



South African property delivers stable yet impressive performance in 2013

Johannesburg, 25 March 2014: The IPD South Africa Annual Property Index, released today, shows that the South African investment property sector delivered a stable 15.3% total return in 2013. The total ungeared return for 2012 was 15.2%. This result comes despite modest economic growth, constrained employment and cresting consumer spend. Income return was steady at 8.2%, while the uplift was provided by capital growth of 6.7% supported by historically low cost of capital and high transactional activity.

The IPD South African Property Index is based on asset level data collected from a sample of 1,354 properties covering R213bn capital value at the end of December 2013. This represents approximately 60%¹ of professionally managed investment property in South Africa.

Property continued to demonstrate its hybrid nature, outperforming 2013 bond returns of -0.4% (All Bond Index) and admirably competing with equity returns of 12.5% (MSCI South Africa Index). Property values were driven higher, in spite of a 95 basis point (10 year Government Bond) bond yield softening over the year, benefiting from solid rental growth of 6.0% and an impressive net income growth of 14.3% on a Rand per square metre basis. Aggressive asset management and increasing focus on administered cost recoveries a boost to gross incomes.

At a sector level, Industrials came to the fore with a total return of 17.1%, marginally outperforming Retail at 16.8%. Offices followed trend by underperforming the other two sectors during the property cycle recovery but still managed a respectable 13.6% total return.

Commercial property vacancies across all three sectors declined over the year, underlining confidence in the recovery trends, although competitive leasing strategies have put pressure on base rental growth rates. At a property segment level, Light Manufacturing/Low Grade Industrial surprised with a stellar 20.9% return. Super Regional Centres once again showed their strength in the face of rising occupation costs with a robust return of 19.4%. Inner city offices continue to trail behind with a 12.7% total return for the year.

Stan Garrun, Executive Director, and Head of South Africa, IPD, said, "All said, this is an impressive performance. Property fundamentals continue to demonstrate the sector's advantages, providing investors with consistently robust and diversified returns. Active asset management and a singular focus on sustainable net income growth have once again shone a light on South African Property."

Frank Berkeley, Managing Executive of Nedbank Corporate Property Finance said, "As financiers to the property industry, we are encouraged with the performance delivered by the investment property sector as it is an indication of the professional nature with which the South African property industry is managed, therefore ensuring positive returns for investors."

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About IPD

IPD provides real estate benchmarking and portfolio analysis services to clients in over 30 countries around the world. These services incorporate more than 1,500 funds containing nearly 70,000 assets, with a total capital value of over USD 1.4 trillion. Each year, IPD produces more than 120 indices helping real estate market transparency and performance comparisons, as well as nearly 600 benchmarks for client portfolios. IPD is a subsidiary of [MSCI Inc.](#), a leading provider of investment decision support tools to investors globally, and clients include real estate investors, managers, consultants, lenders and occupiers.

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¹ IPD market size estimate = R360bn of investment grade commercial property



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