DIPULA DELIVERS TOP END DISTRIBUTIONS

JSE diversified REIT, Dipula Income Fund, continued its distribution growth trend despite the challenging property market, with an 8% increase year-on-year to 185,97 cents a share for the year to August 2016 off the back of mainly organic growth. This translates into growth in distribution per A-share of 5% and 11.5% per B share. On the back of acquisitions worth R1.2 billion, the property portfolio increased 27% y-o-y and now exceeds R7 billion, marking considerable growth from the R2 billion at listing in 2011.

CEO Izak Petersen credits the pleasing performance to the group's strong internal asset management. "Our largely organic growth reflects the strength of our strategy to grow and develop our portfolio in such a way as to ensure it continues to perform even under tough conditions. We have been buying well and managing brilliantly." He adds that the consequent distribution growth is at the upper end of Dipula's previous distributions guidance for the year.

Net asset value per share grew 12% to R10.46 (2015: R9.34) as a result of positive portfolio revaluations of R284 million. Revenue was up 46% to R1.1 billion for the year.

The group continued refurbishments and enhancements of the portfolio at a total cost of R100 million. "The success of this strategy is evident in the R60 million invested in Renaissance Park, which saw a new blue chip tenant brought onstream at higher than budgeted rentals." Retail property Score Ivory Park was also successfully completed during the year at a cost of R11 million. Development and revamp projects to the value of R350 million are planned and due for completion over the next 18 months at an average yield of approximately 11%.

An increase in office vacancies due to the poor economy pushed total vacancies for the year to 8.5% from 8%. Industrial vacancies improved nicely and retail vacancies stayed just about on par with last year. Petersen points out that since year-end vacancies are down to 7.8%, which is below last year's level. "Our tenant retention rate was at an impressive 89% during the year, with A and B grade tenants accounting for the majority at 87%. This is also affected by strategic vacancies related to revamps and upgrades," he adds. A positive rental renewal rate of 5.2% was also achieved on the portfolio.

Since listing the portfolio has bolstered its defensive nature through increased diversification, with retail assets now accounting for 70% of revenue (2015: 62%), offices 16% (2015: 23%) and industrial the balance. At listing the ratio of retail to office was 52% and 32%, respectively.

Petersen comments: "We have made further strides in our strategy of increasing the average size of properties to over R50 million." The current average size is R35 million - a 12% increase year-on-year or 193% since listing.

Looking ahead Petersen does not expect to see alleviation to the challenging environment in the short to medium term. "Given the macro environment Dipula will continue to focus on rolling out our proven growth strategy and extracting the maximum value from the portfolio." The board expects growth in distributions of between 6% and 7% for the year ahead.

Dipula shares closed yesterday at R10,40 and R9,25 per A share and B share, respectively.

Ends.

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