

It is important to understand the credit market as a whole before interpreting tenant payment behaviour

**Defaults and bad debt continue to rise, in spite of an improvement in rental payment performance**

One of the main drivers behind TPN Credit Bureau is the collection and reporting of tenant payment behaviour across all categories of tenants. Estate agents and investors managing a variety of property portfolios are better served to make educated decisions regarding client or property acquisition, collection policies or lease cancellation assessments.

It is important to understand the consumer credit market as a whole before interpreting the payment behaviour of tenants. After all tenant payment behaviour does not happen in isolation of the credit market.

The National Credit Regulator regulates and monitors the quality of consumer credit data reported by credit bureaux. Consumer payment profiles are categorised as:

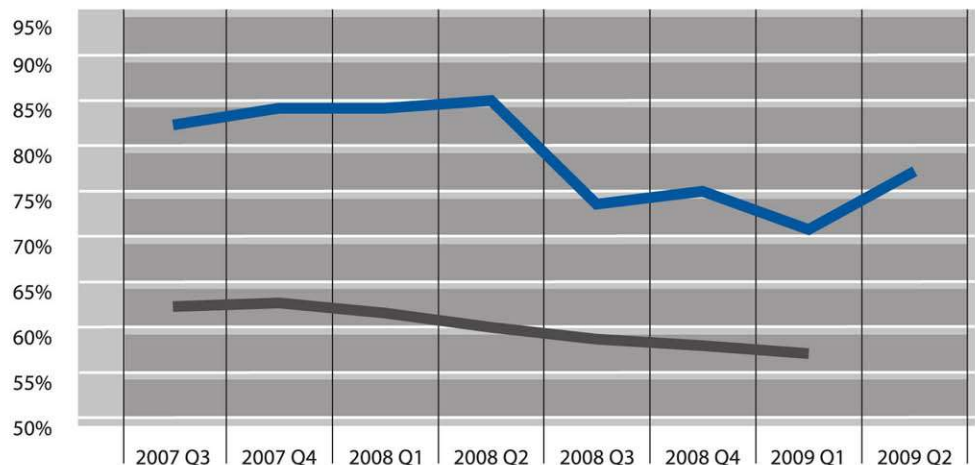
- » Current; and 1 – 2 months in arrears (Consumers in good standing);
- » 3+ months in arrears;
- » Adverse listing; and
- » Judgements & administration orders

There has been a steady decline of consumers considered in good standing off a base of 62.3% in Q3 2007 to a current position of 57.6% in Q1 2009. This indicates a 4.7% decline with just over half a million more consumers incurring impaired credit records.

Although we have seen a reduction in the prime lending rate by 400 basis points during the past 7 months, since its high of 15.5% in June 2008, consumers appear to be servicing their current debt and avoiding new credit agreements. Unfortunately, bad debt and defaults continue to rise as consumers struggle to meet their monthly credit commitments.

Although the TPN rental payment trend mirrored the declining consumer credit trend into Q1 2009, we have however noted an improvement for the second quarter of 2009. It is still too early to be certain, but declining interest rates putting more cash in the hands of tenants may have improved cash flow in terms of meeting non-credit expenses such as rent.

Good Standing - Consumer Credit and Rent: 2007 Q3 to 2009 Q2



Good Standing - Rent

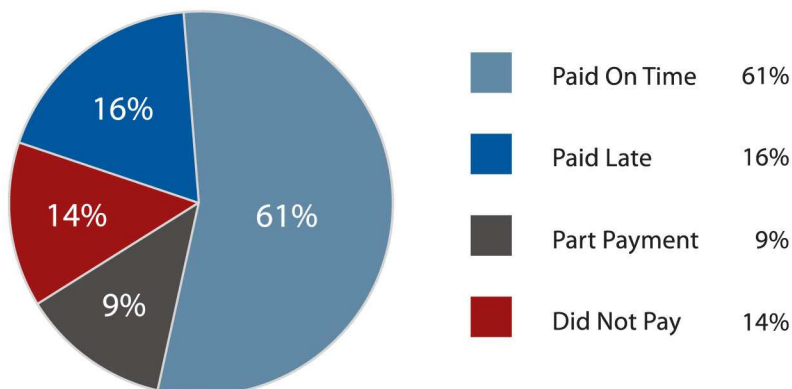
Good Standing - Consumer Credit

## Rental Payment Profile National Averages

Rentals paid on time and in full improved 4% to 61%. We are seeing an improvement in the partial payment category and non-payment of rent has declined. Partial payments remained fairly unchanged improving by 1%. Overall non-payment improved by 5%, down from 19% to 14%.

Previously tenants appeared to move through the all the payment categories: moving from paid on time to late payment to partial payment and finally to non-payment. The current quarter is showing some reversal of the losses felt in the later half of 2008 and first half of 2009.

We have categorised payment trends by monthly rent value and noted that payment trends improved across all payment categories.



Rental Value	Paid On Time	Paid Late	Part Payment	Did Not Pay	Good Standing	Improve (Decline)
Under R 3000	52%	16%	12%	20%	68%	4%
R 3000 to R 7000	66%	13%	8%	13%	79%	4%
R 7000 to R 12000	56%	20%	9%	15%	76%	8%
Over R 12 000	38%	28%	11%	23%	66%	12%

## Payment in the category over R12 000 has improved significantly

Rent values higher than R12,000 have improved most significantly although this is off a low base – and the category remains the most challenging for collections. Movement was mainly from non-payment at 37% dropping to 23% and apparently shifting to late payment; from 12% up to 28%. This indicates an overall improvement in status of tenants by 12% in this value category, with the tenants in good standing increasing to 66% as a result of a slight decline of 4% in paid on time and most significantly, 28% of tenants now paying late. The R3,000 to R7,000 threshold maintained its position as best performing category, with 66% of rent paid on time and 79% of tenants in good standing. Tenants paying between R7,000 to R12,000 are performing well overall with 76% in good standing. Tenants who paid on time remained on the same level as Q1 at 56%, although late payers increased from 12% to 20% in Q2.

FNB debt relief statistics showed that almost 60% of those applying for debt review were male. Forty percent of applicants were between the ages of 30 and 40; and more than 60% were white. Almost 40% earned between R150,000 and R350,000 a year.