

November 2011

## Investor Update

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## ECONOMIC BACKGROUND



Global economic growth is expected to be +3.5% in 2011, driven by emerging markets, which have (i) low levels of gearing (ii) good local demand and (iii) the potential to stimulate via lower i-rates

The USA and UK are both suffering from a “balance sheet recession” which could take between 3 to 5 years to emerge from

The South African economy continues to be driven by consumer spending, particularly in tertiary industries e.g. services, retail and banking

The main driver of this spending has been (i) grants (these are slowing) and (ii) government employment (not sustainable)

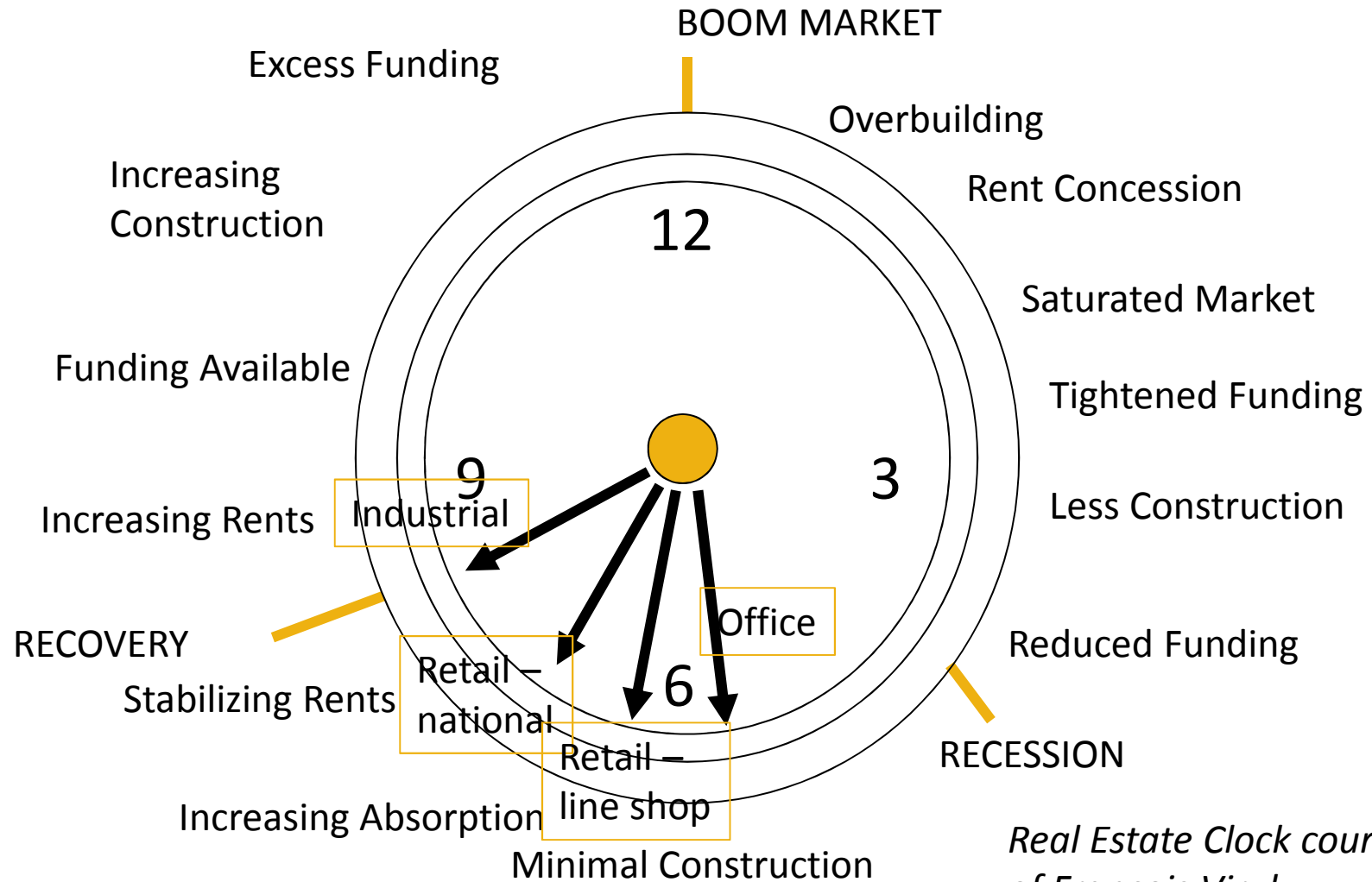
Credit to the consumer has been largely unsecured (for example from Capitec), with the rest of the market being stagnant

Growth in private sector fixed investment has been slow to pick up when compared to the two previous up-cycles – this is critical to sustainable economic growth

Fixed investment growth has been driven by investment in transport, utilities and mining

RMB is expecting GDP growth of 3.2% p.a. for the next two years, with prime expected to remain flat until 2013

# WHERE ARE WE IN THE PROPERTY CYCLE?



## TENANT RETENTION: YEAR-TO-DATE (SEPT '11)



<b>m<sup>2</sup></b>	<b>FY10</b>	<b>FY11</b>	<b>FY12 YTD</b>
Expiring	276 207	327 628	74 412
Renewed	147 954	185 212	42 156
As a %	54%	57%	57%

- Retention ratio y-t-d is at a similar level to FY11, although this should improve as tenants who have stayed on monthly basis are secured long-term
- Tenant retention remains a priority target for the financial year to June '12

## REVERSIONS: RENEWALS YEAR-TO-DATE (GROSS RENTALS)



Sector	Area	Avg expiry rental	Avg new lease rental	Increase/(Decrease)
Office	36 238	101.97	104.10	2.1%
Retail	22 168	112.86	105.54	(6.5%)
Industrial	46 804	44.65	43.34	(2.9%)
<b>Total</b>	<b>105 210</b>	<b>78.21</b>	<b>77.62</b>	<b>(0.7%)</b>

- Office 21/33 buildings upwards: range +13% from R116/m<sup>2</sup> (3 789m<sup>2</sup> at Tuinhof) and -28% from R157/m<sup>2</sup> (154m<sup>2</sup> at Boundary Terraces)
- Retail 16/31 buildings upwards: +33% from R83/m<sup>2</sup> (30m<sup>2</sup> at Flagstaff) and -24% from R100/m<sup>2</sup> (1 546m<sup>2</sup> at WorldWear)
- Industrial 6/15 buildings upwards: +26% from R22/m<sup>2</sup> (7 280m<sup>2</sup> at Isando-Unitrans) and -31% from R70/m<sup>2</sup> (870m<sup>2</sup> at Midline Business Park)

## REVERSIONS: NEW LEASES YEAR-TO-DATE (GROSS RENTALS)



Sector	Area	Avg expiry rental	Avg new lease rental	Increase/(Decrease)
Office	5 561	119.40	96.29	(19.4%)
Retail	2 565	157.49	141.75	(10.0%)
Industrial	1 984	53.92	48.62	(9.8%)
<b>Total</b>	<b>10 117</b>	<b>117.88</b>	<b>100.06</b>	<b>(15.1%)</b>

- **Office** 2/11 buildings upwards: range +30% from R50/m<sup>2</sup> (808m<sup>2</sup> at CRB House) and -27% from R120/m<sup>2</sup> (106m<sup>2</sup> at Brooklyn Office Park)
- **Retail** 9/14 buildings upwards: +254% from R77/m<sup>2</sup> (37m<sup>2</sup> at Randridge Mall) and -60% from R204/m<sup>2</sup> (124m<sup>2</sup> at WorldWear)
- **Industrial**, no upward reversions from 3 buildings: -6% from R40/m<sup>2</sup> (333m<sup>2</sup> at Industrial Village Jet Park) and -14.8% from R50/m<sup>2</sup> (939m<sup>2</sup> at Admiral House)

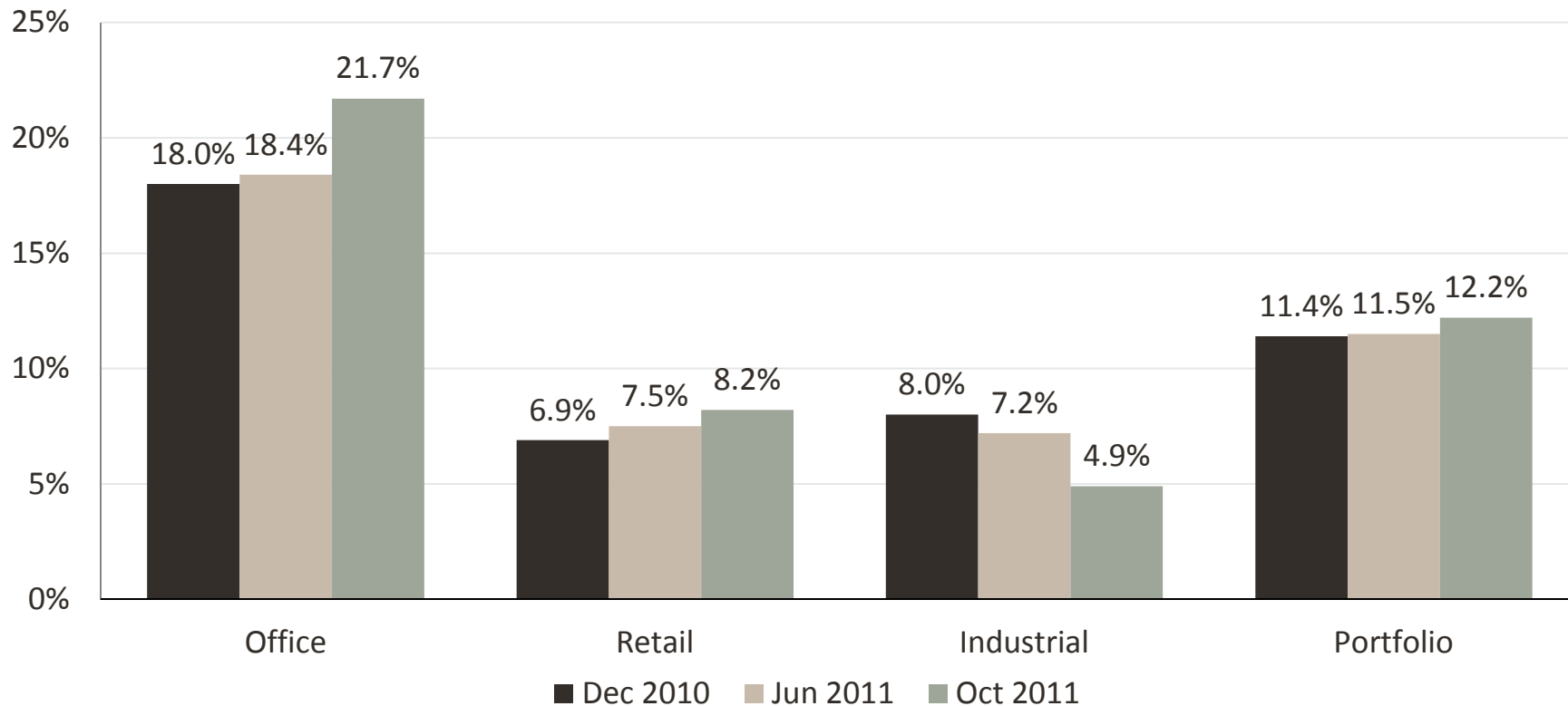
## REVERSIONS: NEW LEASES + RENEWALS YEAR-TO-DATE (GROSS)



Sector	Area	Avg expiry rental	Avg new lease rental	Increase/(Decrease)
Office	41 799	104.06	103.06	(1.0%)
Retail	24 733	118.31	109.29	(7.6%)
Industrial	48 788	45.03	43.56	(3.3%)
<b>Total</b>	<b>115 336</b>	<b>81.63</b>	<b>79.59</b>	<b>(2.5%)</b>

- Given the reversions in the period Jan '11 to Jun '11, reversions –ve as expected

# VACANCY PROFILE AT OCT '11 BY GLA



- Slightly improved six months, with benefits of leasing programme evident
- Potential changes: Oracle House 5,922m<sup>2</sup> (0.5%), Hurlingham Office Park (0.4%)



# ASSET AND PROPERTY MANAGEMENT



Vacancy	<ul style="list-style-type: none"><li>• Letting of space</li><li>• Improve tenant profile</li><li>• Improve broker relationships</li></ul>
Tenant Retention	<ul style="list-style-type: none"><li>• Renew tenants</li><li>• Maintain &amp; improve tenant relationships</li><li>• Identify tenant needs</li></ul>
Rental collection	<ul style="list-style-type: none"><li>• Arrears</li><li>• Legals</li><li>• Rental statements</li></ul>
Building maintenance	<ul style="list-style-type: none"><li>• Condition of buildings/vacant premises</li><li>• House keeping</li><li>• Service provider management</li></ul>
Energy and utilities management	<ul style="list-style-type: none"><li>• Municipal recoveries</li><li>• Correct billing</li></ul>
Lease administration	<ul style="list-style-type: none"><li>• Fica documents</li><li>• Lease agreements</li><li>• Tenant files</li></ul>

## PROJECTS NOT YET COMPLETE



<b>Project</b>	<b>Value (R'm)</b>	<b>Completion</b>
Menlyn at Podium	176.1	Apr 12
267 West	36.3	Sep 11
Cresta Corner	32.0	Oct 11
Market Square	28.8	Mar 12
Albury Office Park	19.1	Feb 12
<b>Total</b>	<b>297.0</b>	

- Yield on completion – all 7 projects = +10%
- Included in above: Tramshed & Park Boulevard

## DISPOSALS

Name	Location	Sector	GLA	Value (Rm)	Fwd Yield	Transfer
Howick Gardens	Midrand	Office	3 075	20.7	9.4%	Aug 10
QD House	Kyalami	Industrial	3 470	16.6	11.7%	Sep 10
Standard Bank Glenwood	Durban	Retail	368	5.0	11.6%	Sep 10
8 Grader	Spartan	Industrial	3 437	12.5	9.0%	Dec 10
Nampak	Denver	Industrial	24 880	20.5	8.5%	Jan 11
Crocker Road	Wadeville	Industrial	9 883	22.0	11.6%	Aug 11
Ciros House	Rivonia	Office	1 838	9.7	*13.3%	Oct 11
Flexitainer	Midrand	Industrial	1 714	6.5	12.6%	Oct 11
Umhlanga Centre	Umhlanga	Retail	5 816	37.5	8.9%	Nov 11
Hurlingham Office Park	Hurlingham	Office	16 159	113.4	9.3%	Imminent
Century Gate	Century City	Office	1 366	8.8	10.7%	Imminent
Dresdner	Dunkeld West	Office	834	11.2	*4.5%	Imminent
Linkview	Randburg	Office	1 524	7.3	11.3%	Imminent
Gift Acres	Lynnwood Rd	Retail	8 982	TBC	TBC	Suspensive
<b>Total</b>	<b>14 Props</b>			<b>331.7</b>		

## FINANCIAL ASSUMPTIONS



Gross income	top line growth is slowing due to anticipated vacancies, rental reversions, as well as the sale of non-core properties, boosted however by rising municipal recoveries
Expenses	municipal charges, leasing and refurbishment costs are expected to continue to rise, resulting in a further deterioration in the cost to income ratio
Bad debts	remain at high levels, charge to income statement is anticipated to remain at similar levels/decline slightly
Listed investment	increased investment in GOZ subsequent to year-end, R/A\$ depreciation benefit has already been locked in for FY12
Disposals	disposal of non-core properties continues, will have a dilutionary impact on results as interest saving is less than yield from property
Refurbishments	approved project pipeline largely comprises Podium Phase 1 development, to be complete by end March 2012, level of interest, but single, large tenant still being sought
Debt costs	rising due to increased absolute level of debt, as well as increased margins on existing facilities, albeit less than budgeted as a result of receipt of proceeds on sales
Asset management fees	further slight benefit from STREM transaction is expected

Expect a slight reduction in the distribution per PI payable to 30 June 2012