



MEDIA RELEASE FROM THE SA REIT ASSOCIATION

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Proactive SA REIT sector publishes best practice recommendations for financial reporting

The SA REIT (Real Estate Investment Trust) sector has published Best Practice Recommendations that will make financial reporting of South African REITs clearer and more comparable.

The country's listed property sector has an impressive track record of driving best practice for investors. The SA REIT Association led the charge to introduce internationally recognised REIT legislation to South Africa, working with National Treasury, SARS, the JSE and others. Introduced in 2013, SA REIT legislation placed the listed property sector on par with similar investments around the globe. This ensured that the vehicle for the monetising and listing of property assets in South Africa is consistent with REIT structures internationally, making the sector more attractive for international investors.

Now, making it even easier for analysis and comparison of different SA REIT counters, the SA REIT Association has published the first edition of the SA REIT Best Practice Recommendations (BPR).

Laurence Rapp, Chairman of the SA REIT Association, says: "The best practice recommendations for SA REITs will enhance the financial reporting of the sector, resulting in greater transparency, consistency and comparability. This plays an important role in attracting global flows of capital into the South African listed property sector."

Rapp notes the first edition of the BPR reflects the considerable efforts of Laurence Cohen, Chairman of the SA REIT Accounting and JSE Committee, with the assistance of Gawie Kolbe, Director of Financial Services and Partner at KPMG, and Heather De Jongh, Technical Partner at KPMG. It has also been compiled with input from SA REIT members and discussions on reporting and accounting with key sector players, including the JSE and SAICA.

Commenting on the BPR's publication, Cohen says, "The adoption of REIT legislation has been positive for the SA listed property sector. Publishing the first edition of the SA REIT BPR continues our commitment to providing a listed property structure that is uniform and well



understood, both locally and internationally. It will assist in providing the market with clear, comparable and relevant financial reporting by SA REITs.”

Cohen explains that while SA REITs are companies, they have particular nuances and ways of reporting that are unique to the sector. For example, while most companies measure performance by growth

in headline earnings, the performance of a REIT is largely measured by growth in distribution per share. Due to the impact of reporting in terms of IFRS (International Financial Reporting Standards), headline earnings are frequently quite different from distributable earnings.

“The BPR is a vital a tool to guide REITs to achieve best practice disclosure and reporting standards. It is also an important resource for the sector’s stakeholders – investors, analysts, financiers, media and others – to understand the sector overall, as well as the reporting of individual constituent counters,” says Cohen.

In publishing its BPR, the SA REIT Association is taking the lead from other REIT jurisdictions internationally that have published similar documents in the past, such as in Europe and Australia.

The focus for the first local edition was to address inconsistencies in reporting in the South African context. “There have always been inconsistencies across reporting in the sector,” says Cohen. “With our first BPR, we’ve tried to address the major bugbears of many investors into SA REITs, to improve comparability and consistency of reporting.”

With this year representing first time compliance with the BPR, Cohen notes that some SA REITs may have to change the way they report in some areas. Notable changes to look out for are the reporting of cost-to-income ratios and the determination of revenue.

The BPR has been circulated to all SA REIT members and is now available from www.sareit.com.

To encourage the adoption of the BPR across all counters in the South African REIT community, the SA REIT Association will review the annual reporting of its members. Assessment of compliance with the BPR may also be undertaken by a leading accounting firm.



The SA REIT Association represents South Africa's listed REIT sector and its members comprise all listed SA REITs and represent more than R300 billion worth of real estate assets. Cohen believes that with the first edition of the SA REIT BPR as a foundation, future editions will continue to ensure that best standards of reporting for the sector are refined and updated over time, taking into account best practices both locally and internationally.

Also driving the sector forward with excellence, the SA REIT Association will present a one-day executive SA REIT Conference, sponsored by Nedbank Corporate and Investment Banking (NCIB) on 17 March 2016 at The Maslow in Sandton Central. More information is available at www.sareit.com/conference.php.

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