

# SA Corporate December 2012 Year end Results Presentation

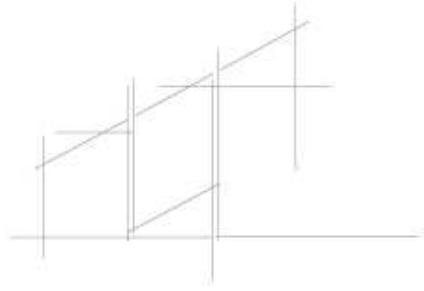
February 2013



INDUSTRIAL | RETAIL | OFFICE



- Highlights Rory Mackey
- Financial Performance Antoinette Basson
- Portfolio Review Rory Mackey
- Strategic Objectives Rory Mackey
- Prospects Rory Mackey
- Acknowledgments Rory Mackey
- Questions Team



# HIGHLIGHTS

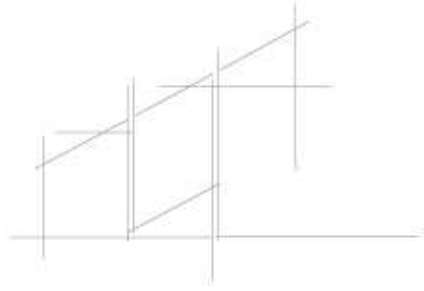
## RORY MACKEY

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## High Level Review

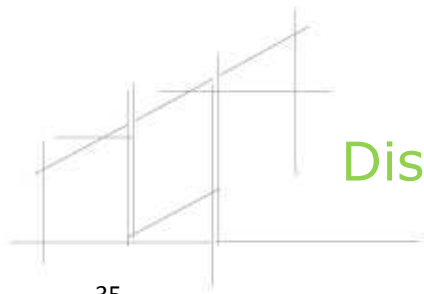
- **Distribution themes**
  - Full year distribution growth of 4.6%
  - 2nd Half distribution growth of 3.5%
  - Standing portfolio net property income growth of 6.4%
  - Industrial sector characterised by low vacancies, strong retentions and healthy reversions
  - Retail sector characterised by decline in vacancies as a percentage of rental income, improved retentions and positive reversions despite tough trading conditions
- **Investment strategy**
  - Disposal of 18 properties for R769m for 2012
  - Disposal of Investment in Oryx for R175.2m
- **Capital structure**
  - Repurchased 42.9m units at a weighted average price of 332cpu
  - Weighted average cost of debt reduced by 2.8% (2.3% with fixes)
  - Swaps renegotiated at significantly better rates



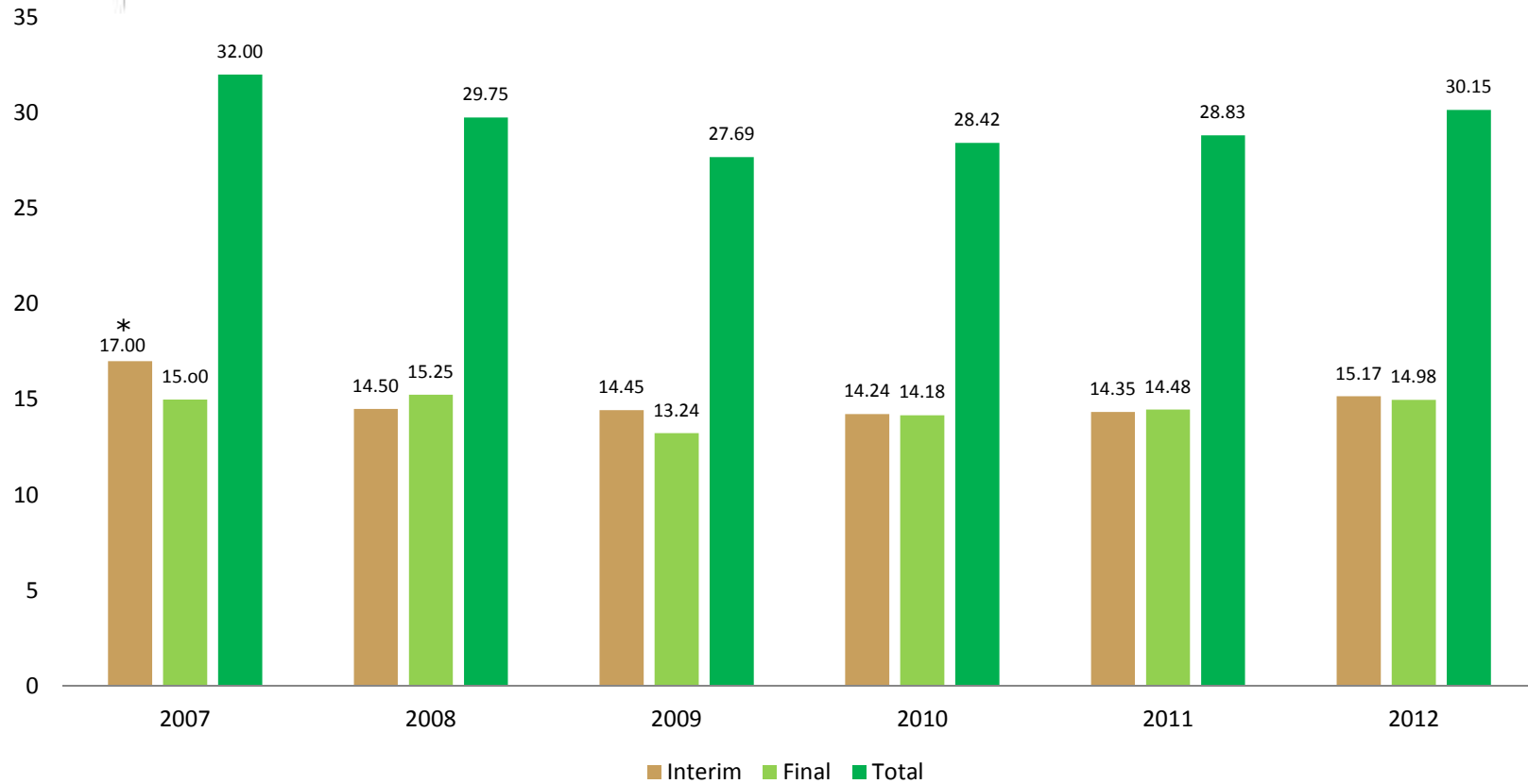
# FINANCIAL PERFORMANCE

## ANTOINETTE BASSON

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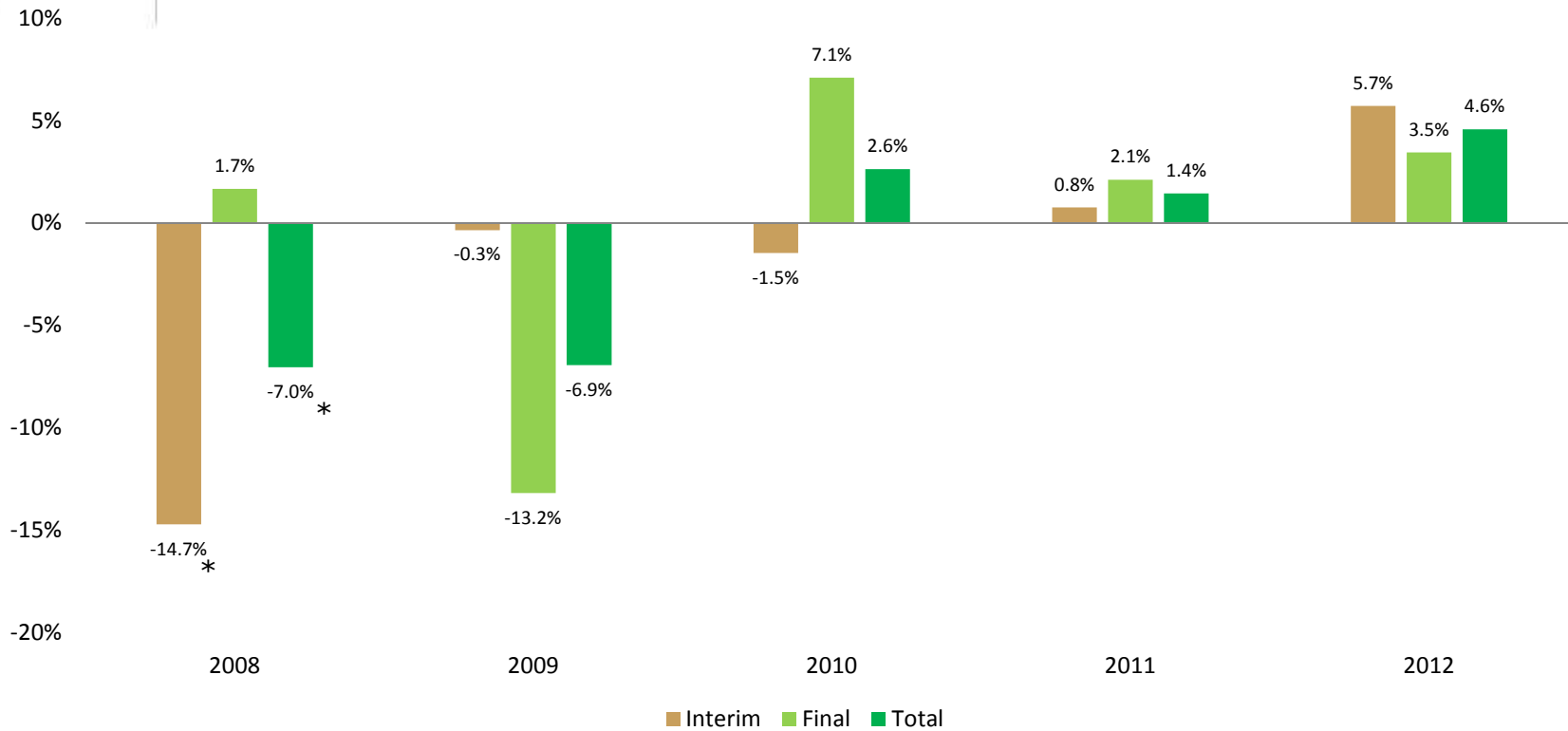


## Distribution History



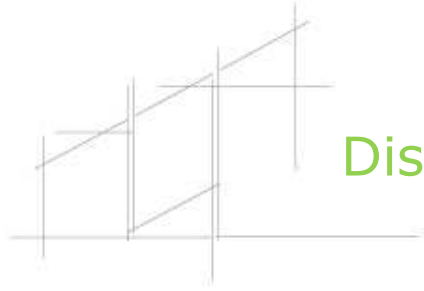
\* Interim 2007 distribution includes SA Retail once off contribution of 2.40c

## Distribution growth



\* Large negative growth in 2008 due to Interim 2007 distribution including SA Retail once off contribution of 2.40c. Growth excluding once off contribution is:

- Interim 2008: -0.7%
- Total 2008: 0.5%



## Distribution at a glance

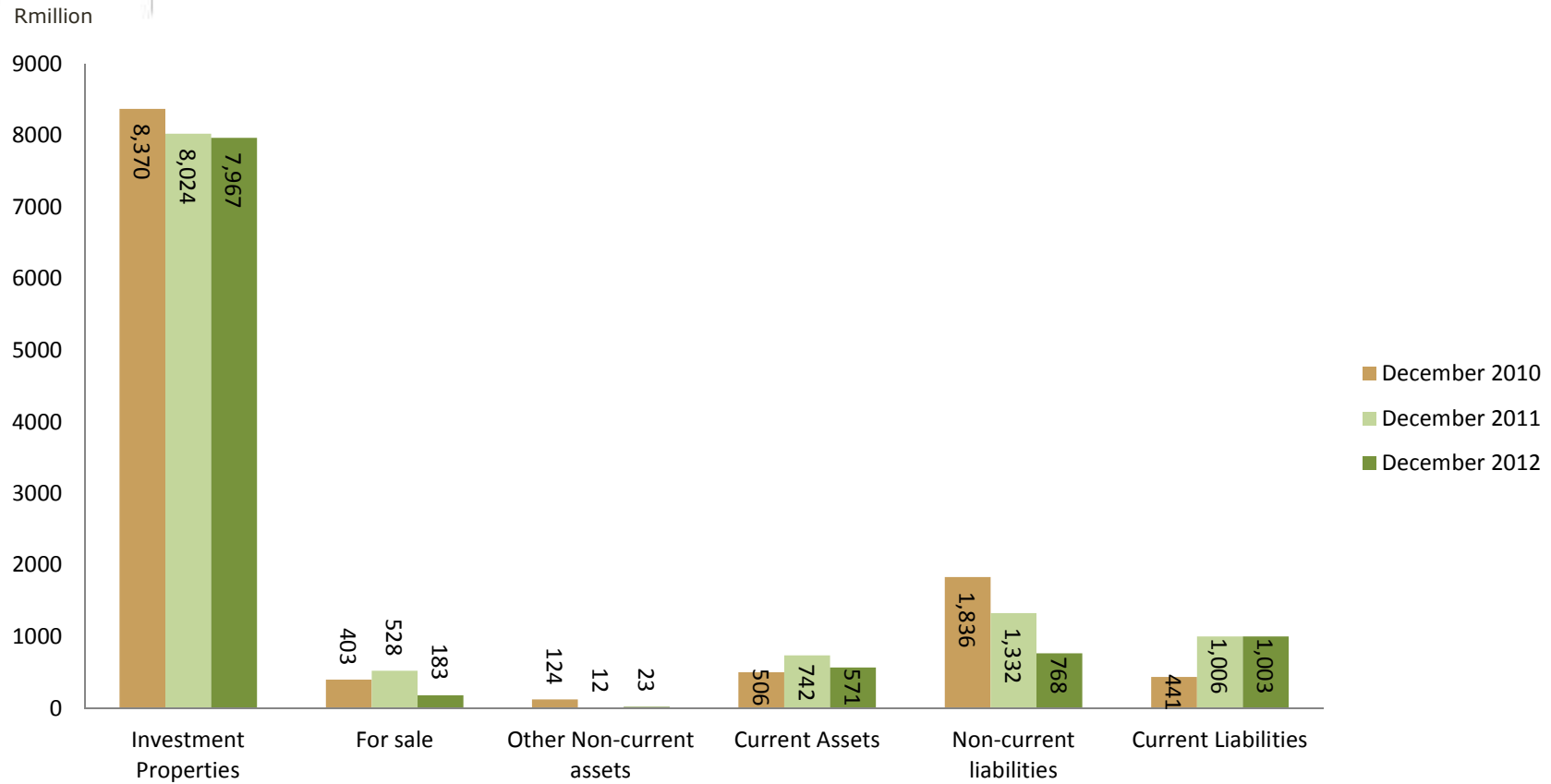
	<b>Dec 2012 Rm</b>	<b>Dec 2011 Rm</b>	<b>% Variance</b>
Net property income	777.07	774.97	0.3
Investment income (Oryx)	1.40	16.97	(91.7)
Net finance costs	(108.65)	(140.56)	(22.7)
Fund Expenses	(48.78)	(51.08)	(4.5)
Taxation	0.70	(0.09)	851.6
VAT provision	(5.93)	-	100.0
Lapsed distribution	0.79	-	100.0
Distributable earnings	616.61	600.20	2.7
Distribution per linked unit	30.15	28.83	4.6
First six months	15.17	14.35	5.7
Second six months	14.98	14.48	3.5

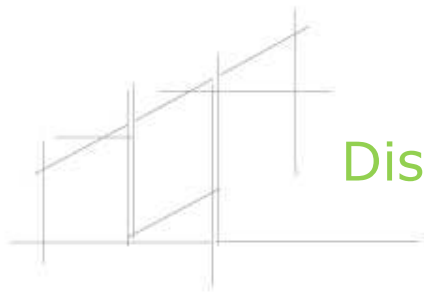


## Distribution contributors and detractors



# Group Financial Position





## Disposal Proceeds

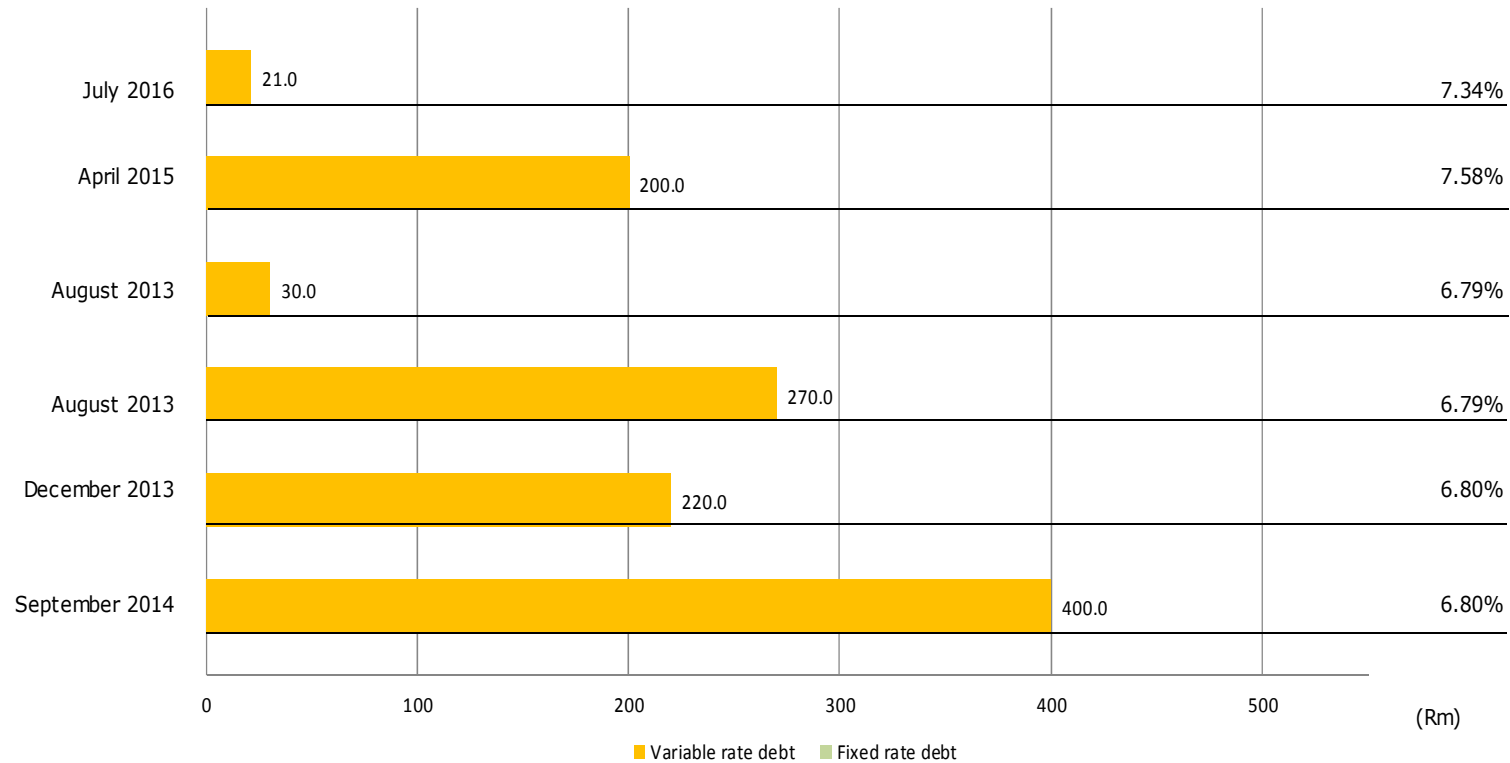
	<b>Rm</b>
Disposal Proceeds at 31 December 2011	<b>98</b>
Net Disposal Proceeds for 2012	929
Units Bought Back in 2012	(142)
Loan repayments	(427)
Capex	(162)
Disposal Proceeds at 31 December 2012	<b>297</b>



## Group debt structure – at year end

Maturity and interest rate profile of interest-bearing debt at 31 December 2012 (WAR – 6.94% vs 9.71%)

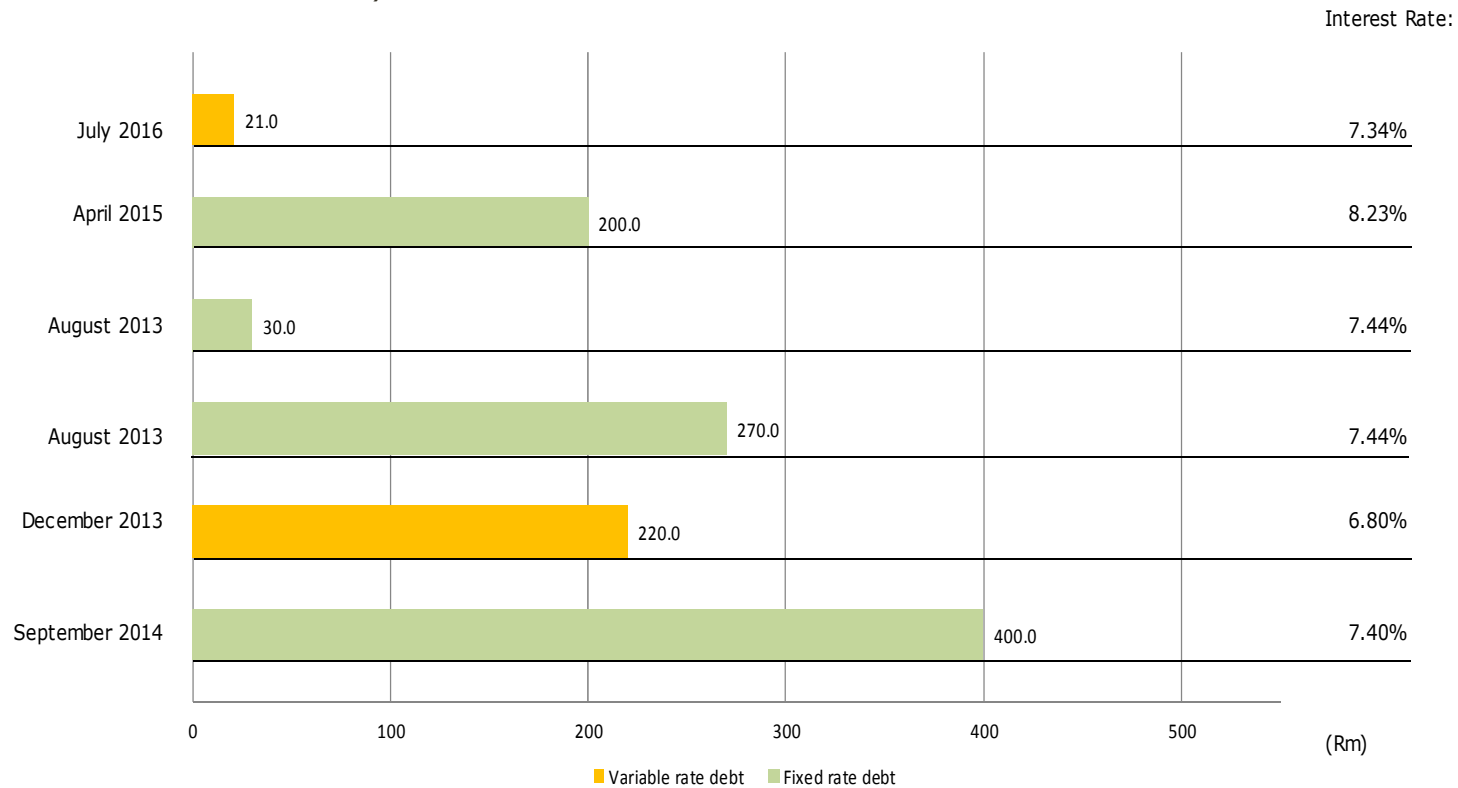
Interest Rate:



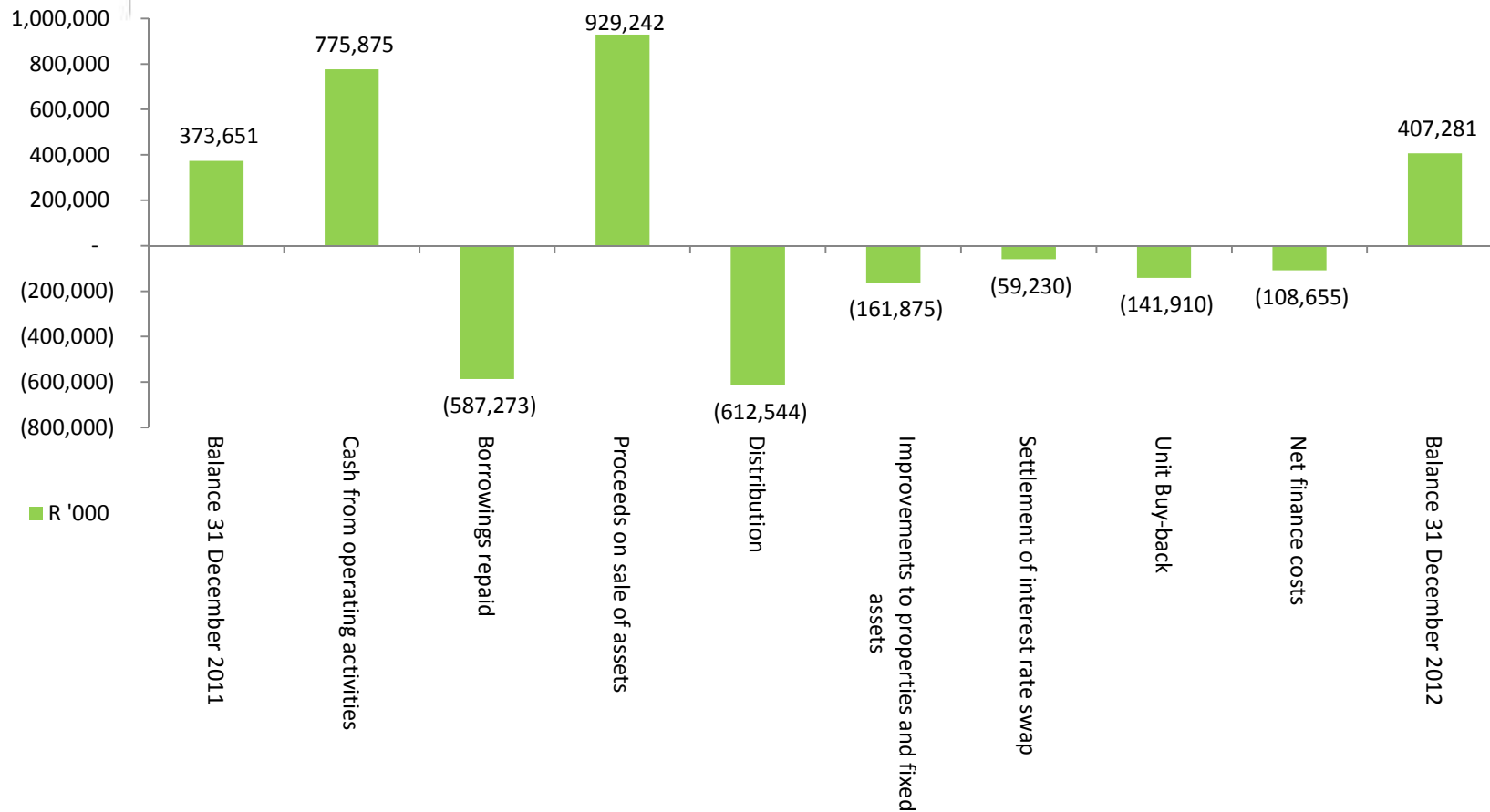


## Group debt structure – post year end

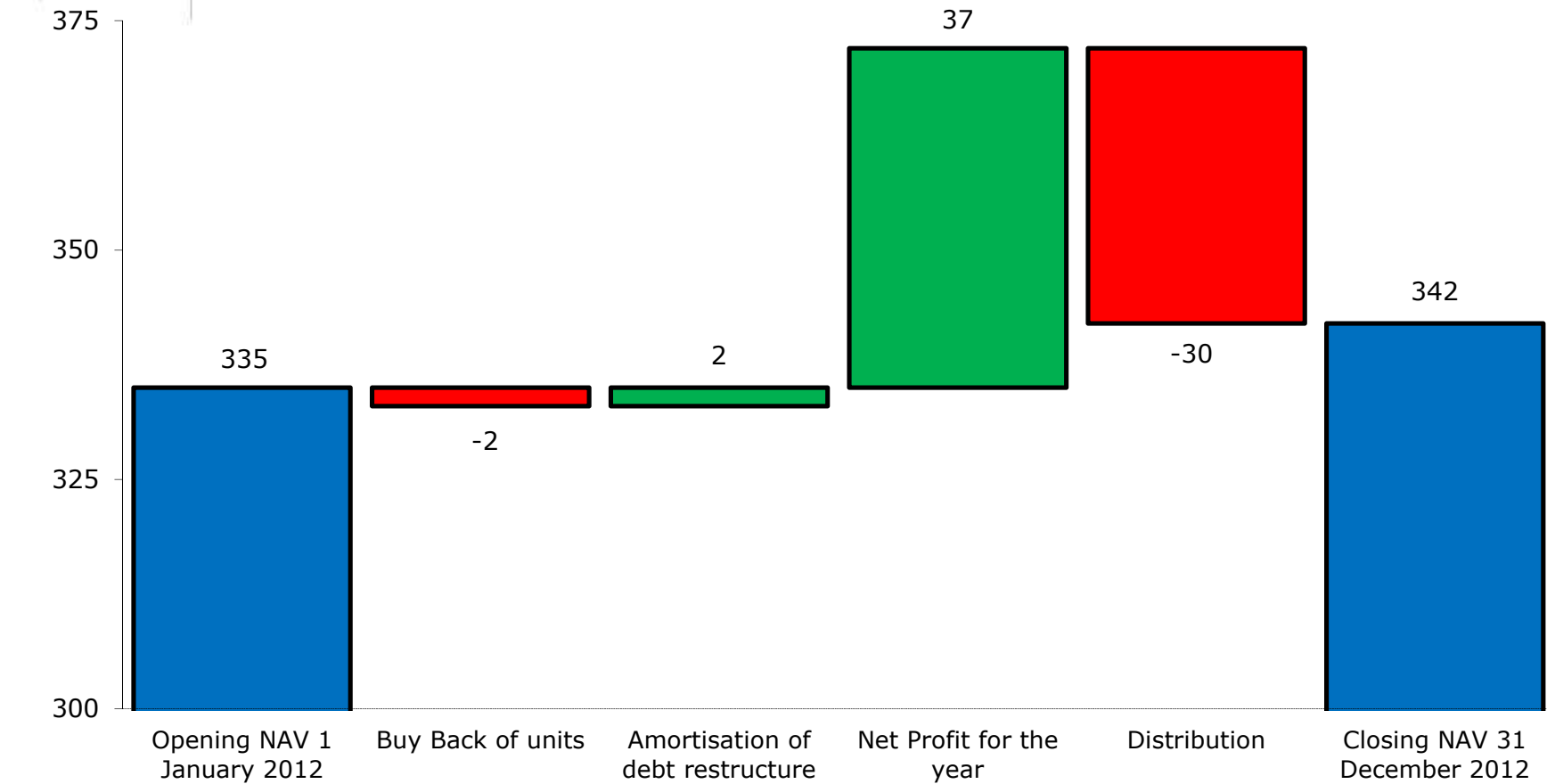
Maturity and interest rate profile of interest-bearing debt at 2 January 2013 (WAR - 7.44% vs 9.71%)



## Group net cash flow



## Net Asset Value



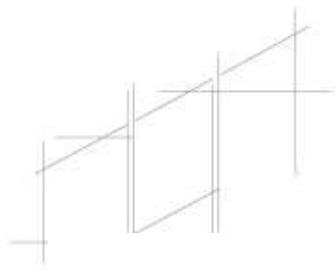


## SA Corporate Historic Yield

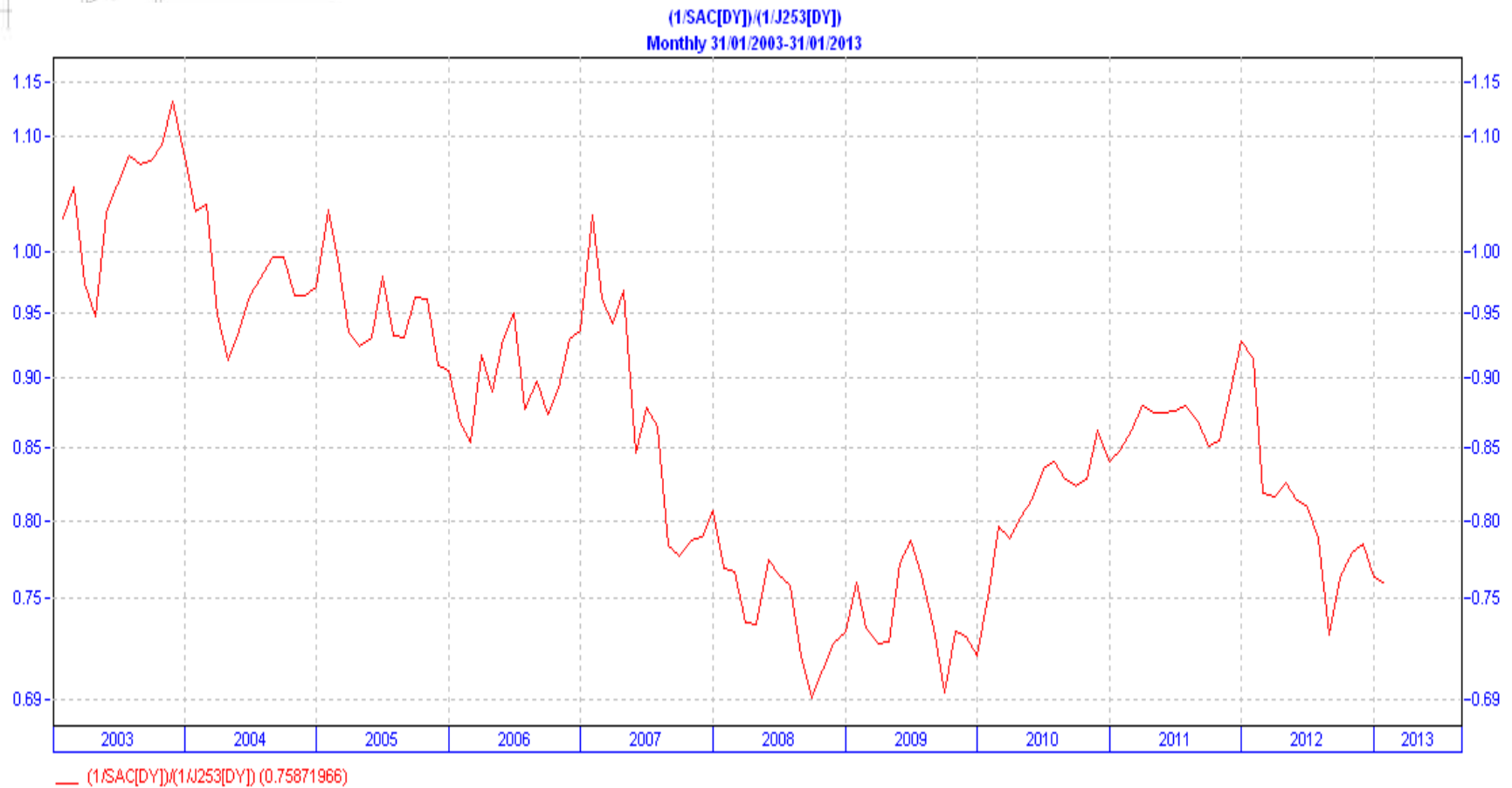
SA CORPORATE REAL ESTATE FUND [Dividend Yield]  
Monthly 31/01/2003-31/01/2013





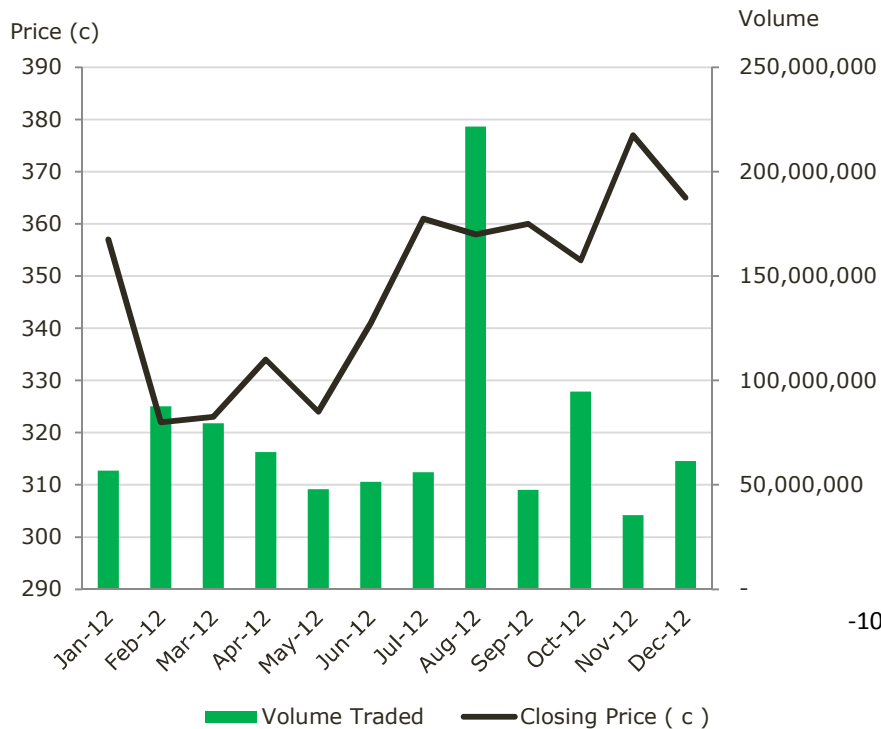


## Dividend Yield relative to Property Index

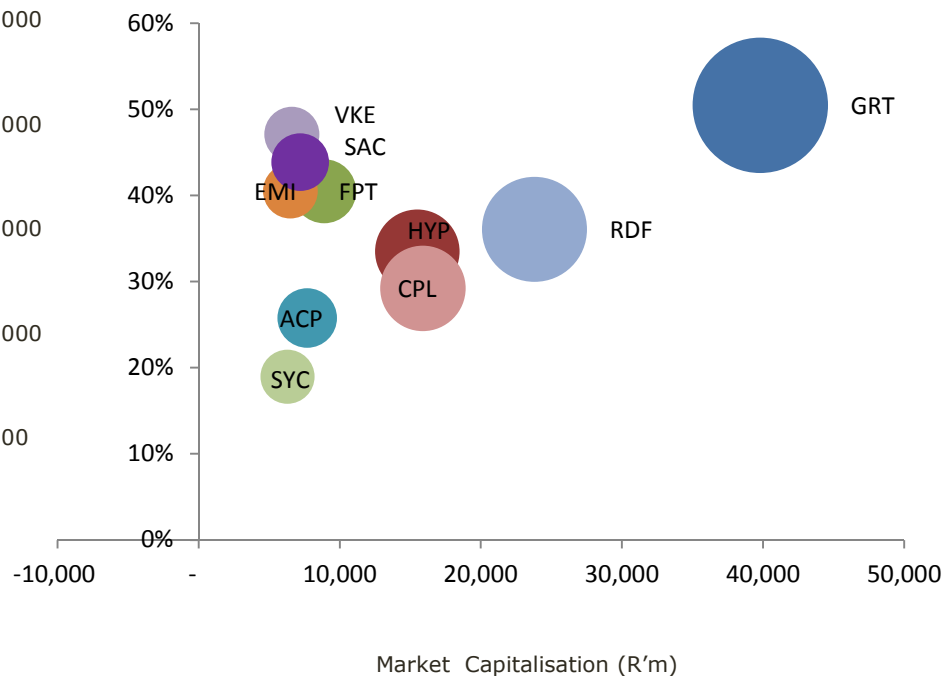


# Trading Volumes and liquidity

SAC: closing price v monthly volume traded



Value traded as % of market capital

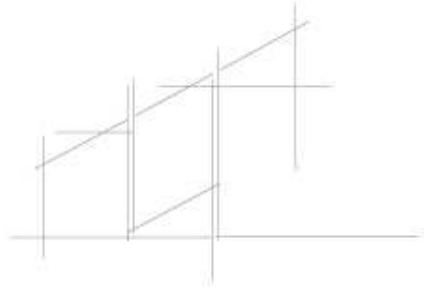




## Unit Repurchases

- Motivation
  - Prevailing discount of SAC not reflective of remedial steps taking
  - Sales proceeds available for re-investment
    - Acquisition price expectations elevated
    - Deposit rates low – high opportunity cost of holding cash
    - Contributes to optimising capital structure
    - Low risk enhancement to unit holder returns
    - Buying own portfolio considered preferred Acquisition
  
- Execution
  - Total to not exceed 5%
  - Indicative increased growth in consensus distribution is 1.1% and 0.8% in 2013 and 2014 respectively
  - Dec to Feb- weighted average purchase 375.59cpu vs VWAP 370.97cp

Period	Units (mn)	Av cpu	R'm
Mar – Apr 2102	31.0	323.08	100.0
Dec -2012	11.9	356.24	42.5
Jan – Feb 2013	58.9	378.61	223.0
Total	101.8	358.63	365.5



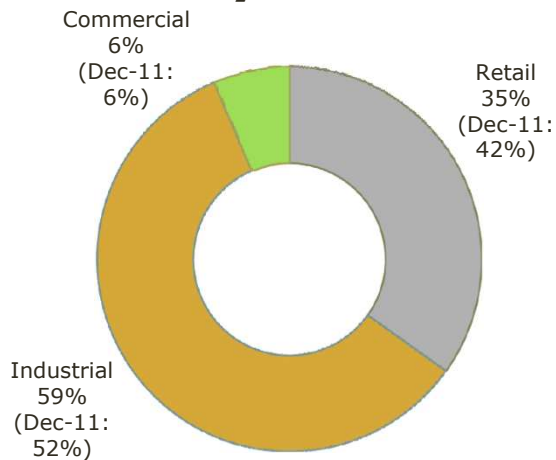
# PORTFOLIO REVIEW

## RORY MACKEY

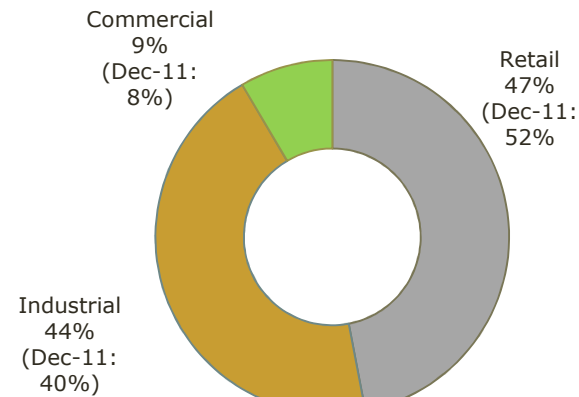
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# Overview – Sectoral Analysis

## by GLA



## by Market Value



139 Properties

Total GLA 1 187 211

Total Portfolio R8.1bn

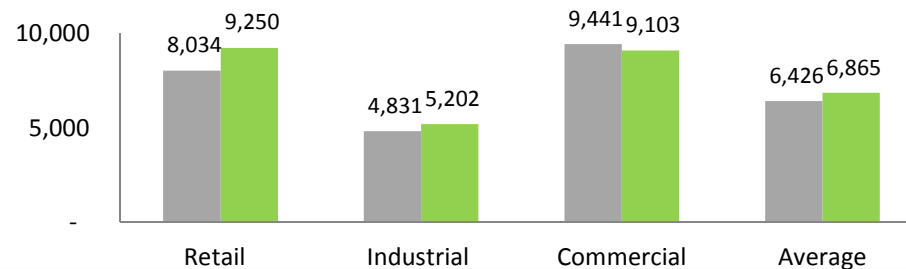
Average discount rate

14.8%

Capitalisation rate

9.3%

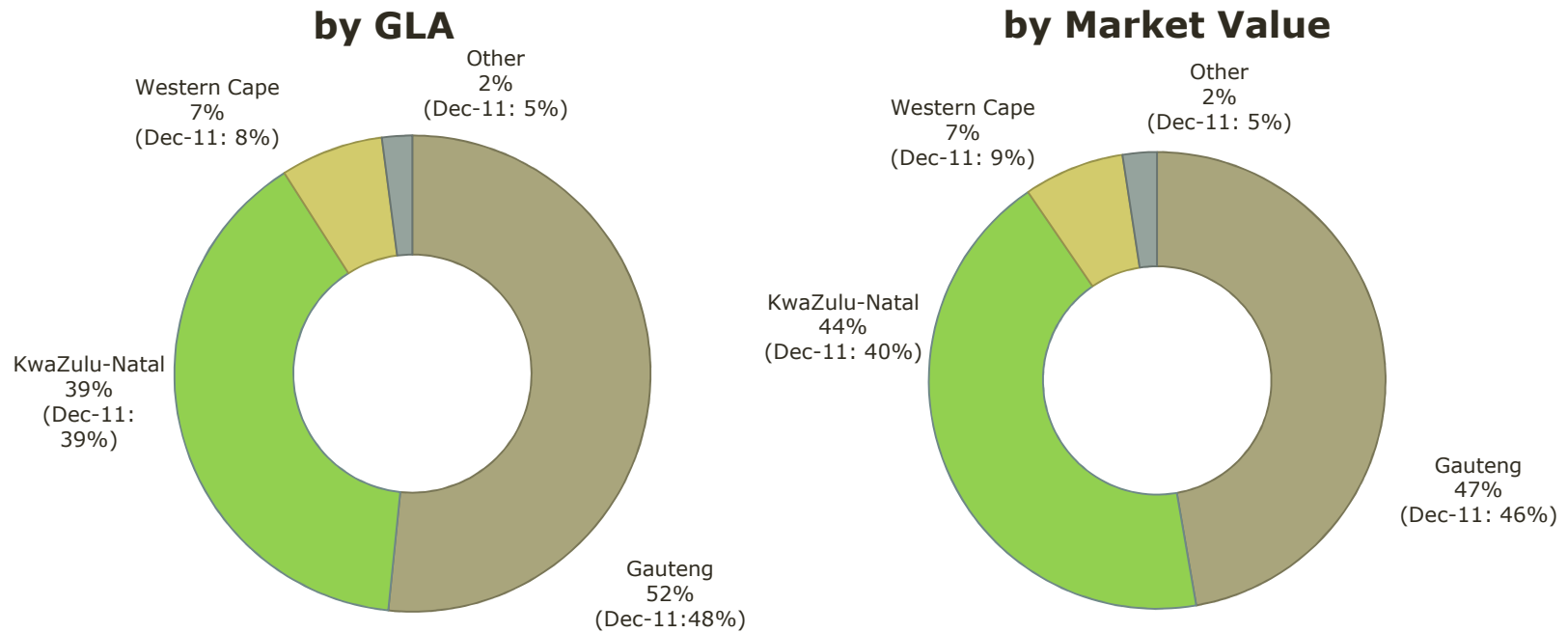
## Market Value (R/m<sup>2</sup>)



■ December 2011 ■ December 2012



## Overview – Geographical Analysis



## 10 largest properties

	Sector	Area m <sup>2</sup>	Value (Rm)	% of total
Musgrave Centre	Retail	39,305	651.3	8.0%
East Rand Galleria	Retail	50,516	461.1	5.7%
Pine Crest Centre	Retail	40,208	*287.6	3.5%
57 Sarel Baard Crescent - Centurion	Industrial	34,460	279.3	3.4%
Umlazi Mega City	Retail	35,328	*262.0	3.2%
Beryl Street - Jet Park	Industrial	27,680	256.7	3.1%
112 Yaldwyn Road - Jet Park	Industrial	30,299	253.2	3.1%
Springfield Value Centre	Retail	20,260	252.8	3.1%
Bluff Shopping Centre	Retail	21,264	241.0	3.0%
37 Yalwyn Road - Jet Park	Industrial	39,738	202.7	2.5%
<b>Total</b>		<b>339,058</b>	<b>3,147.7</b>	<b>38.6%</b>
* Represents ownership % of valuation				

## Disposals

Property	Sector	GLA (m <sup>2</sup> )	Exit Yield %	Sales price (R000)	Status Transferred
94 Intersite – Waltons	Industrial	1,845	8.1	7,500	Jan-12
6 Lanner Road	Industrial	4,364	7	22,500	Jan-12
Dube Village Mall	Retail	7,292	9	25,000	Jun-12
Nzhelele Shopping Centre	Retail	5,539	7.6	30,575	Jun-12
Hubyeni Shopping Centre	Retail	12,866	10	80,793	Jun-12
The Village Centre – Richdens	Retail	10,165	9.6	79,632	May-12
Renbro Centre	Retail	11,000	8.3	107,000	Jun-12
Van Riebeeckshof Shopping Centre	Retail	5,036	9.8	38,000	Jun-12
Highland Mews Shopping Centre	Retail	17,032	10	130,000	Jun-12
Ermelo Game Centre	Retail	5,757	9.2	26,000	Jun-12
10 Top Road *	Industrial	2,270	7.2	5,300	Sep-12
24-28 Commercial Road *	Retail	2,336	1.6	3,700	Oct-12
Tokai Junction	Retail	7,613	9.4	84,900	Dec-12
212 Church St	Retail	1,963	10.3	30,000	Dec-12
Mkuze Corner	Retail	3,388	13.4	15,000	Dec-12
Ominplace	Office	2,714	9	20,000	Dec-12
St Georges Square	Retail	11,618	9.6	44,000	Dec-12
210 Church St	Retail	1,897	9.7	19,556	Dec-12
Clubview Corner	Retail	5,830	9.3	27,000	Jan-13
425 West Street	Retail	9,559	10.1	54,500	Jan-13
		<b>130,083</b>		<b>850,956</b>	
Investment in Oryx Properties Limited			10.2	175,200	Jan-12
<b>Total</b>				<b>1,026,156</b>	

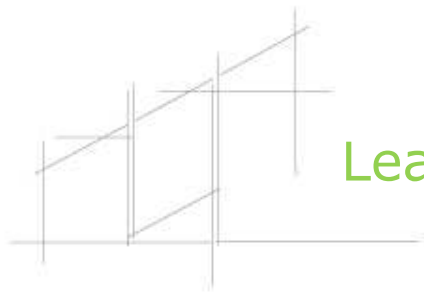
\* Estimated as vacant



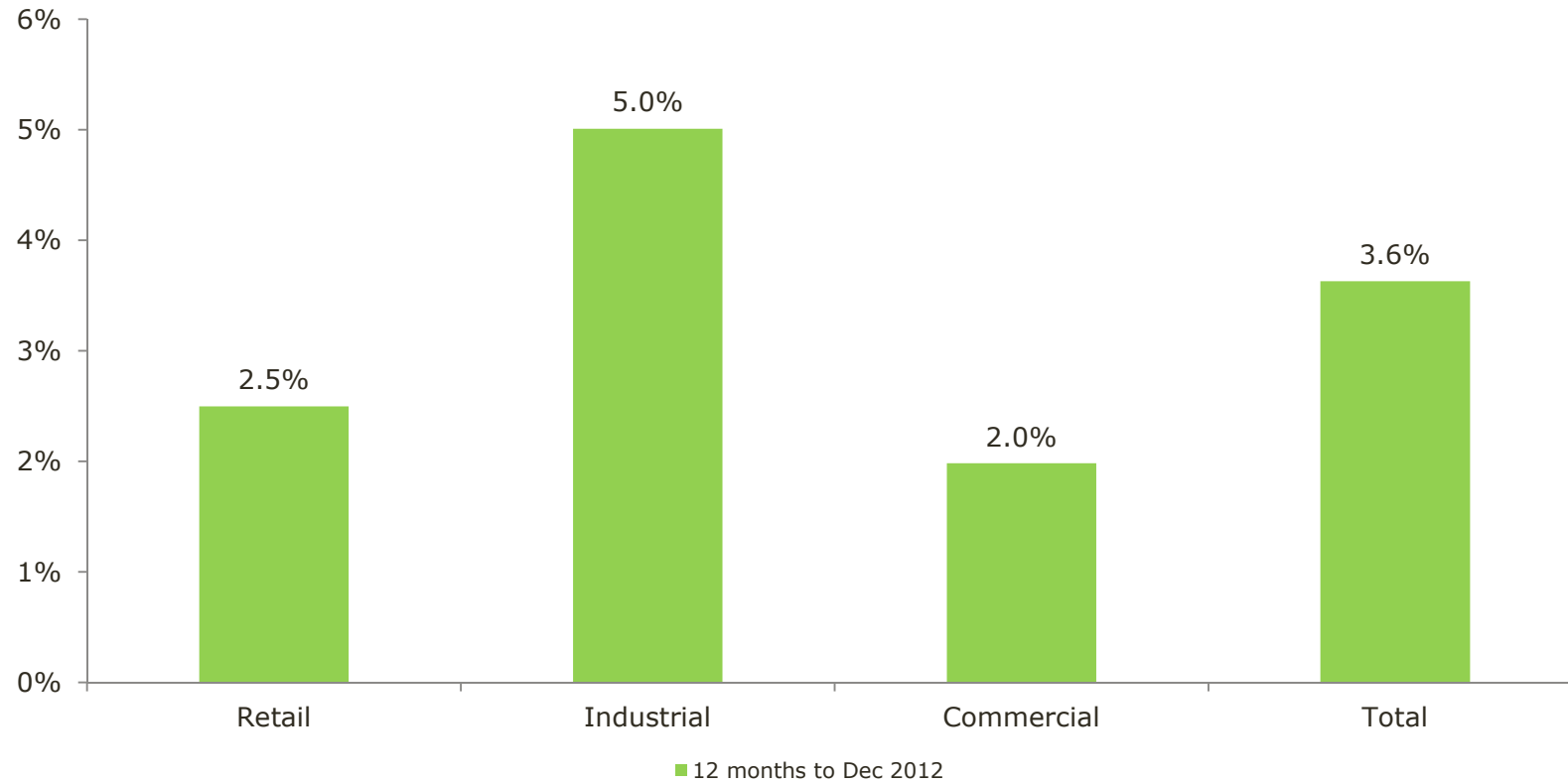


## Properties held for sale

Property	Sector	GLA (m <sup>2</sup> )	Exit Yield %	Sales price (R000)	Expected date of transfer
The Ridge	Retail	4,770	8	30,000	Feb-13
106 Johan Avenue Sandton	Office	2,270	*N/A	35,000	Feb-13
<b>Total</b>		<b>7,040</b>		<b>65,000</b>	
* Building is fully vacant.					

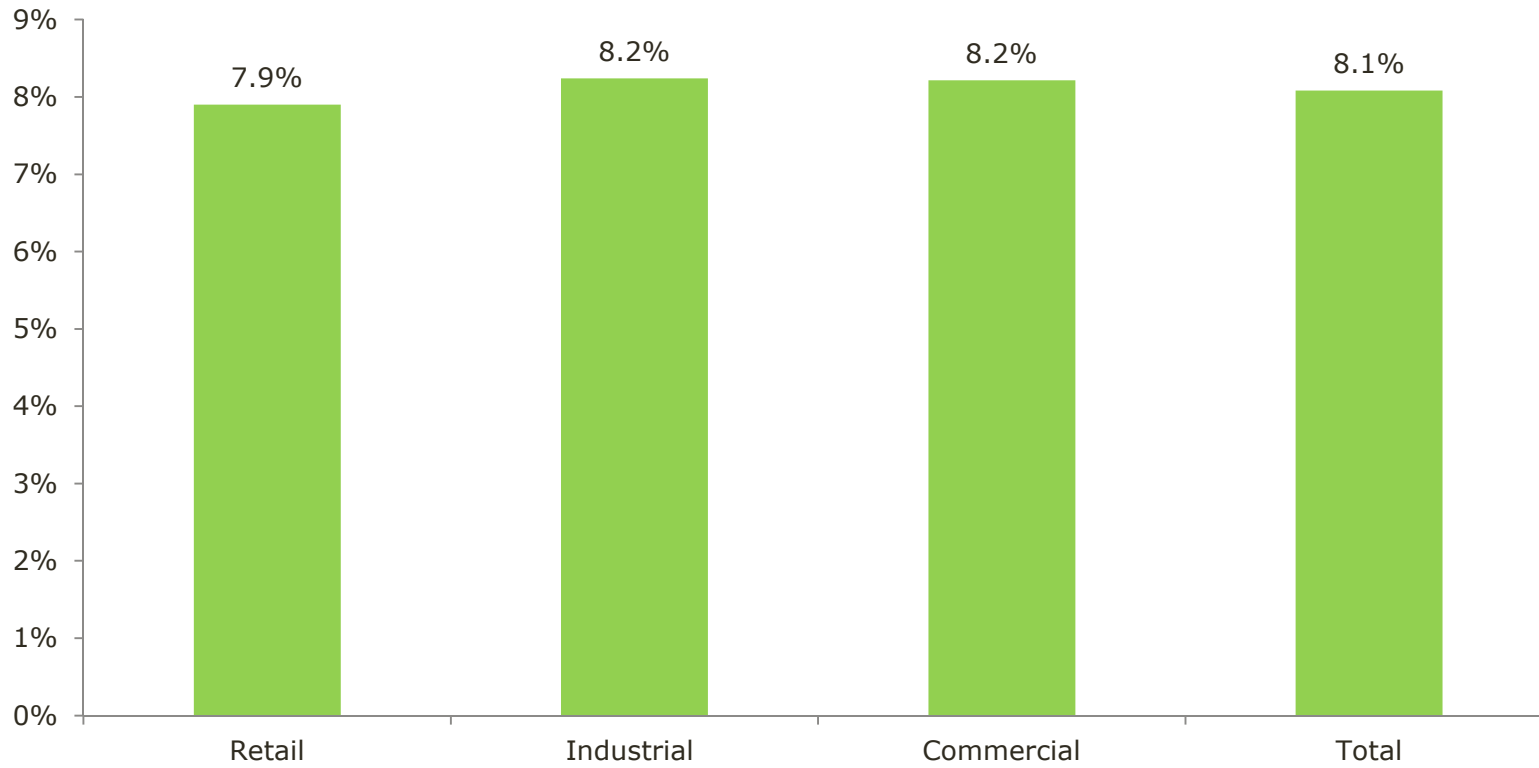


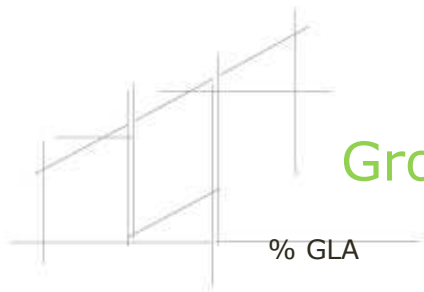
## Lease renewals - % Rental Reversions



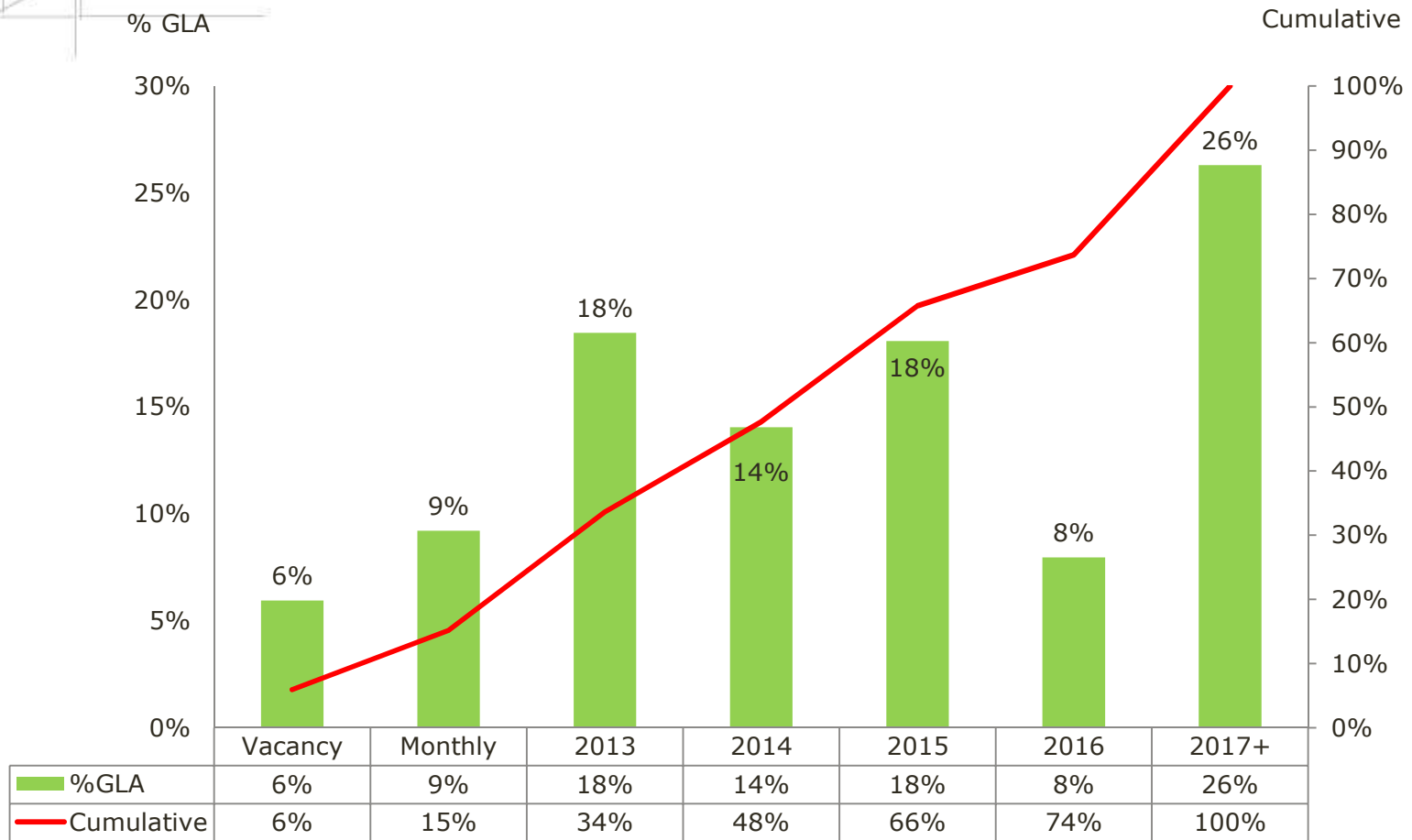


## Contracted rental escalation profile





## Group lease expiry





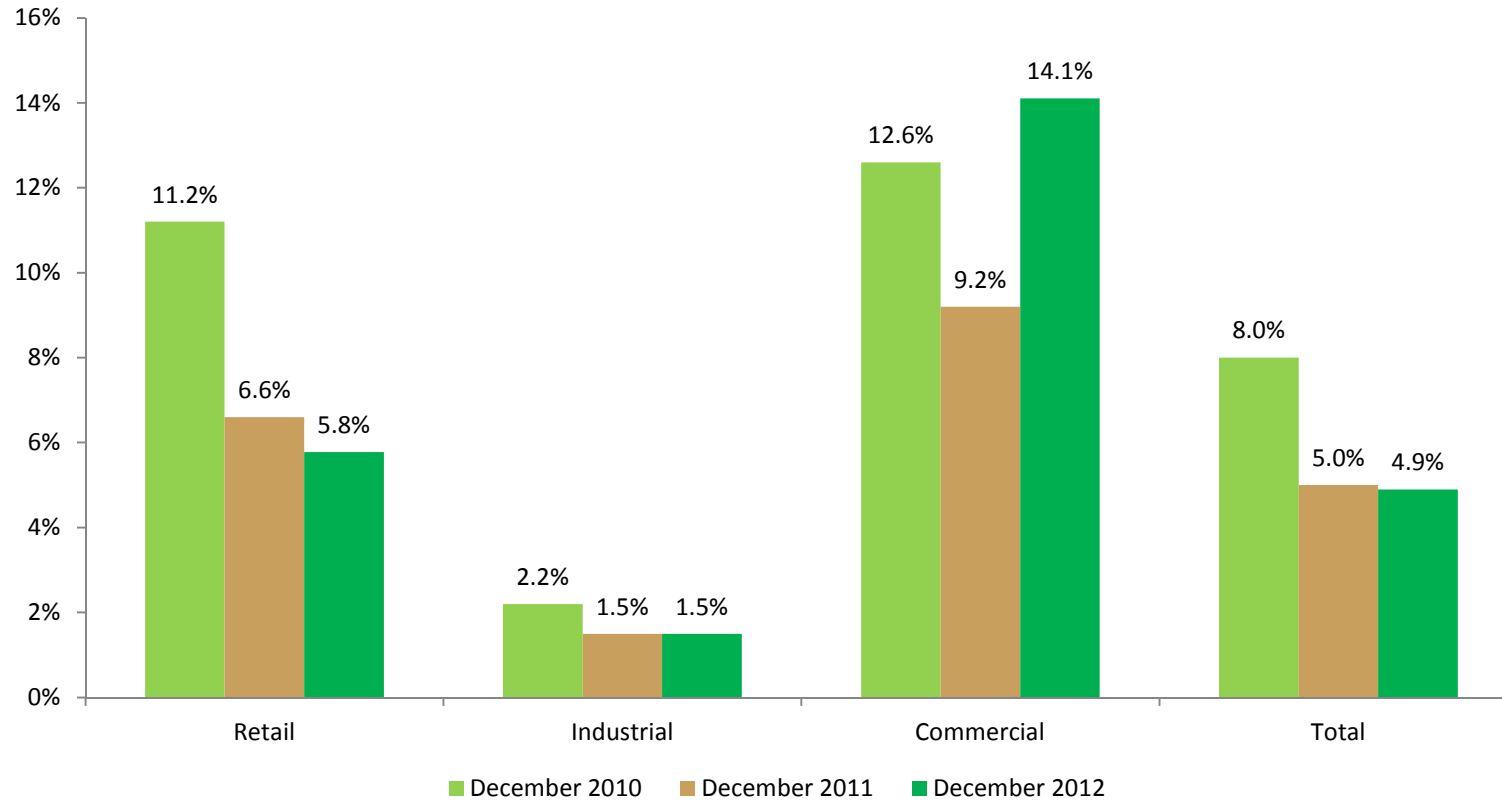
## Largest expiries for the next 6 months

The following tenants, with an area > 2 000m<sup>2</sup>, will expire in the next 6 months:

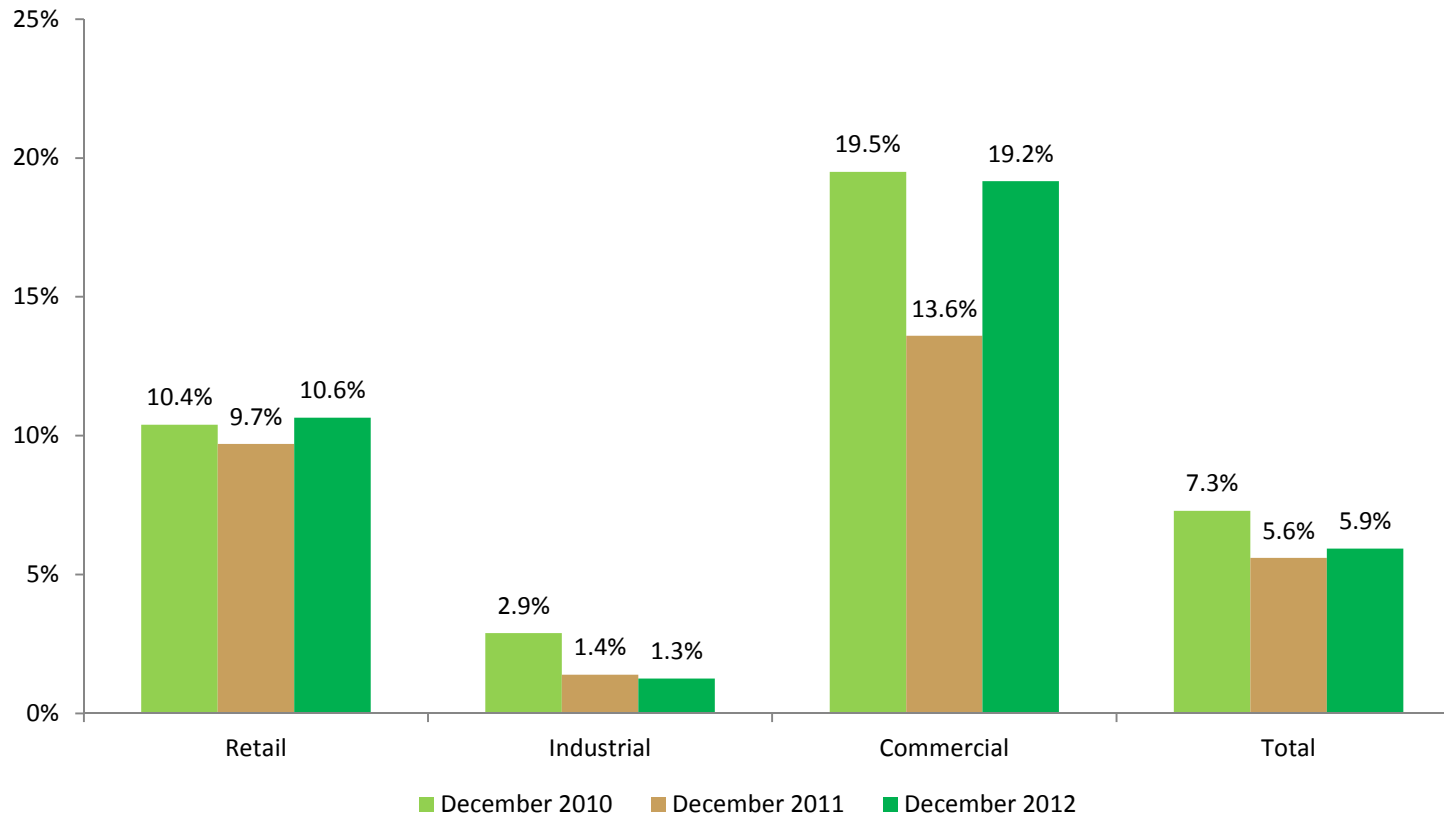
Property	Tenant	GLA (m <sup>2</sup> )	update
37 Yaldwyn Rd, Jet Park	RTT Logistics	30,197	new lease with tenant for 20000m <sup>2</sup>
Cnr Bridge & Molecule Rd, Bellville	DPI Plastics	8,558	Lease extended for 2 years
83 Heidelberg Ave, City Deep	SAMSAC Africa (Pty) Ltd	7,898	Lease extended for 3 years
Pine Crest Centre, Pinetown	Pick n Pay Supermarket	5,508	Expected to renew
1/5 Stockville Rd, Pinetown	Ellerine Furnishers	5,135	vacating premises - lease with new tenant for 5 years
264 Aberdare Dr, Phoenix	JDG Trading	3,648	in negotiation
Suffert Street, Pinetown	Home Concept Furniture Logistics	3,624	in negotiation
33/37 Aloefield Cr, Durban	Laser Facilities	3,624	new lease with tenant
199 North Ridge Road, Durban	Transnet Limited	2,901	new lease with tenant
Stondell Investments, Wynberg (JHB)	Esor-Franki Africa	2,551	in negotiation
		<b>73,644</b>	



## Vacancy profile - % of gross rental



## Vacancy profile - % of GLA





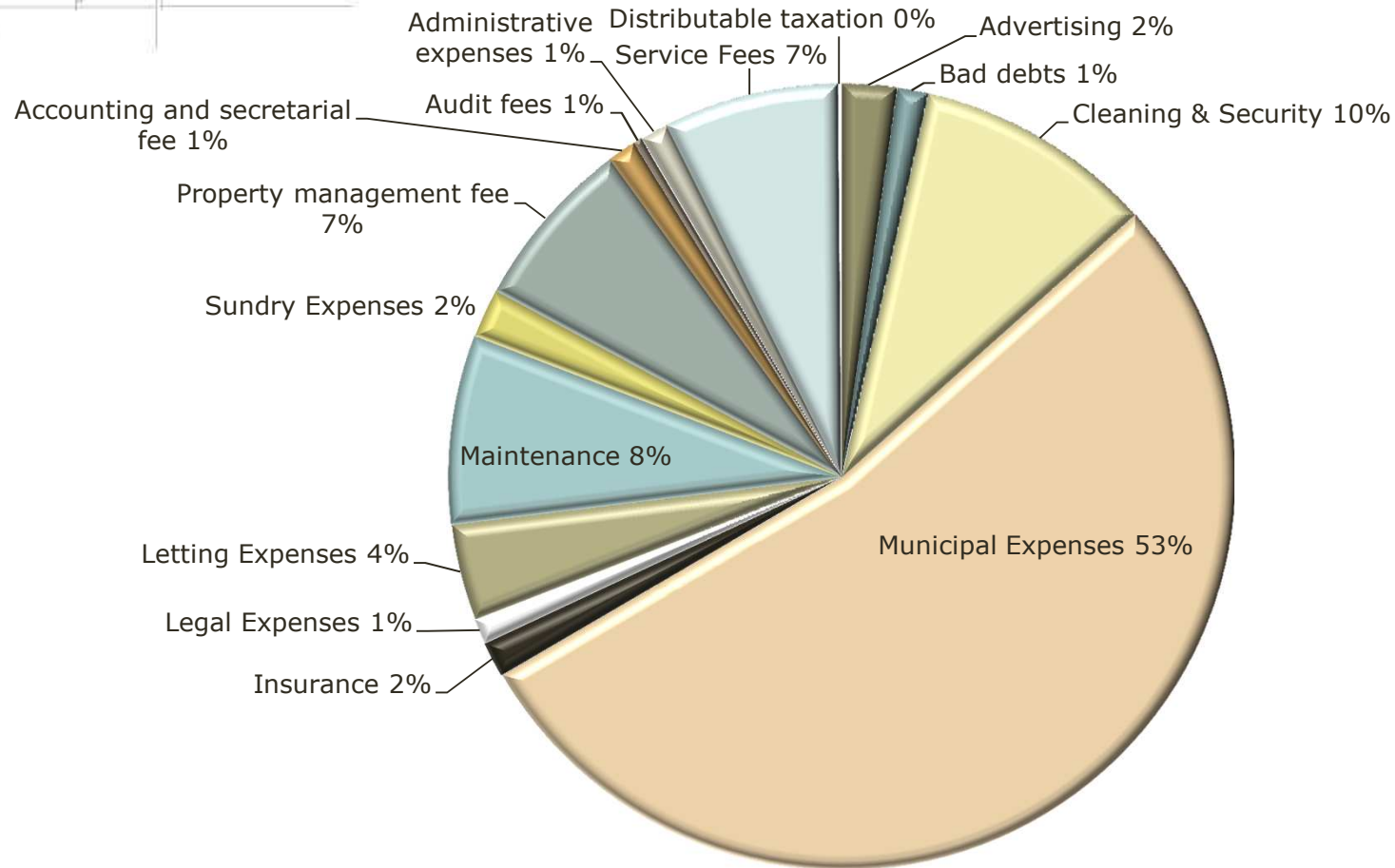
## Ratio of gross recurring cost to property revenue







## Recurring expense categories



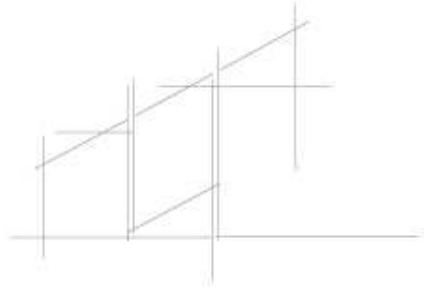
## Property Arrears and Provisions

<b>TENANT DEBTORS AND PROVISIONS</b>	<b>Dec-12</b>	<b>Dec-11</b>
<b>Total Trade Receivables</b>		
Trade receivable before bad debt impairment (Incl. VAT)	47,415	68,210
Provision for bad debts	(27,229)	(41,655)
Trade Receivable after bad debt impairment (excluding debtors with credit balances)	<u>20,186</u>	<u>26,555</u>
<b>Provision for bad debt</b>		
Opening balance	41,655	44,800
Amounts written off during the year	(20,324)	(26,741)
Additional provision recognised	5,899	23,596
Closing balance	<u>27,229</u>	<u>41,655</u>
Provision VAT inclusive	31,041	47,487
<b>Ratios</b>		
Provision as a % of total trade receivable	57.4%	61.1%
Provision as a percentage of rental income	2.4%	3.5%
Trade receivables as a percentage of rental income	3.9%	5.7%



## Redevelopments

Name of Property	Sector	Expected Capex	Yield
Musgrave	Retail	R140.5m	7.4
Middelburg Pick 'n Pay	Retail	R5.3m	12.5
Cnr Rudo Nel & Tudor Str, Jet Park	Industrial	R29.5m	12.5
Hayfields Mall	Retail	R21.8m	10.3
Whirlprops P (Pty) Ltd	Industrial	R19m	9.3
8 Paul Smit Street, Anderbolt	Industrial	R16.4m	10.0



# STRATEGIC OBJECTIVES

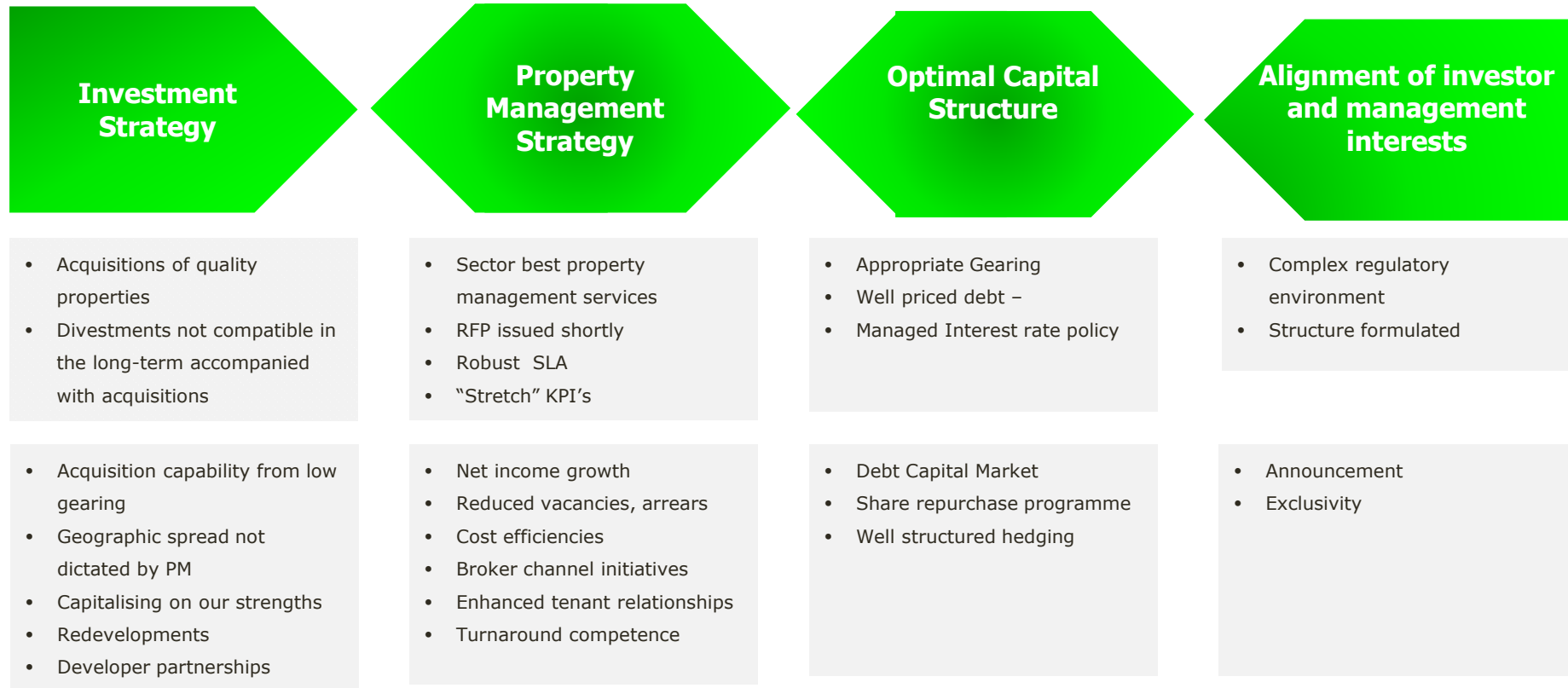
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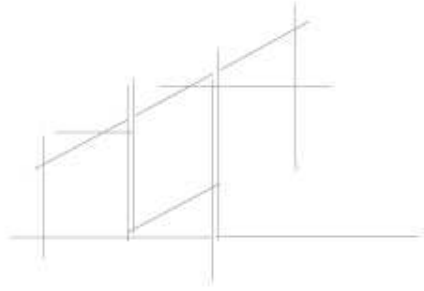
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## Strategic Objectives

Four pillars: delivery of sustainable distribution growth





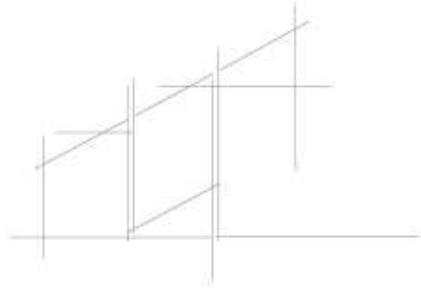
# PROSPECTS

## RORY MACKEY

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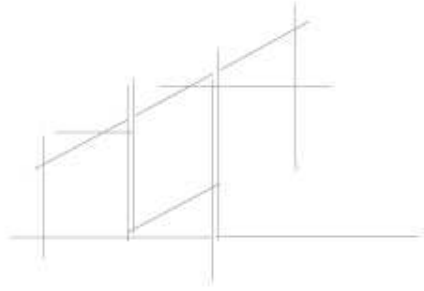


- Business conditions remain tight
- Quality acquisitions scarce and expensive
- No further dilution through sales
- Improved distribution growth expected

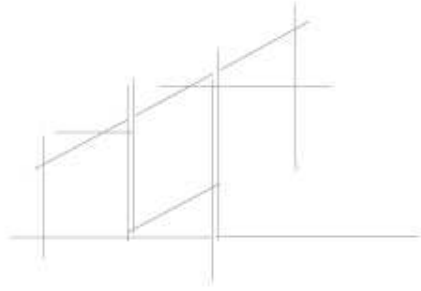


# ACKNOWLEDGEMENTS





# QUESTIONS



SA Corporate Real Estate Fund is a collective investment scheme in property registered in terms of the Collective Investment Schemes Control Act No 45 of 2002. As prescribed by the Act, the Fund is required to have an external management company which is SA Corporate Real Estate Fund Managers Ltd. The Management Company has outsourced all the day to day operational management to Old Mutual Property (Pty) Ltd and all staff required to management the Fund is employed by the asset and property manager, Old Mutual Property (Pty) Ltd.

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