

SA Corporate Real Estate Fund
("SA Corporate" or "the Fund")

(Incorporated in the Republic of South Africa)
Share Code: SAC ISIN Code: ZAE00083614

A Collective Investment Scheme in property registered in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 and managed by SA Corporate Real Estate Fund Managers Limited ("SA Corporate Fund Managers") (Registration number 1994/009895/06)

Interim distribution growth

5.7% higher than June 2011

4.8% higher than December 2011

Gearing

Low gearing of 17.8%

98.5% of debt is fixed

Portfolio activity

Disposal of 10 properties for R547,0m

Disposal of investment in associate for R178,2m

Property performance

Overall retention increased to 84.7%

Reversions increased to 3.6%

1. INTRODUCTION

SA Corporate Real Estate Fund is a JSE listed Property Unit Trust which owns a portfolio of retail, industrial and commercial buildings located primarily in the major metropolitan areas of South Africa.

2. REVIEW FINANCIAL RESULTS AND PORTFOLIO PERFORMANCE

The distribution for the first half of the year to June 2012 (15.17cpu) increased by 5.7% relative to the comparable period in June 2011 (14.35 cpu) and increased by 4.8% relative to the second half of 2011 (14.48 cpu). The premium to net asset value ("NAV") improved to 3.2% at June 2012 (NAV: 330cpu, Unit price: 341cpu), compared to a discount of 4.2% at June 2011.

Industrial rental growth (8.3%) was underpinned by solid tenant retentions of 85.0% combined with positive rental reversions. Retail rental income decreased by 3.8%. The reduction is attributable to a combination of the impact of disposals and a 1.3% increase in vacancies. Retail rental income on the standing portfolio has improved from 1.1% dilution as at June 2011 to 4.7% growth as at June 2012, arising from improved retentions (82.2%) and positive reversions (1.1%). Commercial rental income increased by 8.5%, this is underpinned by reduced vacancies (14.5%), retentions of 93.1% and 5.2% positive reversions.

The total standing portfolio rental (excluding recoveries and turnover rental) increased by 7.5%, mainly due to improved tenant retention and positive rental reversions.

SA Corporate's investment in Oryx Properties Limited ("Oryx") was disposed of during the period which resulted in the income from the associate for the 6 months ended June 2012, decrease by 83.4% compared to the same period last year. The proceeds have been used to fund the unit buy-back and settle a R100m loan with an interest rate of 10.57%. This resulted in an enhanced distribution.

Property expenses increased by 4.0% compared to June 2011. Municipal costs representing 59.1% of property expenses increased by 5.3%, due to an increase in electricity and water cost of 13.3% and 7.0% respectively. Bad debts decreased by 46.6% (R7.4m) compared to June 2011 (R13.8m).

Net interest paid decreased by 10.0% for the 6 months to June 2012 compared to the same period in 2011. The reduction is attributable to the injection of disposal proceeds into flexible debt facilities and early settlement of more expensive debt.

The breakdown of distributable earnings is set out below:

	6 months to 30.06.2012 Unaudited	6 months to 30.06.2011 Unaudited	12 months to 31.12.2011 Audited
DISTRIBUTABLE EARNINGS (R000)			
Rent (excluding straight line rental adjustment)	448,382	438,792	891,049
Net property expenses	(56,074)	(57,440)	(116,082)
Property expenses	(216,693)	(208,433)	(431,781)
Recovery of property expenses	160,619	150,993	315,699
Net property income	392,308	381,352	774,967
Taxation on distributable income	698	(440)	(93)
Interest income from associate company (Oryx)	1,402	8,468	16,970
Net funding cost	(61,589)	(68,431)	(140,564)
Interest received	12,115	11,261	23,597
Interest paid	(73,704)	(79,692)	(164,161)
Fund expenses	(22,481)	(22,158)	(50,998)
Other	-	-	(80)
Lapsed distribution on units buy-back	795	-	-
Distributable earnings	311,133	298,791	600,202
Units in issue (000)	2,050,917	2,081,869	2,081,869
Distribution (cents per unit)	15.17	14.35	28.83
- Interim	15.17	14.35	14.35
- Final	-	-	14.48

3. PROPERTY VALUATIONS

The value of the Fund's independently valued property portfolio decreased by R548,3m to R8,0bn as at June 2012 (December 2011: R8,6bn). The standing portfolio, representing properties held for the full 12 months in June 2012, decreased by R36m (0.5%) from December 2011.

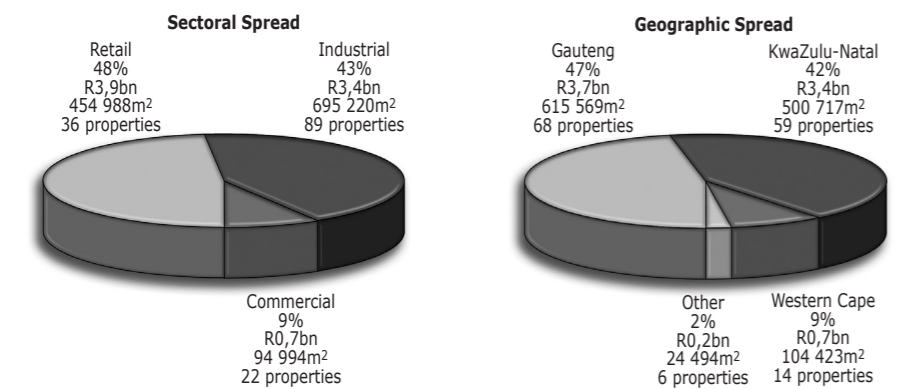
The capitalisation and discount rates used for the valuations in the Fund's standing portfolio at June 2012 were as follows:

Property type	Capitalisation rate (%)		Discount rate (%)		Change in standing portfolio (%)	
	30.06.2012	31.12.2011	30.06.2012	31.12.2011	30.06.2012	31.12.2011
Retail	9.4	9.5	15.4	15.5	(2.9)	(2.1)
Industrial	9.8	9.9	15.9	15.9	1.8	4.3
Commercial	10.0	10.0	16.0	16.0	0.3	(0.8)
Portfolio total	9.7	9.7	15.7	15.7	(0.5)	0.7

The portfolio valuation gives rise to a NAV of 330cpu, a 4.9% decrease compared to June 2011 (347cpu).

4. PORTFOLIO INVESTMENT ACTIVITY

The portfolio comprised 147 properties (159 properties as at June 2011 and 157 properties as at December 2011). The sectoral and geographic weightings by value are set out below:



Development activity during the period.

Developments	Cost (Rm)	Completion date	Yield forecast 1st 12 months (%)	Sector	Region
Musgrave Shopping Centre, Durban	144	04/2012	7.3	Retail	KwaZulu-Natal
Hayfields Mall, Pietermaritzburg	22	07/2012	9.0	Retail	KwaZulu-Natal
Whirlprops 25 (Pty) Ltd, Durban	20	07/2012	9.3	Industrial	KwaZulu-Natal
8 Paul Smith Street, Anderbolt	17	10/2012	10.0	Industrial	Gauteng

There were no acquisitions for the 6 months ending 30 June 2012.

Disposals recognised during the period.

Properties	Transfer date	Proceeds (Rm)	Carrying value at date of sale (Rm)	Exit yield on sale price (%)
Highland Mews Shopping Centre, Witbank	06/2012	130,0	136,9	10.1
Renbro Shopping Centre, Pretoria	06/2012	107,0	103,5	8.3
Hubyeni Shopping Centre, Limpopo	06/2012	80,8	80,8	10.0
The Village Centre, Richdens	05/2012	79,6	80,0	9.6
Van Riebeeckhof Shopping Centre, Belville	06/2012	38,0	37,6	9.8
Nzhelele Valley Shopping Centre, Makhado	06/2012	30,6	29,7	7.6
Ermelo Game Centre, Ermelo	06/2012	26,0	26,3	9.2
Dube Village Mall, Inanda	06/2012	25,0	27,9	9.0
6 Lanner Road, Durban	01/2012	22,5	22,5	7.0
94 Intersite Avenue, Durban	01/2012	7,5	7,5	8.1
		547,0	552,7	9.3
Investment in Oryx Properties Limited	01/2012	178,2	178,2	*10.2
Total Disposals		725,2	730,9	9.5

* Historic yield

5. LEASE EXPIRIES AND VACANCIES

Vacancies in terms of rentable area and rental income were as follows:

Property type	Vacancy as % of GLA *			Vacancy as % of rental income		
	30.06.2012	31.12.2011	30.06.2011	30.06.2012	31.12.2011	30.06.2011
Retail	11.5	9.7	10.2	5.9	6.6	9.6
Industrial	3.7	1.4	1.7	2.2	1.5	1.4
Commercial	14.5	13.6	17.2	9.5	9.2	16.2
Portfolio total	7.4	5.6	6.3	4.9	5.0	7.1

* GLA=Gross lettable area

Retail vacancies (11.5%) increased since June 2011 (10.2%) predominantly due to disposals, large box tenant failures and strategic areas held for expansion for existing and prospective tenants. Refurbishment projects have contributed positively to the overall occupancy levels.

The Fund's industrial vacancy as at June 2012 was 3.7% (June 2011: 1.7%). Minimal speculative industrial development together with the quality of the portfolio ensured that the industrial portfolio remains well let and better than the sector average. The increase in the vacancy rate is as a result of space not renewed and reported as vacant as at June 2012. This space has been largely re-let and vacancy levels should remain constant at around 2.0% to 2.5% of the total industrial portfolio.

The commercial vacancy (including commercial in retail) as at June 2012 was 14.5% marginally up from December 2011 (December 2011: 13.6%) but much improved from the June 2011 vacancy rate for the commercial portfolio of 17.2%. A high proportion of the Fund's commercial vacancies relate to office space in retail centres. The over supplied office market remains challenging particularly with regard to B and C grade office buildings which highlights the two-tiered market which has developed, with prime space performing much better than buildings of B and C grade quality.

The lease expiry profile and vacancies (by GLA) are set out below:

Property type	Vacant (%)	Expiring (%)					
		Monthly	2012	2013	2014	2015	Thereafter
Retail	11.5	5.7	13.0	16.6	18.0	16.7	18.4
Industrial	3.7	2.2	12.4	18.8	12.7	17.6	32.6
Commercial	14.5	3.3	15.2	18.0	13.0	13.7	22.2
Total	7.4	3.6	12.8	18.0	14.7	17.0	26.6

6. TENANT RETENTION AND RENTAL REVERSION

The table below reflects the Fund retention ratio and rental reversion per sector for a rolling 12 month period ending June 2012:

Property type	Expiries (m ²)	Retention (m ²)	Retention (%)	Rental reversion (%)
Retail	80,600	66,219	82.2	1.1
Industrial	166,670	141,679	85.0	6.1
Commercial	17,471	16,259	93.1	5.2
Total	264,741	224,157	84.7	3.6

7. BORROWINGS

Gearing remained low with debt amounting to 17.8% of the total portfolio (June 2011: 20.2%). 98.5% of the debt is fixed, with the earliest fix expiring in December 2012. The debt profile is detailed below:

Type	Maturity date	Fixed expiry date	Rm	Interest Rate (%)	Swap
Fixed	31.12.2012	31.12.2012	500	8.53	Yes
Fixed	11.09.2014	05.06.2013	400	9.74	Yes
Fixed	13.08.2013	31.07.2014	270	9.07	Yes
Fixed	13.08.2013	31.07.2014	30	9.07	Yes
Fixed	29.04.2015	31.07.2015	200	10.09	Yes
Variable	25.07.2016	25.07.2016	21	7.87	No
Total			1,421	9.20	

The Fund has an additional R200m floating facility, of which R21.4m was partially used to fund capital expenditure.

8. PROSPECTS

Business conditions remain very tight and, even taking into account the possible positive spin-offs of the reduction in the repo rate announced by the SA Reserve Bank ("SARB") recently, are expected to remain tight for the foreseeable future. This is a result of the fact that the world economy is barely growing due to, inter alia, the European crisis which seems to be far from over and, although it appears as if Greece has managed to pull back from disaster, there is evidence that there are similar problems in Italy and Spain. In addition, the US economy remains sluggish and SARB has reduced its forecast for the South African GDP growth.

In spite of this, there are signs that vacancies are coming down and there are indications that rentals are growing, albeit at a pedestrian pace. This growth is evident in the industrial portfolio which has been performing well and is expected to continue to do so. In contrast to this, the retail portfolio in Gauteng remains under pressure. On the positive side, there are signs that the retail portfolio in KwaZulu-Natal has turned the corner and it is expected that it should perform to expectations.

Although we are expecting an improved performance from the property portfolio, it is anticipated that the relatively high volume of sales out of the portfolio which have not yet been countered by acquisitions, will continue to have a negative effect on distribution growth. In spite of this, the Board is of the opinion that the Fund should be able to deliver positive growth in distributions for the full year.

9. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (R000)

	30.06.2012 Unaudited	30.06.2011 Unaudited	31.12.2011 Audited
Assets			
Non-current assets	7,645,819	8,681,765	8,036,164
Investment property	7,418,385	8,330,417	7,812,992
- At valuation	6,757,925	7,603,000	7,178,125
- Straight line rental adjustment	(214,440)	(208,783)	(210,833)
- Under development	874,900	936,200	845,700
Letting commission	26,404	*23,358	41,114
Investment in associate	-	157,154	-
Rental receivable straight line adjustment	190,199	170,836	182,058
Interest rate swap derivative	10,831	-	-
Current assets	1,209,116	962,651	1,269,891
Properties held for disposal	370,400	243,788	527,700
Investment in associate held for disposal	18,042	19,900	175,208
Trade receivables	130,626	26,555	26,555
Other receivables and accrued interest	24,240	*140,125	138,002
Rental receivable straight line adjustment	824	37,947	28,775
Capital gains taxation	664,984	520,891	373,651
Cash and cash equivalents	-	-	-
Total assets	8,854,935	9,644,416	9,306,055
Unitholders' funds and liabilities			
Unitholders' funds	6,777,333	7,217,128	6,967,767
Non-current liabilities	1,062,767	1,625,029	1,332,077
Interest bearing borrowings	920,976	1,499,842	1,222,982
Interest rate swap derivative	29,227	*1,140	13,732
Deferred taxation	112,564	124,047	95,363
Current liabilities	1,014,835	802,259	1,006,211
Interest bearing borrowings	500,000	285,196	500,000
Trade and other payables	172,258	180,161	179,424
Capital gains taxation and secondary taxation on companies	56	19,810	2,415
Unclaimed distributions	879	1,742	4,148
Distributions payable	311,133	298,791	301,411
Interest rate swap derivative	30,509	*16,559	18,813
Total unitholders' funds and liabilities	8,854,935	9,644,416	9,306,055
NAV cpu	330	347	335

* Adjusted to disclose non-current letting commissions and interest rate swap derivative in non-current assets and liabilities respectively.

10. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (R000)

	6 months to 30.06.2012 Unaudited	6 months to 30.06.2011 Unaudited	12 months to 31.12.2011 Audited
Revenue	604,666	605,832	1,235,323
Income	618,183	632,692	1,300,061
Rent	448,382	438,792	891,049
Straight line rental adjustment	(4,335)	16,047	28,575
Recovery of property expenses	160,619	150,993	315,699
Income from associate company	1,402	15,599	41,141
- Interest income	1,402	8,468	16,970
- Share of post-acquisition reserves	-	7,131	24,171
Interest	12,115	11,261	23,597
Expenses	(312,878)	(310,283)	(646,940)
Accounting and secretarial fees	(2,943)	(5,184)	(10,205)
Audit fees	(28)	(799)	(1,517)
Administrative fees	(2,095)	(2,122)	(7,737)
Interest expense	(73,704)	(79,692)	(164,161)