

SOUTH AFRICAN BI-ANNUAL INDEX RESULTS WEBINAR

17 October 2017

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AGENDA

- INTRODUCTION

Phil Barttram, Executive Director, MSCI

- IPD SOUTH AFRICA, BI-ANNUAL PROPERTY INDEX RESULTS, 2017H1

Phil Barttram, Executive Director, MSCI

- PANEL DISCUSSION AND Q&A

Robin Lockhart-Ross, Managing Executive, Nedbank CIB Property Finance

Thabo Motloun, Executive Director, Prescient Property Investment Management

INTRODUCTION

Phil Barttram, *Executive Director, MSCI*



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¹As of Sep 30, 2016; defined as each share class of an exchange traded fund, as identified by a separate Bloomberg ticker. Only primary listings, and not cross-listings, are counted; ²As of Jun 30, 2016, as reported on Sep 30, 2016 by eVestment, Morningstar and Bloomberg; ³As of Jun 30, 2016, as reported on Sep 30, 2016 by eVestment, Morningstar and Bloomberg. ⁴By coverage and/or staff based on public information produced by Sustainalytics, EIRIS, Trucost, as of Aug 2015; ⁵Based on P&I AUM data as of Dec 2014 and MSCI clients as of Jun 2015; ⁶Source: MSCI ESG Research as of Jun 2015

SOUTH AFRICA – BI-ANNUAL UNIVERSE

SOUTH AFRICA

IPD Bi-Annual Universe - June 2017

2008 INDEX INCEPTION DATE

15 NUMBER OF PORTFOLIOS

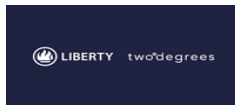
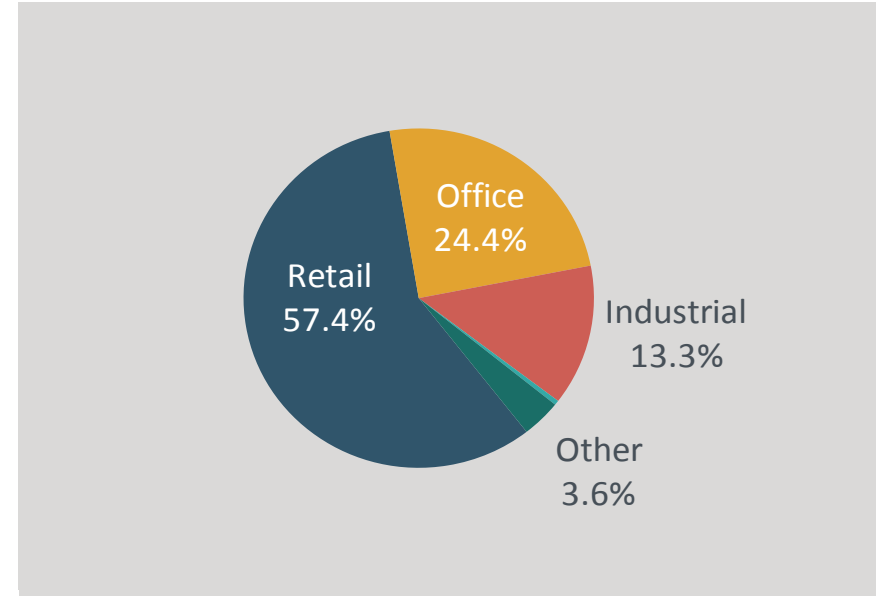
1 635 NUMBER OF ASSETS

290.47 GROSS CAPITAL VALUE (bn)

18mil Gross Lettable Area (m²)

~ 60% COVERAGE OF DOMESTIC PROFESSIONALLY MANAGED MARKET

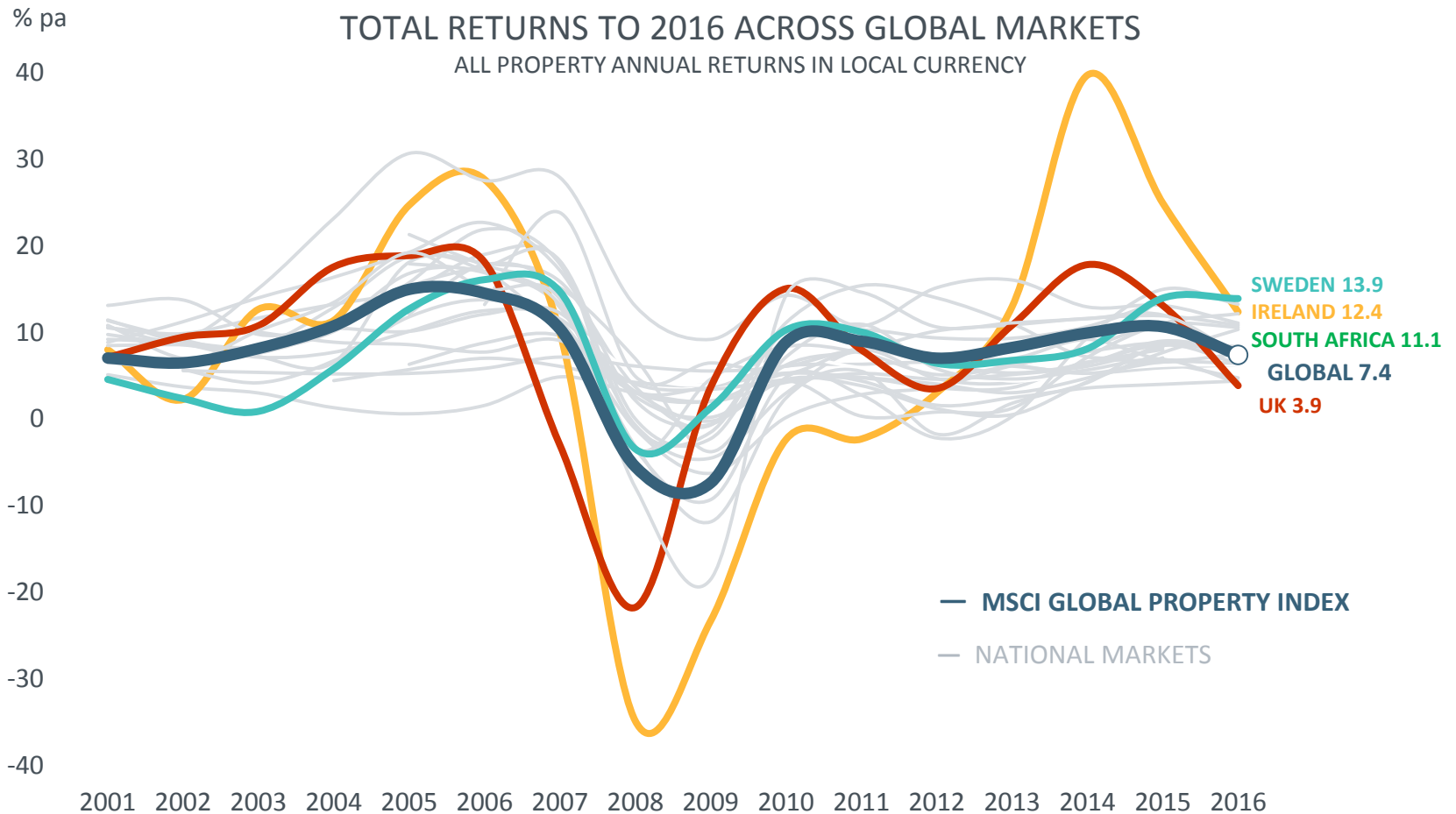
Source: MSCI



THEMES

- WHAT IS HAPPENING TO THE TOTAL RETURN OF UNDERLYING DIRECT PROPERTY?
- WHAT ARE THE FUNDAMENTAL TRENDS?
 - Base rentals
 - Vacancies
 - Op cost ratio's
- WHAT IS DRIVING VALUATIONS?
 - Given its weighting in the institutional investment allocation - how is the retail sector doing?
 - What are valuers perceptions on income risks at a sectoral level.
 - What is happening in offices ?
- PANEL Q&A

GLOBAL RETURNS - TRENDING SIDeways TO DOWN AT END 2016

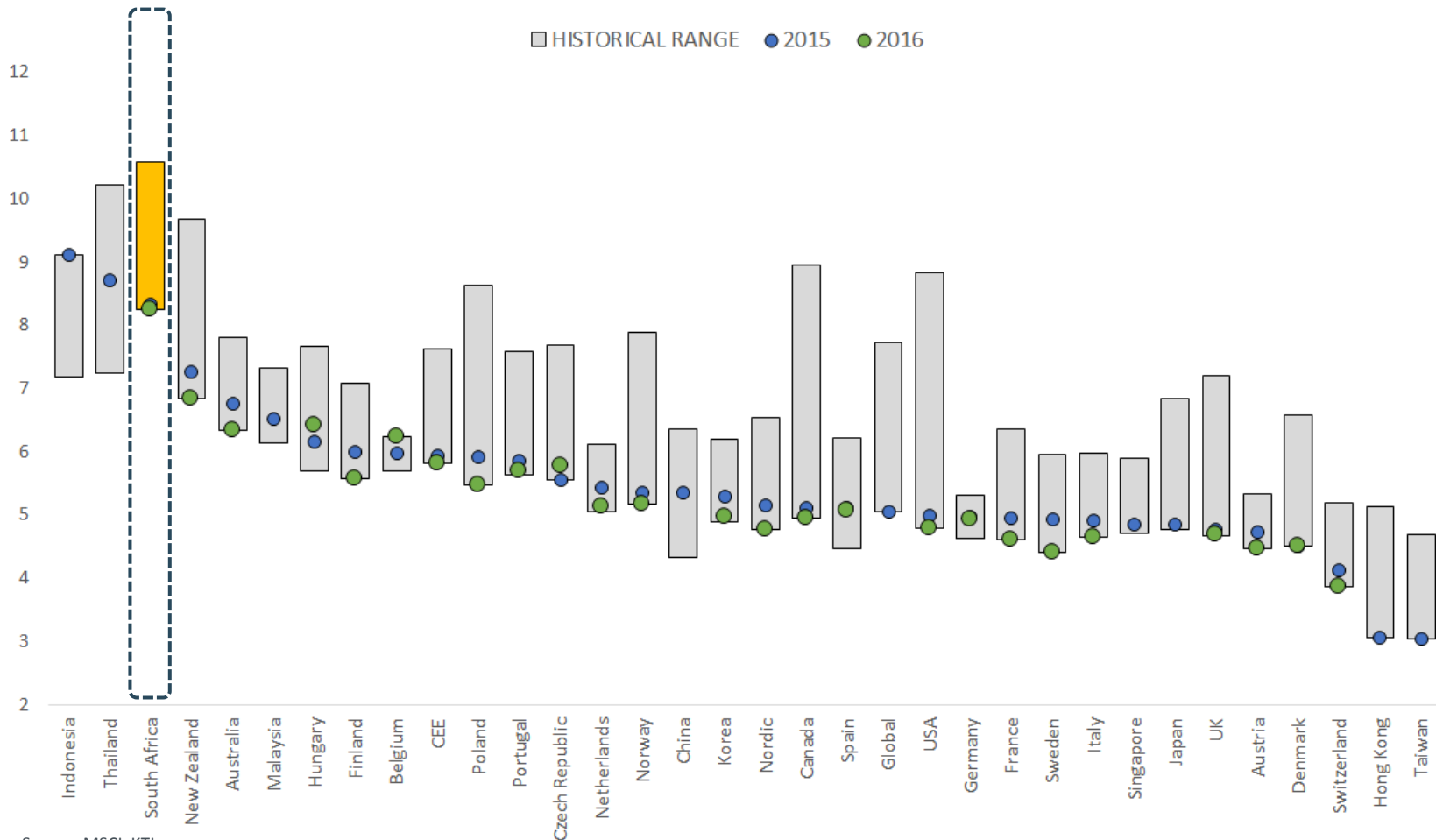


Source: MSCI; KTI

RECAP: ... AND INCOME RETURNS AT RECORD LOWS

COUNTRY AVERAGE INCOME RETURNS AGAINST HISTORICAL RANGES

ALL PROPERTY ANNUALIZED RETURNS IN LOCAL CURRENCY (THROUGH 2016 AS AVAILABLE)

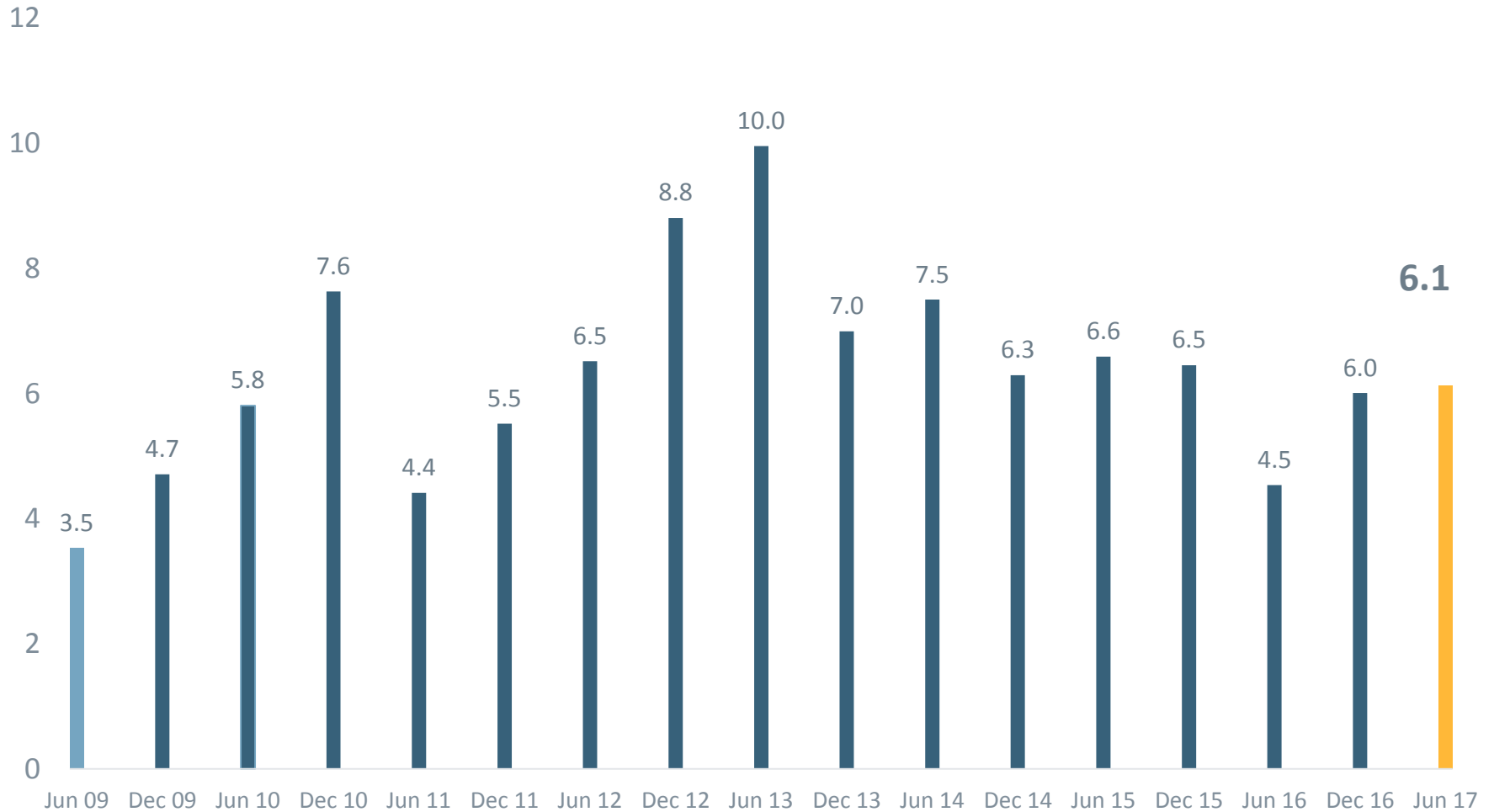


Source: MSCI, KTI



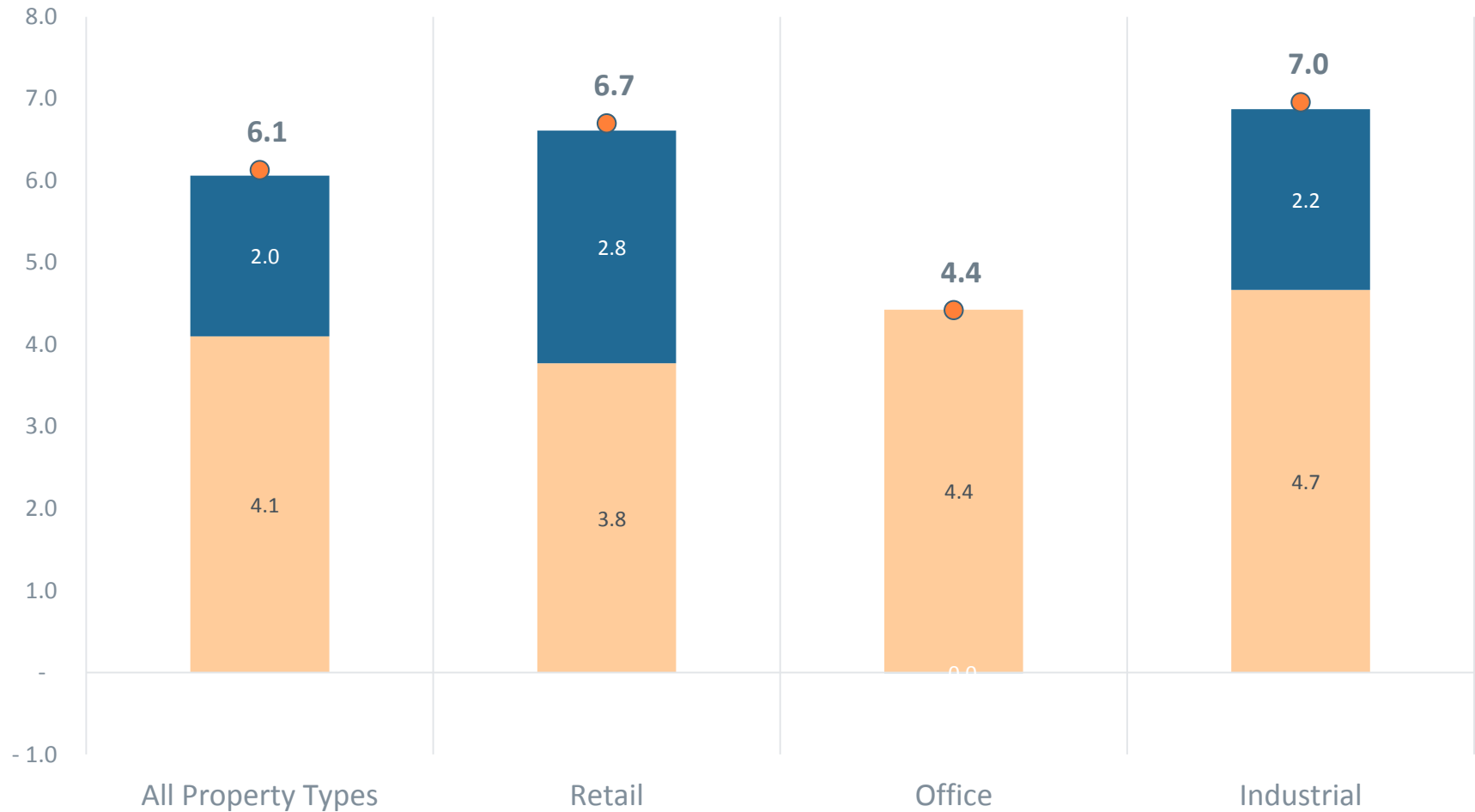
FOR 6 MONTHS TO JUNE 2017 - TOTAL RETURNS

TOTAL RETURN STABLE BUT BELOW 3 & 5 YEAR ANNUALISED MARK

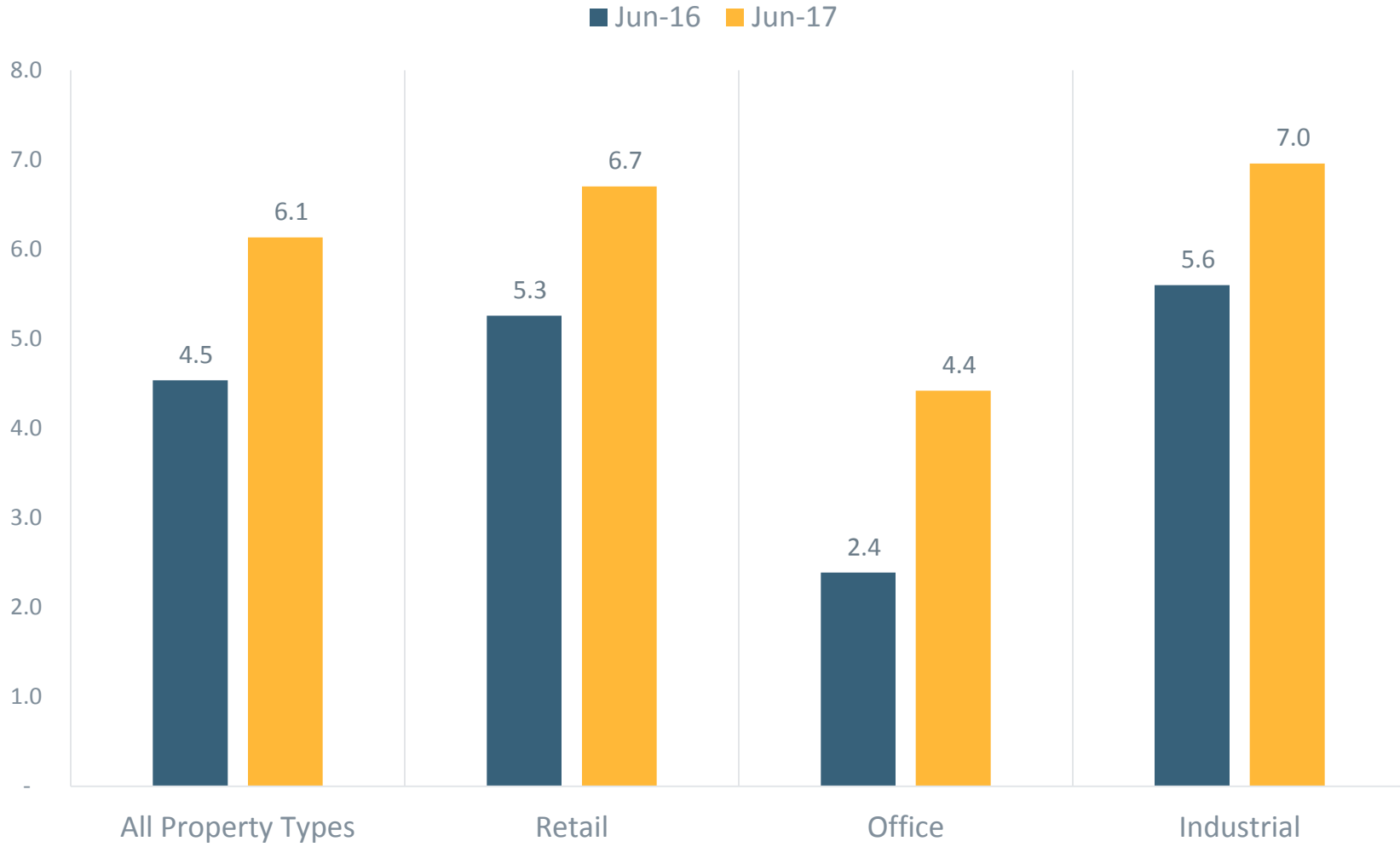


TOTAL RETURN BREAKDOWN PER SECTOR

Income Return Capital Growth Total Return



TOTAL RETURN – BY SECTOR - 2017H1 VS. 2016H1

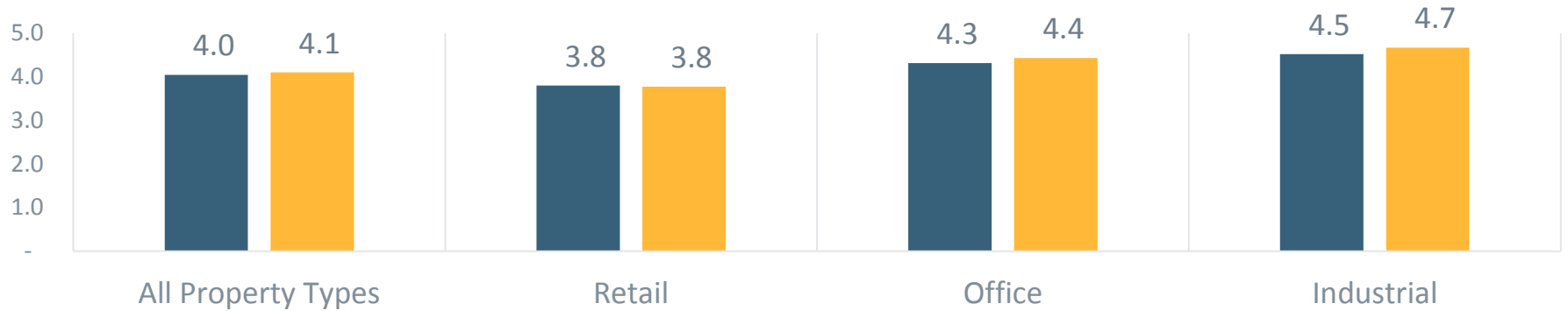


INCOME RETURN & CAPITAL GROWTH

2017H1 VS. 2016H1

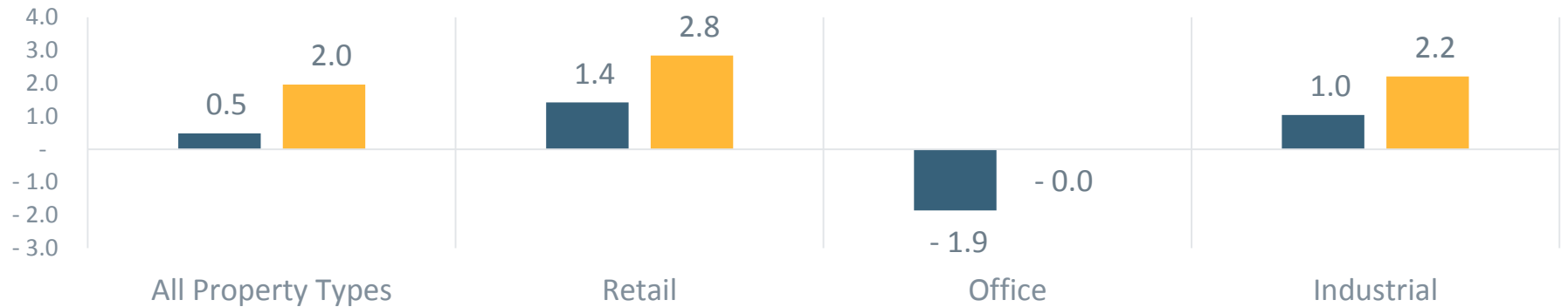
■ Jun-16 ■ Jun-17

INCOME RETURN STABLE TO IMPROVING

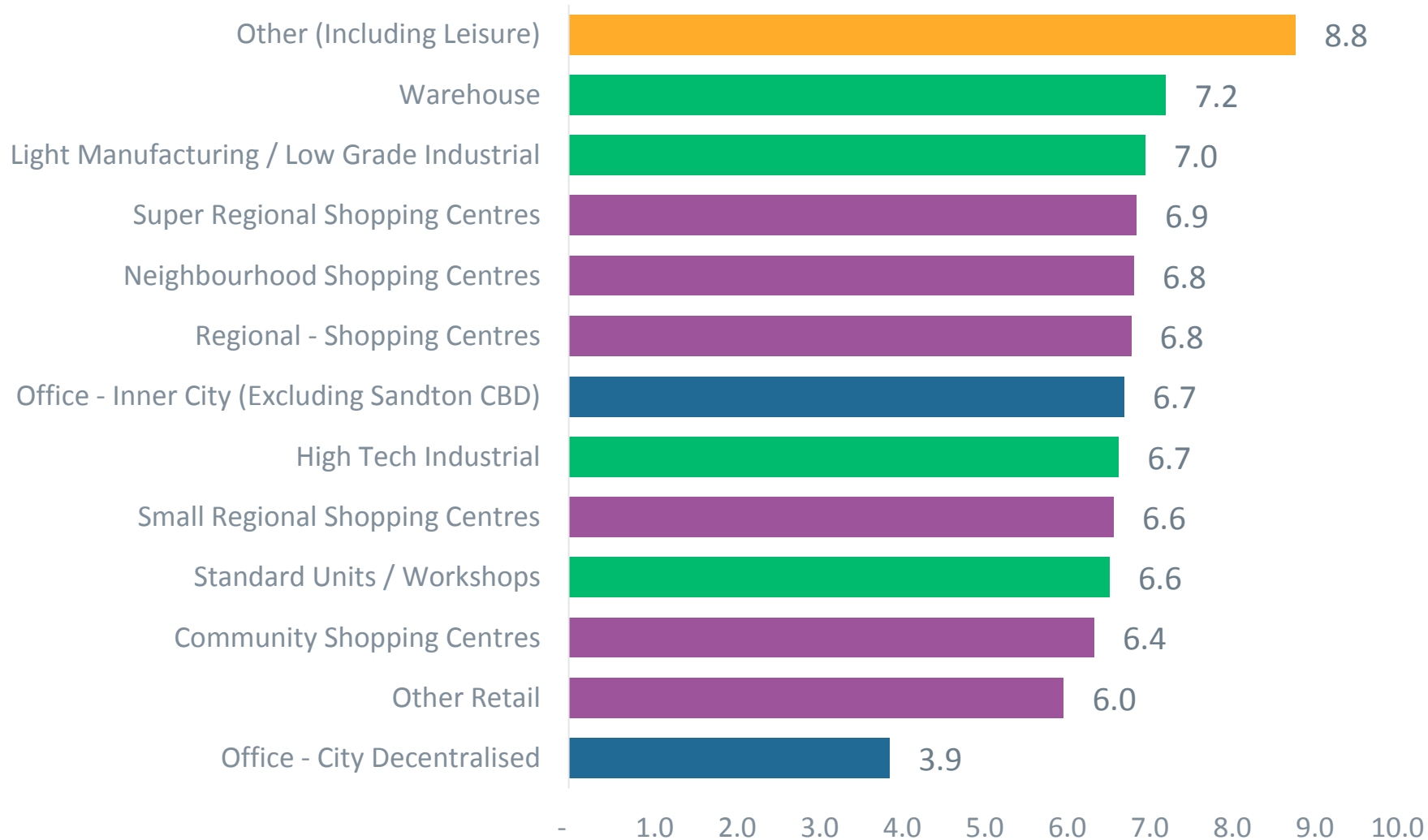


CAPITAL GROWTH UP ACROSS ALL THREE MAJOR SECTORS

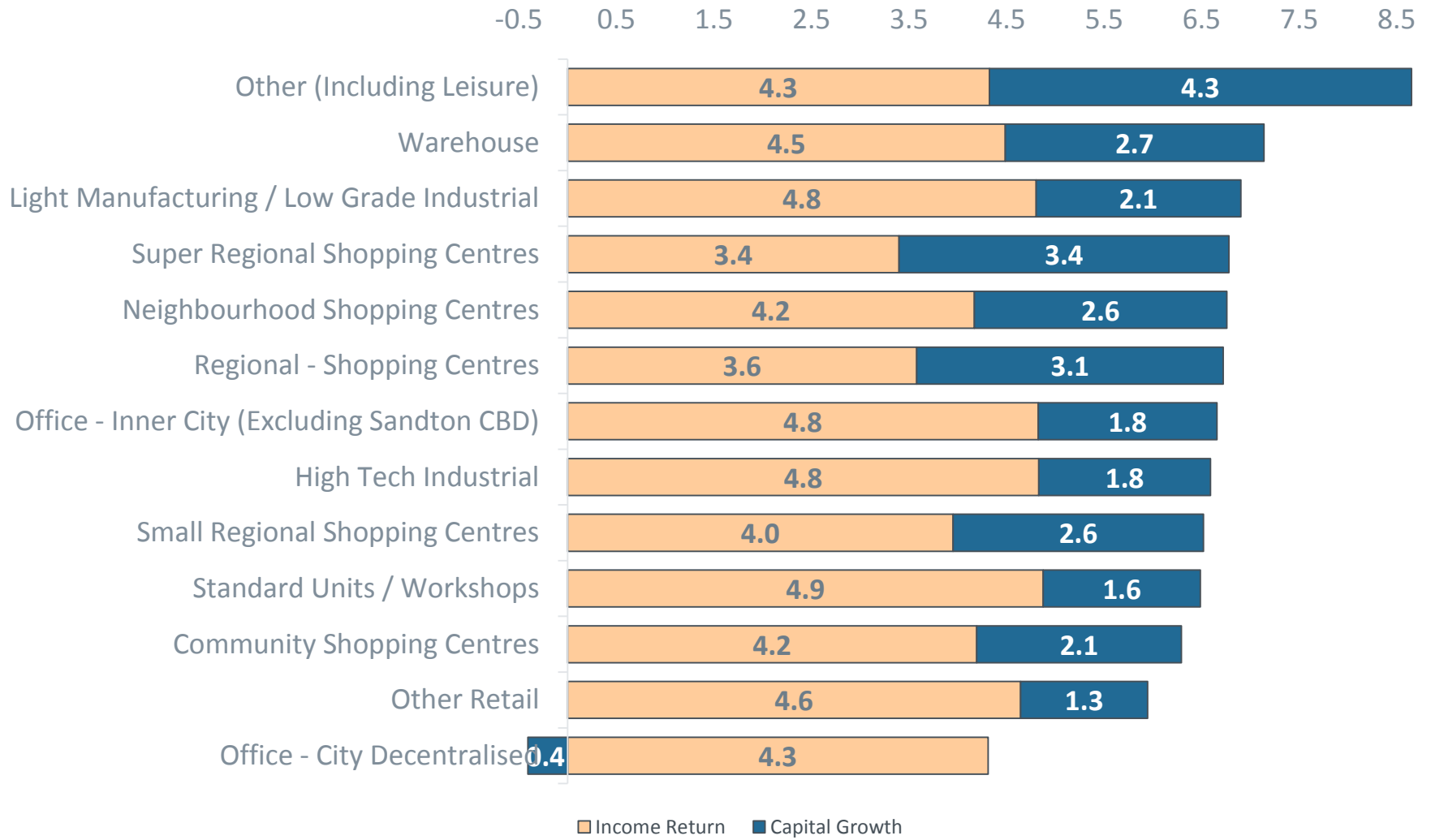
■ Jun-16 ■ Jun-17



TOTAL RETURN PER SEGMENT

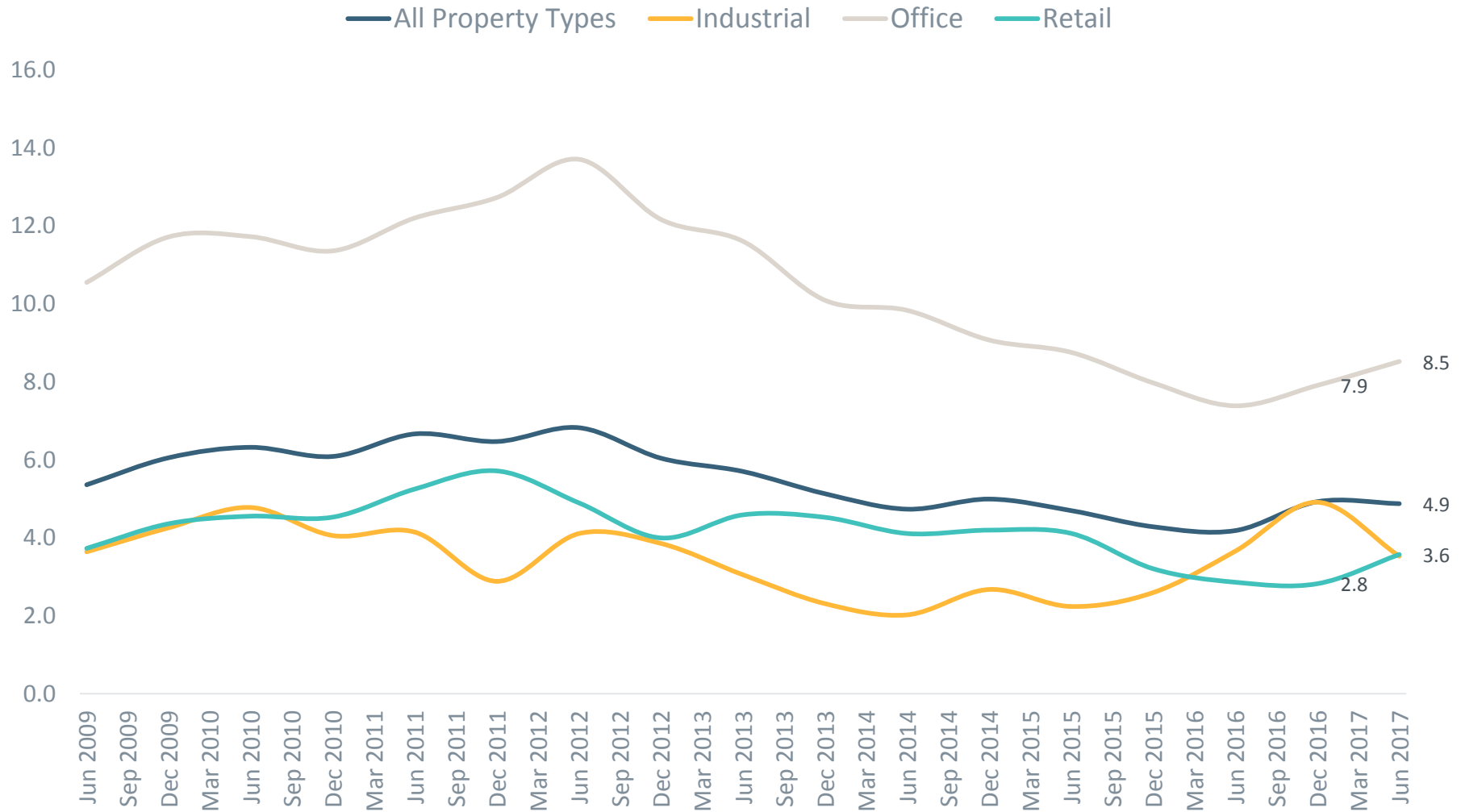


CAPITAL GROWTH & INCOME RETURNS PER SEGMENT



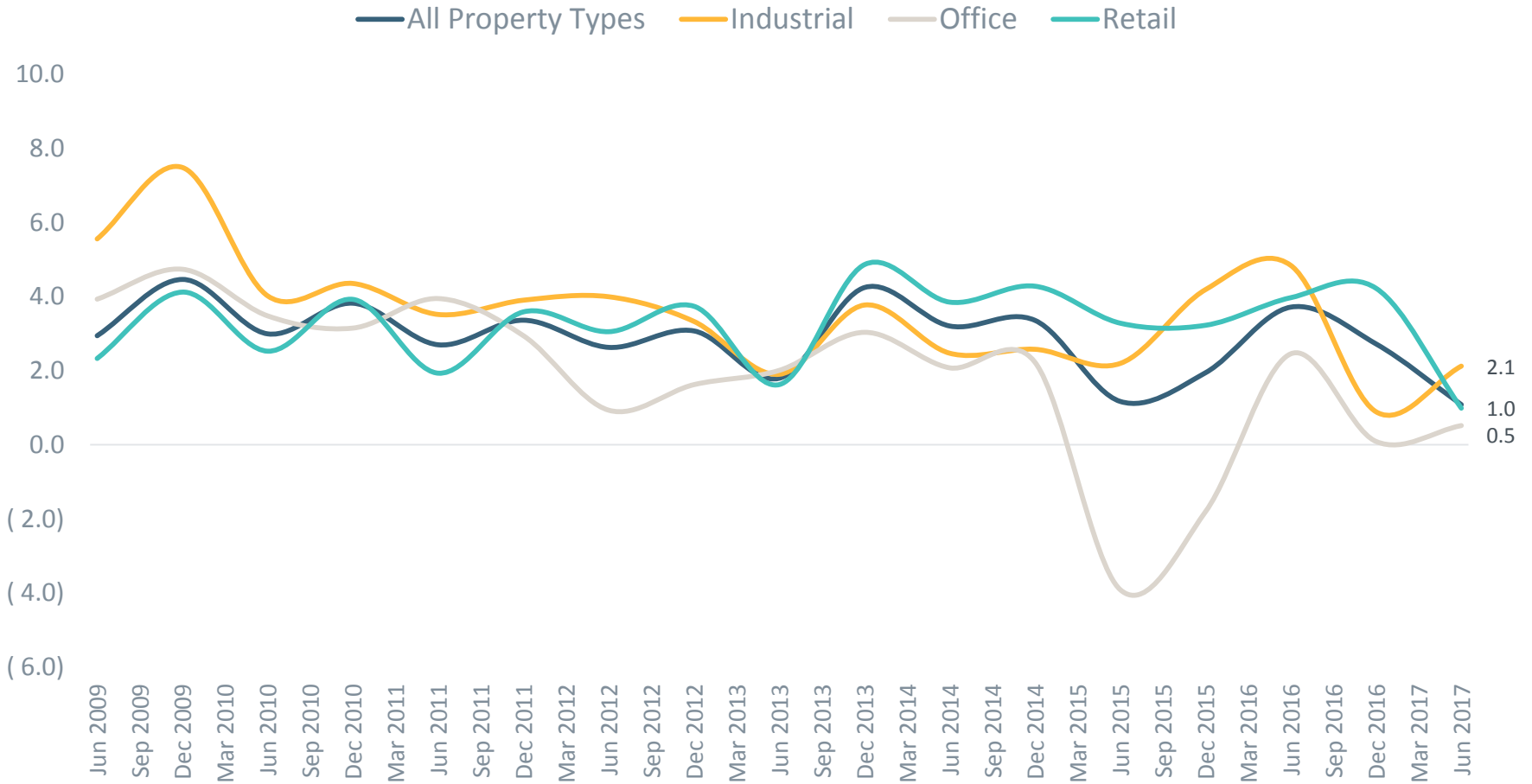
VACANCY RATES – TICKING UP IN RETAIL AND OFFICES

INDUSTRIAL MOST IMPROVED OVER LAST SIX MONTHS



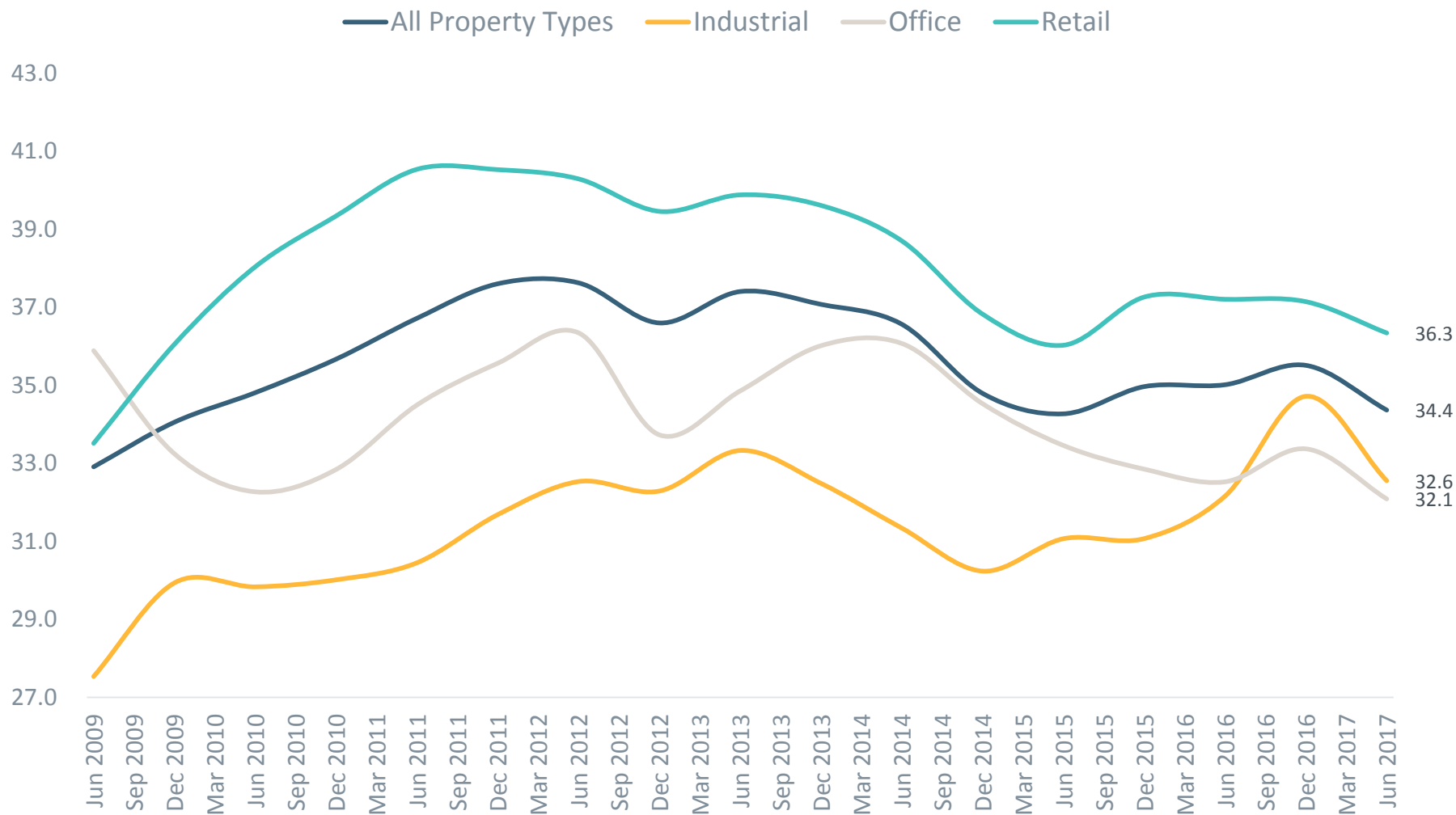
BASE RENTAL GROWTH

ALL SECTORS SLOWING – BUT STILL POSITIVE



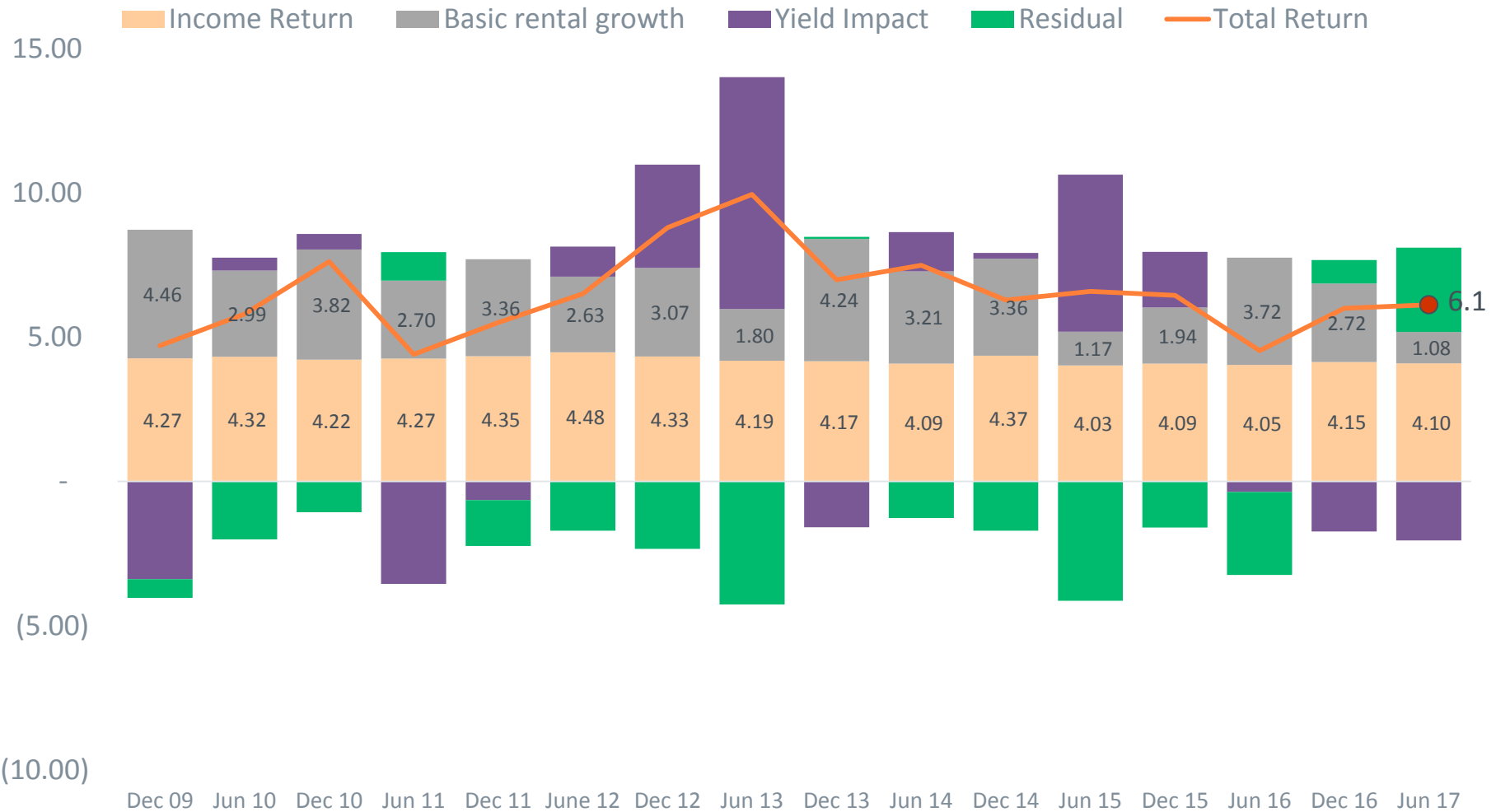
OPERATING COST AS A % OF GROSS INCOME

DOWN ACROSS ALL SECTORS AS FOCUS ON COSTS INTENSIFIES



CAPITAL GROWTH DECOMPOSITION – TREND

YIELD IMPACT DEDUCTING & RENTAL GROWTH SLOWING;
IMPROVED RESIDUAL SUGGESTS MORE BULLISH FORWARD VIEW FROM VALUERS

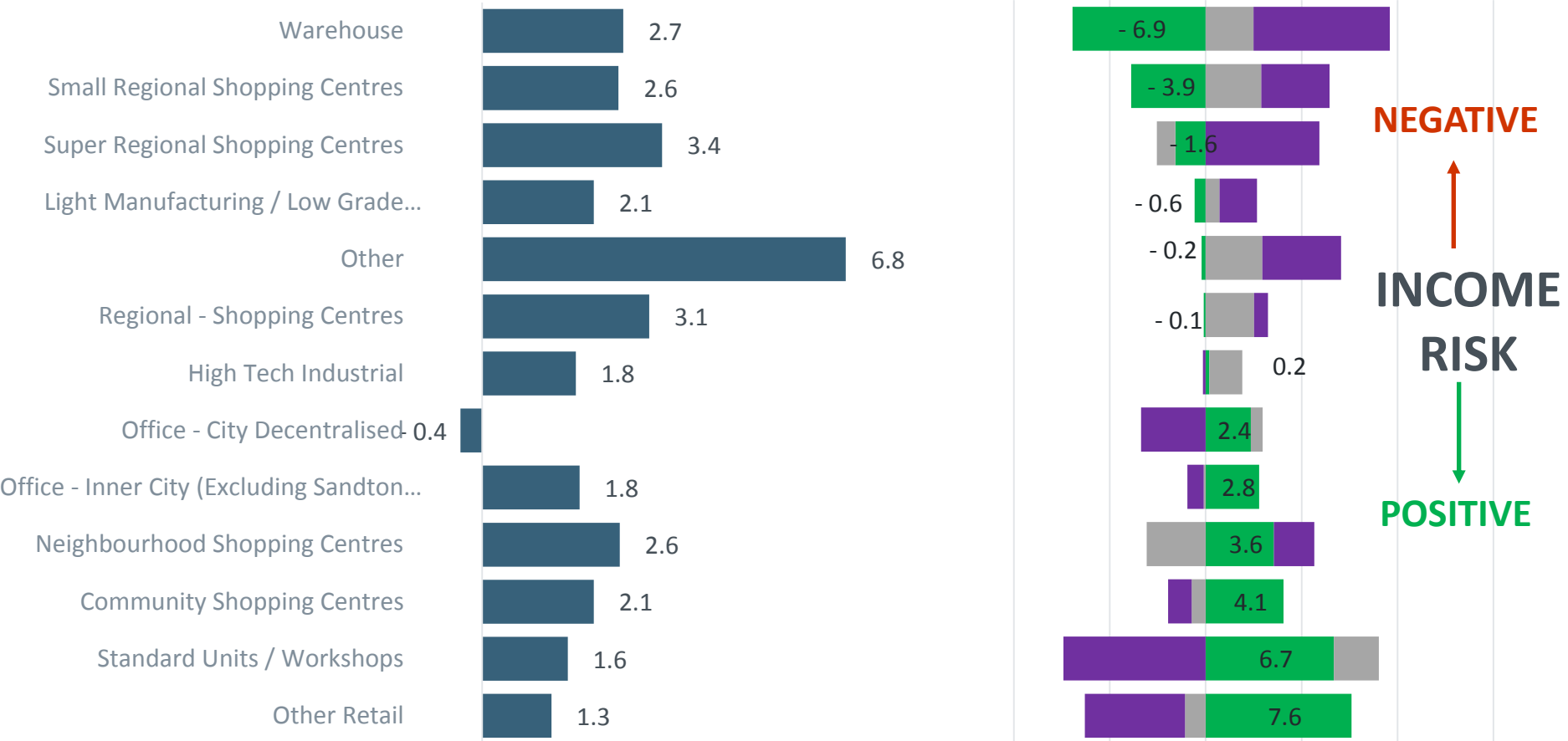


CAPITAL GROWTH DECOMPOSITION

PROPERTY SEGMENT

Capital Growth ■ Residual ■ Basic rental growth ■ Yield Impact

-1.0 - 1.0 2.0 3.0 4.0 5.0 6.0 7.0 8.0 -10.0 -5.0 - 5.0 10.0 15.0

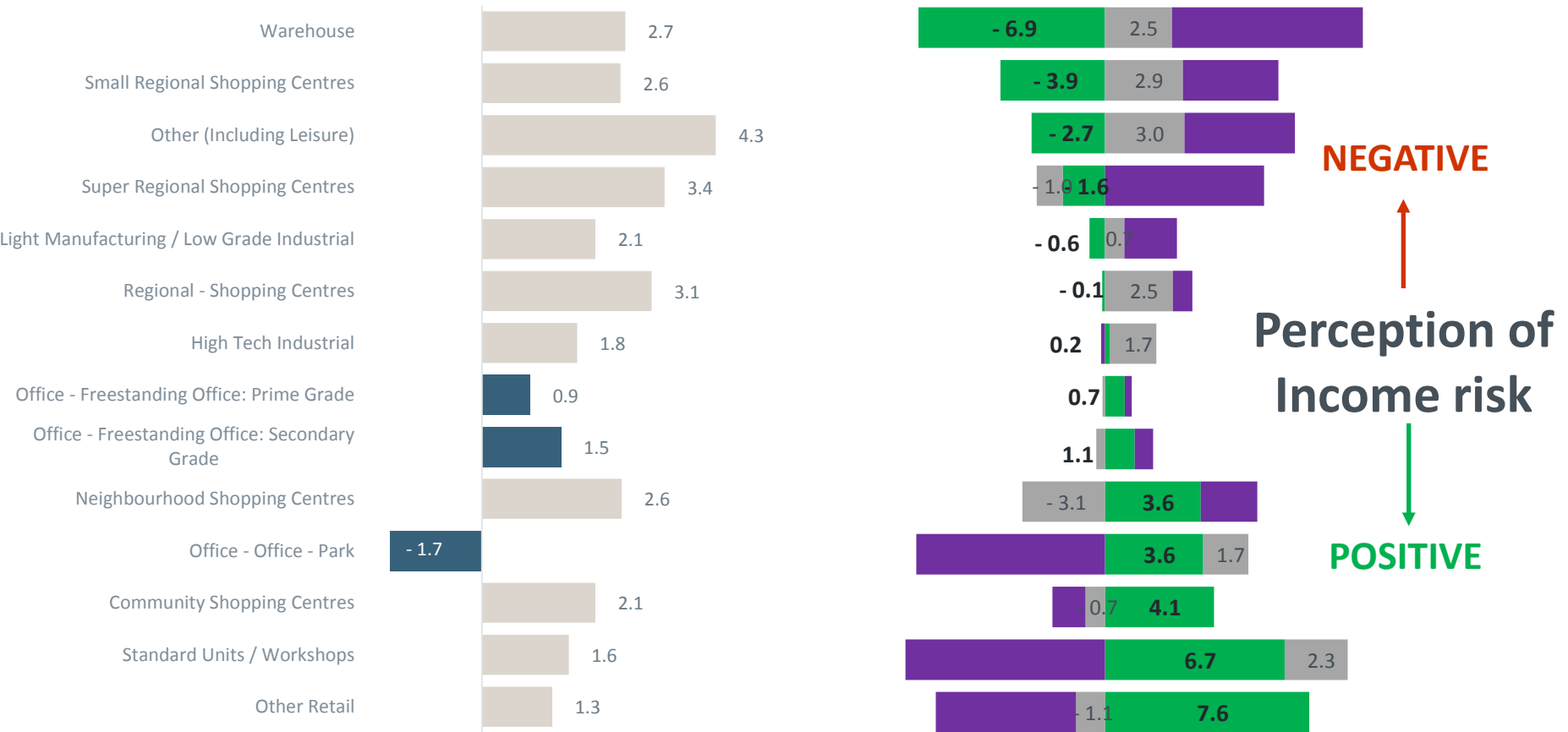


CAPITAL GROWTH DECOMPOSITION – OFFICES

Capital Growth

■ Residual ■ Basic rental growth ■ Yield Impact

-2.0 -1.0 - 1.0 2.0 3.0 4.0 5.0 -10.0 -5.0 - 5.0 10.0 15.0



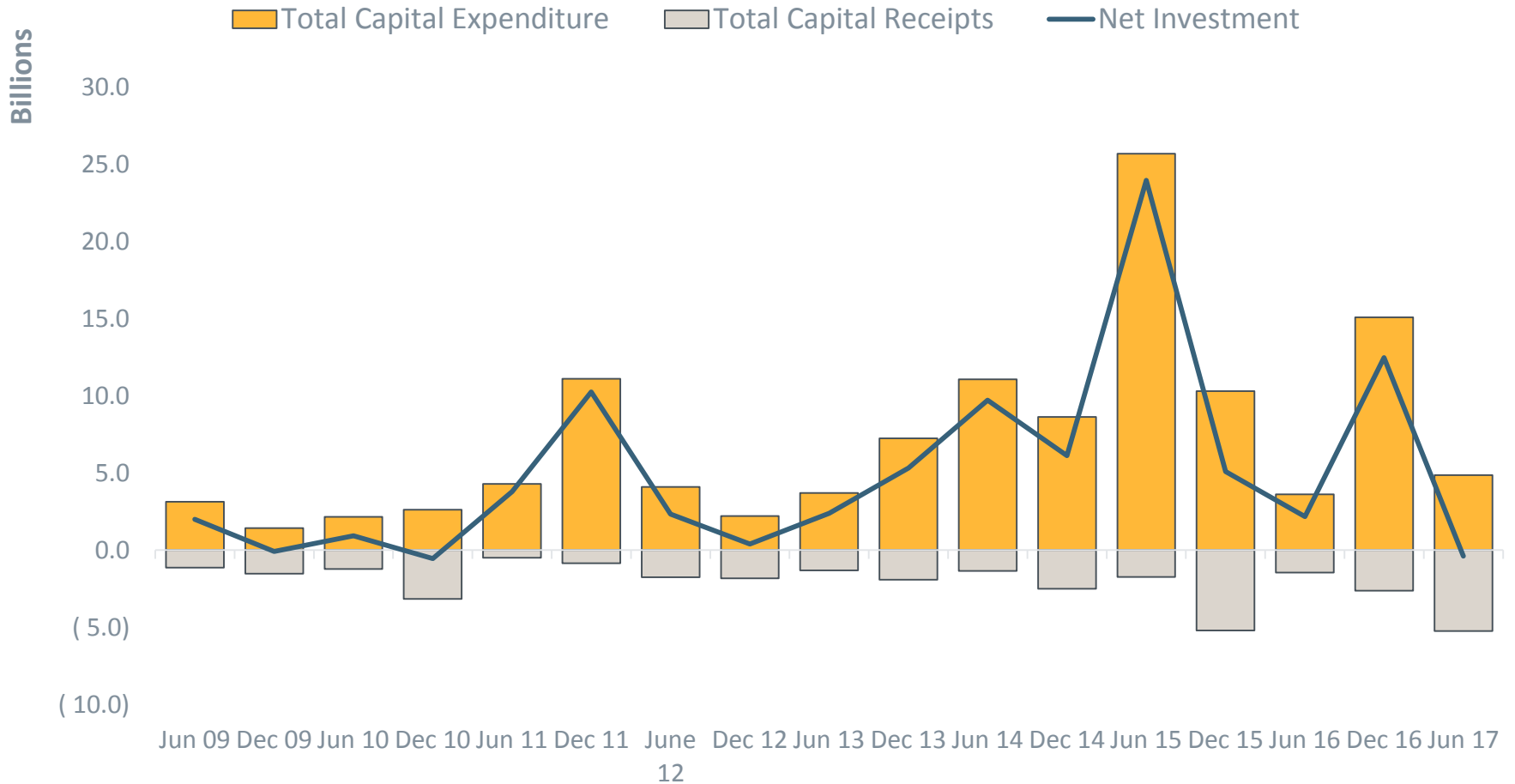
NEGATIVE

**Perception of
Income risk**

POSITIVE

NET INVESTMENT

FIRST NEGATIVE NET INVESTMENT SINCE 2010



KEY TAKEAWAYS: JUNE 2017

- **STUBBORNLY RESILIENT TOTAL RETURNS FOR THE 6 MONTHS TO JUNE 2017 – ALL SECTORS UP FROM THE SAME PERIOD IN 2016**
- **INDUSTRIAL STRONGEST SECTOR , FOLLOWED CLOSELY BY RETAIL AND OFFICES LAGGING**
- **RETAIL & INDUSTRIAL SECTORS STILL SEEING CAPITAL GROWTH IN VALUES**
- **SEGMENT PERFORMANCE LED BY**
- **ALL PROPERTY VACANCIES STABLE – BUT RETAIL AND OFFICES EXPERIENCING UPWARD PRESSURE**
- **LIMITED PRICING POWER WITH BASE RENTALS ONLY JUST POSITIVE**
- **OPERATING COST RATIO'S STABLE TO DECLINING – SHOWING AGGRESSIVE COST AND RECOVERY MANAGEMENT**
- **CAPITAL GROWTH DRIVEN BY RESILIENT INCOME RETURNS AND POSITIVE PERCEPTION OF INCOME RISK. HOWEVER, WEAKENING YIELDS ARE STARTING TO DETRACT.**

PANEL DISCUSSION AND Q&A

Phil Barttram, *Executive Director*, MSCI

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