

The burden of rising electricity costs on rent

 By [Michelle Dickens](#)

13 Mar 2013

The National Energy Regulator of South Africa (NERSA) has approved an 8% increase in electricity costs, agreeably not the 16% requested by Eskom, but nevertheless a figure still above inflation. However, when viewed against the previous 25% per annum increases, is this lower increase a little bit too late for most consumers?

TPN's research indicates that residential tenants are already overexposed to the high cost of electricity. By way of example, a tenant in a two-bedroomed townhouse over a five-year period provides tangible evidence of the rising cost of electricity. In June 2009, the average monthly cost of electricity for Joe (your average tenant) was R192.40: this figure has risen year on year to a monthly cost of R202.14 in 2010, R351.07 in 2011, R626.33 in 2012 and R814.70 in 2013.

Disproportionate with the cost of living

Joe's case is not isolated and most consumers would relate personally with this increase pattern. In fact, the cost of electricity has increased so disproportionality with the cost of living that Joe's electricity cost now makes up 19% of his overall rent and electricity bill compared to only 5% in 2009.

A broader sample of TPN's Rentbook tenants indicates a similar trend with some noteworthy key findings:

- The average cost of a tenant's electricity in 2011 was R763.39 or 17% of the rent and electricity bill.
- In 2012 the average cost of electricity was R884.06 or 19% of the rent and electricity bill.
- Further analysis revealed tenants in the below R3000 rent per month category have been most severely impacted: in 2011, 23% of their total rental account was attributed to electricity while in 2012 this pushed up to 30% - effectively the average cost of R622.72 for electricity on an average basic rental of R2250.42.
- Both tenants and landlords have already suffered financial consequences and will continue to do so. Tenants' pockets are directly impacted on with the lower end of the rental market suffering the most. The extraordinarily high annual increase of electricity over the last four years has directly impacted on the landlord's ability to increase rent, with overall basic rent escalation remaining fairly flat. More alarmingly, the landlord remains liable for the cost of electricity on his property; if the tenant defaults on electricity payments, the landlord will have to settle this account prior to obtaining a clearance certificate on any future sale of the property.
- The cost of a tenant's non-payment of electricity is now significant, especially when calculated over the average 12-month term of a lease; it is inevitable that landlords will start demanding higher deposits to cover this risk.
- Tenants are responsible to make full and timeous payments for their rent and additional charges, such as electricity. It is increasingly important that landlords or their agents perform full TPN credit reports and thorough affordability assessments.

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