

# SA Corporate June 2013 Interim Results Presentation

August 2013



INDUSTRIAL | RETAIL | OFFICE

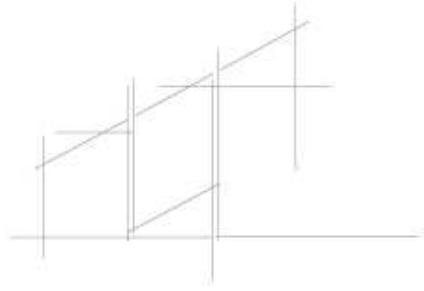


Managed by





- 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 MACKKEY

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## High Level Review

- **Distribution Themes**

- Interim distribution growth of 7.3%
- Standing portfolio net property income growth of 5.4%
- Industrial sector characterised by low vacancies and positive reversions
- Retail sector characterised by stable retentions and positive reversions despite tough trading conditions

- **Investment Strategy**

- Pending contracted acquisitions totalling R575m at 9% forward yield & transfer of PwC building for R65m
- Disposal of 4 properties for R116.5m

- **Successful Migration of Property Management to Broll from 1 July**

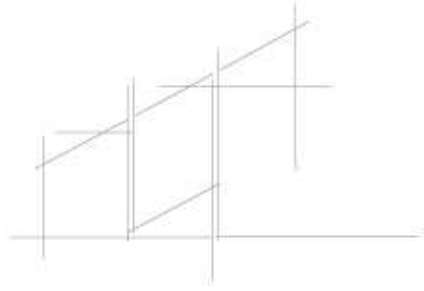
- Property management fee savings in excess of 20%
- Quick wins achieved in leasing & arrears management

- **Capital Structure**

- Weighted average cost of debt supportive of core income growth adequately hedged with correct tenors
- Inaugural rating achieved to access debt capital markets

- **Alignment of Investor & Management Interests**

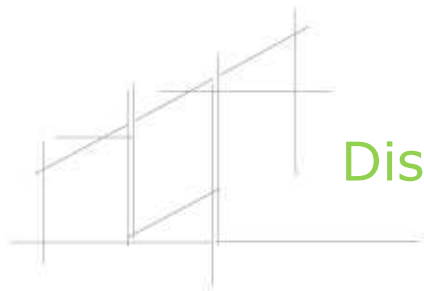
- The Fund is still in discussions with Old Mutual Property



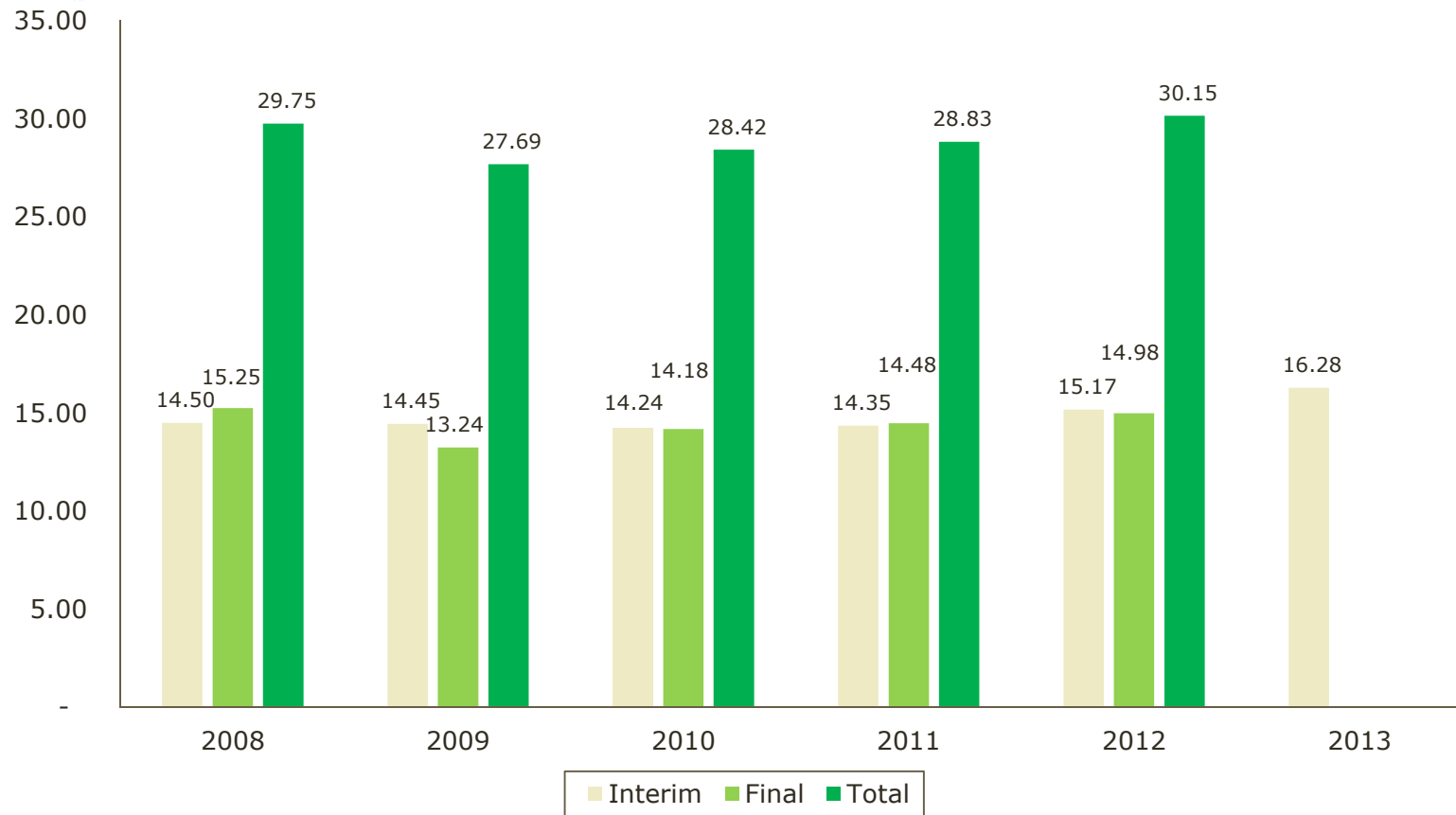
# FINANCIAL PERFORMANCE

## ANTOINETTE BASSON

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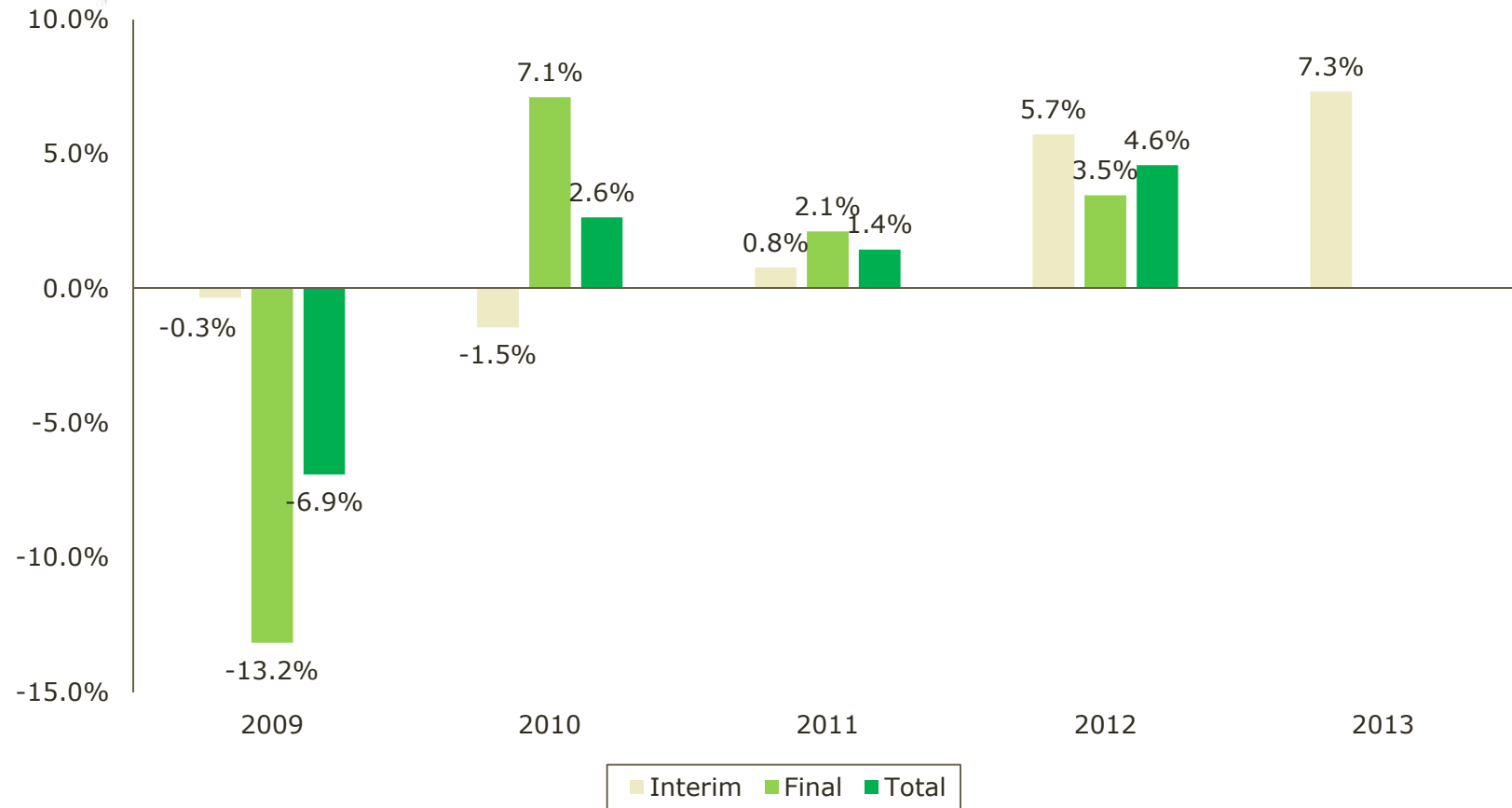


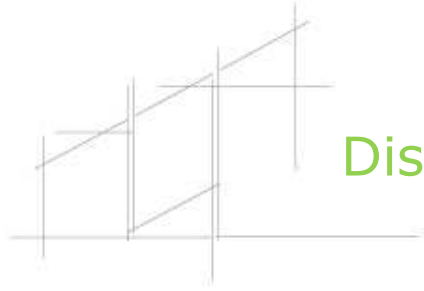
## Distribution History





## Distribution growth





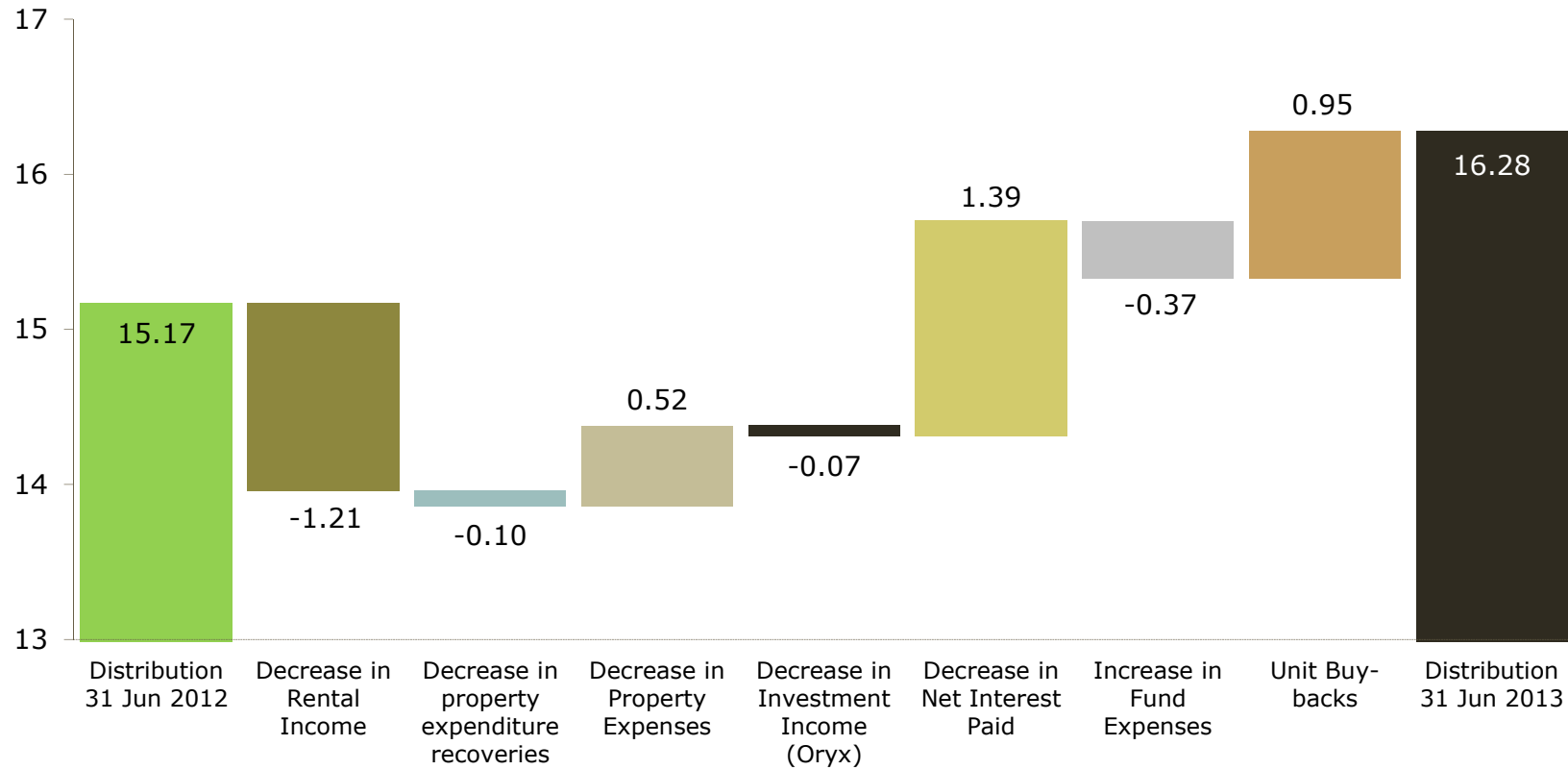
## Distribution at a glance

	Jun 2013 Rm	Jun 2012 Rm	% Variance
Net Property Income	376.67	392.31	(4.0)
Investment Income (Oryx)	-	1.40	(100.0)
Net finance costs	(33.10)	(61.59)	46.3
Fund Expenses	(30.17)	(22.48)	(34.2)
Taxation	0.10	0.70	85.2
Lapsed distribution	8.81	0.80	100.0
Distributable earnings	322.32	311.13	3.6
<b>Distribution per unit (cents)</b>	<b>16.28</b>	<b>15.17</b>	<b>7.3</b>

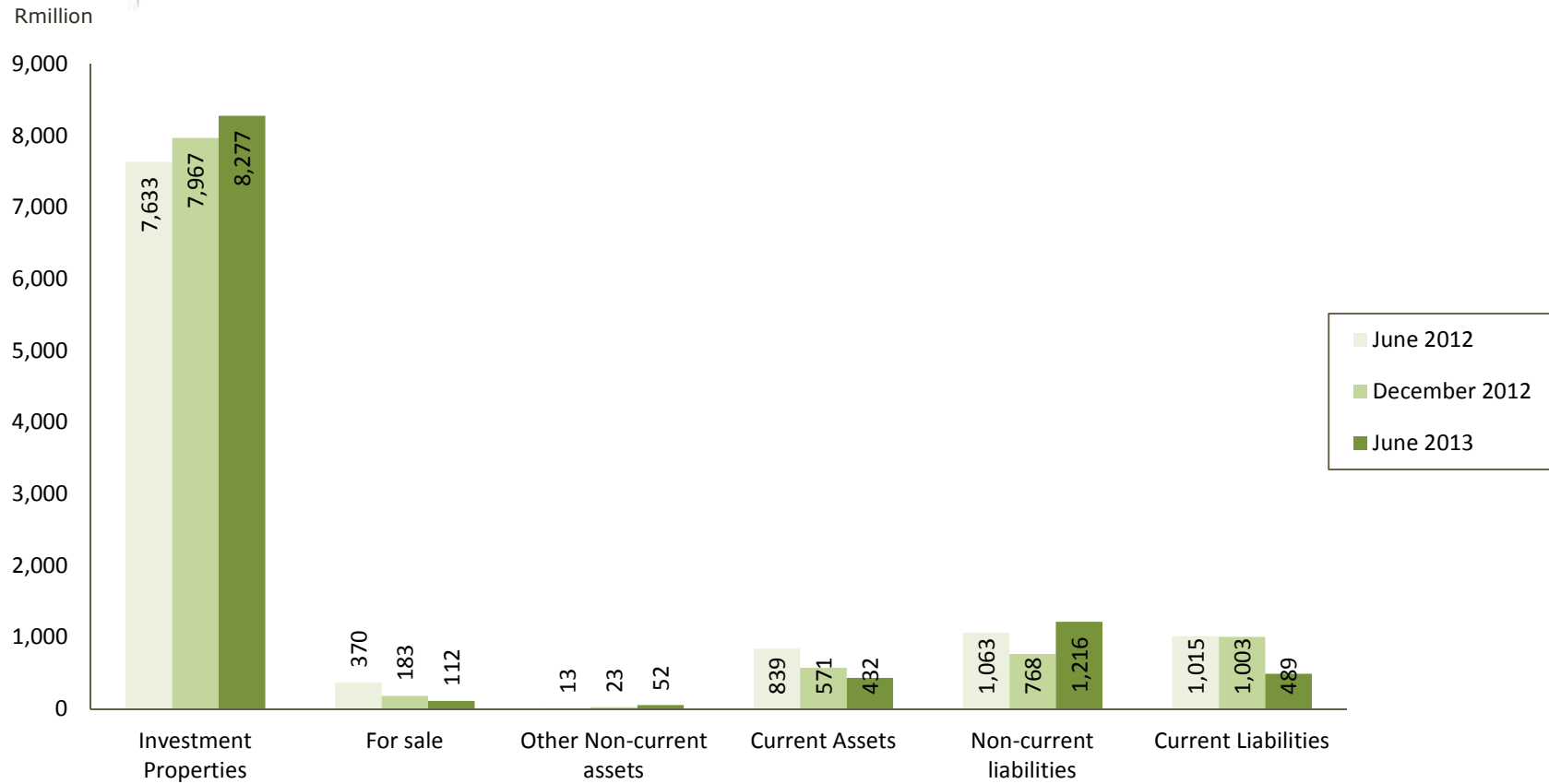




## Distribution contributors and detractors



## Group Financial Position





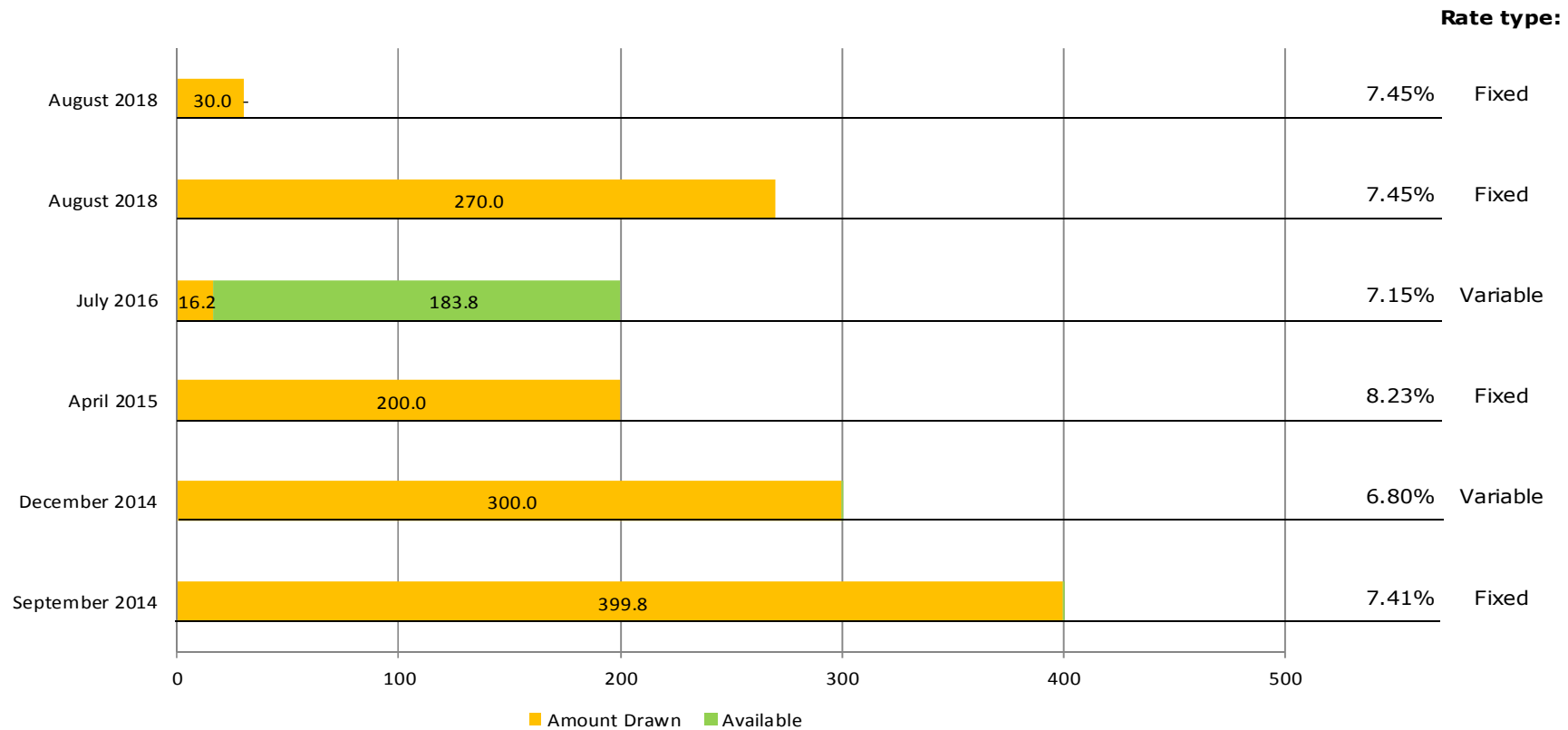
## Disposal Proceeds

	Rm
Disposal Proceeds at 31 December 2012	<b>297</b>
Net Disposal Proceeds for 2013	115
Units Bought Back in 2013	(223)
Disposal Proceeds at 30 June 2013	<b>189</b>



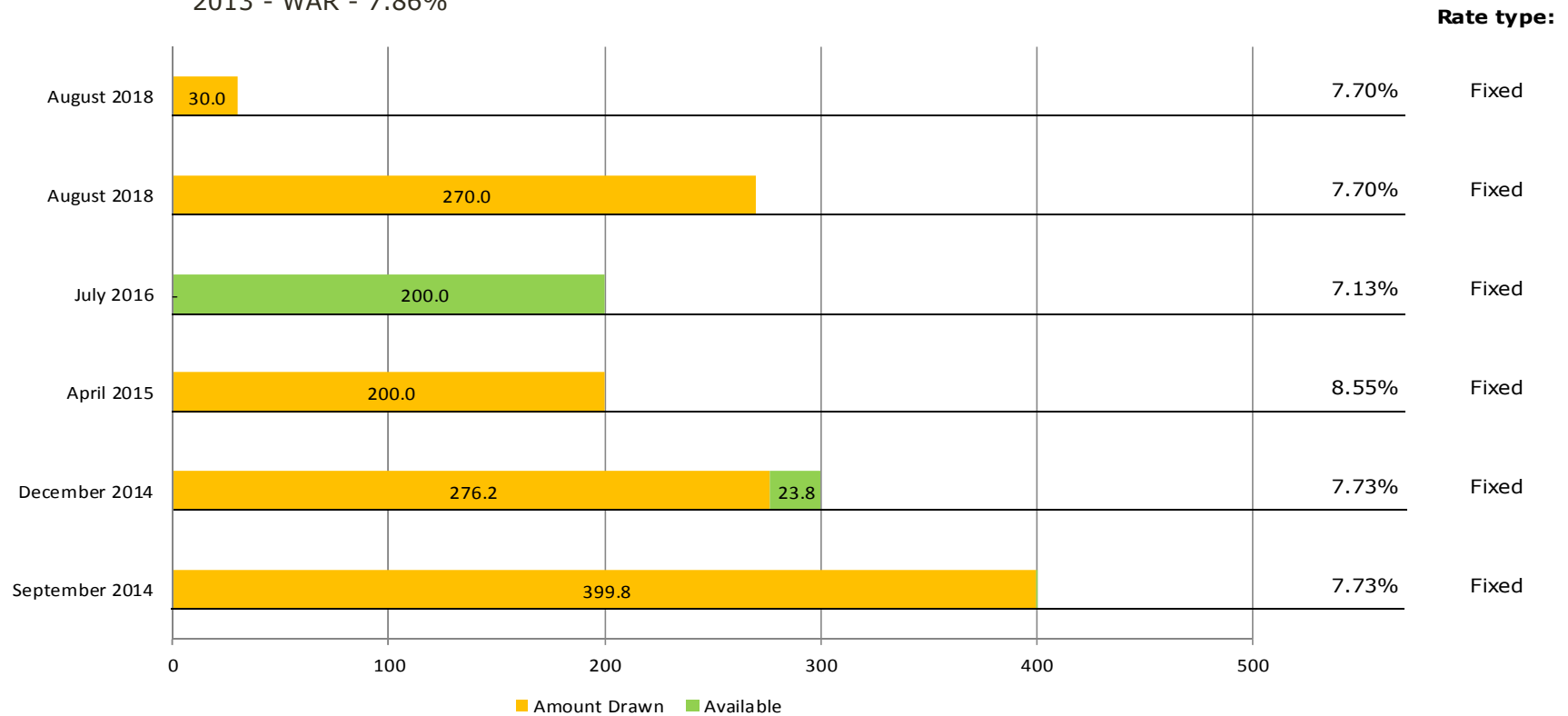
## Group debt structure – at period end

Maturity and interest rate profile of interest-bearing debt at 30 June 2013 - WAR - 7.40%

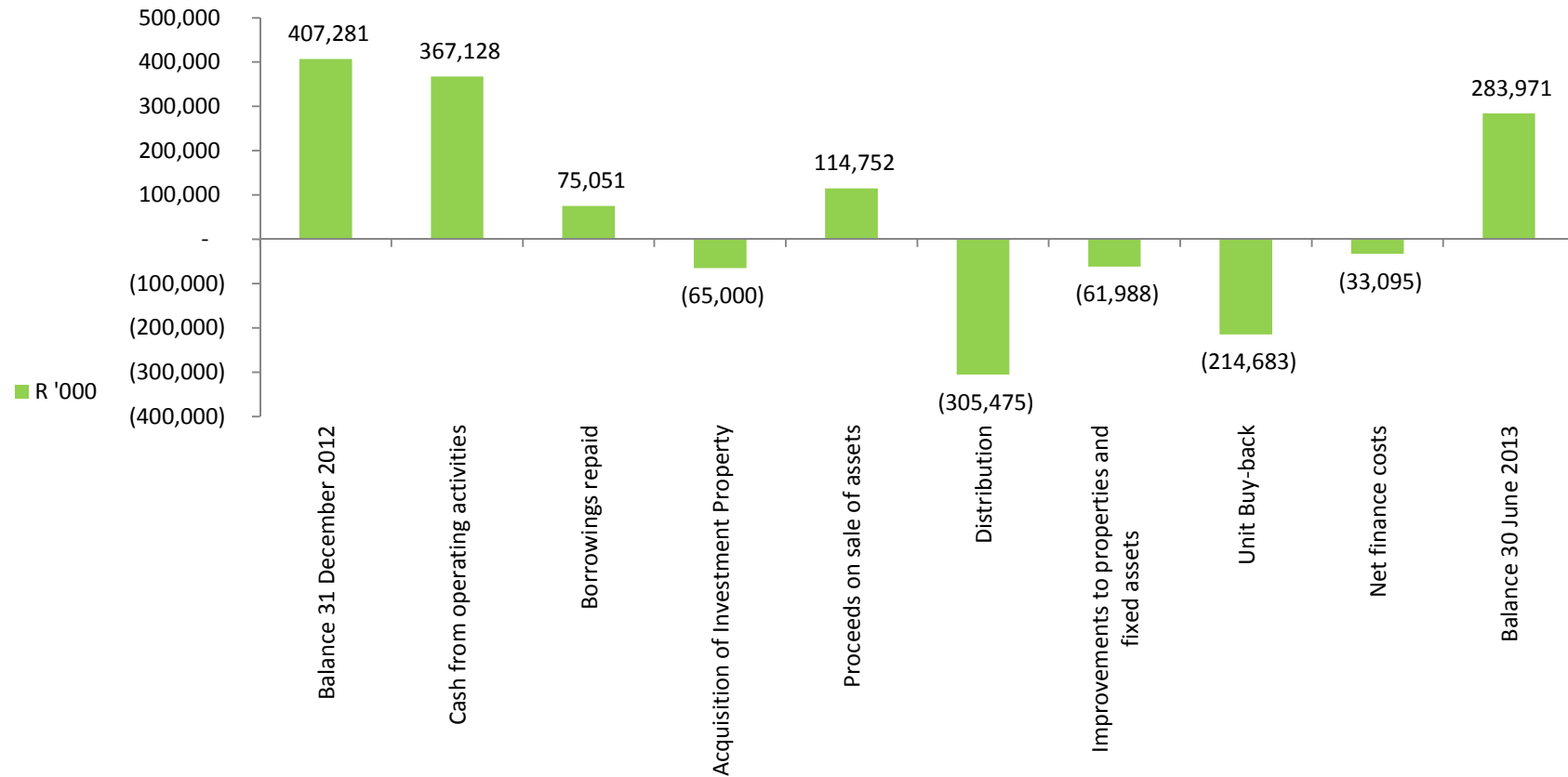


## Group debt structure – post period end

Maturity and interest rate profile of interest-bearing debt at 14 August 2013 after negotiation of additional swaps on 24 July and renegotiation of R270m and R30m facilities on 14 August 2013 - WAR - 7.86%

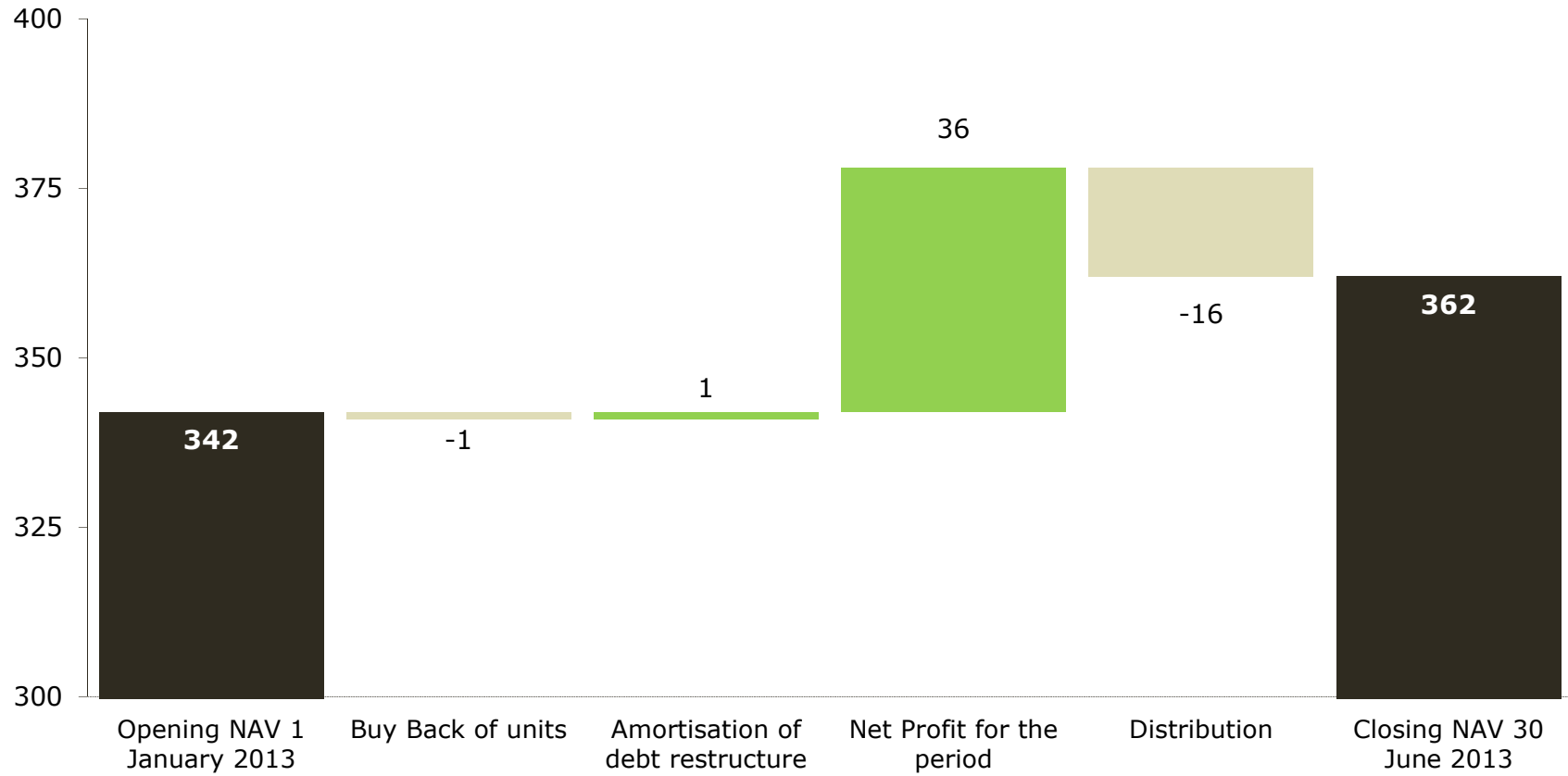


## Group net cash flow



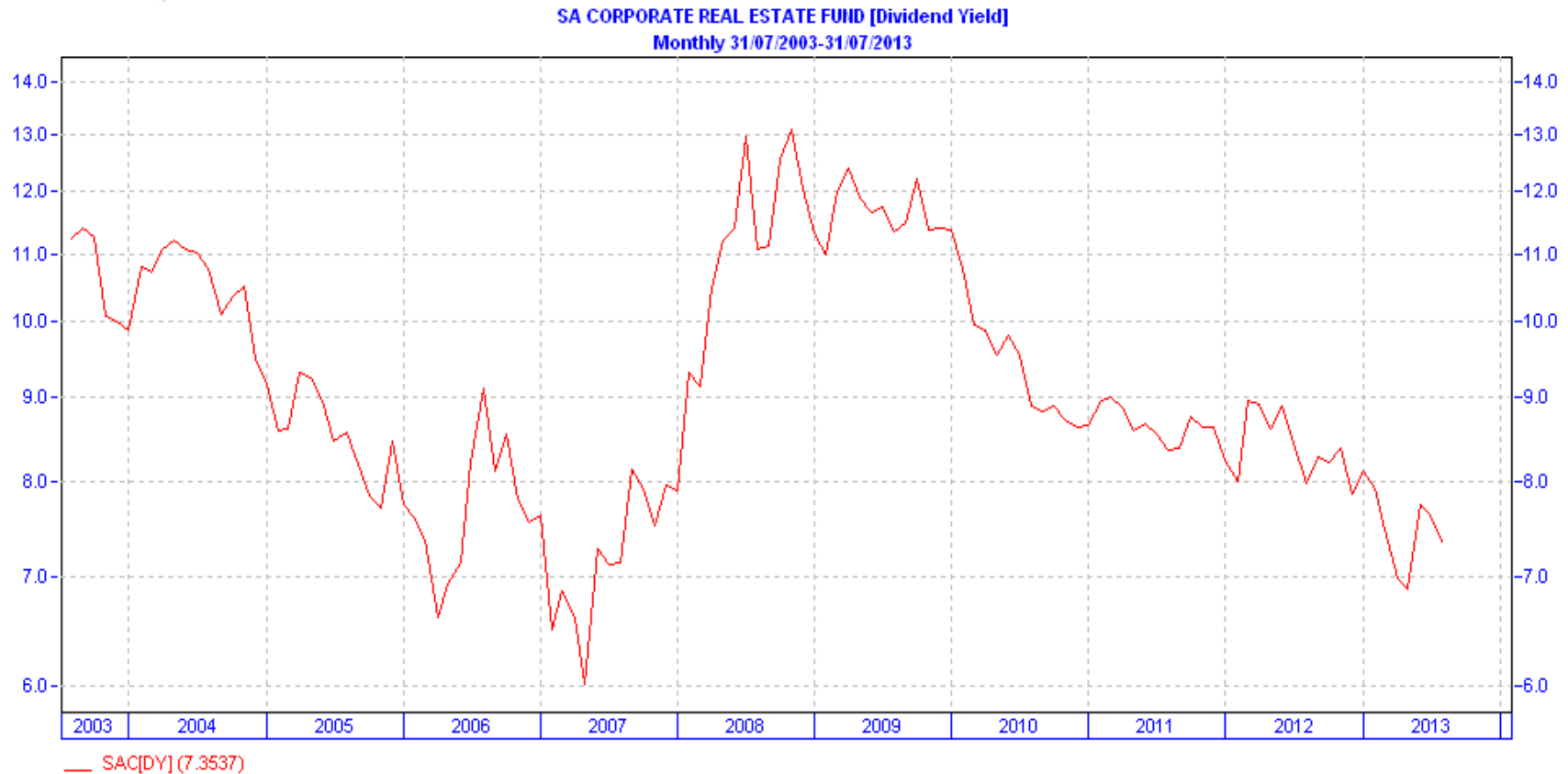


## Net Asset Value





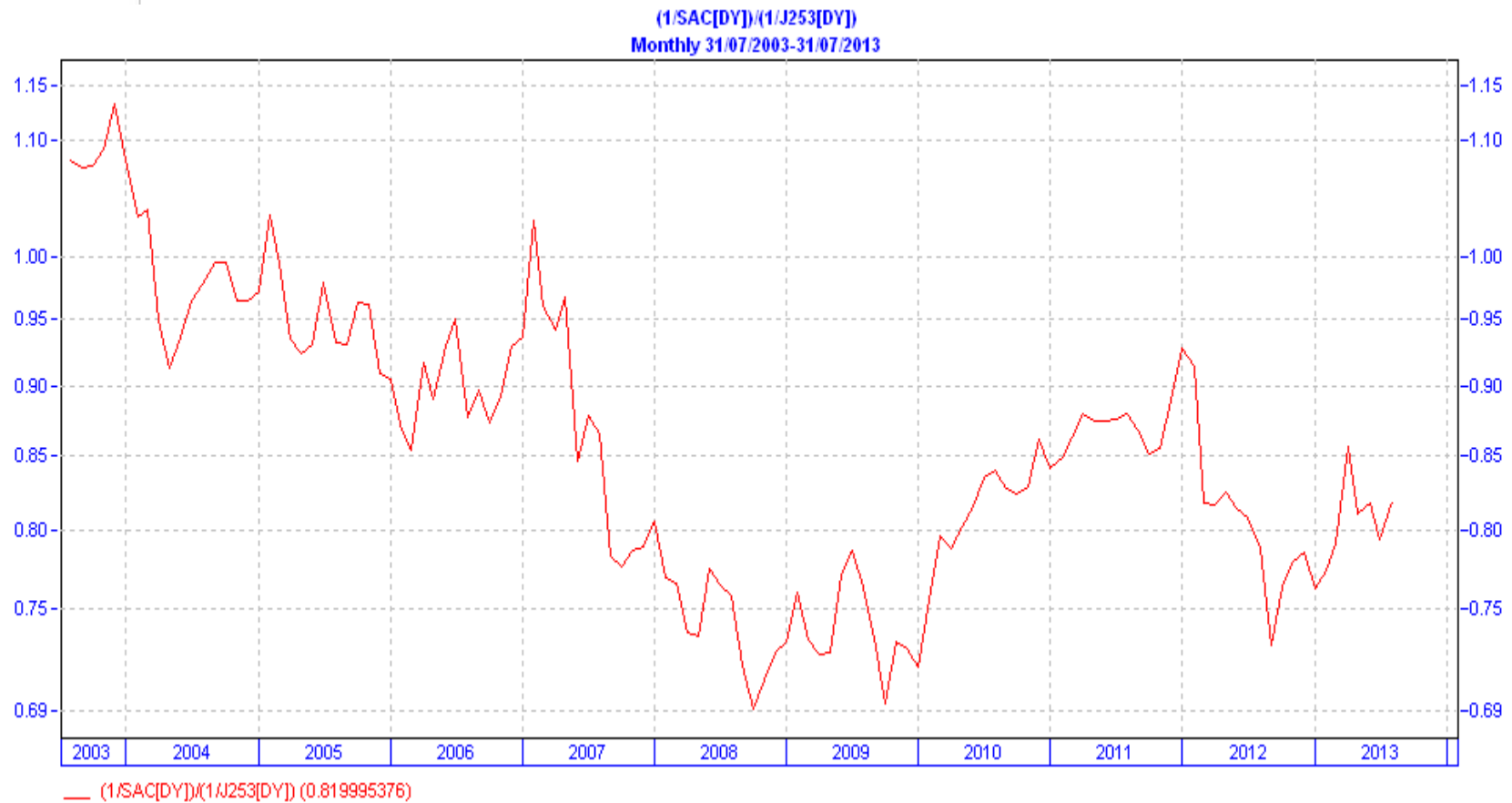
## SA Corporate Historic Yield







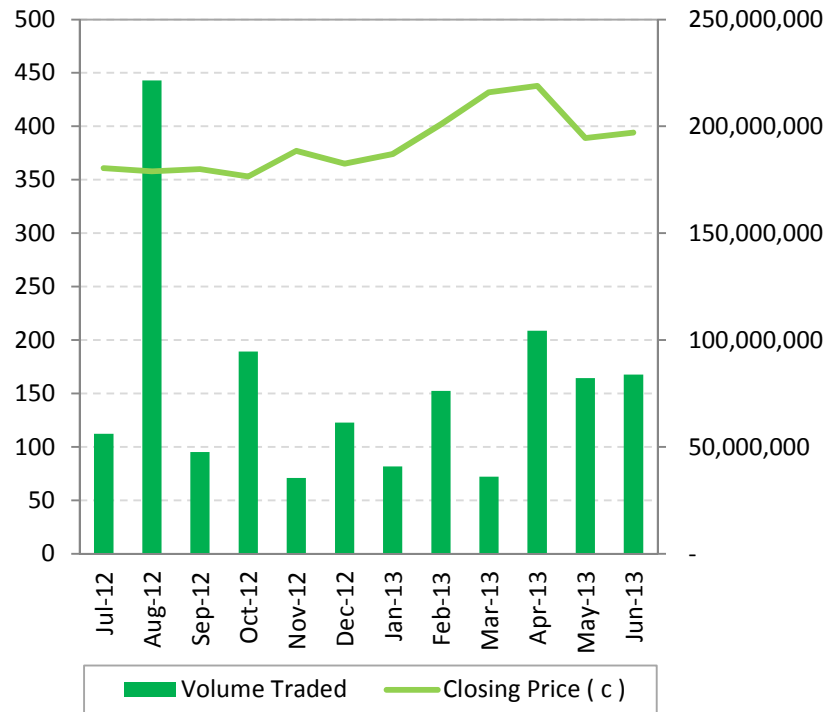
## Dividend Yield relative to Property Index



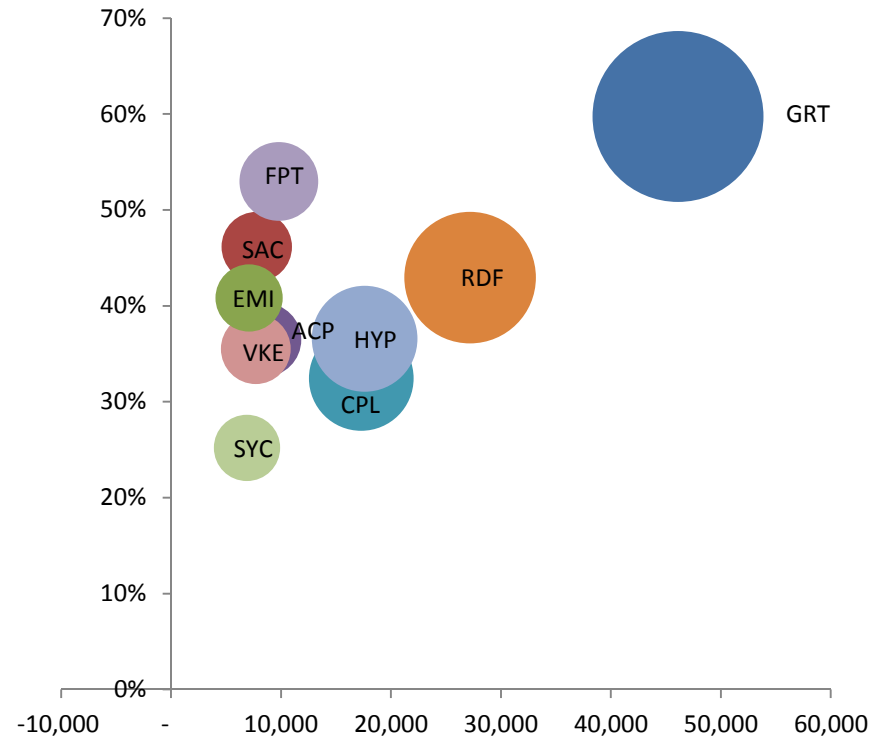


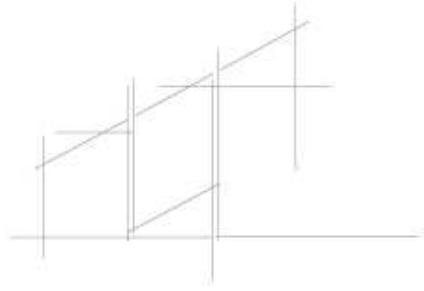
## Trading Volumes and liquidity

SAC: closing price v monthly volume traded



Value traded as % of market capital





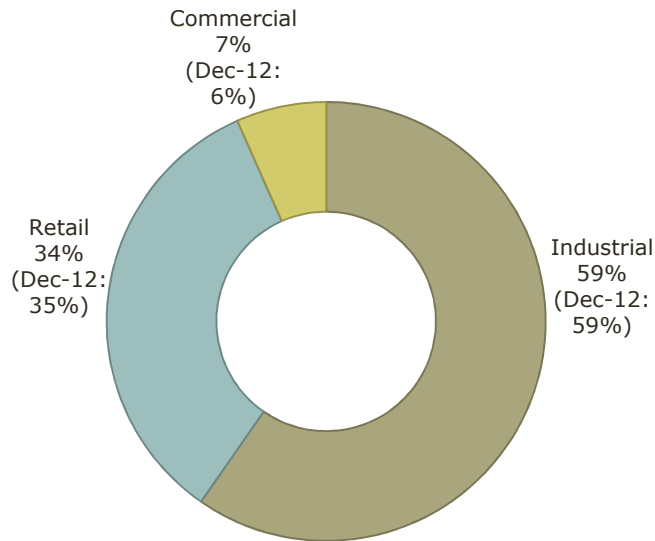
# PORTFOLIO REVIEW

## RORY MACKEY

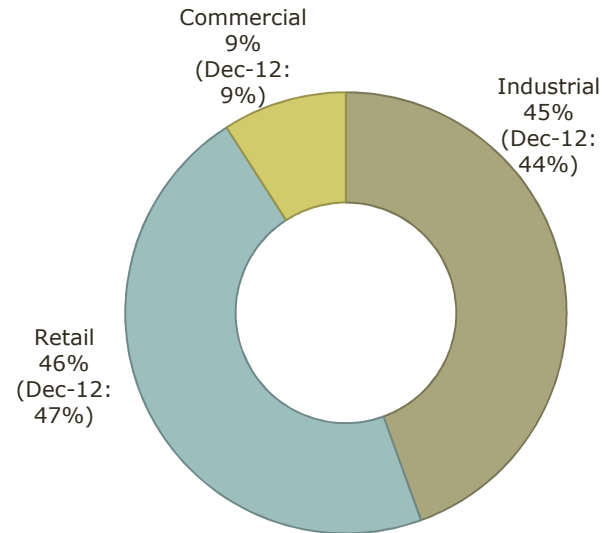
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# Overview – Sectoral Analysis

## By GLA

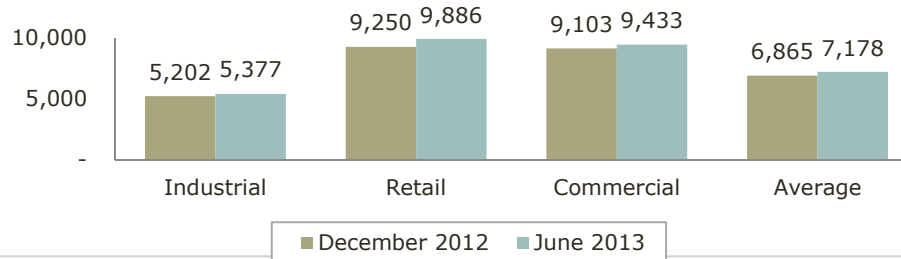


## By Market Value



136 Properties  
 Total GLA 1 168 721  
 Total Portfolio R8.4bn  
 Average discount rate 14.7%  
 Capitalisation rate 9.2%

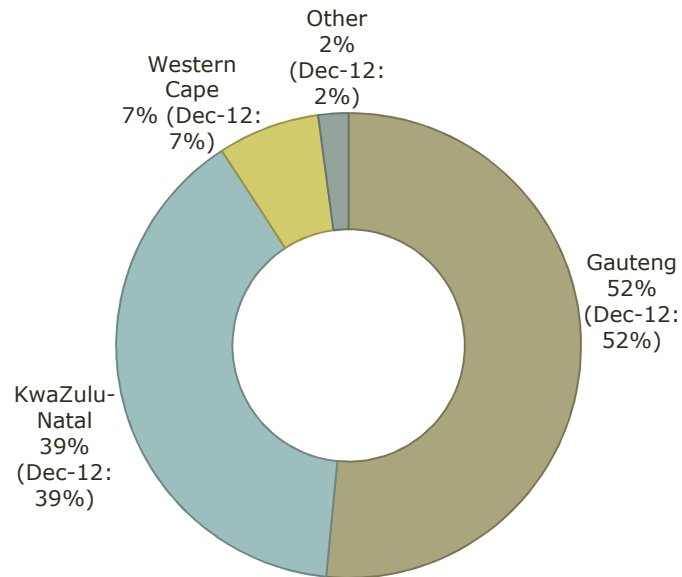
## Market Value per m<sup>2</sup>



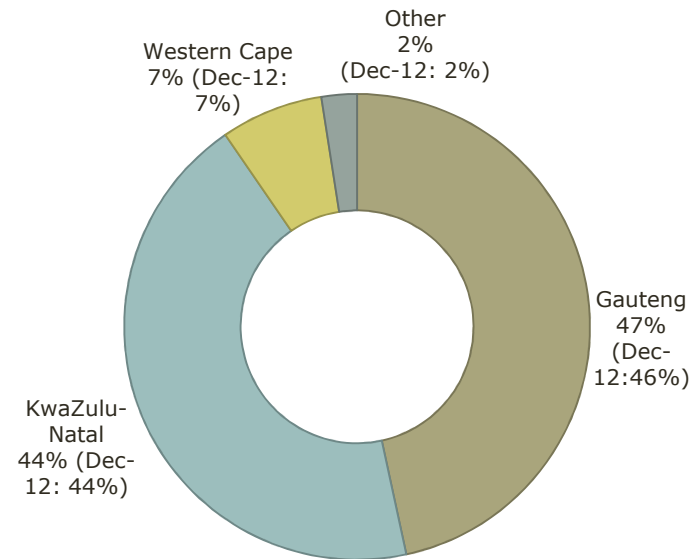


## Overview – Geographical Analysis

### By GLA



### By Market Value





## 10 largest properties

	Sector	Area m <sup>2</sup>	Value (Rm)	% of total
Musgrave Centre	Retail	39,390	691.2	8.2%
East Rand Galleria	Retail	50,357	493.8	5.9%
Pine Crest Centre	Retail	40,133	302.9*	3.6%
57 Sarel Baard Crescent - Centurion	Industrial	34,460	284.4	3.4%
Beryl Street - Jet Park	Industrial	27,680	269.2	3.2%
Umlazi Mega City	Retail	36,014	268.9*	3.2%
Springfield Value Centre	Retail	20,259	263.9	3.1%
112 Yaldwyn Road - Jet Park	Industrial	30,299	260.5	3.1%
Bluff Shopping Centre	Retail	21,382	254.0	3.0%
37 Yaldwyn Road - Jet Park	Industrial	39,738	208.9	2.5%
<b>Total</b>		<b>339,712</b>	<b>3,297.6</b>	<b>39.3%</b>
* Represents ownership % of valuation				



## Acquisitions

Property	Sector	GLA (m <sup>2</sup> )	Forward Yield %	Purchase price (R000)	Date of transfer
PwC Building -102 Essenwood, Durban	Office	4,671	10.6	65,000	May-13
<b>Total</b>		<b>4,671</b>		<b>65,000</b>	



## Pending Contracted Acquisitions

Property	Sector	GLA (m <sup>2</sup> )	Forward Yield %	Purchase price (R000)	Expected date of transfer
World Trade Centre, Sandton	Office	15,478	9.0	360,000	Oct-13
Nampak, Denver UPM Raflatac, Longmeadow Wepco Tools, Founders View	Industrial	24,880 1,500 2,830	9.0	90,450	Aug-13
Eveready & Continental Tyres, New Brighton, PE	Industrial	56,411	9.0	124,500	Nov-13
<b>Total</b>				<b>574,950</b>	





## Disposals

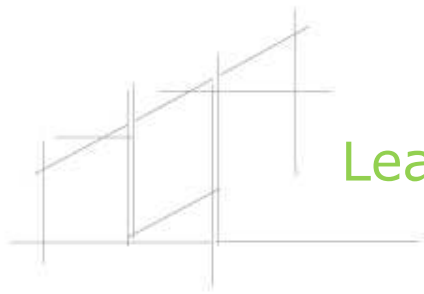
Property	Sector	GLA (m <sup>2</sup> )	Exit Yield %	Sales price (R000)	Status transferred
Clubview Corner, Pretoria	Retail	5,835	8.4	27,000	Jan-13
425 West Street, Durban	Retail	9,559	10	54,500	Jan-13
The Ridge, Roodepoort	Retail	4,668	9.0	30,000	Mar-13
Main Street, Gingindlovu	Industrial	2,992	6.6*	5,000	Jun-13
<b>Total at 30 June 2013</b>		<b>23,054</b>		<b>116,500</b>	
<b><i>Post interim period:</i></b>					
106 Johann Avenue, Sandton	Office	2,429	4.4*	35,000	Jul-13
<b>Total</b>		<b>25,483</b>		<b>151,500</b>	
* Estimated as building is fully vacant.					



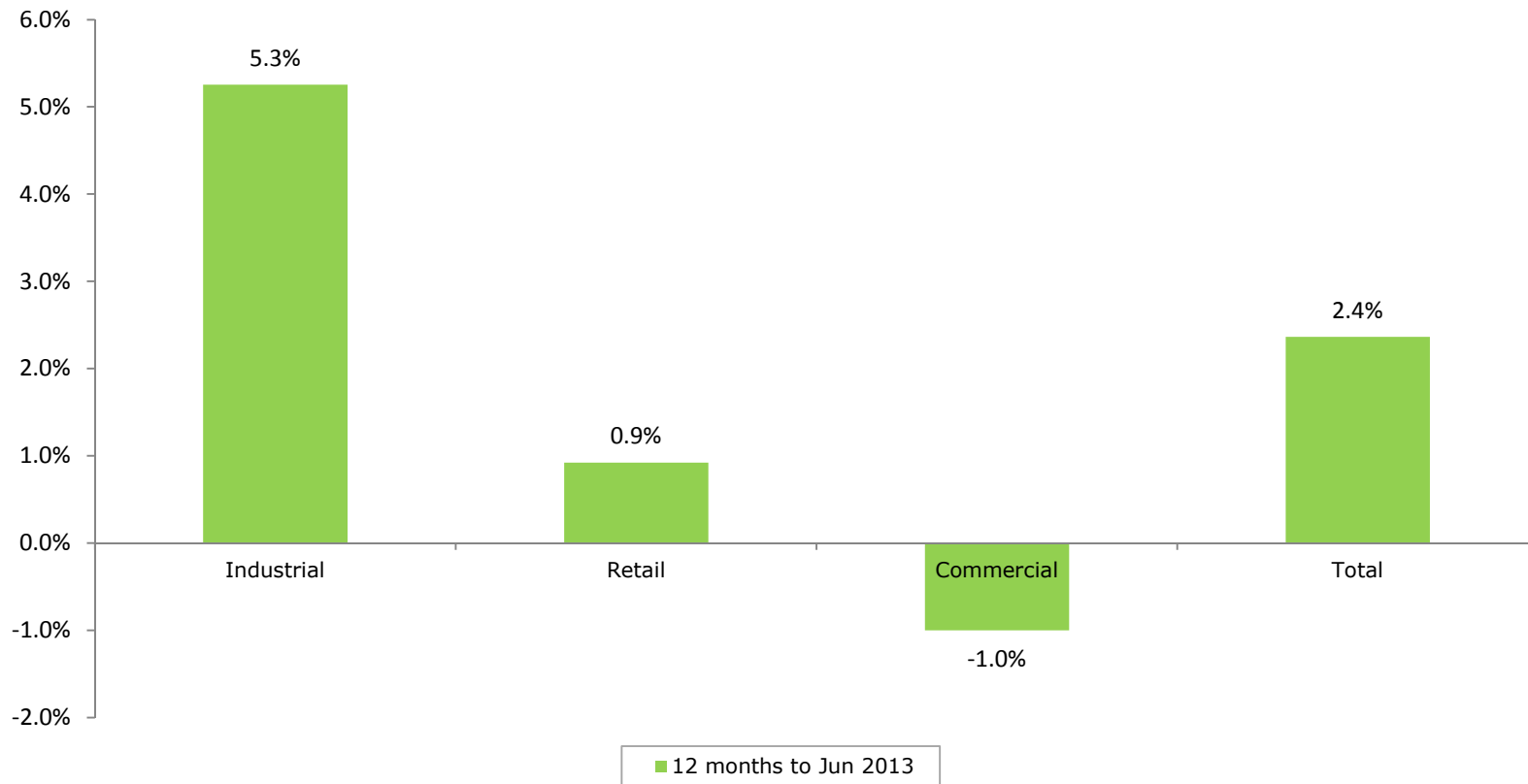
## Properties held for sale

Property	Sector	GLA (m <sup>2</sup> )	Exit Yield %	Sales price (R000)	Expected date of transfer
13 Wellington Road, Parktown	Office	3,300	6.6*	17,800	Aug-13
131 Jan Hofmeyer Road, Westville	Office	2,160	7.8*	23,900	Aug-13
Philani Valley Shopping Centre, Umlazi	Retail	12,940	3.5	40,500	Sep-13
<b>Total</b>		<b>18,400</b>		<b>82,200</b>	

\* Estimated as building is fully vacant.

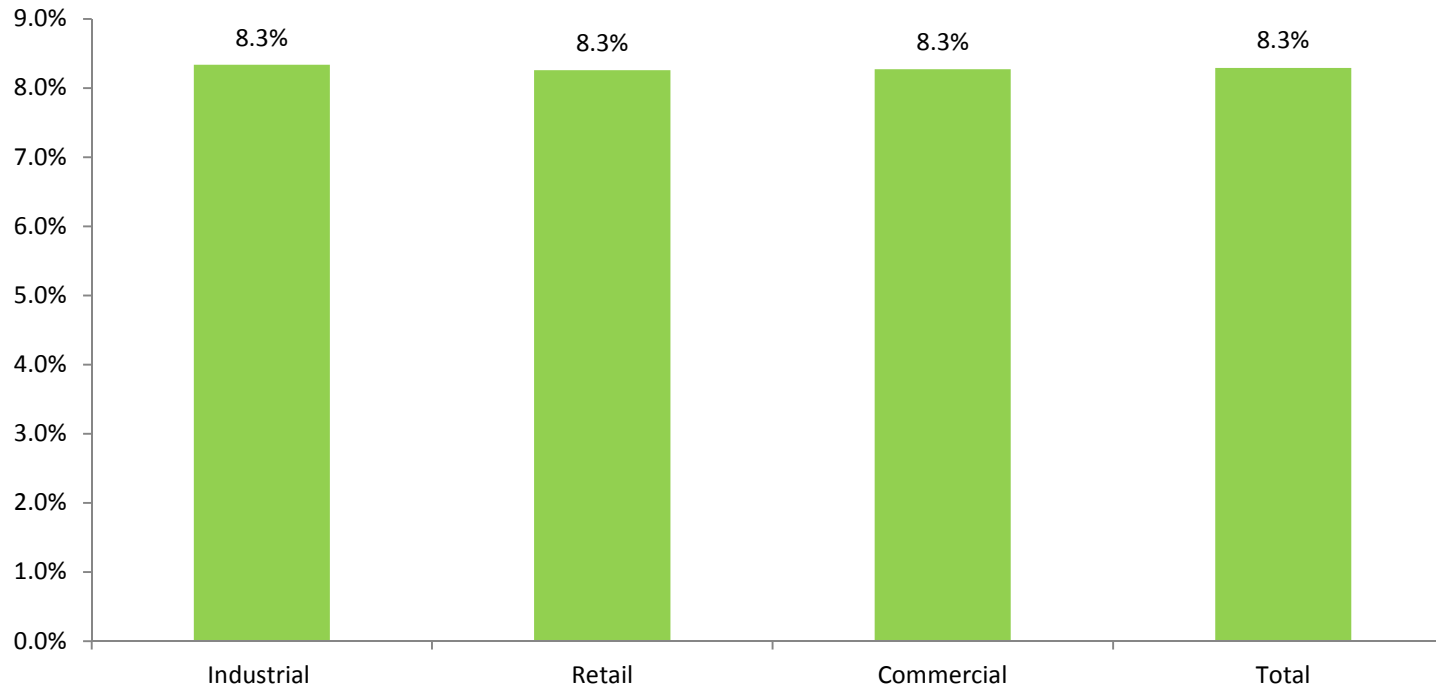


## Lease renewals - % Rental Reversions



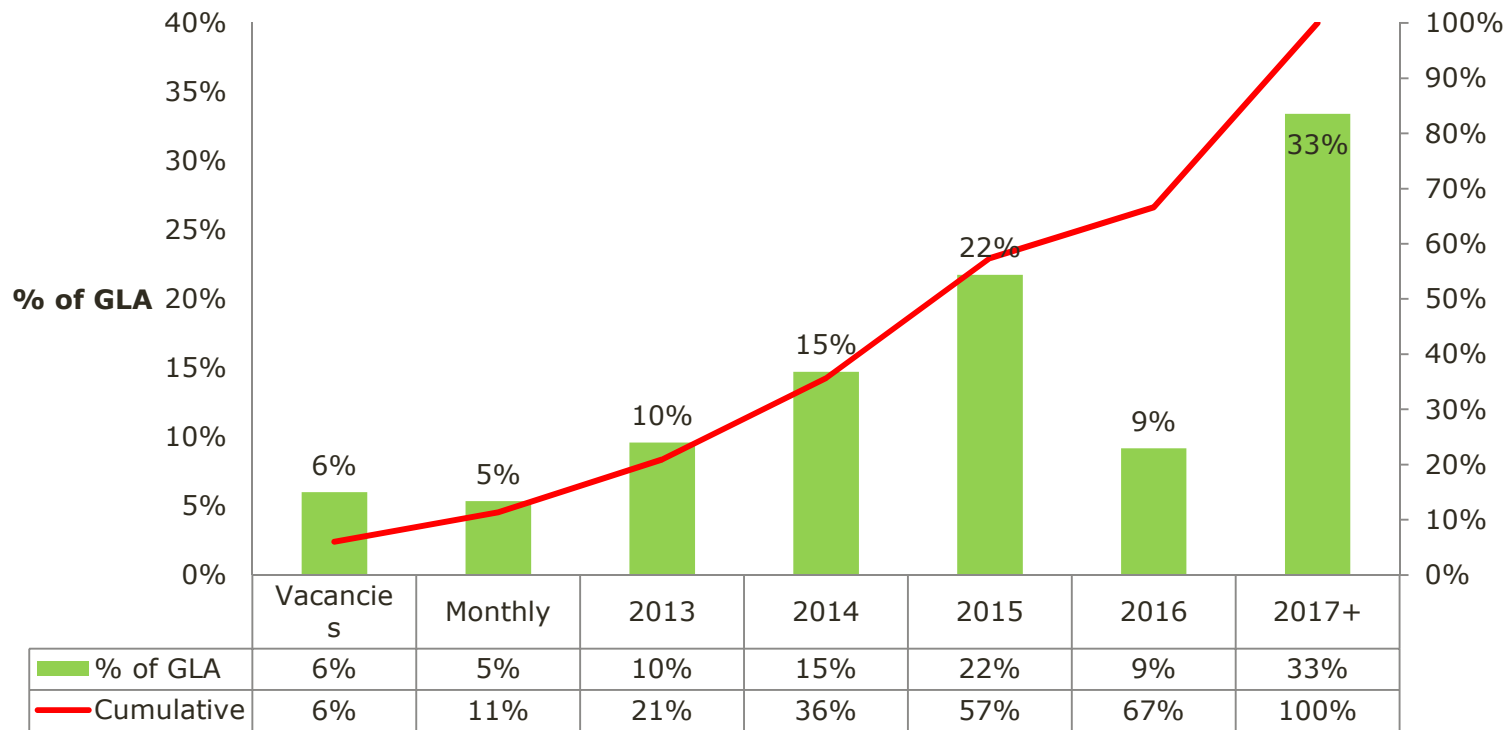


## Contracted rental escalation profile





## Group lease expiry





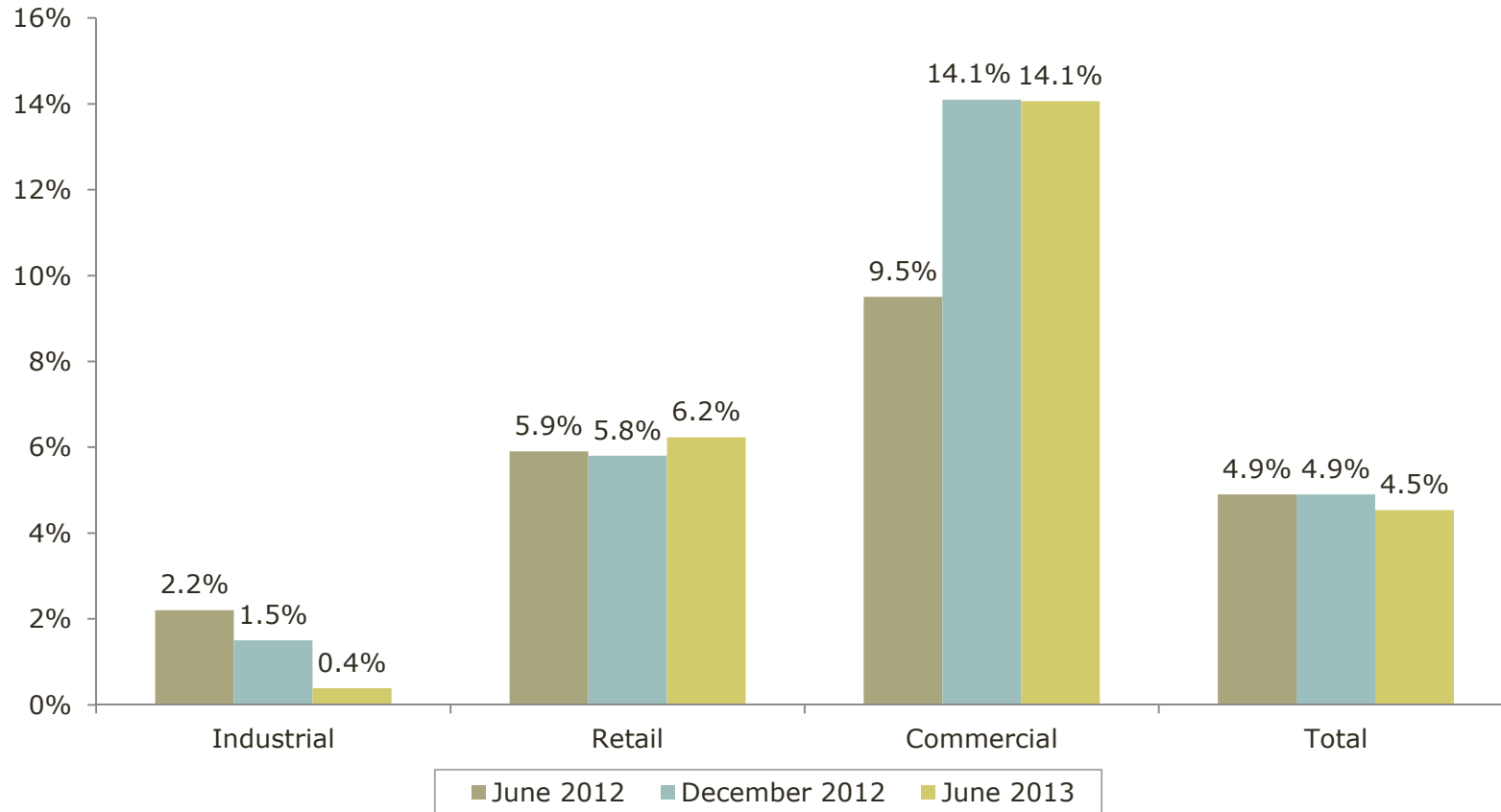
## Largest expiries for the next 6 months

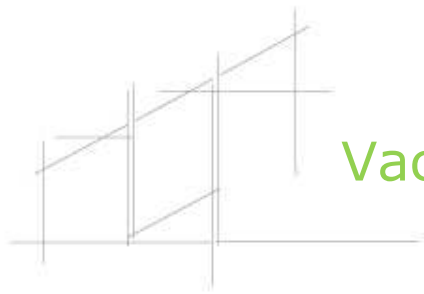
The following tenants, with an area > 2 000m<sup>2</sup>, will expire in the next 6 months:

Property	Sector	Tenant	GLA (m <sup>2</sup> )	update
Cnr Rudo Nel and Tudor Streets, Jet Park	Industrial	The Fuel Logistics Group	10,786	Lease renewed for 1 year
Cnr Handel and Crownwood Roads, Ormonde	Office	A C Nielsen Marketing & Media	6,131	Lease renewed for 3 years
Middelburg Pick n Pay, Middelburg	Retail	Pick n Pay	4,641	Lease renewed for 5 years
Hayfields Mall, Pietermaritzburg	Retail	Pick n Pay	4,476	Lease renewed for 5 years
Cnr Isotope and Bridge Street, Bellville	Industrial	Sandown Commercial Vehicles	4,178	In discussion with tenant to renew lease
21 Pomona Road, Pomona	Industrial	Kuehne + Nagel	4,585	Lease renewed for 3 years
33 Ontdekkers Road, Roodepoort	Industrial	Unitrans Automotive	6,386	Lease renewed for 10 years
8 Director Drive, Aeroport	Industrial	Berco Express	3,750	In discussion with tenant to renew lease
3 Wankel Street, Jet Park	Industrial	Abes Technoseal	3,952	Lease renewed for 5 years
20 Kyalami Road, Pinetown	Industrial	Independent Food Processors	2,661	In discussion with tenant to renew lease
Pine Crest Shopping Centre, Pinetown	Retail	Woolworths	2,577	Lease renewed for 5 years
121 Intersite Avenue, Durban	Industrial	Burchmores	2,379	In discussion with tenant to renew lease
			<b>56,502</b>	

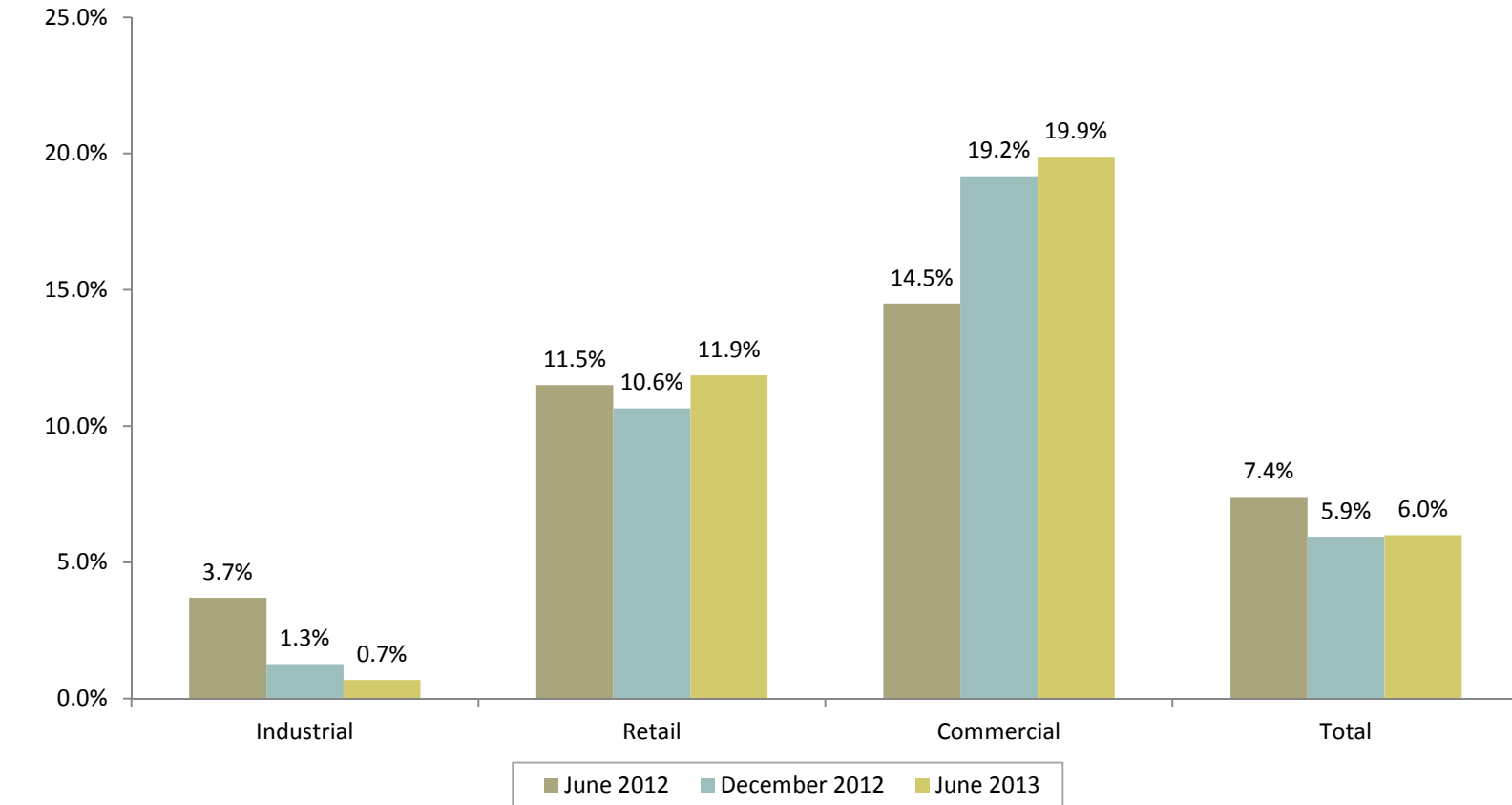


## Vacancy profile - % of gross rental





## Vacancy profile - % of GLA





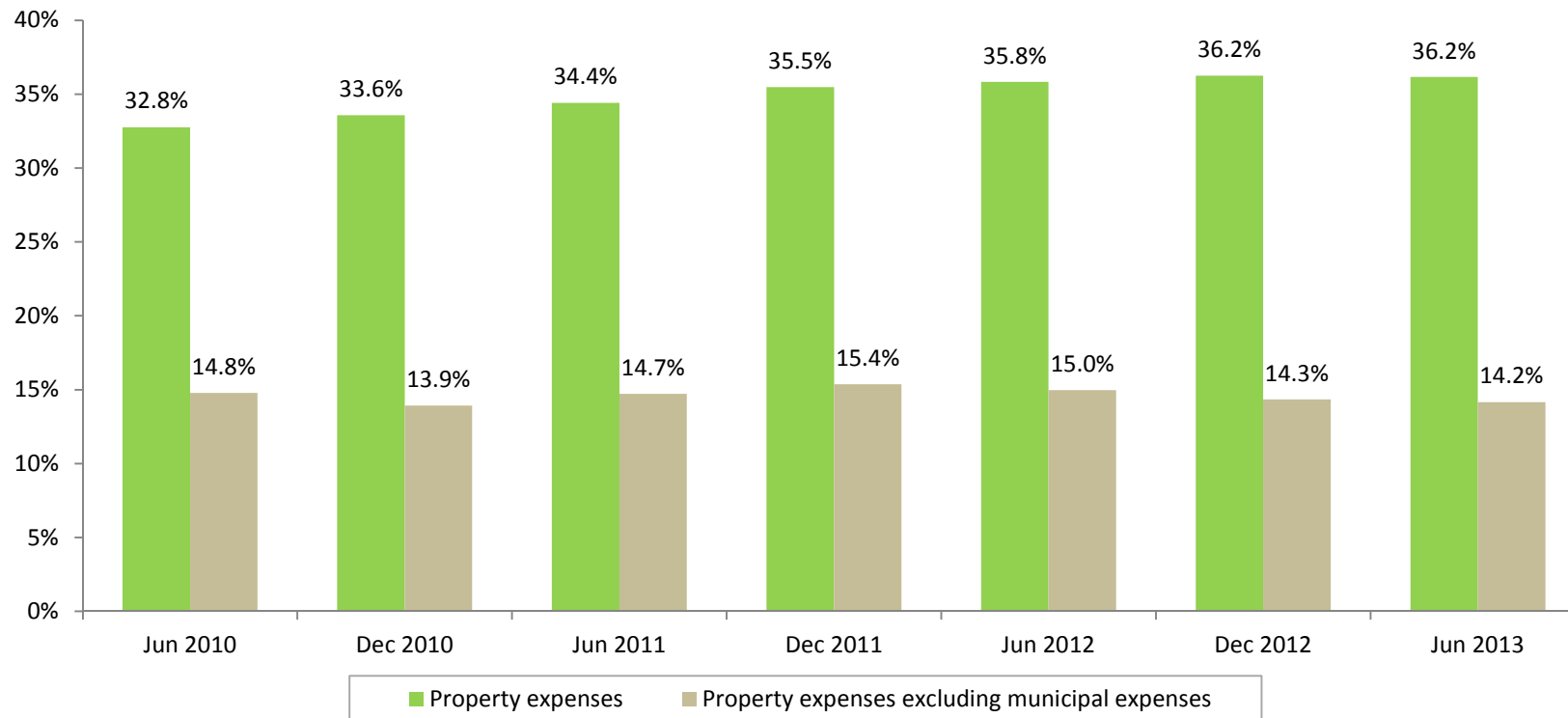


## Vacancy Progress Post 30 June with Broll

Property	Retail %	Industrial %	Commercial %
Vacancy per GLA as at 30 June 2013	11.86	0.7	19.88
Held for expansion	-0.36	0	0
Letting activity subsequent to interim period	-2.83	-0.66	0.2
Sold after interim period	0	0	-2.52
Pending sale	0	0	-3.43
Held for sale	-0.47	0	0
<b>Vacancy Remaining:</b>	<b>8.21</b>	<b>0.04</b>	<b>14.14</b>

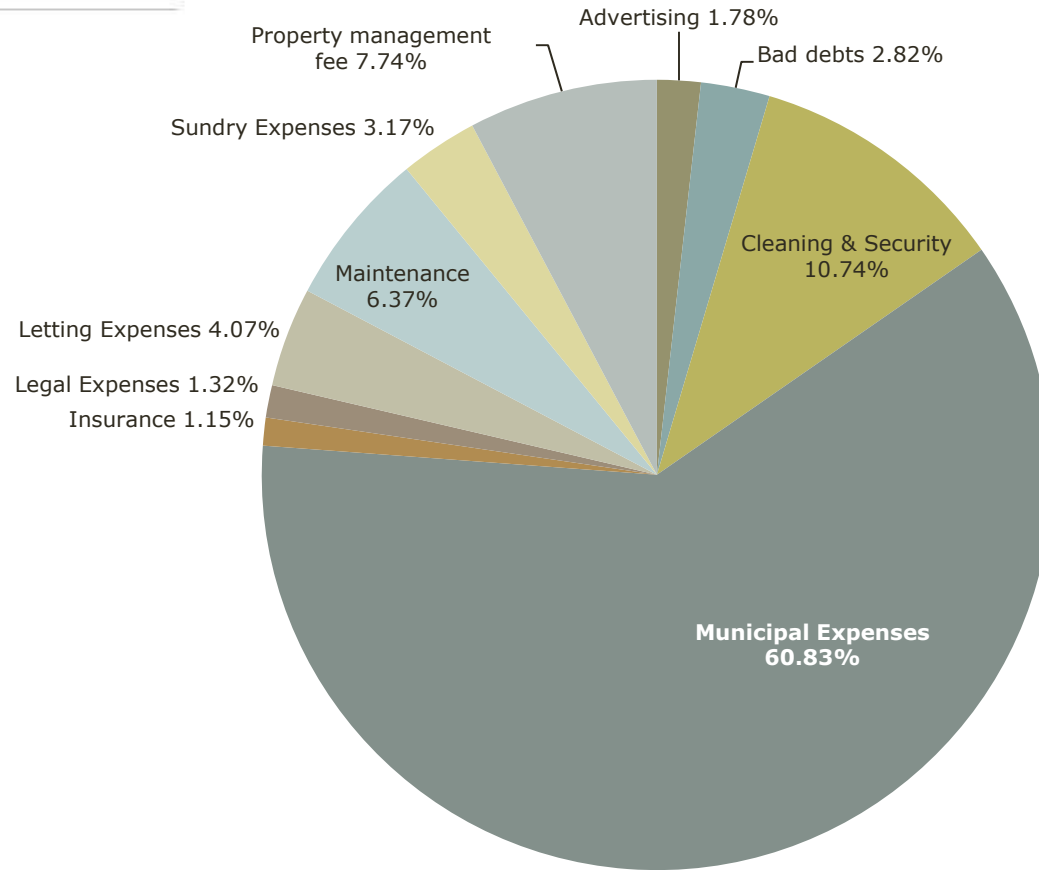


## Ratio of gross recurring cost to property revenue





## Property expense categories



## Property Arrears and Provisions

<b>TENANT DEBTORS AND PROVISIONS</b>	<b>Jun-13</b>	<b>Dec-12</b>	<b>Jun-12</b>
<b>Total Trade Receivables</b>			
Trade receivable before bad debt impairment (Incl. VAT)	48,031	47,415	53,247
Provision for bad debts	(24,701)	(27,229)	(35,205)
Trade Receivable after bad debt impairment (excluding debtors with credit balances)	<u>23,330</u>	<u>20,186</u>	<u>18,042</u>
<b>Provision for bad debt</b>			
Opening balance	27,229	35,205	41,655
Amounts written off during the period	(9,522)	(4,231)	(16,093)
Additional net provision recognised	6,994	(3,745)	9,643
Closing balance	<u>24,701</u>	<u>27,229</u>	<u>35,205</u>
<b>Ratios</b>			
Provision as a % of total trade receivable	51.4%	57.4%	66.1%
Provision as a percentage of rental income	2.1%	2.2%	2.9%
Trade receivables as a percentage of rental income	3.6%	3.4%	3.8%

## Property Arrears Progress Post 30 June with Broll

<b>TENANT DEBTORS AND PROVISIONS</b>	<b>Jul-13</b>	<b>Jun-13</b>
<b>Total Trade Receivables</b>		
Trade receivable before bad debt impairment (Incl. VAT)	40,964	48,031
Provision for bad debts	(20,875)	(24,701)
Trade Receivable after bad debt impairment (excluding debtors with credit balances)	<u>20,089</u>	<u>23,330</u>
<b>Ratios</b>		
Provision as a % of total trade receivable	51.0%	51.4%
Provision as a percentage of rental income	1.8%	2.1%
Trade receivables as a percentage of rental income	3.1%	3.6%

<b>LEGAL ARREARS PROGRESS BY BROLL TO DATE</b>	<b>Amount</b>	<b>Provision</b>	<b>Provision (%)</b>
<b>Legal Arrears as at June 2013</b>	28,816,670	18,443,776	64.0
<b>Broll Progress to Date</b>			
Settlements	3,726,060	3,207,300	86.1
Receipts	1,493,133	638,749	42.8
	<u>5,219,193</u>	<u>3,846,049</u>	<u>73.7</u>

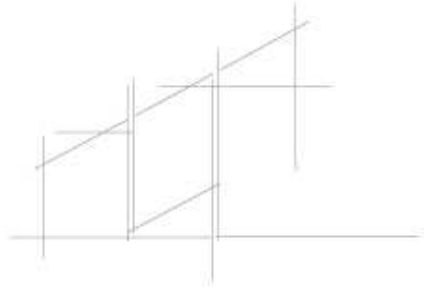


## Developments

Name of Property	Sector	Expected Capex	Yield
Cnr Rudo Nel & Tudor Streets, Jet Park	Industrial	R39m	10.8%

## Redevelopments

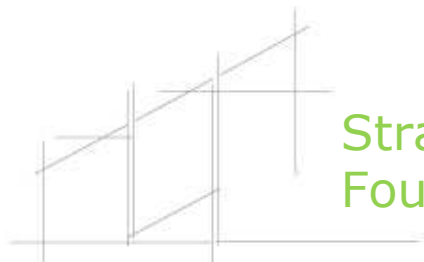
Name of Property	Sector	Expected Capex	Yield
Middelburg Pick n Pay, Middelburg	Retail	R5.3m	11.6%
Town Square Shopping Centre (Woolworths), Westrand	Retail	R8.7m	8.4%



# STRATEGIC OBJECTIVES

## RORY MACKEY

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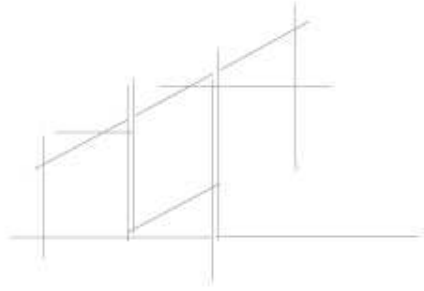


# Strategic Objectives

## Four pillars: delivery of sustainable distribution growth







# PROSPECTS

## RORY MACKKEY

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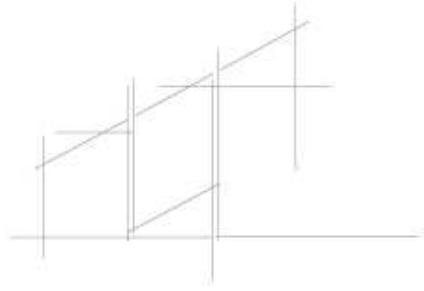


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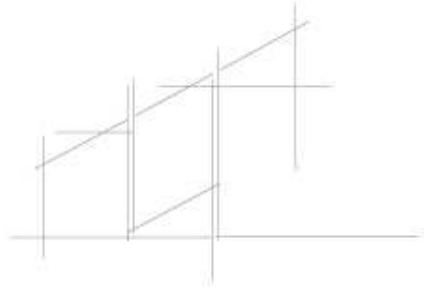




- Global and SA economic recovery slow
- Improved property management
- Debt and capital market price volatility
- Good progress with quality acquisitions
- Reduced dilution through sales
- Similar level of distribution growth achievable for the full financial year



# ACKNOWLEDGEMENTS



# QUESTIONS