



MEDIA RELEASE FROM DIPULA INCOME FUND

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SA's commercial property sector faces a highly competitive year

"Expect massive competition in the scramble for good property and tenants," says Izak Petersen, Dipula Income Fund CEO, of SA's commercial property sector in 2015.

He foresees a year that will bring heaps of hard work for the sector, with only select opportunities of good assets available to the market.

"I fear that electricity issues are going to frustrate and slow down business. Some property developments may have to be shelved due to a lack of electricity supply," says Petersen. "However, you're likely to see innovative solutions to get around this challenge."

There will be relatively limited speculative development activity in the market.

Looking at positive drivers that may counter the slow economic growth and electricity supply challenges, Petersen points to falling oil prices as a bright spot that will provide some cushion for rising inflation, but cautions that the weak Rand will have somewhat of a counter effect. "We believe that rates will remain unchanged in the short term, which bodes well for property."

Offices are likely to remain the weakest link for commercial property in 2015. "They already face oversupply issues with a lack of big users. Our tough economy also adds to the pressure on the sector due to the elasticity of demand and price sensitivity of its users - especially smaller and medium users," says Petersen.

Also, Petersen warns most tenant-driven developments for big users will result in increased vacancies as they vacate existing space.

Looking to other commercial property sectors Petersen believes retail and industrial property should hold up better. "Although, we do not see either one shooting the lights out, and retail turnovers are likely to be under pressure with consumers remaining under strain."

He adds: "Despite the challenges ahead, we still anticipate listed real estate to outperform bonds, cash and equities. We further expect to grow Dipula's net income well in excess of inflation and grow our portfolio organically by executing our sizeable development and acquisition pipeline of more than R1 billion."



Dipula Income Fund is a JSE-listed REIT with exceptional B-BBEE credentials. It is managed by its 100% black owned management company. Dipula originated from two majority black-owned property funds, Mergence Africa Property Fund and Dipula Property Fund. Management own a large stake in Dipula and are strategically aligned long-term investors in the fund.

Dipula's diversified property portfolio comprises more than 180 retail, industrial and office properties countrywide. By gross lettable area (GLA), Dipula's portfolio is mostly concentrated in South Africa's economic hub of Gauteng. It is also weighted towards retail property, which comprises more than 50% of its portfolio.

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