

# SA Corporate December 2014 Year End Results Presentation

March 2015



INDUSTRIAL | RETAIL | OFFICE | RESIDENTIAL





## Agenda

- Highlights
- Financial Performance
- Portfolio Review
- Retail Redevelopments
- AFHCO Developments
- Strategy & Prospects
- Acknowledgments
- Questions

Rory Mackey

Antoinette Basson

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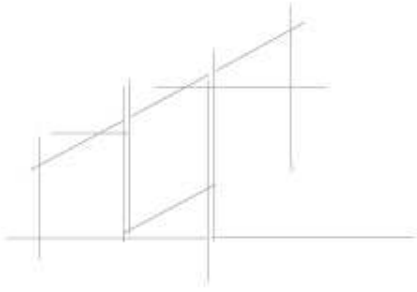
Rory Mackey

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Team



# HIGHLIGHTS

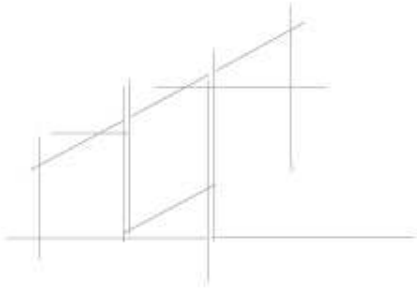
## RORY MACKEY

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## High Level Review

- **Distribution Themes**
  - H2 distribution growth of 9.4% vs H2 2013
  - Full year distribution growth of 9.0%
  - Standing portfolio net property income growth of 8.6%
  - Solid Tenant Retentions at 75.9% for SA Corp portfolio
  - Significant reduction in retail vacancies
- **Investment Strategy**
  - AFHCO acquisition of R1,086m, effective 1 July 2014
  - Acquisition of additional 8 properties for R316.8m
  - Contracted acquisitions of R243.6m
  - Disposal of 1 property for R20m
  - Contracted disposal of 7 properties for R163.3m
  - Developments in progress (Retail R887.1m and AFHCO R338.9m)
- **Efficient Operations**
  - Reduction in overall year-on-year vacancies and improvement in collections and arrears
- **Capital Structure**
  - Premium to NAV increased to 25.5%
  - Bridging facilities re-financed via R2bn syndicated loan
  - Weighted average cost of debt supportive of core income growth at 8.39%
  - Adequately hedged with improved tenors
- **Alignment of Investor & Management Interests**
  - Management company internalisation effective from 1 May 2014
  - Introduction of an investor aligned management incentive scheme
  - Progress on corporate REIT conversion



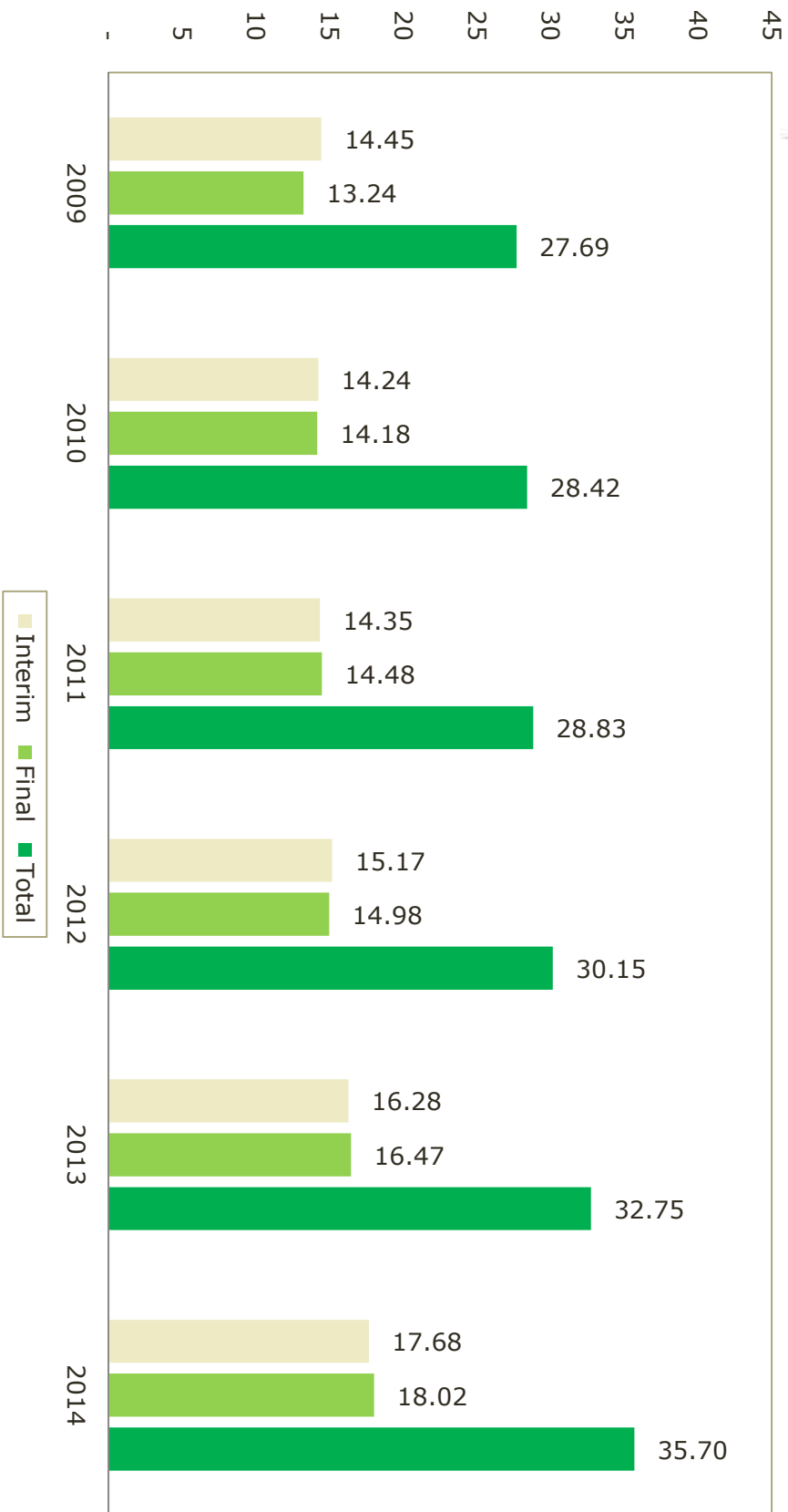
# FINANCIAL PERFORMANCE

## ANTOINETTE BASSON

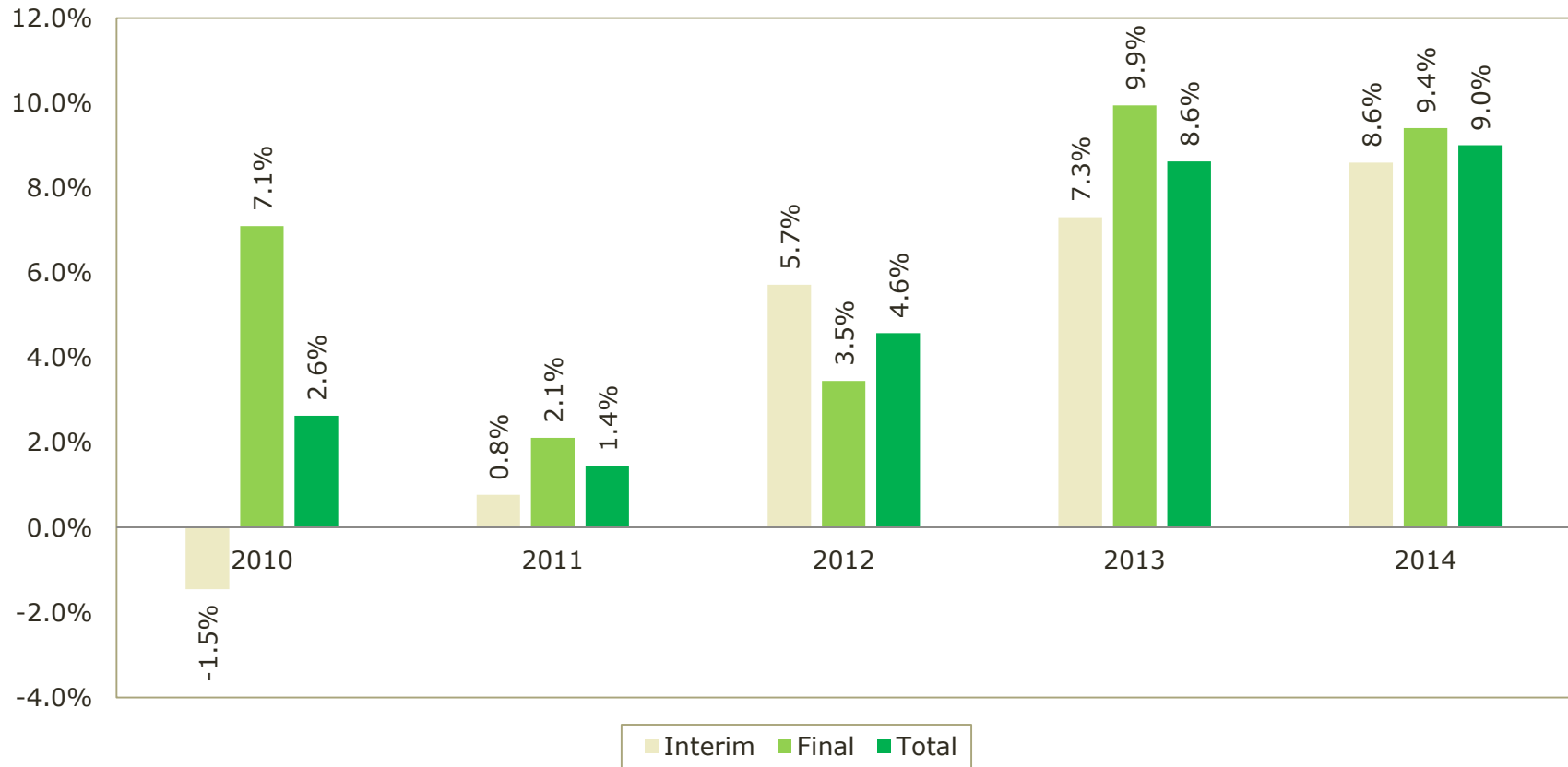
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# Distribution History



## Distribution growth

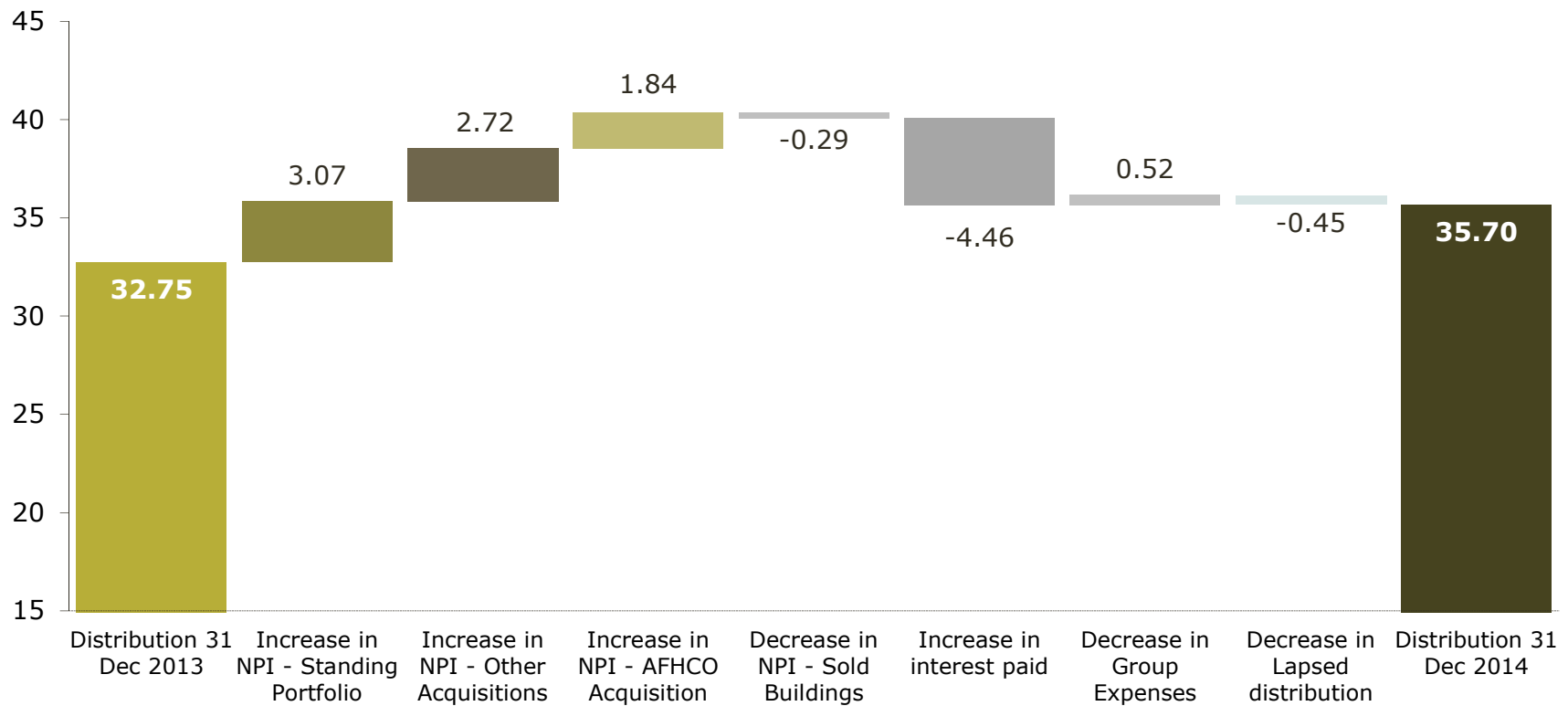


## Distribution at a glance

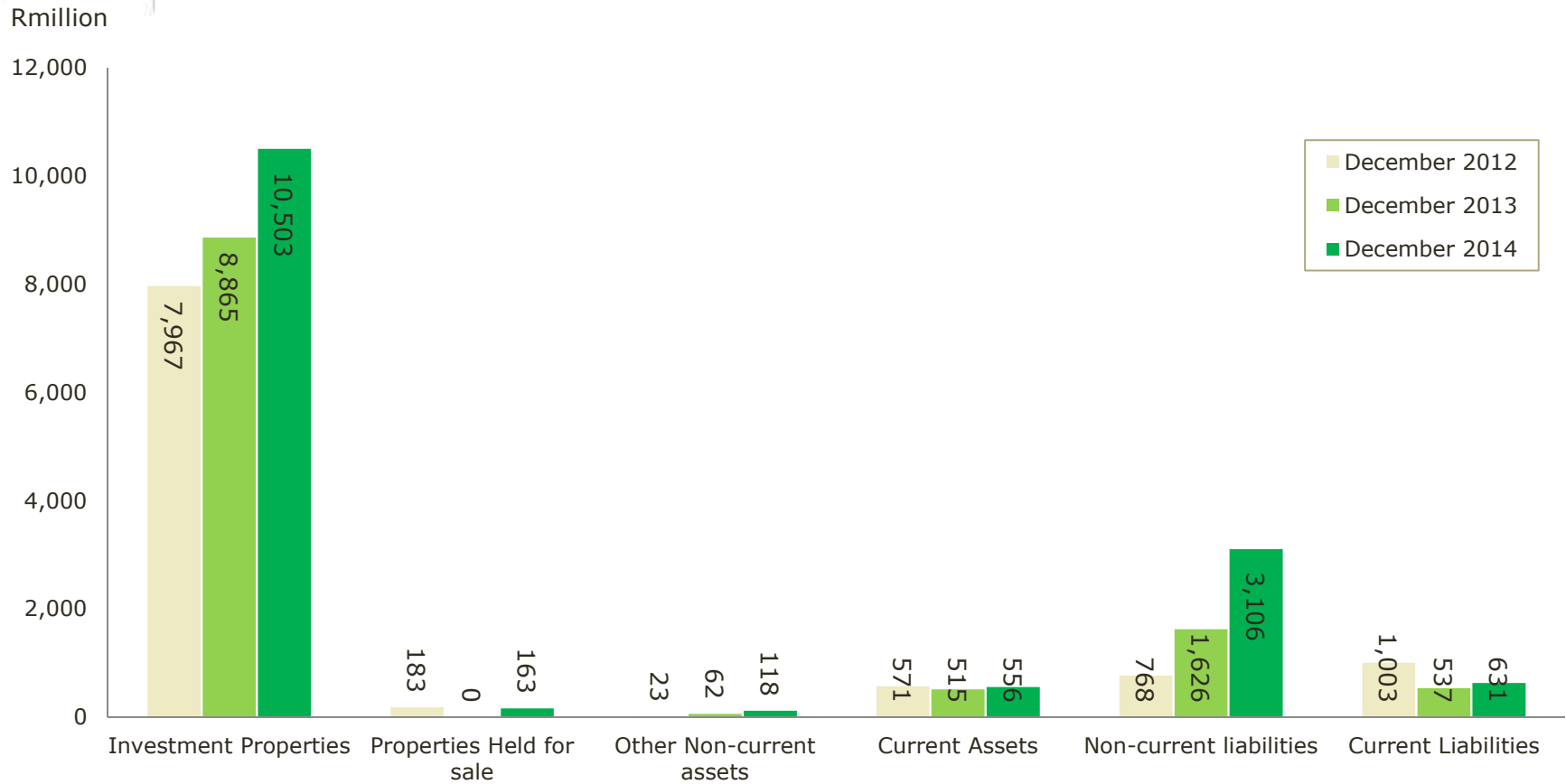
	Dec 2014 Rm	Dec 2013 Rm	% Variance
Net Property Income - Standing Portfolio	815.750	751.159	8.6
Net Property Income - AFHCO	36.600	-	100.0
Net Property Income - Other Acquisitions	63.680	9.601	563.3
Net Property Income - Buildings sold	2.512	8.239	(69.5)
<b>Net Property Income</b>	<b>918.542</b>	<b>768.999</b>	<b>19.4</b>
Taxation on distributable earnings	-	0.102	(100.0)
Net finance costs	(162.795)	(73.751)	120.7
Group Expenses	(45.793)	(55.822)	18.0
Lapsed distribution	-	8.823	(100.0)
<b>Distributable earnings</b>	<b>709.954</b>	<b>648.351</b>	<b>9.5</b>
<b>Distribution per unit (cents)</b>			
	<b>35.70</b>	<b>32.75</b>	<b>9.0</b>
First six months	17.68	16.28	8.6
Second six months	18.02	16.47	9.4



## Distribution contributors and detractors

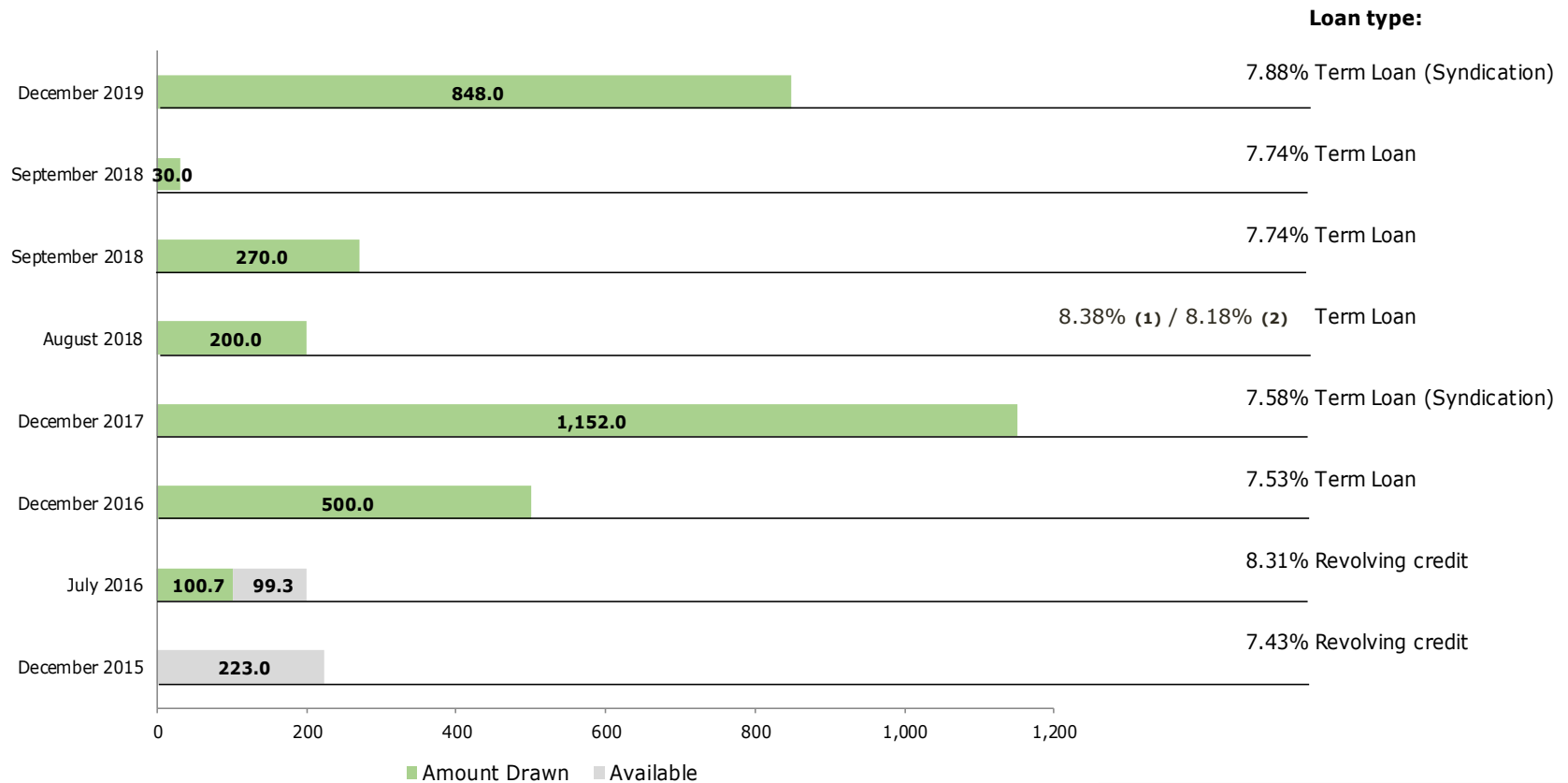


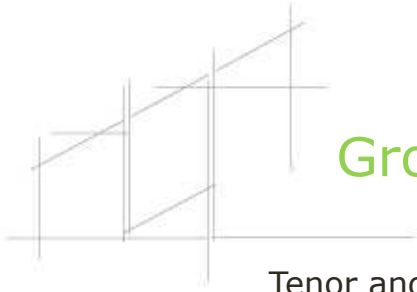
## Group Financial Position



## Group debt structure – at 31 Dec (excl. fixes)

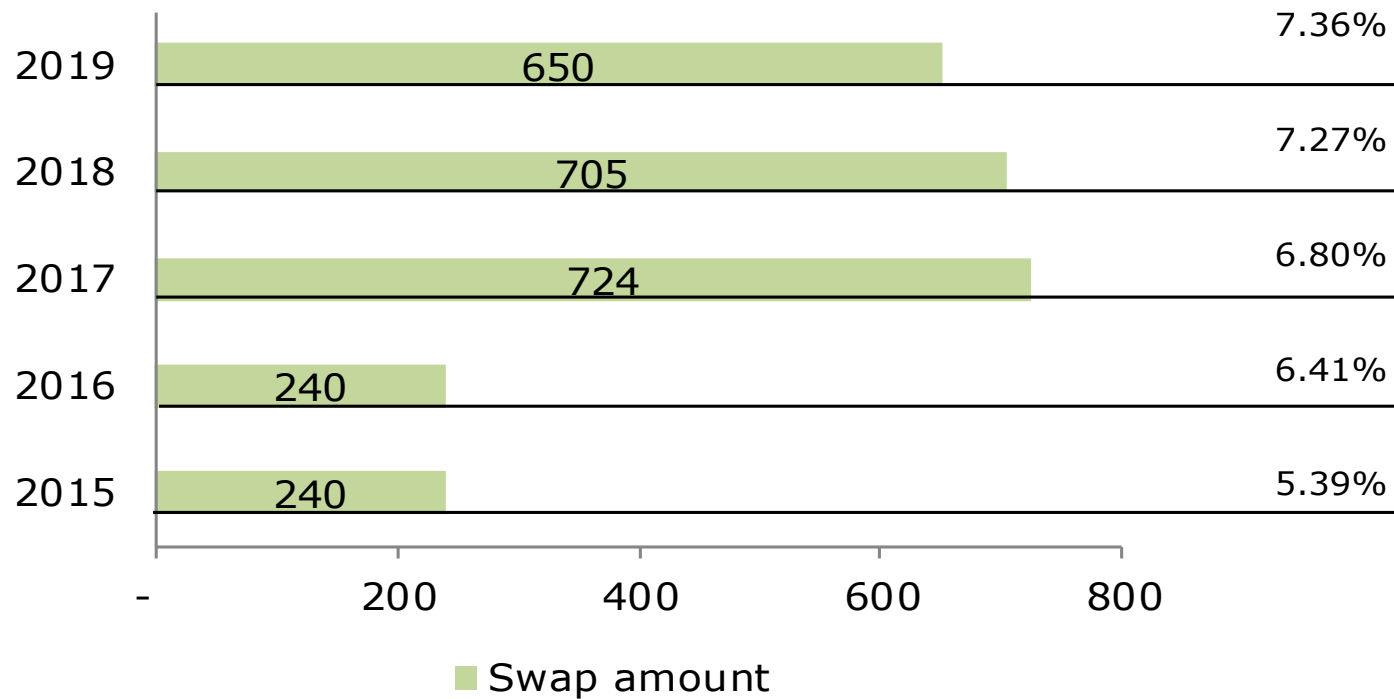
Maturity and interest rate profile of interest-bearing debt  
 WAR of 7.75%, weighted average maturity - of 3.4 years, and WAM of 1.69%.





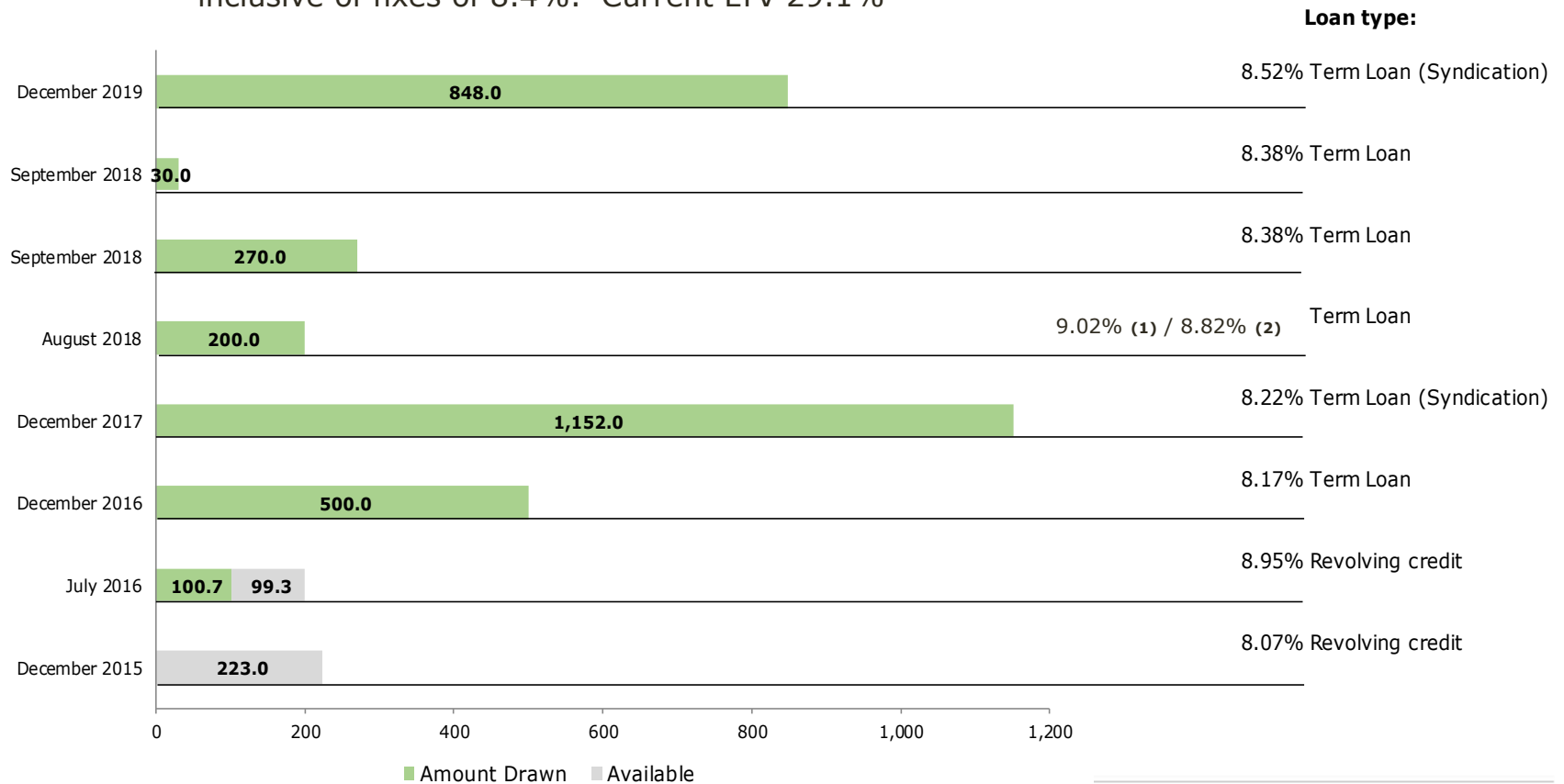
## Group swap profile – at 31 December

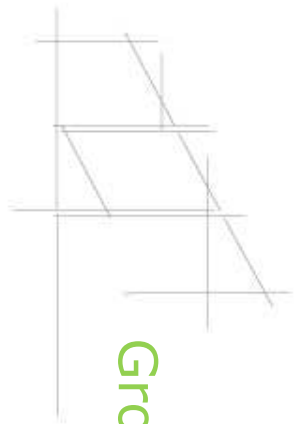
Tenor and interest rate swaps profile – weighted average tenor – 3.12 years and rate of 6.90% (swap margin 0.78%). 82.5% of effective debt fixed.



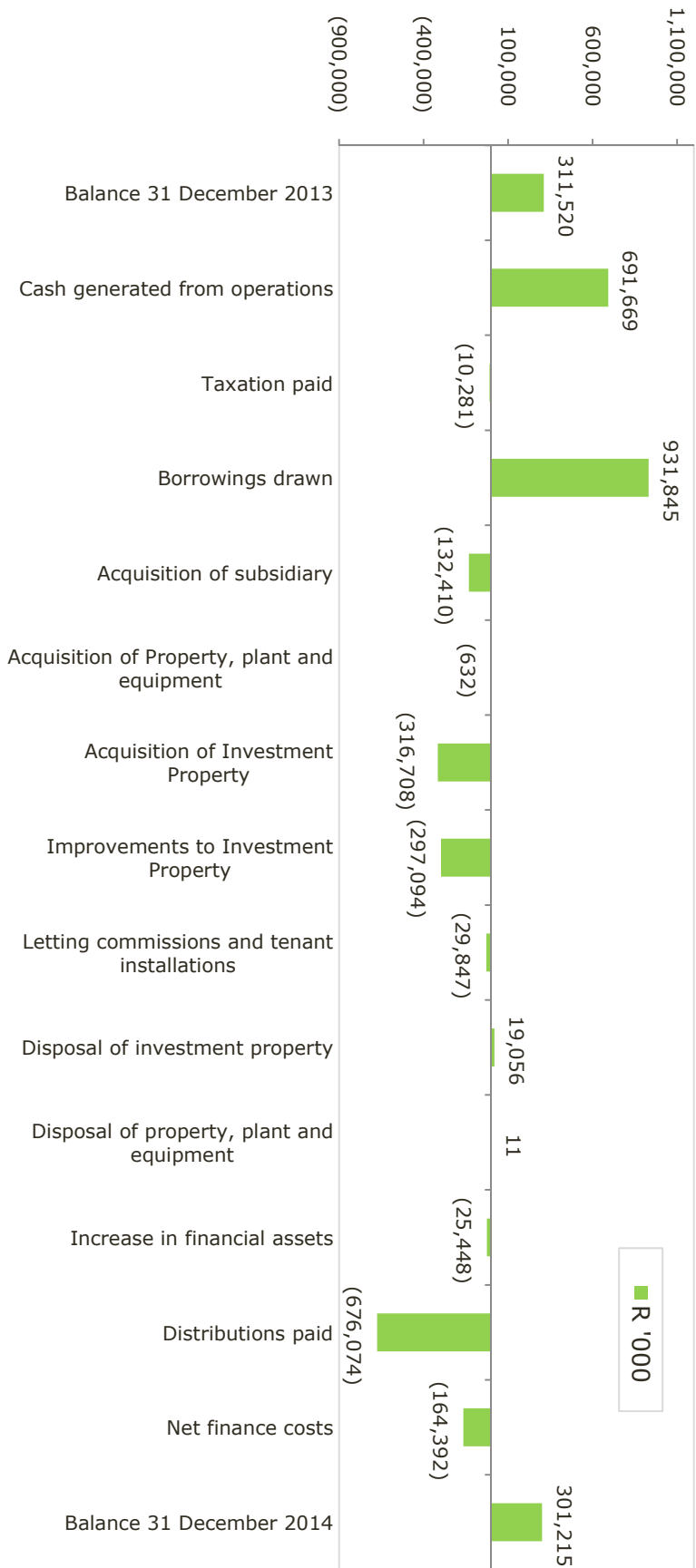
## Group debt structure – at 31 Dec (incl. fixes)

Maturity and interest rate profile of interest-bearing debt – WAR inclusive of fixes of 8.4%. Current LTV 29.1%



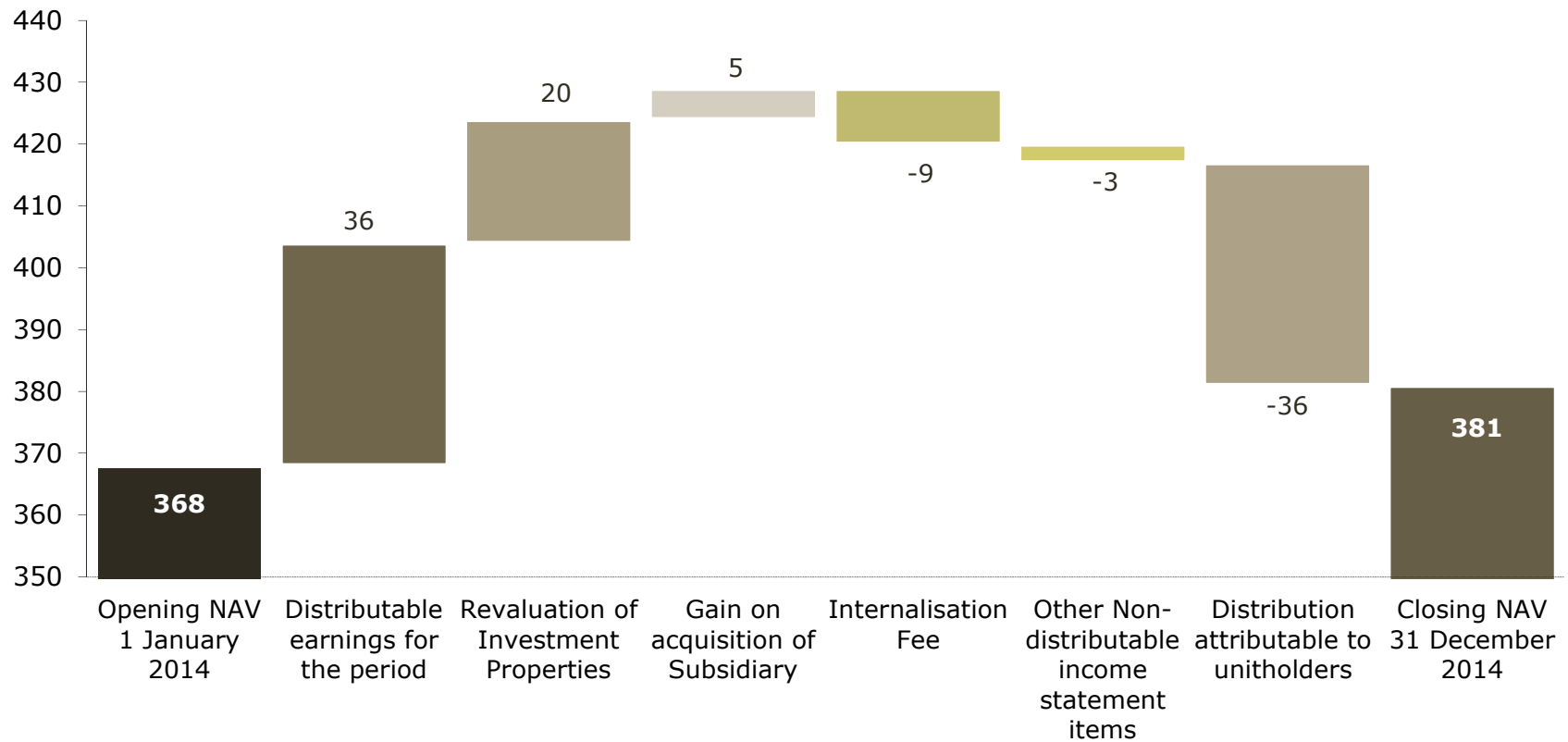


## Group net cash flow



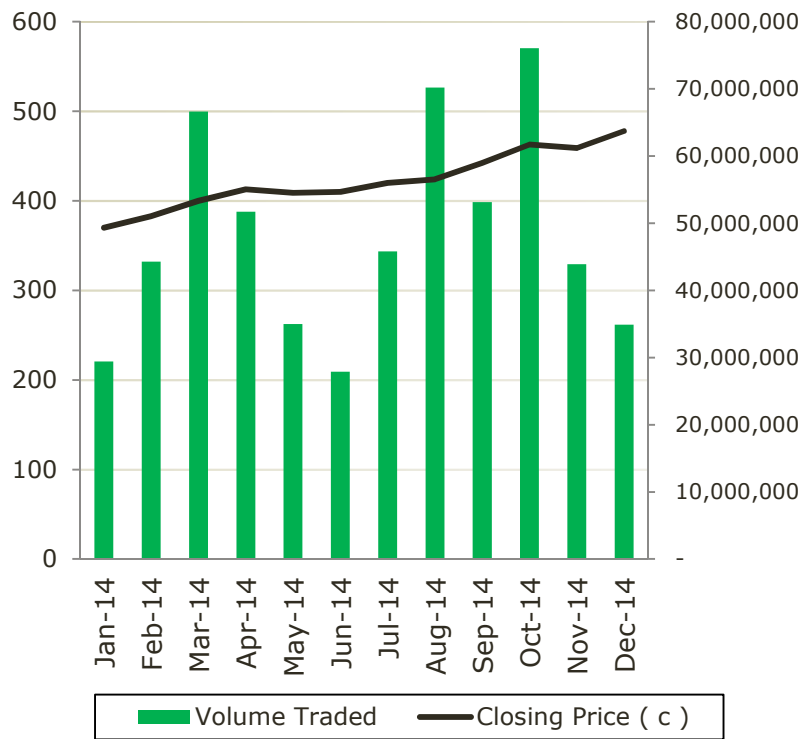
## Net Asset Value

Cents per unit

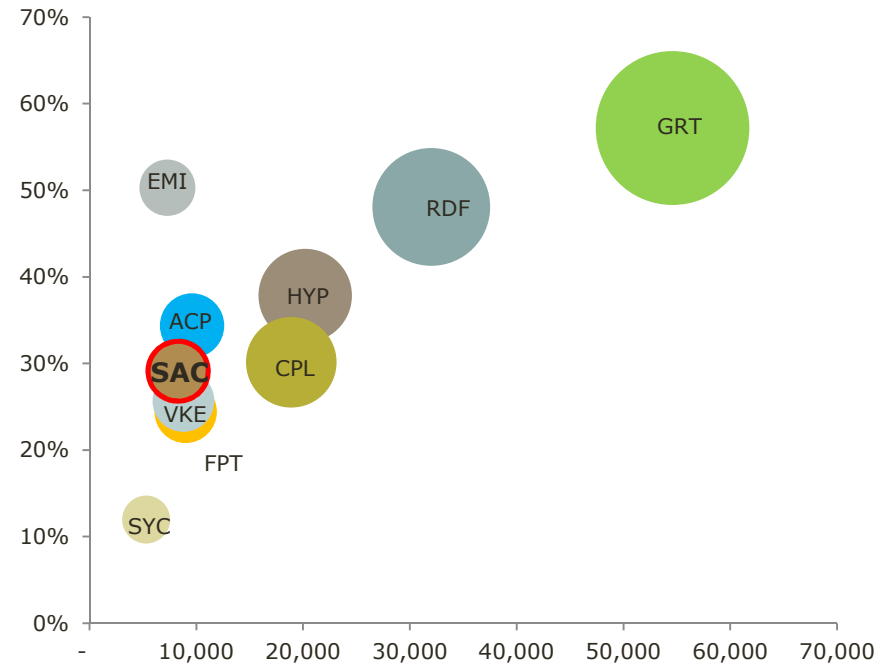


# Trading Volumes and liquidity

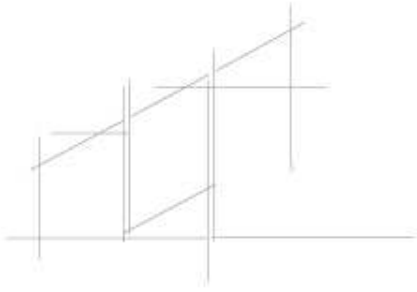
**SAC: closing price v monthly volume traded**



**Value traded as % of market capital**







# PORTFOLIO REVIEW

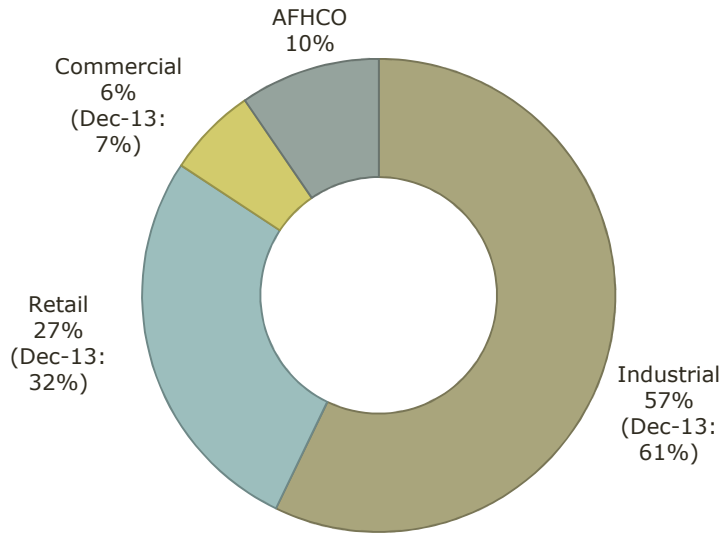
## RORY MACKEY

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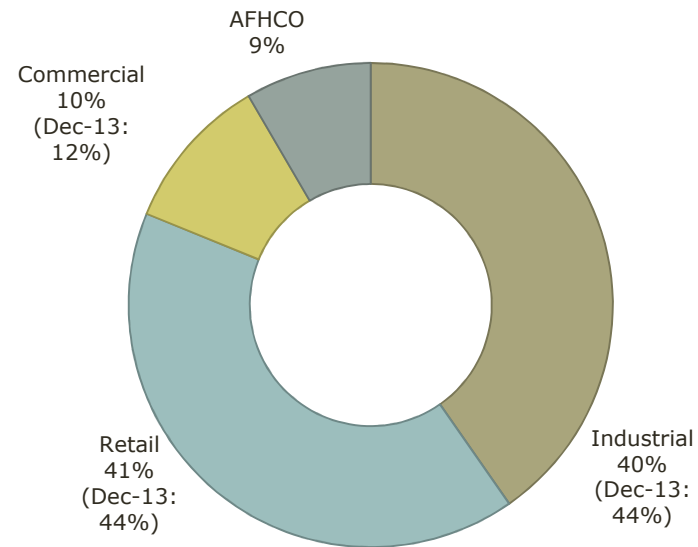


# Overview – Sectoral Analysis

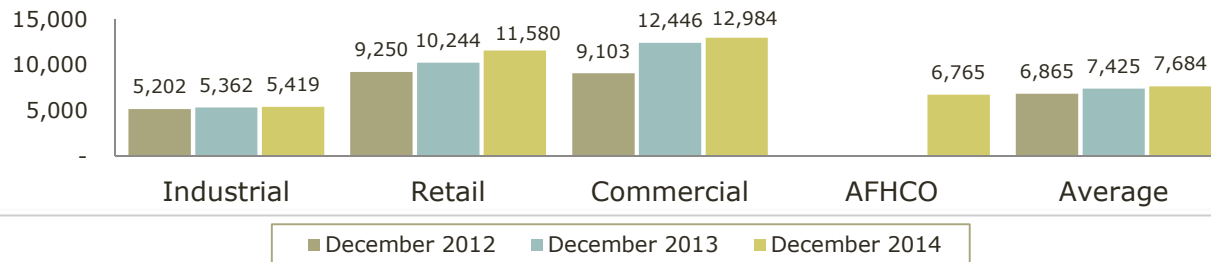
## By GLA



## By Market Value



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



166 Properties

Total GLA  
1 388 089

Total Portfolio  
R10.67bn  
(Dec-13:  
R8.87bn)

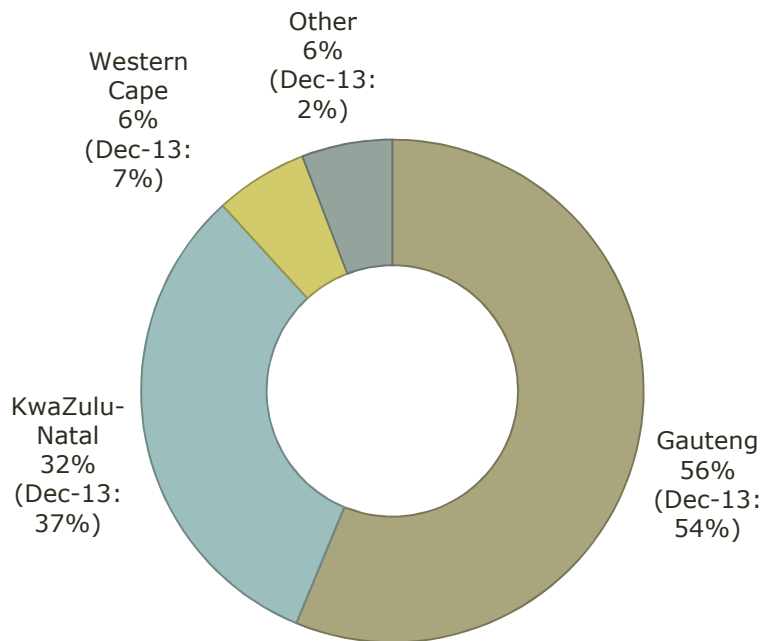
**Standing Portfolio:**

Weighted Average discount rate  
14.3%

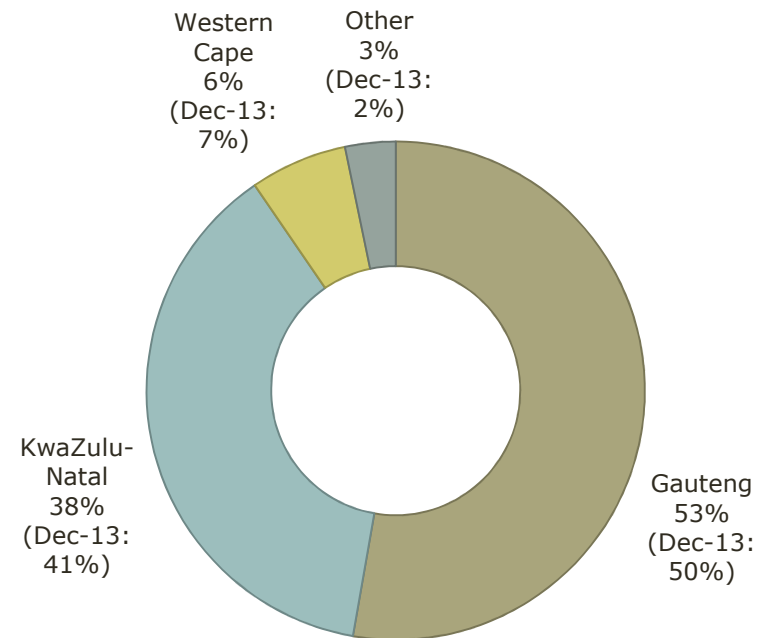
Weighted average capitalisation rate  
8.8%

# Overview – Geographical Analysis

## By GLA



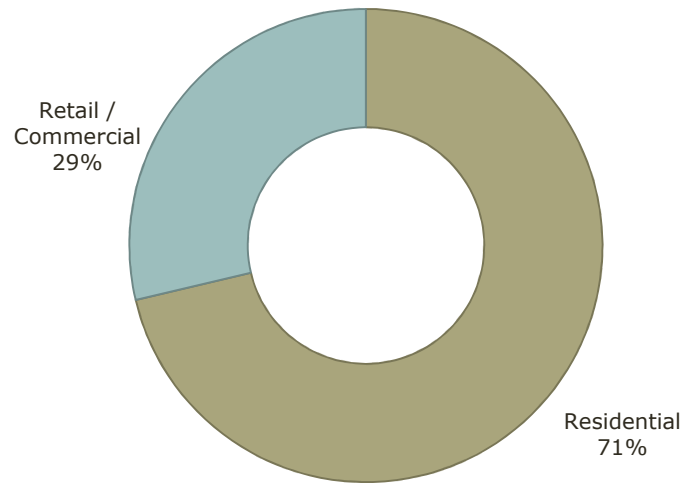
## By Market Value





## Overview – Sectoral Analysis (AFHCO)

### By GLA



26 Properties

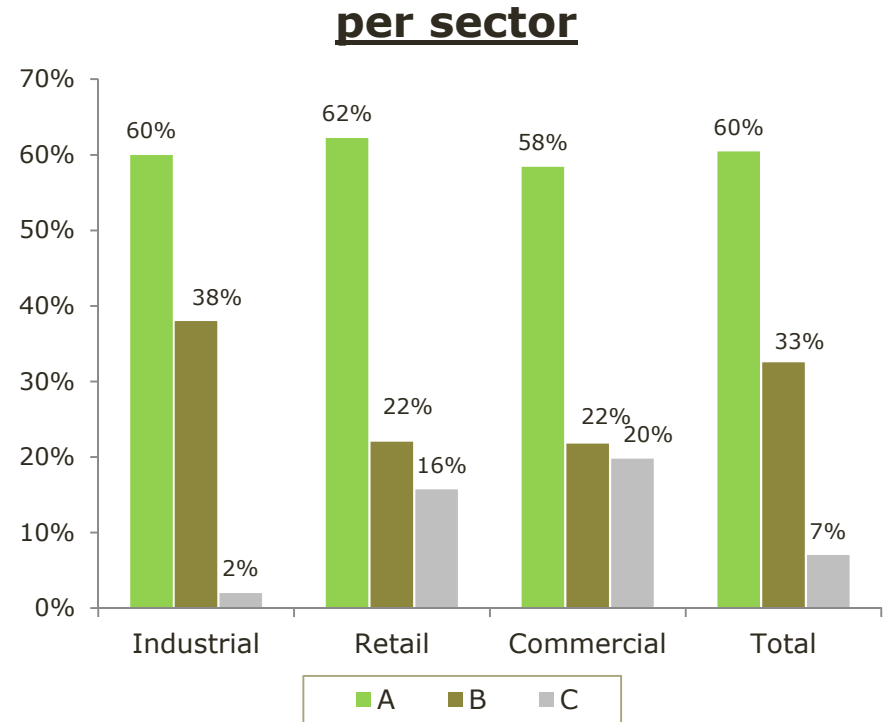
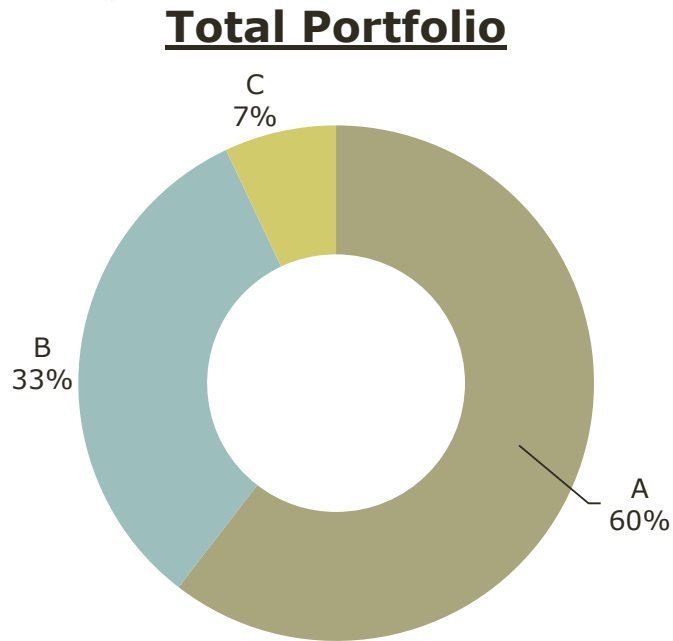
GLA 132 898

Market Value R899.0m

***Portfolio excluding properties under development and development bulk:***

Weighted average capitalisation rate  
10.1%

# Overview – Tenant Grading by GLA – SAC portfolio

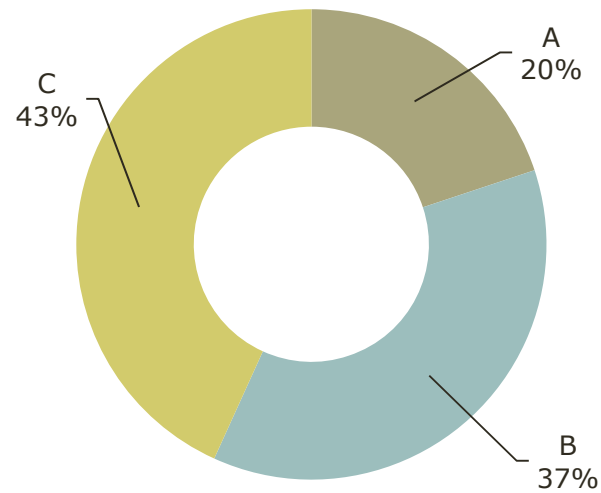


"A": large national tenants, listed tenants, government and large professional firms  
 "B": national tenants, franchisees, large regional tenants, medium professional firms  
 "C": other



## Overview – Tenant Grading by GLA – AFHCO

### Retail / Commercial Portfolio



"A": large national tenants, listed tenants, government and large professional firms  
"B": national tenants, franchisees, large regional tenants, medium professional firms  
"C": other



## 10 largest properties

	Sector	Area m <sup>2</sup>	Value (Rm)	% of total value	Value growth on 2013
Musgrave Centre, Musgrave	Retail	39,201	768.8	7.2%	6.5%
East Point, Boksburg	Retail	38,965	565.9	5.3%	23.2%
World Trade Centre, Sandton	Commercial	15,877	376.4	3.5%	0.4%
Pine Crest Shopping Centre, Pinetown	Retail	40,054*	331.3*	3.1%	7.9%
Beryl Street, Jet Park	Industrial	27,681	301.8	2.8%	8.6%
57 Sarel Baard Crescent, Centurion	Industrial	34,460	300.5	2.8%	5.6%
Springfield Value Centre, Springfield	Retail	20,393	296.7	2.8%	13.7%
Umlazi Mega City, Umlazi	Retail	31,145*	292.4*	2.7%	10.5%
Bluff Shopping Centre, Bluff	Retail	21,386	283.6	2.7%	8.6%
112 Yaldwyn Road, Jet Park	Industrial	30,299	277.4	2.6%	4.2%
<b>Total</b>		<b>299,461</b>	<b>3,794.8</b>	<b>35.5%</b>	<b>9.1%</b>

\* Represents ownership % of valuation, with 100% GLA



## 5 largest properties - AFHCO

	Area m <sup>2</sup>	Value (Rm)	% of AFHCO value	% of total value
120 End Street, Doornfontein	33,312	270.0	30.0%	2.5%
Newgate, Newtown	15,823	124.0	13.8%	1.2%
Frank & Hirsch, Johannesburg	10,207	102.0	11.3%	1.0%
Cavendish House, Johannesburg	5,684	65.3	7.3%	0.6%
Maxwell Hall, Johannesburg	6,864	56.0	6.2%	0.5%
<b>Total</b>	<b>71,890</b>	<b>617.3</b>	<b>68.6%</b>	<b>5.8%</b>



## Acquisitions

Property	Sector	GLA (m <sup>2</sup> )	Forward Yield %	Purchase price (R000)	Date of transfer
AFHCO portfolio and associated properties	AFHCO	130,206	9.9	1,086,016 <sup>^</sup>	Jul-14
Eveready & Continental Tyres, New Brighton, Port Elizabeth	Industrial	56,412	9.0	124,500	Jan-14
Celtis Ridge Shopping Centre, Centurion	Retail	7,245	9.0	106,000	Jan-14
50 Mangosuthu Highway, Umlazi *	Retail	3,768	9.0	43,400	Apr-14
Truck World (39 Viewpoint Road), Bardene	Industrial	10,204#	11.1	16,000	Dec-14
19 Brunton Circle, Founders View	Industrial	2,720	9.0	14,100	Mar-14
16 Friesland Crescent, Longmeadow	Industrial	1,622	9.0	9,350	Jul-14
Multi Glass, Johannesburg	AFHCO	1,655	8.4	3,282	Nov-14
Normandi Court Flat, Johannesburg	AFHCO	38	11	76	Dec-14
<b>Total</b>		<b>213,870</b>	<b>9.6</b>	<b>1,402,724</b>	

<sup>^</sup> Includes R169m with payment and economic interest deferred to 2015

\* Under development - income generating from January 2015

# site 1.3 hectares in extent



## Contracted Acquisitions at period end

Property	Sector	Forward Yield %	Purchase price (R000)	Expected transfer
Morulat Property Investments 4 portfolio	AFHCO	10.6	243,635	Jan-15*
<b>Total</b>		<b>10.6</b>	<b>243,635</b>	

\* Transferred in January 2015



## Disposals

Property	Sector	GLA (m <sup>2</sup> )	Exit Yield %	Sales price (R000)	Status transferred
90 Electron Avenue, Isando	Industrial	5,303	5.9	20,000	Oct-14
<b>Total</b>		<b>5,303</b>	<b>5.9</b>	<b>20,000</b>	

## Contracted Disposals

Property	Sector	GLA (m <sup>2</sup> )	Exit Yield %	Sales price (R000)	Expected transfer date
Stellenbosch Square, Stellenbosch * \$	Retail	*5,204	7.8	40,000	Feb-15
36 Wierda Road West, Wierda Valley \$	Office	3,028	7.5	39,000	Feb-15
The Boulevard, Melville	Retail	5,352	7.4	31,200	Mar-15
293 Hebbard Road, Robertville	Industrial	7,762	5.5	23,500	Apr-15
Portion of Lebombo Road, Garsfontein #	Office	# 1,703	6.2	12,000	May-15
3 Remblok Street, Strydom Park	Industrial	1,787	8.3	10,700	Mar-15
110 Zastron Road, Bloemfontein ^	Office	1,978	6.8	6,900	Jan-15
<b>Total</b>		<b>26,814</b>	<b>7.2</b>	<b>163,300</b>	

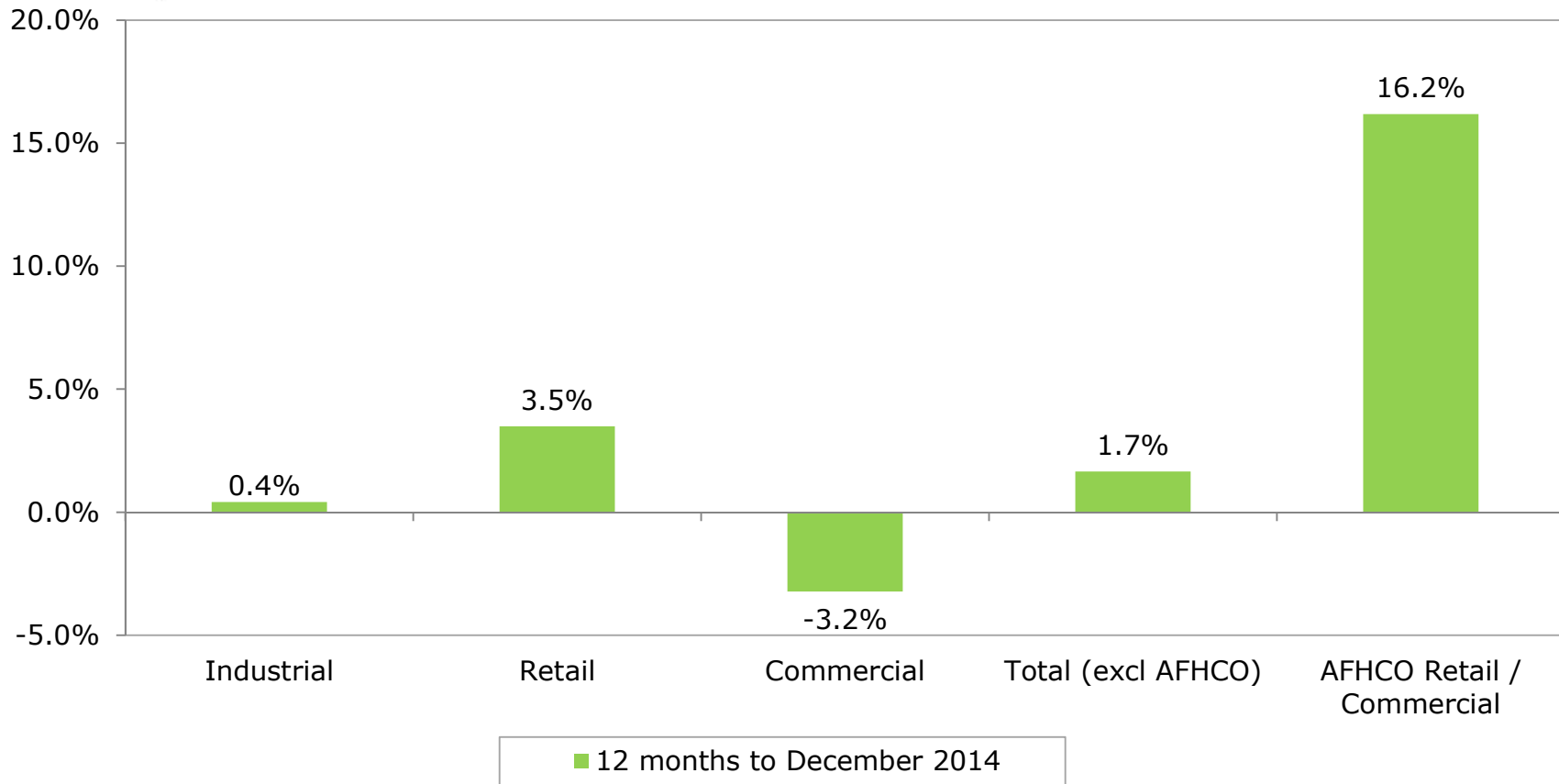
\* 50% Undivided share

^ Transferred January 2015

\$ Transferred February 2015

# Portion sold

## Lease renewals - % Rental Reversions





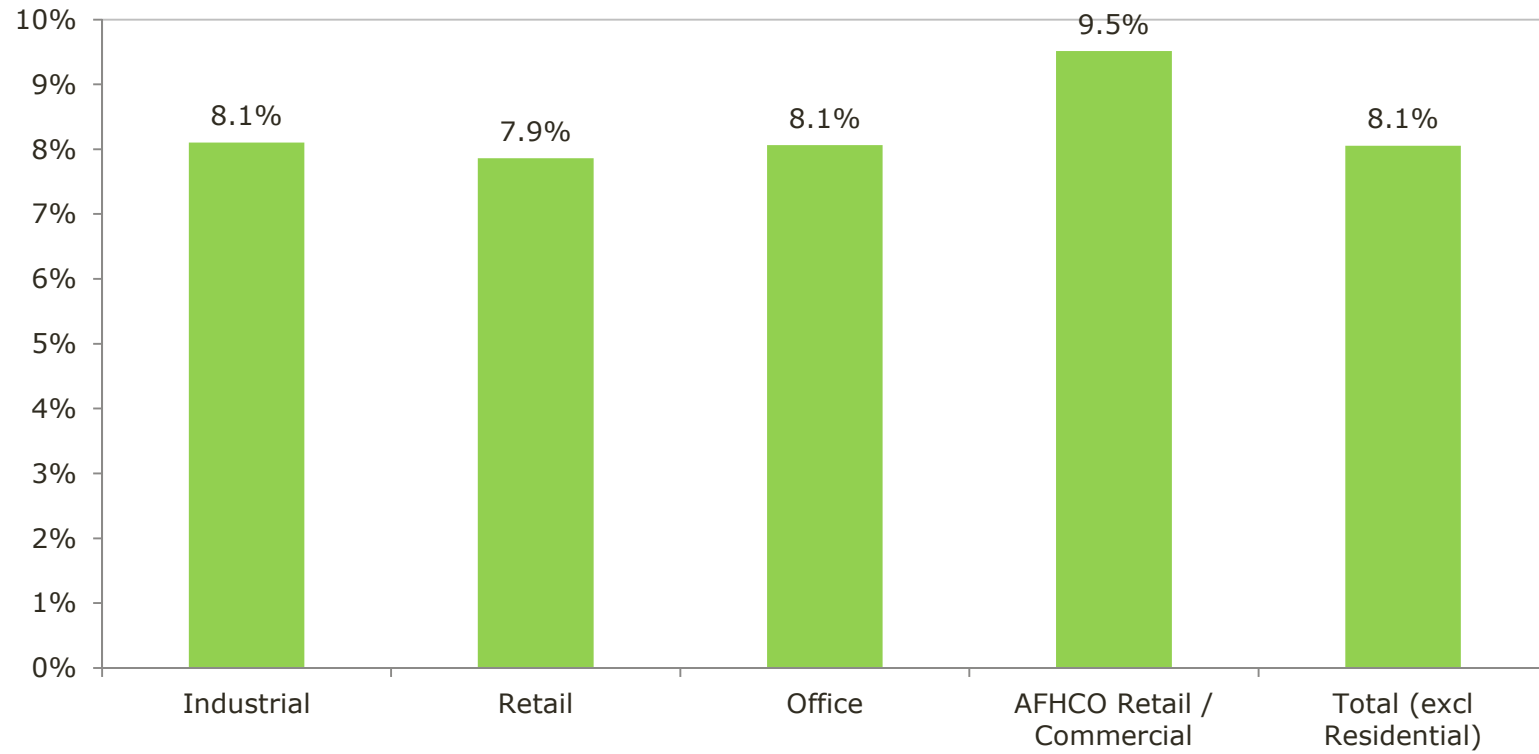
## Industrial Average Rental vs Market

	Monthly Revenue	GLA (m <sup>2</sup> )
Rental Income	R40,786,172	781,932 (let)
Average Rental	R52.16/m <sup>2</sup>	
Normalised Rental / GLA *	R26,186,183	591,075
Normalised Average Rental	R44.30/m <sup>2</sup>	
Market Rental	R44 to R46/m <sup>2</sup>	

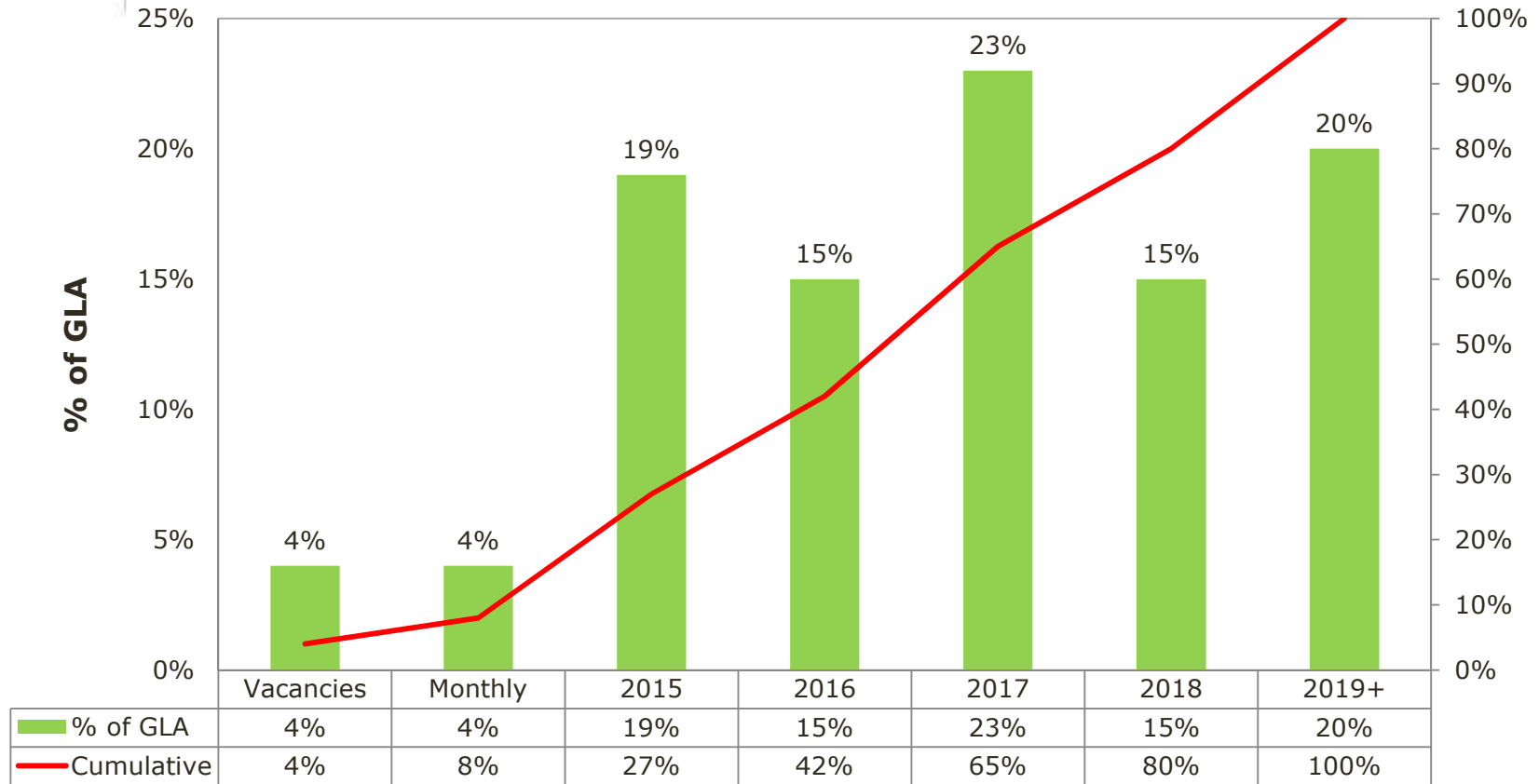
\* = excludes leasehold properties (Maydon Wharf), motor showrooms, head office properties and properties with surplus yard area and billboards



## Contracted rental escalation profile

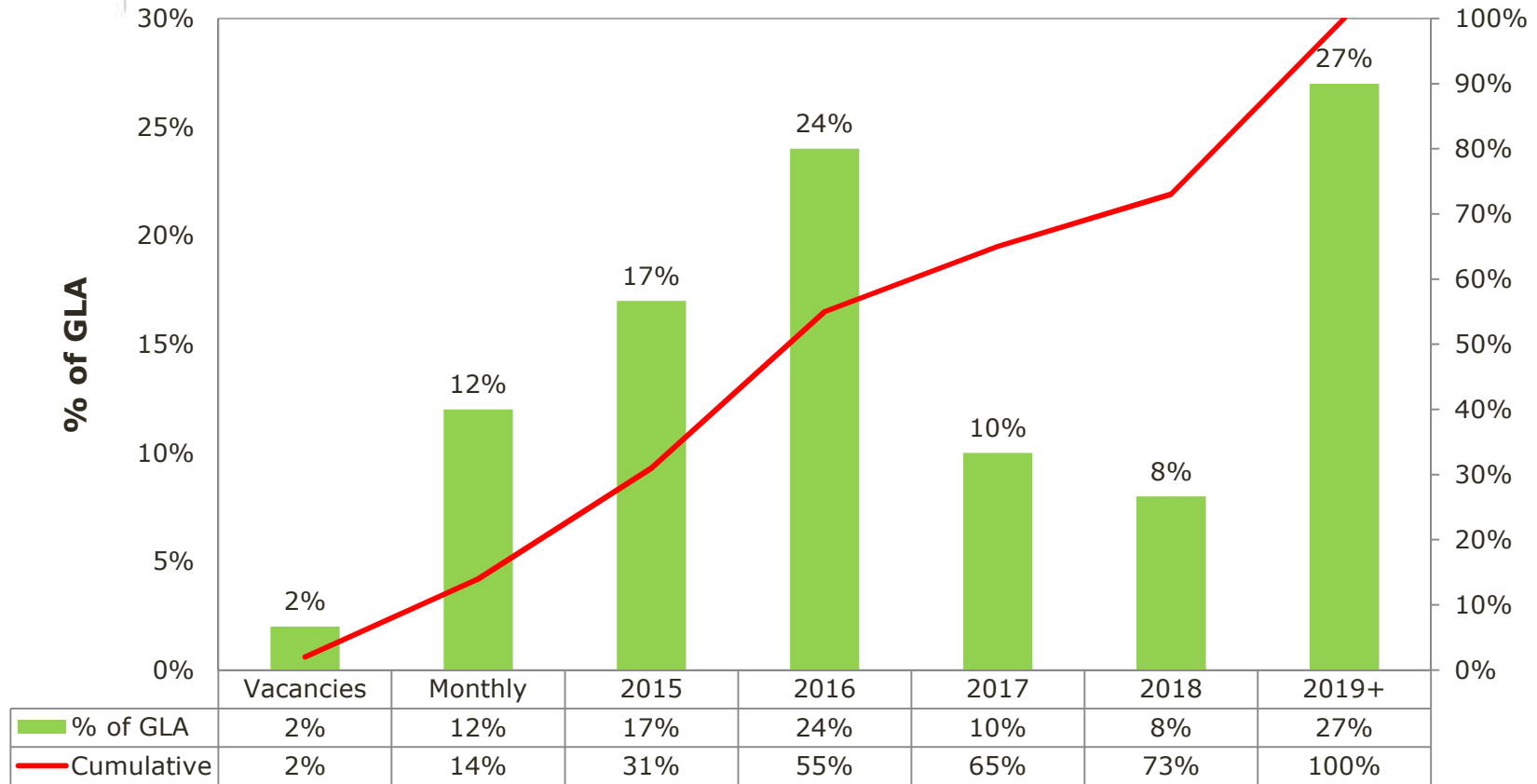


## Group lease expiry – SAC Portfolio



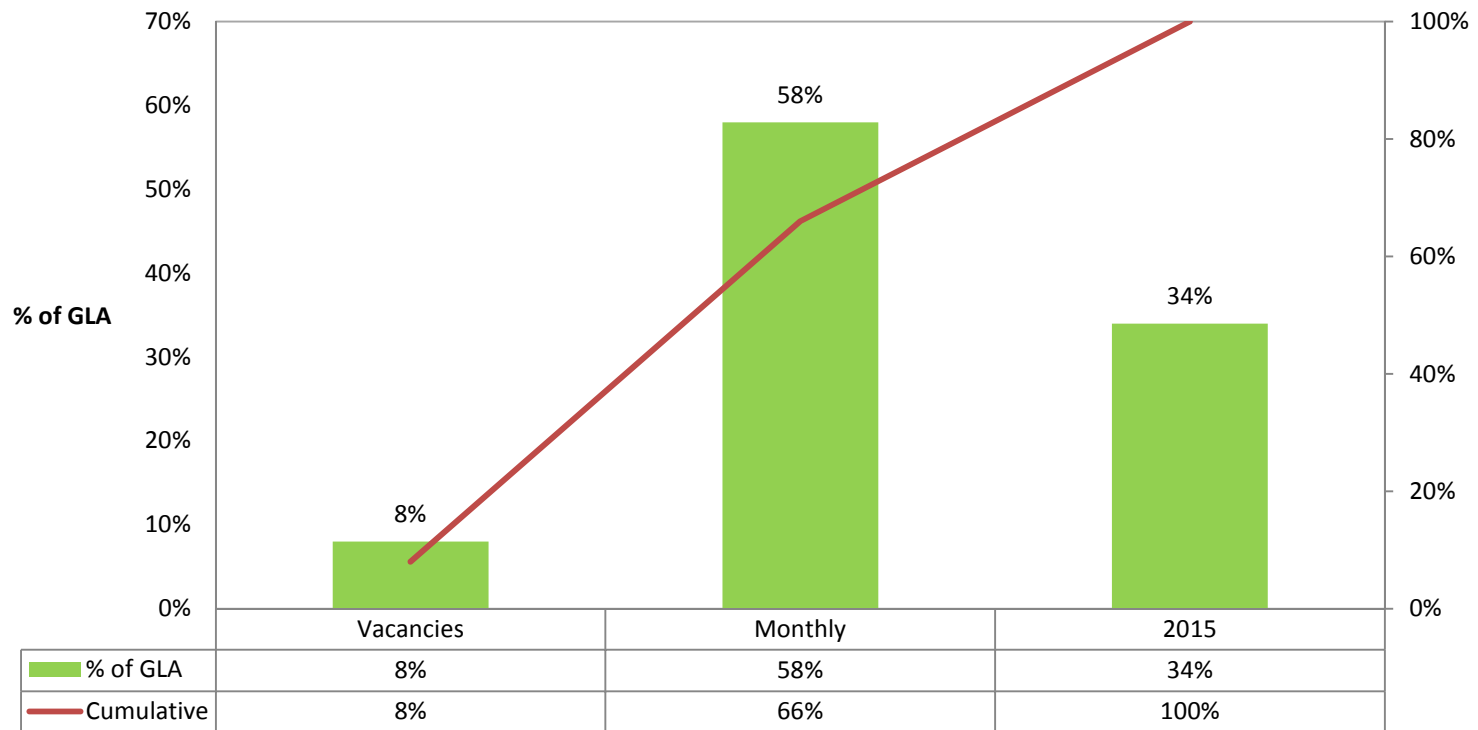


## Group lease expiry – AFHCO Retail / Commercial





## Group lease expiry – AFHCO Residential





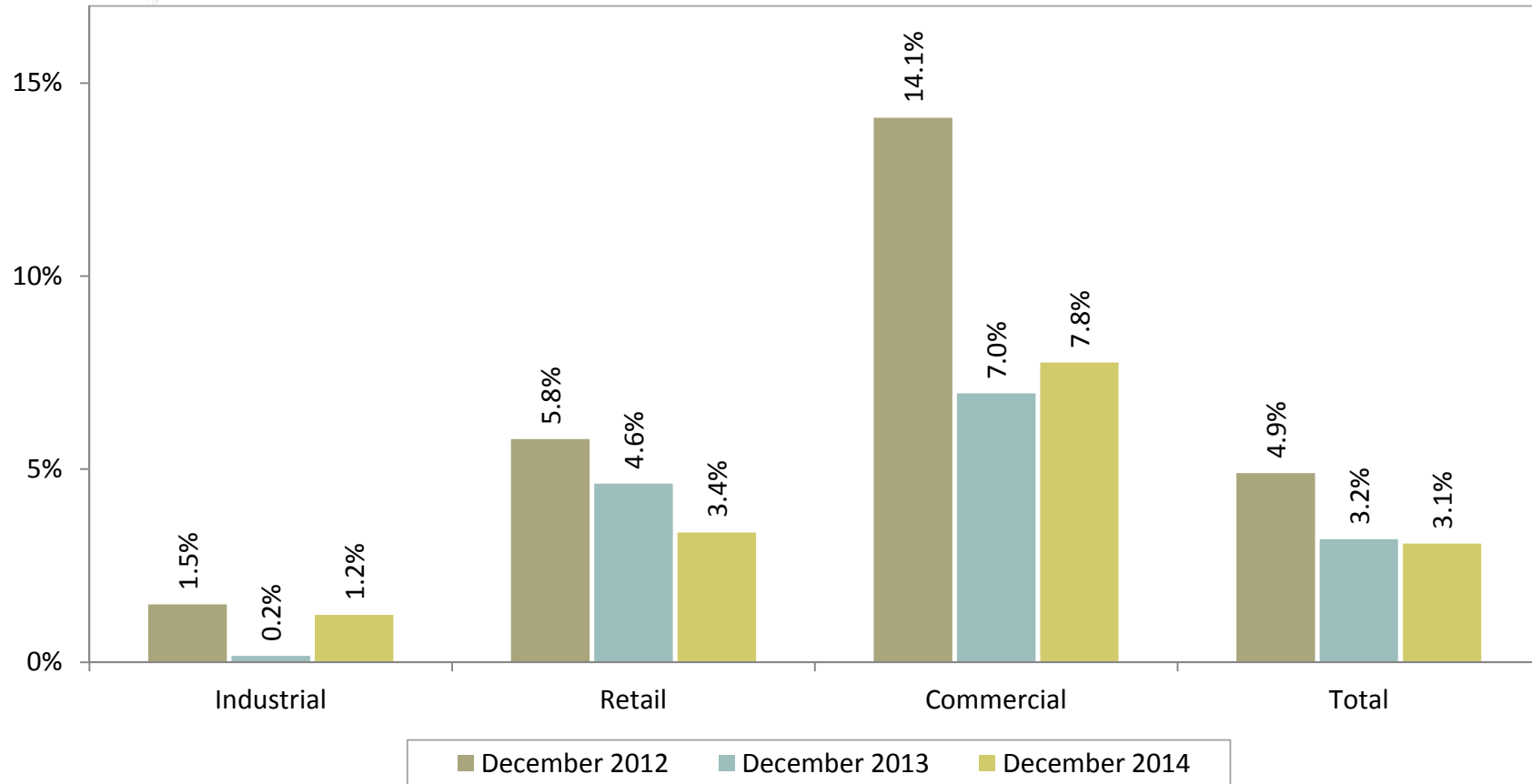
## Industrial Lease Expiry Strategy 2015

- 199 226m<sup>2</sup> expiring in 2015
- 145 311m<sup>2</sup> (73%) expiring in Gauteng
- 52 257m<sup>2</sup> (26%) expiring in KZN
- 5 658m<sup>2</sup> (1%) expiring in WC
- Focused strategy of early renewal engagement implemented in Gauteng region
- Early renewal strategy not adopted in stronger performing KZN region
- 66% of total lease expiries agreed and signed

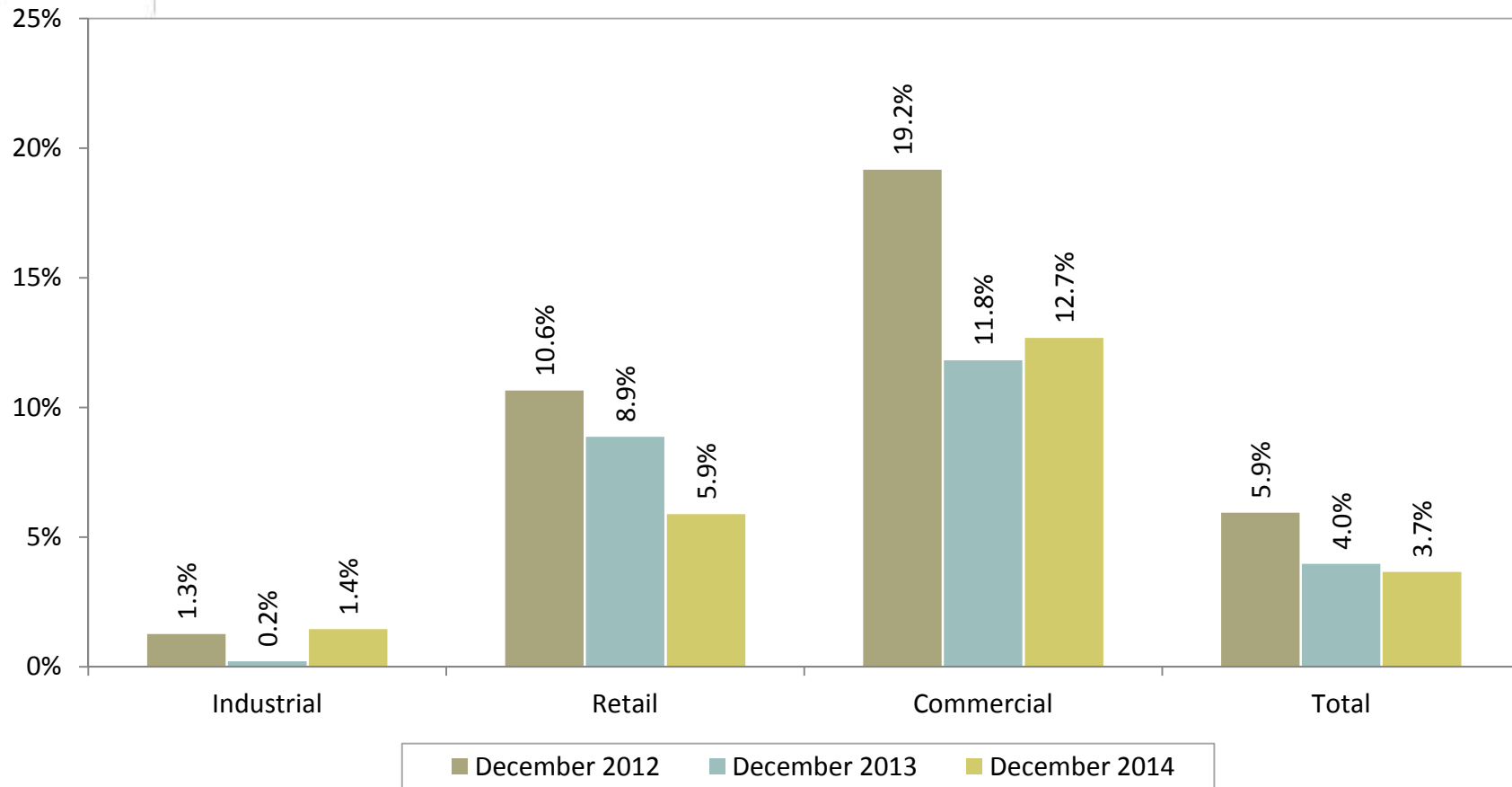
### **Results of early renewal strategy in Gauteng region**

- 75% of renewal lease terms agreed and signed
- 15% of balance of tenants have indicated they will renew and are in advanced discussions
- Renewal reversions up 2% on signed renewals

## Vacancy profile - % of gross rental (SAC Portfolio)

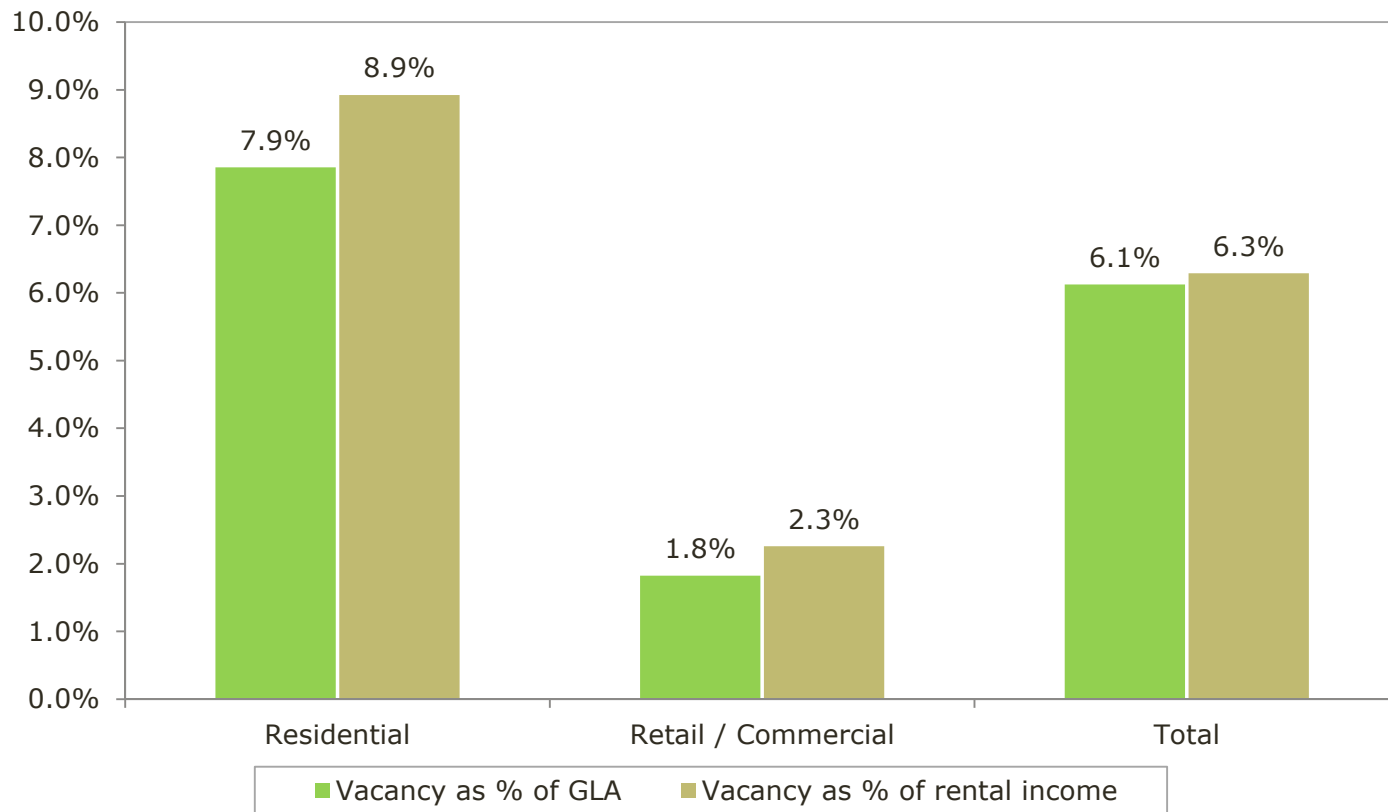


## Vacancy profile - % of GLA (SAC Portfolio)

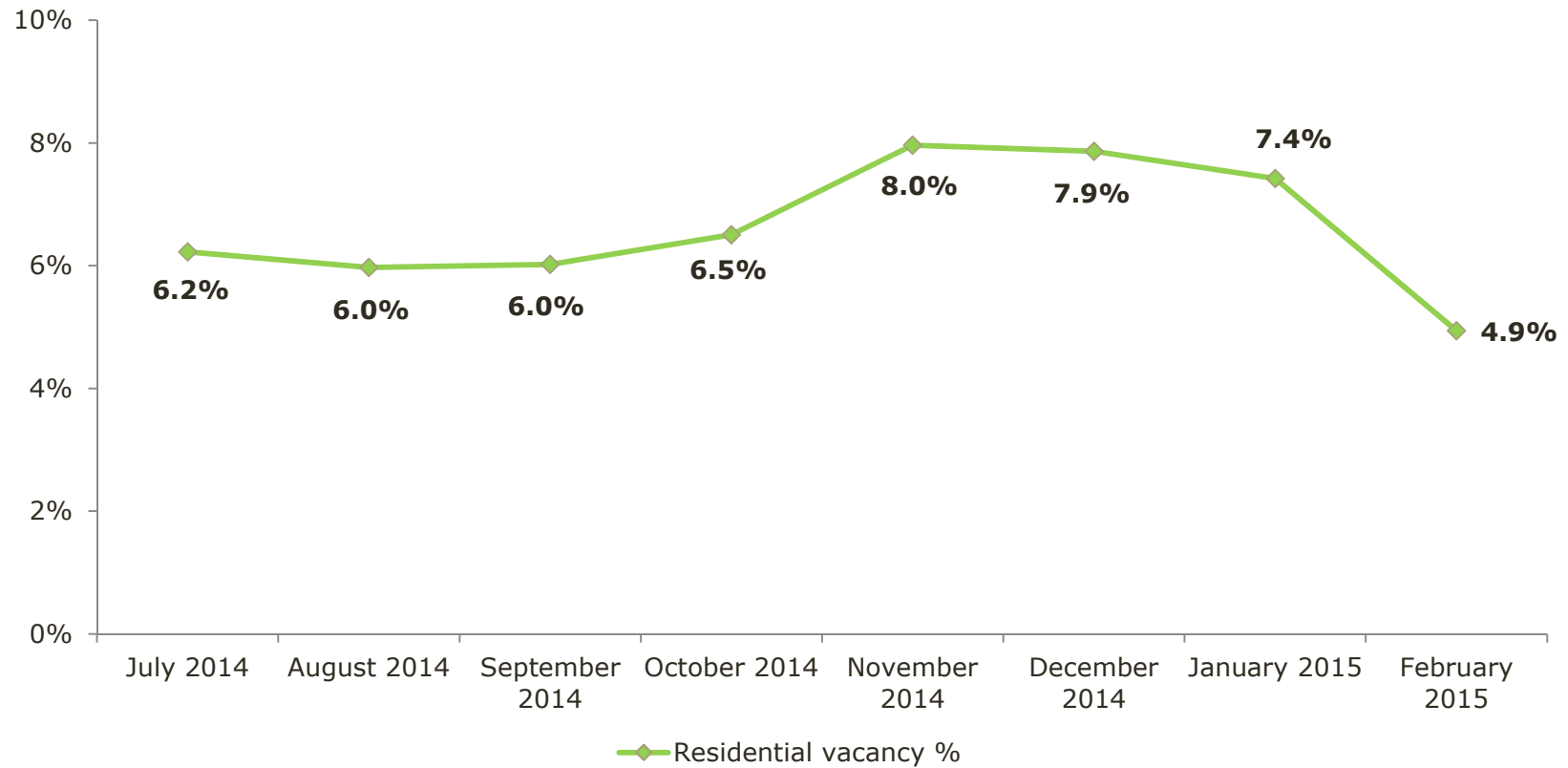




## AFHCO Vacancies



## AFHCO Residential Vacancies trend





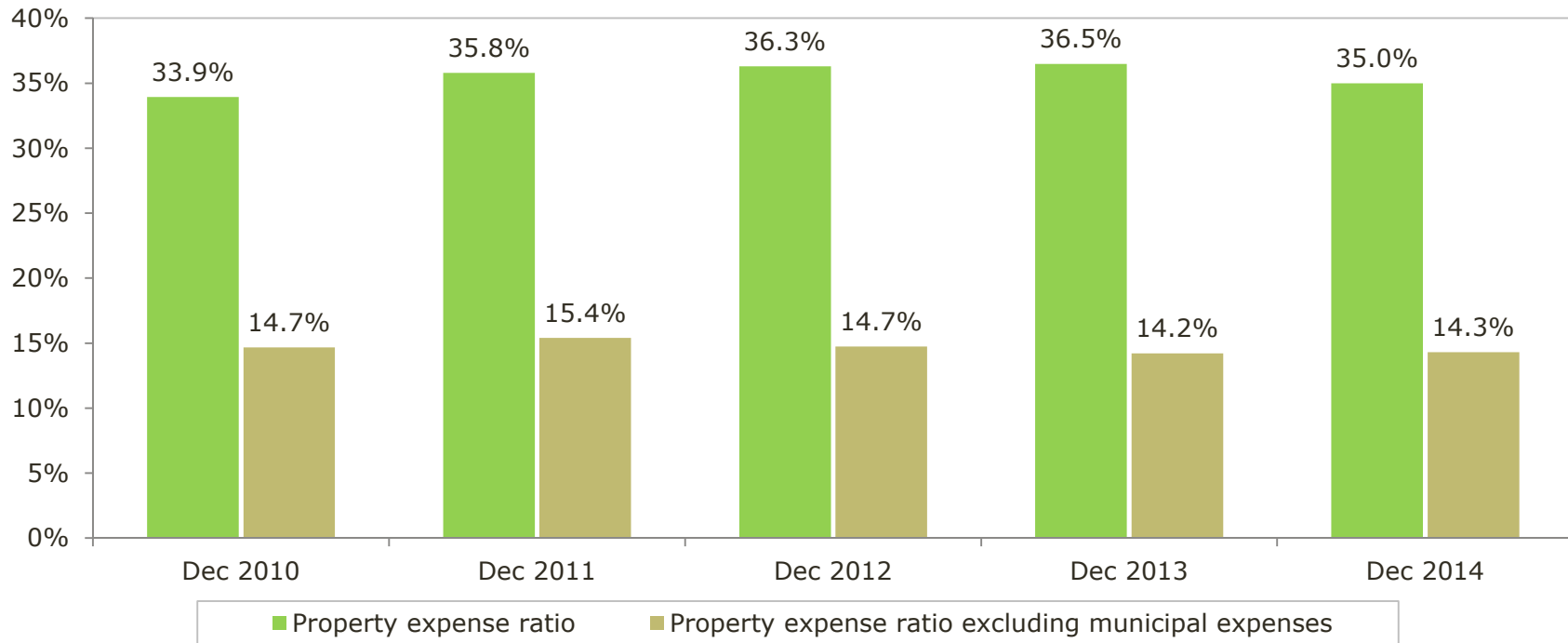
## Office vacancy analysis

Office subsector	GLA	Vacant GLA	% Vacancy	Total Office Value (R'000)	% of total Office Market Value	% of Total Market Value
Retail Office	21,229	6,654	31.3%	60,700	5.2%	0.6%
Hospitals	7,265	-	0.0%	135,600	11.6%	1.3%
Stand Alone Office	78,310	6,883	8.8%	975,500	83.2%	9.1%
<b>Total</b>	<b>106,804</b>	<b>13,537</b>	<b>12.7%</b>	<b>1,171,800</b>	<b>100.0%</b>	<b>11.0%</b>



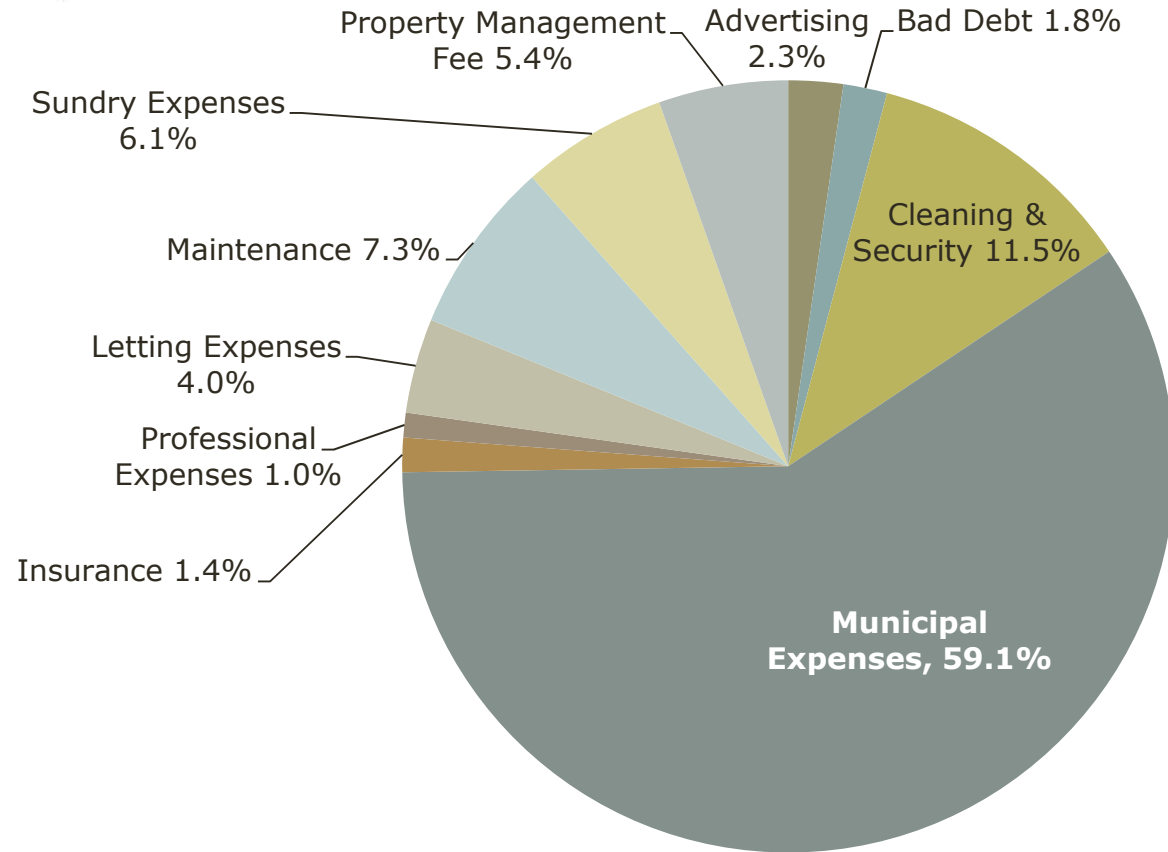


## Ratio of gross property expenses to property revenue



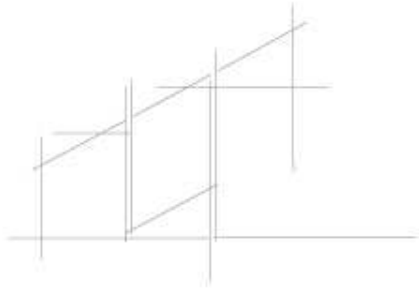


## Property expense categories



## Property Arrears and Provisions

<b>TENANT DEBTORS AND PROVISIONS (R'000)</b>	<b>Dec-14</b>	<b>Dec-13</b>	<b>Dec-12</b>
<b>Total Trade Receivables</b>			
Trade receivable before bad debt impairment (Incl. VAT)	36,392	44,558	47,415
Provision for bad debts	(21,080)	(27,921)	(27,229)
Trade Receivable after bad debt impairment (excluding debtors with credit balances)	15,312	16,637	20,186
<b>Provision for bad debt</b>			
Opening balance	27,921	27,229	41,655
Amounts written off during the period	(17,218)	(13,557)	(20,325)
Additional provision recognised	10,377	14,249	5,899
Closing balance	21,080	27,921	27,229
Provision VAT inclusive	24,031	31,830	31,041
<b>Ratios</b>			
Provision as a % of total trade receivable	57.9%	62.7%	57.4%
Provision as a percentage of rental income	1.5%	2.3%	2.4%
Trade receivables as a percentage of rental income	2.3%	3.2%	3.9%



# RETAIL REDEVELOPMENTS

## RORY MACKAY

## Retail Redevelopments - Update

East Point (formerly East Rand Galleria)		
Value	Additional GLA	GLA on completion
R420.1m	-4,700 m <sup>2</sup>	44,574 m <sup>2</sup>
Start	Estimated Completion	Yield
May 2014	June 2016	9.0%
IMPORTANT TENANCIES Pick 'n Pay, Game, Dischem, Branded Outlet Fashion (Nike, Le Coq Sportif), new Foodcourt, Gym, Burger King / KFC Drive Thru Node		



Umlazi Mega City		
Value	Additional GLA	GLA on completion
R331.5m	20,000 m <sup>2</sup>	54,200 m <sup>2</sup>
Start	Estimated Completion	Yield
November 2014	September 2016	9.2%
IMPORTANT TENANCIES Pick n Pay, Woolworths, Superspar, The Hub, Asmall's, McDonalds, All National Banks, National Fashion, Drive Thru Node		



## Retail Redevelopments – Update (cont.)

Stellenbosch Square		
Value	Additional GLA	GLA on completion
R16.2m	700 m <sup>2</sup>	10,540 m <sup>2</sup>
Start	Estimated Completion	Yield
November 2014	September 2015	11.1%
IMPORTANT TENANCIES Woolworths, Pick 'n Pay, Clicks, new lifestyle restaurants		



Bluff Towers		
Value	Additional GLA	GLA on completion
R62.9m	3,314 m <sup>2</sup>	24,743 m <sup>2</sup>
Start	Estimated Completion	Yield
January 2015	October 2015	9.7%
IMPORTANT TENANCIES Dischem, McDonalds, Bingo Mania, Checkers, Edgars, Mr Price, Ocean Basket, Spur, KFC, Steers, John Dory, Fashion Nationals		





## Retail Redevelopments – Update (cont.)

Comaro Crossing		
Value	Additional GLA	GLA on completion
R56.9m	- 2,870 m <sup>2</sup>	14,000 m <sup>2</sup>
Start	Estimated Completion	Yield
March 2015	August 2015	8.0%
IMPORTANT TENANCIES		Food Lovers Market, Pick 'n Pay, Meatworld, KFC, Nandos, new structured parking, new vehicle & pedestrian vertical access & access improvements





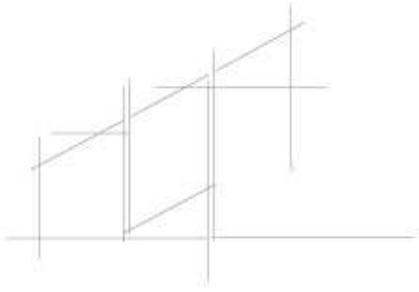
# AFHCO DEVELOPMENTS

## RORY MACKAY



# AFHCO Developments

	Building Name	Retail m <sup>2</sup>	Resi m <sup>2</sup>	Total m <sup>2</sup>	No. of resi units to be developed	Development cost (R'm)	Yield %	Start Date	Estimated completion	% completion	Comments
Phase 1	Connaught & Gemdown	1,555	9,161	10,716	179	43.3	11.0%	Sep-14	Aug-15	31%	Re-development of existing residential units and retail. Demolition completed, development commenced
	Jeppe Street Mall	850	4,438	5,288	126	36.6	11.0%	Sep-14	Sep-15	14%	Re-development of existing residential and ground floor retail Demolition completed, development commenced
Phase 2	Stuttafords House	1,381	9,312	12,139	188	65.1	11.0%	Feb-15	Mar-16		Conversion of the existing office space to residential units above ground floor
	Anchor Towers	0	962	962	14	6.3	11.0%	Apr-15	Aug-15		Conversion of the 1 <sup>st</sup> floor from existing office space to 14 residential units
Later Phases	Letsema	1,300	4,053	6,343	141	25.3	11.0%	May-15	Mar-16		Re-development of existing commercial space into residential units
	Moray House	2,168	3,884	6,052	84	27.0	11.0%	Apr-15	Feb-16		Re-development of existing residential units
	Station View		3,200	3,200	125						Re-development of ground and 1st floor into commercial space and residential units above
	Tollman	764	2,620	3,854	131						Re-development of existing commercial space into residential units
	Mantoll Court	295	600	895	13	135.3	11.0%	Jul-15	Dec-16		Re-development of existing residential units
	End Park		2,596	2,596	58						Re-development of existing commercial space into residential units
	Doornfontein	964	1,000	3,854	89						New development of ground floor retail and residential units above
	<b>Totals</b>	<b>9,277</b>	<b>41,826</b>	<b>55,899</b>	<b>1,107</b>	<b>338.9</b>	<b>11.0%</b>				



# STRATEGY & PROSPECTS

## RORY MACKEY

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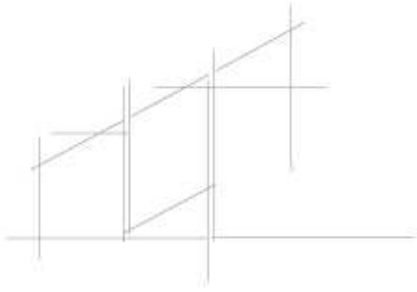


## Strategy & Prospects

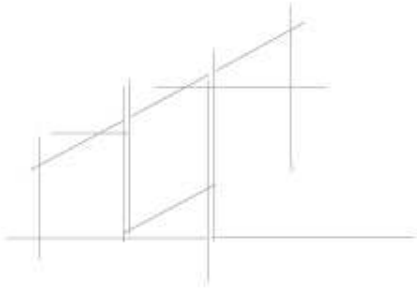
The platform has been set for sustainable growth aligned to the Fund's strategic objectives of:

- A **diversified portfolio** that generates stable growing income and capital gains
- Improving the portfolio through:
  1. quality acquisitions
  2. development of inner-city properties
  3. improving industrial properties to meet the operational needs of tenants
  4. redevelopment of shopping centres unlocking value in the retail portfolio
- Enhanced returns by **managing liquidity and interest rate risk** through the effective use of debt and equity
- Efficient and effective **property operations** to enhance property fundamentals
- Reducing the business impact on environment and reducing costs through **green initiatives**

Anticipated distribution growth in excess of inflation for 2015



# ACKNOWLEDGEMENTS



# QUESTIONS