WWW.GROWTHPOINT.CO.ZA

THE PLACE, 1 SANDTON DRIVE, SANDTON,
GAUTENG, 2196, SOUTH AFRICA
TEL: +27 (0)11 944 6000 **FAX:** +27 (0)11 944 6005
PO BOX 78949, SANDTON, 2146, SOUTH AFRICA
DOCEX: 48 SANDTON SQUARE **EMAIL:** info@growthpoint.co.za

MEDIA RELEASE FROM GROWTHPOINT PROPERTIES LIMITED

Growthpoint delivers 6.0% half-year distribution growth

02 March 2016

Growthpoint Properties Limited today reported distribution growth of 6.0% for its six-month interim period to 31 December 2015, delivering performance at the top end of its market guidance.

Growthpoint delivered an increase in revenue of 28.7% from the prior half-year, with its distributable income up 24.3%, both reflecting the remarkable growth of the business. Its property portfolio increased in value by 10.1% and its net asset value per share grew by 6.1%, for the six-month period.

Norbert Sasse, CEO of Growthpoint Properties Limited, attributes the positive distribution growth to stable fundamentals in Growthpoint's South African property portfolio, strong performance from its V&A Waterfront investment and growing distributions from Growthpoint's 65% holding in Growthpoint Properties Australia (GOZ), together with favourable exchange rates for Growthpoint.

Sasse comments: "Growthpoint has performed well, notwithstanding South Africa's hugely challenging economic and operating conditions. In this environment, Growthpoint's continued growth has ensured a more diverse and more defensive investment for shareholders."

Shareholders can expect this positive performance from Growthpoint to continue, despite a tough operating environment. "Growthpoint is on track to deliver similar growth in distributions for shareholders for the full year to 30 June 2016," says Sasse.

Growthpoint is the largest South African primary listed REIT and a JSE ALSI Top 40 Index company. Over the period on average more than 155,4 million shares traded per month, with a monthly average value of R3,9 billion. This makes Growthpoint the most liquid and tradable way to own commercial property in South Africa.

It owns and manages a diversified portfolio of 473 properties in South Africa, 57 properties in Australia through its investment in GOZ and a 50% interest in the properties at V&A Waterfront, Cape Town. Growthpoint's consolidated property assets are valued at over R110,0 billion.

Growthpoint has a R4,2 billion acquisition and development pipeline driving its immediate growth. It also recently announced its strategy to invest in commercial real estate in certain other African countries thereby creating a new growth area for the business. Growthpoint has been included in the FTSE/JSE Responsible Investment Index (former JSE SRI Index) for seven consecutive years.

Its South African property portfolio contributed 76.7% to its distributable income.

Sasse says: “It is tough out there, but property fundamentals in Growthpoint’s South African portfolio remain intact”. The portfolio’s occupancy levels improved with vacancies decreasing from 6.4% a year earlier to 4.9%. Keeping costs well under control, its cost-to-income ratio also improved over the six months from 27.8% to 26.5%.

Growthpoint improved its lease renewal success rate to 69.0%. It achieved positive renewal rental growth rates of 1.6% overall. Sasse notes that in the current market, property net income performance is under pressure. “This is reflective of it costing more to keep tenants in an intensely competitive environment.” It realised like-for-like property rental growth of 5.1% and has average in-force rental escalations of 8.1%.

Commenting on the noteworthy growth in its South African portfolio, Sasse says: “We have now bedded down the integration of the Acucap and Sycom staff and property portfolios.”

Optimising its portfolio and recycling capital, Growthpoint disposed of R625,8 million of properties during the half-year. It acquired properties of R576,0 million and made commitments of R2,0 billion.

Development continued apace in Growthpoint’s South African portfolio. Its most significant development is the landmark new Discovery head office in Sandton Central. It invested R1,2 billion in development and value-enhancing improvement projects during the period.

Distributions from Growthpoint’s 50% stake in the V&A Waterfront, Cape Town, contributed 8.1% to its distributable income. “It is doing particularly well and we are constantly optimising this asset,” says Sasse. Net property income showed 12.2% growth and overall property vacancies improved, reducing by half to a low 1.3%. Its retail sales delivered 13% average year on year growth and its retail trading densities also saw strong growth at 11% for the period. Retail space at V&A Waterfront is fully let.

The V&A Waterfront offices are reporting positive activity with an improved 2.3% vacancy, substantially below national benchmarks. V&A Waterfront hotel occupancies and rates improved 7% year-on-year and are trading at about a 20% premium to other similar grade Cape Town hotels. South Africa’s first Radisson Red Hotel is on track to open at the V&A Waterfront in early 2017. Its fishing and industrial facilities enjoy long-term leases. The V&A Waterfront took over the management of the cruise liner terminal in December 2015, and has exciting plans to enhance it. To meet strong demand, it continues to introduce more residential apartments.

Growthpoint invested R266,1 million in development and capital projects at the V&A Waterfront during the period, representing its 50% share. The development of the Silo Precinct is now almost complete. It includes the Zeitz Museum of Contemporary Art Africa, PwC and Werksmans and Virgin Active Classic Club, which will take occupancy in the second half of 2016. It has also committed R705,8 million for its contribution to new, enhancing developments, including the Canal District. Here, the first development will include the 7,000sqm new headquarters for British American Tobacco SA.

GOZ, Growthpoint’s Australian investment, delivered a 16.7% total AUD return for the 12 months to 31 December 2015. GOZ contributed a strong 14.8% to Growthpoint’s total distributable income. During the period GOZ acquired properties valued at R1,3 billion, invested R335,0 million in development and capital spend, and committed to portfolio growth of R742,0 million.

“In addition to increased returns from GOZ, we got more than we budgeted for from this investment because of the ZAR weakening against the AUD. The withholding tax on the GOZ distribution was also slightly lower than expected,” notes Sasse.

Growthpoint continued its prudent financial management, closing the half-year with a conservative loan-to-value ratio of 30.5% for its South African balance sheet. Growthpoint is in a healthy position in a rising interest rate environment. Its debt was well hedged with 84.3% of interest rate exposure fixed with a weighted average term of 3.4 years.

“Growthpoint still enjoys excellent access to funding. However, the volatile economic environment has resulted in a greater focus on bank funding. We’re seeing good appetite for bank funding, although at higher margins,” says Sasse.

With low growth, rising interest rates, cost pressures, weak demand, supply still coming on stream and negative investment dynamics, things are set to remain tough in the South African market. A bright spot is the V&A Waterfront, which is benefiting from strong retail sales growth and tourism spend driven by the weak ZAR. Australian market dynamics remain positive relative to South Africa with a decreasing interest rate environment, low unemployment, strong property fundamentals and positive gearing. These all bode well for Growthpoint’s investment in GOZ.

“We’ll continue to find revenue enhancing opportunities that support Growthpoint in delivering sustainable income distributions and capital appreciation for our shareholders,” says Sasse.

Acting on this commitment, Growthpoint announced its strategy to enter real estate investment in several African markets outside of South Africa. It has embarked on a 50/50 joint venture with global investment management firm Investec Asset Management to form a new management company, which will establish and grow a third-party institutional pan-African real estate business. The aim is to grow the business to an optimal size for a possible major stock exchange listing in the next eight years.

Growthpoint will invest an initial USD50 million into the business. The joint venture is partnered by the International Finance Corporation (IFC) which has approved an investment of USD40 million as a cornerstone investor. IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.

Sasse says: “We’re going in small with a third-party model that we believe will grow to create a meaningful new revenue stream for Growthpoint. We see the current market dynamics on the African continent as an opportunity. Many local currencies have devalued against the USD, which has established more realism about the African real estate investment story. Prices and yields are starting to reflect this. This makes it a good time to buy into countries with devalued local currencies.”

-ENDS-

RELEASED BY:
Growthpoint Properties Limited
CEO, Norbert Sasse

Tel: +27 (0) 11 944 6249
www.growthpoint.co.za

DISTRIBUTED BY:
Marketing Concepts
Media Manager, Suren Naidoo
Tel: +27 (0) 11 783 0700