MEDIA RELEASE FROM DIPULA INCOME FUND

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Economic and structural headwinds choke SA business

Slow economic growth and high operating cost inflation - especially rates and taxes, and electricity – are challenging the commercial property sector and placing strain on South African business.

Izak Petersen, CEO of JSE-listed Dipula Income Fund, reports that despite ongoing above inflation increases of charges for services, the continued weak state of service delivery by municipalities means property owners and tenants alike have to dig deeper into their pockets to fill the basic services gap.

"Money paid to municipalities for this purpose appears to be disappearing into a black hole with generally scant, if any, services delivered," says Petersen. This means property owners are paying for services that are not carried out. They are then forced to pay for private sector suppliers to deliver the same services they have already paid municipalities for and not received.

"It is not sustainable to expect commercial, and certain residential, property owners to subsidise a dysfunctional system. Something has to give – and soon," says Petersen.

With Dipula's exposure to multiple municipalities across all nine provinces, Petersen is clear that this situation is the rule, not the exception. He is adamant that local governments cannot continue to dodge their responsibilities to deliver services at the cost of business, and a significant improvement is needed quickly.

Dipula is a SA 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. Its management own a large stake in Dipula and are strategically aligned long-term investors in the fund.

Dipula's R5.7 billion diversified property portfolio now comprises more than 170 retail, industrial and office properties countrywide. By gross lettable area, 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.

The SA REIT sector continues to make a significant contribution to savings and investment, and grow access to property ownership, for South Africans.

South Africa's listed property outperformed all other asset classes for the quarter of 2015. The SAPY total returns for the quarter were an impressive 13.7%, with equities returning 5.8%, bonds 3% and cash 1.5%.

Dipula B linked units have enjoyed an impressive run this year, accelerating by 29% to become the fourth best performer in the sector and among the top 20 of all stocks on the JSE for the quarter ended 31 March 2015.

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