

## Who will score in the months ahead?

As the kick-off of the FIFA World Cup on 11 June approaches, optimistic sentiment is running high amongst South Africans in general. We're as much (if not more so) behind Team South Africa as anyone but given the nature of our business, we believe it would be irresponsible to look only at the brighter side of how the rest of the year might unfold.

In fact with some 8 weeks to go and over 350 000 tickets still up for grabs, it seems less likely that the expected numbers of international soccer fans and their anticipated spending money will actually arrive. Some 450 000 tourists were expected. FIFA now expects a more realistic figure of 300 000 fans. Organisers, worried about hosting half-empty stadiums have resorted to selling cheaper tickets at all of the 10 World Cup Stadiums. This will result in lower returns for SA organisers.

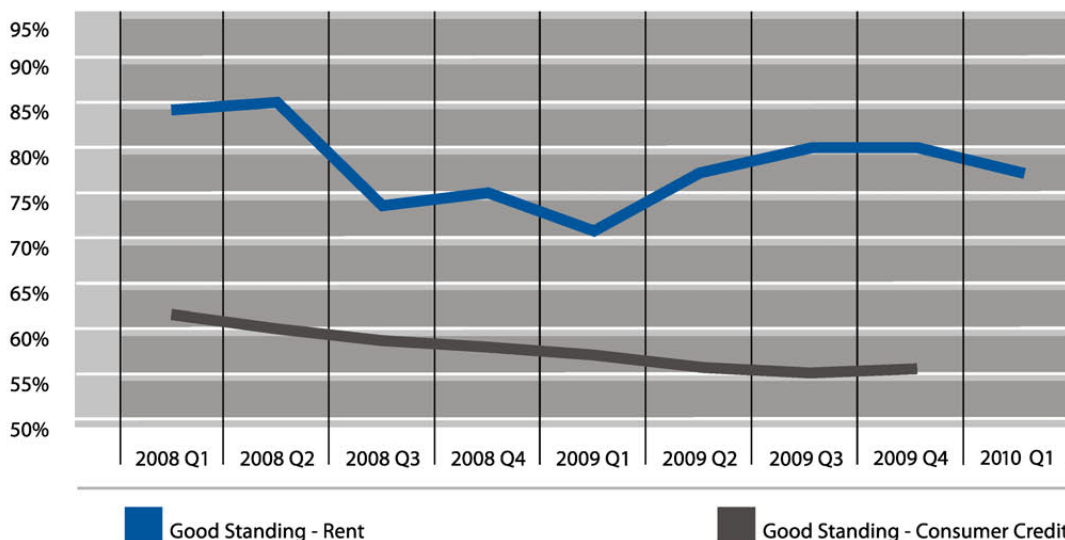
FIFA, who stands to benefit most, will have a profitable Football World Cup with the reported \$3.3bn it expects to realise from commercial rights and official marketing. However, Match, FIFA's ticketing and hospitality partner, recently gave up around 500 000 bed nights in South Africa during the tournament. Not such a rosy picture for SA hotels and tourism.

Tremendous hype fuelled the residential property market, with landlords hoping to make ten-fold profits during the few weeks of the event. This now appears unlikely to materialise. One such example, where over 72 000 bed nights were created has just over 500 sold.

## Optimism Vs. Reality

It also appears that as a result of their optimism, many landlords did not renew, or even cancelled leases with their current quality tenants. Further consequences for the residential market will be the glut of rental properties coming back onto the market in August when the World Cup is over. This will result in an additional burden on the already over-supplied market, and persist with keeping rental prices down.

Good Standing - Consumer Credit and Rent: 2007 Q4 to 2009 Q4



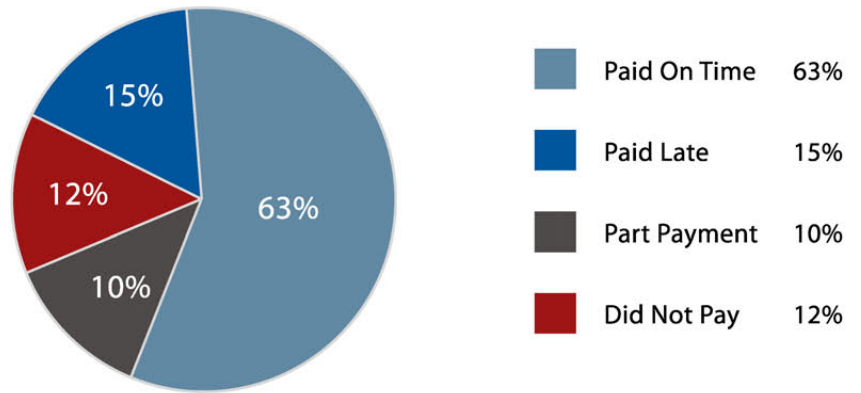
RPP vs Credit Good Standing	'08 Q1	'08 Q2	'08 Q3	'08 Q4	'09 Q1	'09 Q2	'09 Q3	'09 Q4	'10 Q1
Good Standing Rent	84%	85%	74%	75%	71%	77%	80%	80%	78%
Good Standing Credit	61.6%	60.4%	59.5%	58.4%	57.6%	55.9%	55.1%		

## Late payments increase in January

Overall there has been a slight deterioration in Q1 2010 tenants considered in good standing with rental payments. (Determined by either paid on time, or paid late ratings for the month).

When we separated the 3 individual months making up this quarter, January was a significantly poor month for rent collection in terms of the Paid on Time category, dropping off 10% and 12% from the previous 2 quarters. It appears this could be as a result of the holiday season as most of these tenants caught up the rent payment during the month of January. We saw only a slight increase in the number of tenants making a partial payment or making no payment at all.

## Non-payment remained unchanged in Q1 of 2010



Rental Value	Paid On Time	Paid Late	Part Payment	Did Not Pay	Good Standing	Improve (Decline)
Under R 3000	58%	16%	12%	14%	75%	-2%
R 3000 to R 7000	67%	13%	8%	11%	80%	-2%
R 7000 to R 12000	57%	19%	12%	12%	77%	-2%
Over R 12 000	44%	27%	16%	13%	72%	7%

### Highlights to note

- Western Cape and Eastern Cape continue to prove best provinces for rent collection
- There has been an overall improvement in the Good Standing of tenants in the R12,000 plus rental bracket. However caution should be applied when interpreting this overall improvement as the Paid Late rating has more than doubled from 12% to 27%.

## Buy-to-let Market

TPN has noted an increase in the number of landlords who have decided to manage their rental properties themselves in an attempt to reduce costs and limit the shortfall on the rental income. It is important for these landlords to check their lease agreements and ensure they are not bound to a further commission payment should they enter into a lease directly with a tenant which was placed by an estate agent.