

DOUBLE DIGIT DISTRIBUTABLE EARNINGS GROWTH FOR DIPULA

JSE diversified REIT, Dipula Income Fund, continued to weather the tough economy to post growth of 13% in distributable earnings and 7,1% in distributions per combined share for the six months to February 2016. Solid asset management, reduced vacancies and prudent acquisitions helped drive the good interim performance. The portfolio of 201 retail, office and industrial properties was valued at R6,7 billion at the end of the period which equates to a 43% increase from the prior period.

The net asset value per combined share of the group was R18,83 (excluding NCI), an increase of 13% year-on-year, compared to a combined share price of R19,25 on 10 May 2016.

Distributable earnings increased to R177,3 million from R156,9 million at the same time last year. Distributions to A-shares increased 5% to 48.23707 cents per share while distributions to B-shares were up 9,7% to 38.78144 cents per share.

CEO Izak Petersen says the REIT's performance in challenging conditions is pleasing and sustainable. He explains: "We dropped the overall vacancy rate to 9,2% at the end of the period from 9,6% in the prior period- and post the period have continued cutting vacancies to 6%. This is a 25% improvement on the previous year-end." Post period end Dipula let its R60 million refurbished warehousing facility, Renaissance Park, to Massmart. The property is part of Dipula's legacy portfolio which management is successfully turning around.

The REIT's results also reflect the first time inclusion of the Moolman portfolio, in which Dipula took a 80% stake in Moolman Group co-owned companies, Jarrabilla Investments (Pty) Ltd and Lizinex (Pty) Ltd, in August 2015 for R686 million. The portfolio comprises 28 low-vacancy properties totalling 66 000 m², including stakes in shopping and value centres in high traffic areas.

Continuing to revolutionise retail in underserved areas, Dipula unveiled the R320 million Gillwell Taxi Retail Park in the East London CBD during the period. Petersen says the portfolio-enhancing asset is an attractive shopping environment in contrast to the fragmented and informal competition in the area. "The Retail Park is a modern, weatherproof development offering an exciting new mix of shops. It is strategically located given that it integrates seamlessly with the Gillwell Taxi Rank, one of the city's main public transport hubs.

The group's gearing stood at 42% at period end with its through interest rate at 8,73% and total debt facilities of R3,0 billion, of which R2,9 billion has been utilised to date.

Dipula's R2 billion Domestic Medium Term Note Programme was registered with the JSE in November 2015 and has been structured to issue secured and unsecured notes of varying maturities. Management will carefully monitor market conditions to determine the timing of its first tap into the Debt Capital Markets.

Over the next 18 months Dipula is planning further refurbishments and upgrades of the existing portfolio to the value of R400 million. "This is in line with our strategy to

continue unlocking value in the portfolio. We expect an average yield in excess of 11%,” says Petersen. Properties earmarked for this programme include the Soweto-based mall Proteapoint, a R60 million revamp, and Dobsonpoint which will enjoy a R6 million facelift. “These revamps will not only enable us to command higher rentals but will also provide the local community with a better shopping experience.”

Looking forward Petersen says business remains fundamentally sound despite the volatility in the markets and the headwinds tearing at the local economy. He is realistic that increased interest rates and inflation may cause increasing tenant defaults, but is confident that continuing to reduce vacancies and forging ahead with the portfolio growth strategy will stand Dipula in good stead. “We will continue with improving acquisitions, well-timed sales, strategic extensions and revamps.” He adds that he is focussed on continually enhancing property management following a part internalisation of this function.

Dipula shares closed yesterday at R10,00 and R9,25 per A share and B share, respectively.

Ends.

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