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VUKILE'S INTERIM DISTRIBUTION UP 5% WHILE PORTFOLIO CONTINUES TO GROW

Johannesburg, 23 November 2012 – Vukile Property Fund today reported a 5% increase in its distribution for the six months ended 30 September 2012 to 57.03 cents per linked unit, driven by a solid performance by its property portfolio.

During the six months under review, Vukile's cost of funding reduced from 9.36% at 31 March 2012 to 8.60%, inclusive of margin and costs. Vukile also won top honours in the IPD awards by scooping the first prizes for top overall fund, top offices portfolio and top industrial portfolio based on its total return over a three year period.

Vukile also continued to deliver on its overall strategy of seeking to grow the size of its fund to some R10 billion, increasing its retail exposure and improving the overall quality of the portfolio. The six months under review were very active in this regard with the fund finalising its acquisition of a portfolio of 20 properties from Sanlam for R1.48 billion, disposing of R225 million of riskier properties, concluding a deal pipeline of cR500 million and, most recently, announcing that it has agreed terms to buy 50% of East Rand Mall for R1.115 billion in partnership with Redefine who will acquire the other 50%.

Net profit available for distribution increased 39%, from R193 million to R268.5 million and included an amount of R44.5 million in sales commission earned on Sanlam's R1.48 billion property portfolio disposal to Vukile in April this year.

Net rental income, excluding straight-line rental accruals, was R346 million, up 25% from 2011's R276.2 million, with the new properties in the R1.48 billion Sanlam portfolio contributing strongly to the increase. On a like-for-like basis the stable portfolio grew net income by 5.8%.

Vacancies, as a percentage of gross rentals, increased from 6.8% in March 2012 to 7.3% due to the acquisition of the higher vacancy properties from the Sanlam portfolio in April 2012. Included in the vacancy profile are 3 430m² of development vacancy at Randburg Square, which is expected to reduce to around 1 000m² once the second phase of the upgrade is completed. Excluding the impact of sales and acquisitions (a stable portfolio), Vukile's vacancy profile improved from 6.8% at 31 March 2012 to 6.6%.

Chief executive Laurence Rapp says he is particularly pleased with the progress made in transforming the make up of the portfolio by not only shedding some riskier assets but, more importantly, adding a flagship regional mall into the portfolio through the pending acquisition of a 50% undivided share in East Rand Mall. The property, valued at a total of R2.23 billion, is rated among the top malls in South Africa with a gross lettable area of 62 000m² and an 85% comprehensive national tenant component, including Edgars, Mr Price, Woolworths and Foschini. "The acquisition will significantly enhance the quality of our portfolio and is in line with our stated objective of aggressively growing the fund with a special emphasis on the retail sector," he says.

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Also during the six months, Vukile entered into a development agreement with Eris Property Group for the development of a 19 200m² shopping centre in Hammarsdale, KwaZulu-Natal, for a capital outlay of R194 million. The opening is scheduled for June 2013 and the expected yield for the first year is 9.5%.

Another agreement was concluded to purchase a development of a 15 000m² industrial mini-unit complex at a total capital outlay of R119 million with a net initial yield of 10%. This proposed development will be incorporated into the Linbro Business Park near Sandton.

An agreement has also been reached to acquire a 50% interest in Pietermaritzburg's Edendale Mall, a 31 700m² development, at a capital outlay of R205 million. The initial yield is 8.3%. The agreement marks the first joint-venture arrangement with McCormick Property Development, who developed the property and who will retain a 50% undivided share in the centre.

Looking ahead, Rapp says the portfolio performed well despite a challenging operating environment and that he expected a similar performance in the second half of the year. In an effort to minimise forecast risk for the market going forward, Rapp says that, as from the acquisition of East Rand Mall, any abnormal sales commissions earned by Vukile on the sale of Sanlam properties will be distributed as a special distribution and clearly distinguished from the normalised distribution generated by on-going property operations. "In future, all special distributions will be paid in the financial year in which the abnormal sales commission is earned," says Rapp. "At this stage we cannot yet say if the sales commission on East Rand Mall will fall into the 2013 financial year or the 2014 financial year as it depends on the time it takes to obtain Competition Commission approval. Once we have more clarity on the matter, we will inform the market."

"We will continue to grow the portfolio with a retail bias but will also look at improving the quality by selling non-core properties. All in all, we're in very good shape and we expect the full year distribution to increase between four and six percent compared to the previous year."



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