MEDIA RELEASE FROM DIPULA INCOME FUND

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Keeping a sharp eye on its growing property portfolio is set to drive Dipula's performance for investors

Dipula Income Fund is unlocking performance from its portfolio through its acquisitive portfolio growth and improvement strategy, but also by actively driving the property management and leasing of its R4 billion portfolio to improve the long-term prospects of its properties.

Dipula Income Fund is a JSE-listed REIT that is distinguished for the exceptional B-BBEE credentials of the fund and its Manco. Dipula originated from two majority black-owned property funds, Mergence Africa Property Fund and Dipula Property Fund.

In less than three years on the JSE, Dipula has more than doubled the value of its portfolio with quality assets.

Dipula CEO Izak Petersen comments: "All our new assets are performing excellently, at least in line, if not better, than our expectations. They've got high quality tenants and are larger, on average, than our legacy properties. In fact, Dipula's average property value has increased from R12 million to R23 million, and its average property size has grown from about 2,500sqm to more than 3,225sqm."

While its new assets are leading its performance for investors, Dipula is also applying innovative asset management to achieve greater performance from its legacy assets.

"While growing and improving our portfolio, creating long-term value for our investors remains our core focus. We've always been highly acquisitive, we've also achieved positive results with some exciting asset management initiatives for our legacy properties recently," says Petersen. "There's more revamps, extensions and redevelopments to come and, in addition, we're intensifying our focus on leasing and improved property management."

Petersen believes in today's highly competitive market, forging ahead with tactical leasing strategies is the key to success.

He is also adamant that tenant retention is as significant as new lets. "For Dipula, it's a clear priority. Especially as it is almost always less costly to retain a tenant than to replace a tenant. Particularly in the competitive office sector where there is little new tenant demand. Here, we're upping our game considerably. And all fundamental areas of our business contribute to tenant retention – leasing, property management and asset management."

Dipula's extension of Bochum in Limpopo helped it extend leases with both Boxer and Cashbuild for 10 years. Its revamp of its Atlas Road property in Gauteng secured a five-year lease with SARS. Dipula is also undertaking a refurbishment at Range Road in the

Western Cape where it has secured a single-tenant on a 10-year lease for the 11,000sqm industrial building.

This attentive approach to leasing and property management fundamentals is already producing results. Dipula's overall portfolio vacancies have improved from 11.8% to 9.0% in the past three months. "Some of the vacancies were for strategic revamps which are now complete," explains Petersen. Other vacancies have been filled as a result of Dipula's intensified leasing drive, which is delivering positive results for all metrics.

Dipula's lease renewals are now being concluded at an average 11.8% better than expiring rentals. And, leases are being agreed for longer periods. Dipula's leases expiring beyond 2015 increased by more than 80,000sqm or R7.4 million a month, from September 2013 to February 2014.

Plus Dipula has some 10,000sqm of new leases currently under negotiation.

Dipula's intensified focus on leasing and property management is expected to continue to produce positive results for its investors. Dipula has put in place broker and tenant incentives. It is also assessing its leasing function with the goal to centralise it.

The attention that Dipula has given its challenging legacy assets is also paying off. Notwithstanding this, Petersen emphasises, it will continue to rebalance its portfolio through solid acquisitions and well considered disposals.

Dipula's diversified property portfolio comprises 179 retail, industrial and office properties consisting of 577,000sqm of lettable area located countrywide. By size, Dipula's portfolio is 71% concentrated at the centre of South Africa's economic activity in Gauteng. It is also weighted towards retail property which comprises 55% of its portfolio.

In addition, Dipula has a R3 billion pipeline of potential acquisitions.

He adds: "Our strategy of tactical revamps, good acquisitions, trading out of non-performing assets and focused management will bear fruit in months to come, and also ensure sustainable growth in the long term for investors. Property is a long-term play. Dipula balances short-term income growth with asset preservation and improvement. It is all about sustainable total returns."

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