MEDIA RELEASE FROM VUKILE PROPERTY FUND

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Retail REIT Vukile delivers 7.1% full-year distribution growth and sets a platform for new international horizons

Vukile Property Fund today reported 7.1% growth in dividends per share for the year to 31 March 2017, comfortably delivering on its market guidance and again advancing its track record of unbroken growth in dividends since listing in 2004.

The robust set of results reflect the continued good metrics in Vukile's retail property portfolio, its sharp strategic delivery, strong balance sheet, deal-making dexterity and a solid platform for further international expansion.

Laurence Rapp, CEO of Vukile Property Fund, notes this has been a momentous year for Vukile, which has successfully repositioned itself as a defensive, conservatively geared and managed Retail REIT. In doing so, Vukile has made certain it is well positioned to navigate the fragile political and economic environment in South Africa.

Rapp comments: "We are pleased to share another positive set of results that has delivered on our promises and achieved all the strategic objectives that we set out for ourselves. Vukile has successfully transformed into a high-quality, low-risk Retail REIT. It has also established an excellent platform for more international investment. As we launch our next strategic phase with exciting new horizons, Vukile expects to deliver growth in dividends of between 7% and 8% in the coming year."

To boost its retail assets, Vukile's highlights during the year included completing its well-crafted acquisition of Synergy Income Fund's R2,5 billion portfolio of assets. Vukile acquired a 25% stake in the newly opened Springs Mall in Gauteng and the remaining 50% of Pine Crest in KwaZulu-Natal. It completed the major revamp and extension of East Rand Mall. It also sold its R1,2 billion sovereign property portfolio.

"Retail property has proven the best and most defensive sector through the cycle in South Africa," notes Rapp. "Taking advantage of this, we achieved a major milestone for Vukile by becoming a focussed Retail REIT with an excellent portfolio of retail assets distinguished by their strong trading metrics."

Vukile has a R1,5 billion war chest, creating a springboard for its increased international growth. It invested a further GBP10.7 million in UK-focused Atlantic Leaf, growing its stake to 29.6%. It is also actively evaluating an opportunity in another developed European market.

“Our growing international investment strategy is focused on developed Europe and the UK. It responds to the difficult domestic property fundamentals and diversifies our risk away from local economic challenges. It also provides us with exposure to global tenant profiles. As an emerging market company, we believe that investing in developed markets has greater diversification benefits than investing in other emerging markets,” explains Rapp.

JSE-listed Vukile is now a leading internally managed Retail REIT (Real Estate Investment Trust) with total assets of R15.4 billion. Some R13.3 billion, or 85%, of this is invested in direct property assets, and the remaining 15% is invested in strategic indirect property assets. Retail property assets comprise 91% of Vukile’s direct portfolio. Its indirect property portfolio includes an investment in Gemgrow Properties, which invests in a portfolio of higher-yielding properties; an investment in Atlantic Leaf, which is Vukile’s UK investment vehicle; as well as an investment in Fairvest Property Holdings, which supports Vukile’s domestic retail investment focus with a portfolio of retail centres below 10,000sqm.

The strength of its low-risk portfolio over time is underpinned by the excellent operational metrics Vukile achieves through active asset management of its retail portfolio.

Vukile’s top 10 shopping centres, by size, comprise almost 50% of its retail portfolio and provide an excellent picture of the overall portfolio. They are dominant in their primary catchment areas and account for approximately 90 million customer visits each year.

“Our shopping centres align with the demographic of South Africa. These exciting assets are at the forefront of the emerging economy driven by growing consumerism and spending power,” says Rapp.

Nearly 90% of its shopping centre space is tenanted by national, listed or franchised retailers. It’s portfolio of retail assets produce an industry-leading rent-to-sales ratio of 5.8% with a trading density above industry benchmarks. The retail portfolio has consistently low vacancies, standing at 3.6% of rental at year-end.

“Our operating metrics have remained exceptionally strong throughout the difficult operating environment of the past five years. At current levels, we still see upward potential in our rentals, as can be seen in our consistently positive rent reversions throughout the period,” notes Rapp. “This adds up to a very high-quality and low-risk retail portfolio that can perform exceptionally well, even in tough times.”

Vukile continued to invest in its existing retail assets during the year, protecting their market position and strengthening them for growth. Vukile completed upgrade, expansion and redevelopment projects of R440 million in the year. It has a further R288 million planned for the year ahead.

Conservatively funded, Vukile's gearing ratio was 23% at year-end, with R1.5 billion of available facilities and cash. Some 95% of its interest bearing debt is hedged with a 3.4-year maturity profile. Vukile has a long-term 'A' corporate rating with a positive outlook, and an 'AA+' secured rating.

"Vukile's strategic achievements have broadened its horizons with exciting opportunities ahead. We will remain focused on achieving long-term strategic goals as a local Retail REIT with a portfolio of strong trading shopping centres, and increased international diversification, to generate sustainable long-term returns for our shareholders," notes Rapp.

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