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VUKILE SUSTAINS DISTRIBUTION GROWTH AND GROWS FUND ASSETS BY 25%

Johannesburg, 29 May 2012 – Property loan stock company Vukile today reported a 6.3% increase in the profit available for distribution for the full year to 31 March 2012 to R439.1 million.

Vukile declared and paid an early distribution of 70.5 cents per unit for the second half of the year in April 2012. In total, the distribution for the full year was 124.81 cents per unit representing growth of 6.1% for the full year. The full year's distribution equals 99.8% of the profit available for distribution. The early distribution was done to avoid any dilution that would have resulted through the issue of linked units required to partially fund the R1.5 billion acquisition of a portfolio of 20 properties from Sanlam, which was concluded during April 2012.

According to chief executive Laurence Rapp, the property portfolio performed well in a difficult trading environment in which the industry faced higher vacancies, escalating costs and an uncertain economic outlook. Within Vukile, vacancies were well contained at 6.8% as a percentage of gross rentals (2011: 5.9%), decreasing to 5.9% if development vacancies were excluded. The development vacancies are mostly situated in Randburg Square, where a major refurbishment of the shopping centre is taking place.

Group corporate administrative expenditure of R25.9 million was similar to the previous year while group finance costs, net of investment income, have increased by R4.7 million to R152.1 million.

New leases and renewals of 202 129m² with a contract value of R579.5 million were concluded during the year and 74% of leases that expired during the year were renewed or are in the process of being renewed (2011: 82%). Vukile was able to achieve positive reversions across all three sectors of retail, office and industrial and also concluded new deals in line with budgeted rentals. A once-off lease payment of R27.8 million was received on the expiry of a long-term structured lease from a major tenant during the year and is included in property revenue.

The Sanlam property acquisition was successfully concluded post year end and all the necessary debt and equity funding raised on time and according to plan. Vukile also successfully listed its domestic medium term note programme in May this year, which raised R1.02 billion and was used to refinance and wind down the company's existing commercial backed mortgage securitisation programme. The average all-in cost of the corporate bonds issued amounts to 8.8% and represents a 1% reduction on the old CMBS vehicle. A further positive factor has been the increased liquidity in the Vukile share which now ranks among the most liquid in the sector.

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Looking ahead, Rapp expects trading conditions to continue to remain challenging in the year ahead. We expect our retail centres to continue to perform well. “The portfolio has performed admirably, and we are seeing increased tenant demand across our portfolio. Additionally, given the increased disposable income and shifting spending patterns in the lower income segments of the market, we are exploring a number of new developments and acquisitions of properties catering to this target group in both rural and urban areas,” he said.

Rapp said he expects a modest uptick in the industrial sector. “Based on our experience over the past few months, it appears that the office sector may have bottomed out and, while it is still too early to predict a recovery, it is encouraging to note vacancy levels across the portfolio are beginning to improve,” he said.

He said the recent Sanlam acquisition, which added some 25% to the size of the portfolio, was the initial step of the company’s new strategy to be more acquisitive and proactive, and will also provide it with further scope for growth. Vukile is confident of again delivering reasonable growth in distributions in the next year.

du Plessis Associates

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