



MEDIA RELEASE FROM SA REIT ASSOCIATION

09 November 2015

More SA REITs for the JSE ALSI Top 40 Index?

South African Real Estate Investment Trusts (SA REITs) are increasing their representation in the JSE/Actuaries All Share Top 40 Companies (ALSI 40) Index, growing their representation among South Africa's largest listed companies.

Redefine Properties' recent addition as a component of the ALSI 40 sees it join Growthpoint Properties, the only SA REIT in the index until now, with a sustained inclusion since 2009.

"More SA REIT counters could be included in the ALSI 40 in the next few quarters, assuming listed property holds up," says Head of Listed Property Funds at Stanlib Keillen Ndlovu, adding that Resilient as well as Fortress, which recently merged with Capital, are the most likely new REIT inclusions in the Top 40 in the next quarter or two.

The sector is holding up strongly.

"Listed property continues to be the best performing asset class in South Africa. It has delivered strong performance above market expectations," reports Laurence Rapp, Chairman of the SA REIT Association.

Income growth from SA REITs continues to surprise on the upside despite a weak economy. "The income growth outlook for SA REITs is expected at 8% to 10% over the next 12 months," says Ndlovu.

He adds: "Listed property remains the best asset class for growing income streams. In contrast to equities, it delivers predictable income and less volatile earnings growth, even in an economic downturn."

Ndlovu notes listed property is not looking cheap at these levels. However, he adds: "Although the market has been saying the listed property sector is expensive for the last year or two, the sector continues to change and evolve, and has achieved an increased level of offshore or non-SA exposure."

Offshore property assets now make up about 30% of the SA listed property index, according to Ndlovu.

"The offshore expansion trend seems to be accelerating this year, after being a theme in the listed property sector over the last couple of years," he says. "It responds to limited opportunities locally,



concerns around slowing growth in the South African economy and threats of a credit downgrade for the country.”

This means the SA REIT sector now has more currency diversification, exposure in markets less correlated to South Africa and in markets that offer cheaper funding versus acquisition yields. It also has stakes in markets that are less correlated to the bond market, like the South African market.

Ndlovu says that with more SA REITs in the ALSI 40, the attractiveness and visibility of the listed property sector will continue to increase. This is also likely to attract more index tracker investors to the SA REIT sector, locally and internationally.

“It’s a sector that cannot be ignored anymore,” stresses Ndlovu. “We are seeing more players, asset managers and boutique funds looking at listed property.”

In 2002 there were only four unit trusts that offered listed property products. Now there’s over 30 funds available for people to invest in, with products offered by the likes of STANLIB, Investec, Coronation, ABSA, Nedbank, and many other leading names.

Rapp notes: “The growing presence of SA REITs among SA’s largest companies and the sector’s positive performance track record are reasons that any serious investor should regard meaningful exposure to listed property, as an asset class, as essential. REITs have a key role to play in providing affordable access to property ownership and to the savings of South Africans.”

South Africa’s listed property sector has a significant influence on our economy and society. There are 33 SA REITs and three non-SA REITs currently listed on the JSE. The SA REIT Association represents South Africa’s listed REIT sector. SA REIT members comprise all listed SA REITs and represent a market capitalisation of more than R330 billion. The market capitalisation of the total JSE REIT sector is R455 billion.

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