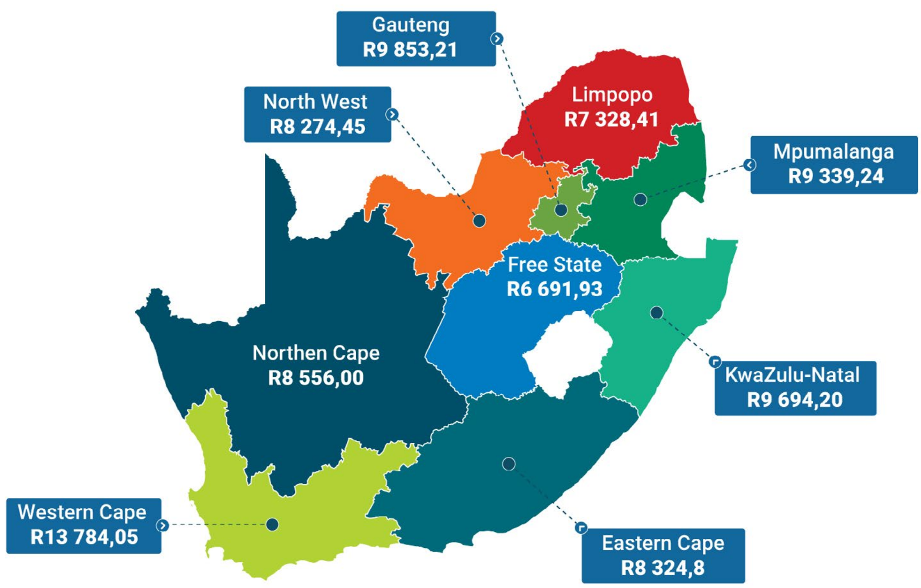
Two bedrooms
R7,455 per month

More than 2 bedrooms
R10,229 per month

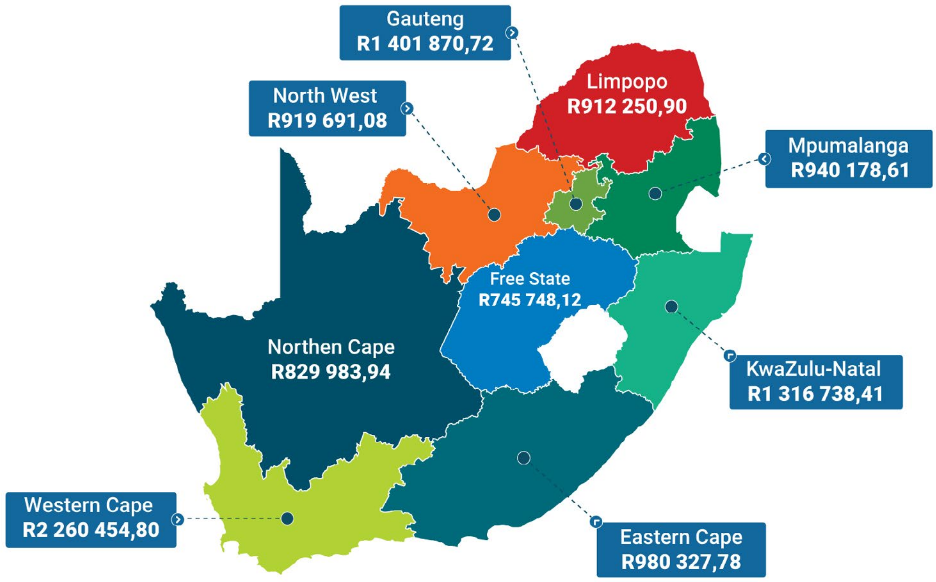
Average Market Value by Province Q1 2025 - Sectional Title



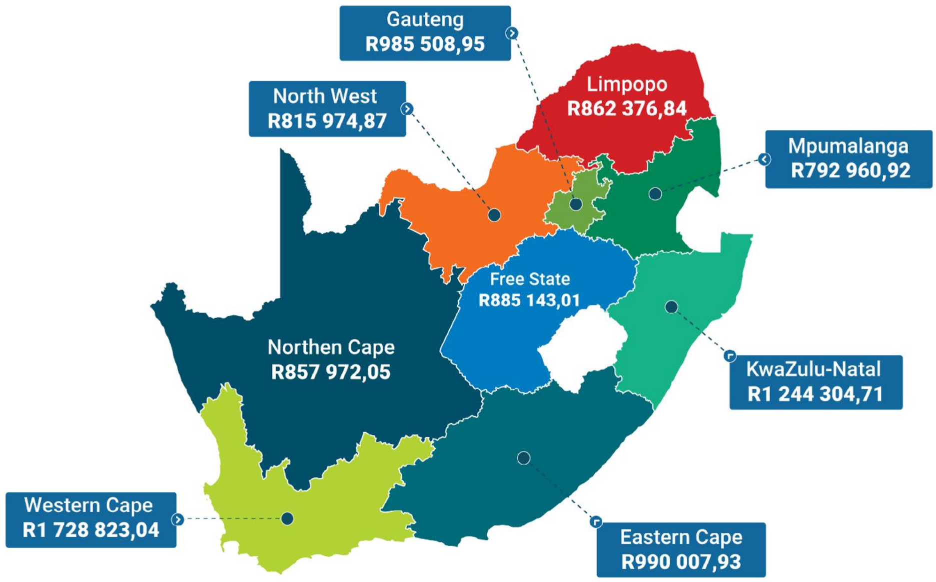
Average Market Value by Province Q1 2025 - Full Title



Average Property Value by Province Q1 2025 - Full Title



Average Property Value by Province Q1 2025 - Sectional Title



TPN Rental Escalation by Province Q1 2025

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