



MEDIA RELEASE FROM THE SA REIT ASSOCIATION

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***SA REITs are making their mark on the global real estate stage,
but are they true global property players?***

In the last decade, SA REITs have proven their ability to operate successfully on the international stage and play in almost any market in the world. But does this make them truly global real estate players?

Not quite yet. However, with more international investment expected from SA REITs in the immediate future, the day that they can stand among the elite number of global REITs may not be too far off.

The SA listed property sector has been on a globalisation charge in recent years. It now has exposure in over 25 countries, and nearly 45% of the FTSE/JSE SAPY Index earnings come from outside SA.

“While SA REITs have dramatically increased their offshore investment, none can yet claim global exposure in the traditional sense of being invested in all the major global markets in the world. They are still some way off being global companies,” points out Estienne de Klerk, CEO of Growthpoint Properties SA, the country’s largest primary JSE-listed REIT.

“That said, some REITs have built very representative businesses in specific markets. NEPI Rockcastle is the largest real estate firm in Central and Eastern Europe (CEE) and Growthpoint Properties Australia is now the 11th largest REIT on the ASX. The continued growth of these kinds of platforms will make the SA market even more relevant on a global scale,” points out de Klerk.

He adds that SA’s strong asset management and institutional investment market is another aspect that makes it attractive to foreign real estate businesses, and it has lured several inward listings of mainly European firms. Also, SA REITs are market anchors in Africa as an investment destination.

Len van Niekerk, Senior Property Analyst, Global Markets: Equities at Nedbank CIB agrees that SA REITs are not yet global players in the traditional sense. However, he notes the most prominent ones on the global stage are probably NEPI Rockcastle with its EUR5bn CEE portfolio and Growthpoint, to some extent, being SA’s largest REIT company. Growthpoint is ranked 54th with a weight of 0.6% in the Bloomberg World REIT Index. In this index, SA listed property companies account for a total of 1.1% of the index compared with the likes of Unibail-Rodamco, with a weight of 1.76%.



Nedbank CIB is the sponsor of the upcoming SA REIT Conference 2018, which will be hosted by the SA REIT Association in Sandton Central later this week. The gathering will delve into the sector's global participation and influence, as well as other compelling conversations and trending topics. Jaap L. Tonckens, CFO of Unibail-Rodamco, will present a keynote session exploring REITs in Europe. He will take part in a fireside chat, moderated by Estienne de Klerk, CEO of Growthpoint Properties SA, and including Spiro Noussis, CEO of NEPI Rockcastle PLC; Laurence Rapp, CEO of Vukile Property Fund; and Jamie Boyes, Director and Portfolio Manager at Catalyst Fund Managers.

Van Niekerk explains that for REITs, investing outside SA is more than a matter of acquiring properties. Companies have to build sustainable local business platforms in these new countries. Among those REITs that have ventured offshore, there hasn't been a single method of doing this. However, it is most often achieved through a local partnership and development boots on the ground.

"SA real estate investors have made their presence the most felt in CEE but are largely irrelevant in the developed markets of Europe, UK, and North America and Asia," says van Niekerk. "Realistically SA companies cannot compete when it comes to asset size in international markets, but many can compete toe-to-toe when it comes to development and asset management skills. Being entrepreneurial and creating great returns are things that SA REITs are far more interested in than simply the size of assets under management."

Van Niekerk expects most new capital, debt and equity, raised by SA REITs to continue to be invested outside SA for the foreseeable future. "International markets offer attractive initial yield spreads, which is the gap between the yield on the investment and cost of debt. The offshore investment destinations also have higher GDP growth rates than SA; notably CEE, which has attracted the most from SA REITs and has a forecast GDP growth rate of 3% to 3.5% per year over the next three years compared with 1.6% for SA."

NEPI Rockcastle recently reported nominal sales growth at their shopping centres of 8%. Van Niekerk notes this is a strong result given the near-zero inflation rate in the region.

The SA economic environment is also contributing to REITs investing offshore. While current business confidence in SA could be described as cautiously optimistic, many investment decisions are still in the wings awaiting the removal of policy uncertainty and implementation of structural changes. The general state of oversupply of real estate relative to tenant demand and the weak economy means that conditions in the local real estate sector will remain tough for the foreseeable future.



“Other than economic and political reasons for investing outside SA, international investment is a natural evolution and diversification of a growing sector looking for new markets and investment opportunities,” says van Niekerk.

While SA REITs cannot yet be considered true global players, Director and Portfolio Manager at Catalyst Fund Managers Jamie Boyes stresses that the quality of the businesses – the management, balance sheet, and assets – of several SA REITs are certainly comparable to many global developed market REITs.

“The market has changed quite a lot over the last five to 10 years. I expect SA REITs to continue to garner interest from non-SA investors who are still looking for opportunities outside of their traditional basket of investments,” says Boyes. He adds: “As other emerging markets become more established mature businesses, investment interest into emerging market REITs is likely to grow. This would probably help the SA REITs that are looking for a more global investor base.”

The SA REIT Conference takes place on Thursday, 15 March 2018 at Sandton Convention Centre. Seats are limited and are filling up fast for the gathering, which has already outsold previous such conferences. To register your attendance for the conference, visit the SA REIT website – www.sareit.com.

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All media wanting an invitation to attend the SA REIT Conference or to arrange interviews should please contact Anne Lovell: anne@marketingconcepts.co.za or +27 11 783 2201.

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