

OCTODEC DELIVERS SOLID PERFORMANCE IN TOUGH ENVIRONMENT

R653 million of development projects to sustain growth and support urban renewal

Monday, 4 May 2015 – JSE listed REIT Octodec today announced a solid performance for the six months to 28 February 2015. The impressive results show strong growth in earnings with rental income increasing following a number of successful property upgrades and a proactive approach to letting.

The total distribution per share increased by 9,3% for the six months to 96,8 cents per share despite tough trading conditions and a slowing economic environment.

These results are also presented as Octodec's first consolidated financial report following the merger which saw Premium Properties ("Premium") and IPS Investments becoming wholly owned subsidiaries effective 1 September 2014.

Jeffrey Wapnick, Managing Director of Octodec, commented: ***"The growth achieved during the period has added to our track record of delivering above average returns. Our success in completing value enhancing upgrades and our proactive approach to letting has enabled us to withstand tough trading conditions and a slowing economic environment."***

"The residential and CBD retail portfolios, which together represent in excess of 40% of the combined GLA, have continued to perform exceptionally well, underpinned by strong demand for well-located quality accommodation and shops specifically in the Tshwane and Johannesburg CBDs."

Four major projects worth approximately R653,3 million were under construction during the period, with R151,8 million spent by 28 February 2015.

The R326,9 million Centre Forum greenfield residential development consisting of 400 units, ground floor retail and parking in the Tshwane CBD, is situated adjacent to the new Tshwane House municipal development and set for completion in late 2016 with a fully let yield of 8,1%.

1 on Mutual, a R140,4 million greenfield mixed-use development situated adjacent to Church Square in the Tshwane CBD will consist of 142 residential units, ground floor retail space and parking. This project is timed for completion in early 2016 with a fully let yield of 7,6%. Additionally, the R56,7 million second phase retail redevelopment at Silver Place in Silverton Tshwane, is expected to be completed soon at a fully let yield of 8%.

The R129,3 million redevelopment of Bosman Place in the Johannesburg CBD is nearing completion and will see 225 residential units being added to the portfolio together with a retail component. The fully let initial yield is expected to be 8,1%.

Jeffrey Wapnick added: ***"Value creation through strategic developments is core to our business and the merger has enabled us to take on much larger scale developments at attractive yields. Many of these large developments also speak to our passion for urban renewal and the upliftment of the CBDs which are our specialist focus areas."***

Octodec acquired a number of smaller properties during the period for a total of R70,6 million and disposed of three properties for a total of R15,9 million. Of these, the most significant acquisition is Reinsurance House, an office block situated in the Johannesburg CBD, for R33,5 million. This building will be converted into 175 residential units at a cost of R68,3 million with a fully let yield expected to be 8,5%.

The period saw an overall reduction in vacancies from 16,7% to 15,3% of total lettable area supported by improved letting in the residential, CBD retail and industrial portfolios.

Anthony Stein, Financial Director of Octodec, said: ***"The merger has positioned Octodec on a stronger footing and also enabled us to access advantageous funding options to drive our growth strategy through further yield-enhancing upgrades, redevelopments and acquisition opportunities across the portfolio."***

Today, Octodec's all-in average weighted interest rate of all borrowings stands at 8,8% per annum with 90,6% of outstanding borrowings now fully hedged.

"We also increased the size of our bond programme from R1 billion to R3 billion in March 2015 and have further unutilised committed banking facilities amounting to R524 million."

"The ratio of loans to value across the investment portfolio was marginally higher at 40,5% and we will look to reduce it to more comfortable levels in the medium term" added Stein.

The internal valuation conducted at the end of the period confirmed a portfolio of R10,9 billion representing an increase in the valuation of R208,5 million or 2%. The increase in the valuations contributed to the net asset value advancing 7,4% to R26,45 per share.

"Looking ahead, our active management of the portfolio and development pipeline will continue to enhance the quality of the portfolio, sustain dividends and support continued value growth in spite of a subdued local economy. We remain on track to grow dividends per share by between 8% and 9% for the full year," concluded Wapnick.

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NOTES TO EDITORS

- Octodec is a Real Estate Investment Trust ("REIT") listed in the "Real Estate Holdings" sector of the JSE Limited ("JSE") and invests in the retail, industrial, office and residential property sectors. Following the merger effective 01 September 2014, Premium Properties and IPS Investments became wholly owned subsidiaries of Octodec with the combined portfolio comprising 320 properties mostly located in the Tshwane and Johannesburg CBDs and valued at approximately R10,9 billion.
- Jeffrey Wapnick, the Managing Director of Octodec Investments since 1998, is responsible for the effective management of the company with a strong emphasis on the upgrades and redevelopment of properties. He holds various other directorships of unlisted companies including IPS Investments Proprietary Limited, Premium Properties Limited and City Property Administration Proprietary Limited where he is the managing director. He is a member of the risk committee of Octodec Investments Limited.
- The Wapnick family has a long history of experience in the property industry and holds a significant stake in Octodec, aligning their interests with those of minority shareholders. Management have played an integral role in the running of the portfolio for over 15 years and therefore has an intimate knowledge of every asset and solid relationships with tenants. The companies along with City Property, as the property and asset manager, are focused on and committed to the continued investment into the Johannesburg and Tshwane city centres because of the higher yield and growth potential.