VUKILE
PROPERTY FUND
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<u>*For immediate release*</u>

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PROPERTY HUNGRY VUKILE MAINTAINS DISTRIBUTION GROWTH

Johannesburg, 27 May 2013 – Vukile Property Fund today reported a 26.7% increase in the profit available for distribution for the full year to 31 March 2013 to R556.4 million and announced a second half distribution of 74.56 cents per linked unit, making the total for the year 131.6 cents per linked unit, an increase of 5.4% over the previous year.

In the year under the review, twenty properties comprising the R1.5 billion Sanlam portfolio acquisition were transferred into Vukile's portfolio. Post year end, Vukile also took transfer of its R1.112 billion 50% stake in the East Rand Mall. Once the acquisition of East Rand Mall is taken into account, the portfolio value would have grown some 44% since March 2012. Chief executive Laurence Rapp says that these acquisitions have also significantly improved the quality of the portfolio, as is evidenced by a 25% increase in value per square metre since March 2012.

Additionally, the company announced that it expected the value of its portfolio to exceed its initial target level of R10 billion once a number of property deals had been finalised. These included the initial acquisition of four government-tenanted buildings from Encha Properties valued at R1.04 billion, the development of the Hammarsdale Shopping Centre for a capital outlay of R194 million which will open in June 2013 and other deals still in the pipeline.

Including East Rand Mall, the composition of the portfolio is now 59% retail, 30% offices and 11% industrial based on gross income.

Rapp said he was satisfied that Vukile had made significant strides towards its objective of growing and improving the quality of the fund with an emphasis on the retail sector while maintaining its distribution growth.

He said the Encha deal, the consideration for which is to be discharged through a combination of cash and an issue of linked units, would also boost Vukile's black economic empowerment credentials. Following the transaction, Encha will hold a material ungeared stake in Vukile which will allow Vukile to claim a significant percentage of the ownership points in respect of the Property Sector Charter after adjusting for mandated investments.

Rapp said the portfolio had performed admirably in a lacklustre operating environment. Vacancies, measured as a percentage of gross lettable area, were well contained at 6.8% at year end, compared to 7.6% at 30 September 2012.

New leases and renewals of 277 911m² with a contract value of R1.015 billion were concluded during the year. 87% of leases to be renewed during the year ended 31 March 2013 were renewed or are in the process of being renewed. This is up from 74% in the previous reporting period. Positive reversions were achieved across all sectors with an average escalation on expiry rentals of 8.2%. New leases signed came in 4 percent ahead of budget for the portfolio as a whole.

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Refurbishment and extension projects to the value of R117 million had been completed during the course of the year while R400 million worth of projects were still in progress.

"We don't expect a significant improvement in the operating environment in the year ahead but we have been very happy with the performance of the underlying property portfolio. We expect our retail component to continue to do well but the office sector to remain tough. We have a good deal pipeline and the introduction of new yield enhancing properties will positively impact the portfolio, and will be earnings enhancing." he said.

Rapp said that following the decision to distinguish between non-recurring income, which is to be declared as a special distribution, and the company's normalised earnings, he expected Vukile to deliver a growth in its normalised distribution of between four and six per cent for the 2014 year off a base of 120.44cps. That would increase to between six and eight per cent off a base of 131.59cps for the year ending 31 March 2014 when taking into account the special distribution of approximately R64 million, which arose from the sales commission earned through the East Rand Mall acquisition.

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Issued by du Plessis Associates on behalf of Vukile Property Fund Limited.
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