



NEWS RELEASE FROM SA REIT (SOUTH AFRICAN REAL ESTATE INVESTMENT TRUST) ASSOCIATION

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Confident outlook for SA REIT performance in 2019

The SA REIT sector is set to deliver double-digit total returns to investors next year.

Catalyst Fund Managers expects performance from REITs in 2019 to be marked by positive total returns from the REIT sector, largely driven by its current forward income yield and capital returns based on growth in income.

“We expect the REIT sector to deliver total returns in line with the historical annualised 10-year total return of 14%,” reports Mvula Seroto of Catalyst, based on performance from 1 November 2008 to 31 August 2018.

Howard Penny of Capricorn Fund Managers SA holds a similar outlook and believes 2019 will be a better year for SA REIT returns overall.

“In a steady valuation environment in South Africa, SA REIT returns could be in double-digit territory supported by sector distribution yields of approximately 9%, despite lower distribution growth of around 4 to 5%,” says Penny.

Anchor Stockbrokers is of the view that the sector will also continue to perform at attractive levels in future. “We expect listed property to deliver a total return, made up of share price movement plus distributions, of roughly 13% to 14% per year over the long term. Unless South Africa’s economic and political outlook improves substantially in 2019, we expect the total return in 2019 to be marginally lower than the long-term forecast,” notes Wynand Smit, real estate analyst at Anchor Stockbrokers.

Investors and analysts can know with reasonable certainty what to expect from an investment in the REIT sector in 2019 because SA REITs have relatively predictable earnings.

“SA REITs are exposed to the best commercial properties in South Africa and, in some instances, offshore. Their property income is underpinned by lease agreements with tenants in these property assets. Rentals are contracted and most escalate at a predetermined rate annually -- around 6.5% to 8% in the current domestic market,” explains Andrea Taverna-Turisan, SA REIT Marketing Committee Chairman.



Besides positive performance prospects for 2019, factors that market commentators believe will make SA REITs appealing investments in the year ahead include improved corporate governance in the sector, its historically high yields and the good value to be found in the share prices of many REITs.

Penny notes, "Despite a rather treacherous rising global interest rate environment, historically high yields remain the greatest supportive force for the sector in 2019 and over the medium term."

Smit adds: "Most SA REITs de-rated during 2018, and if growth expectations start to improve during 2019, the valuations of SA REITs are compelling."

SA REITs provide liquid, lower-risk property investment. They are actively managed by companies with robust governance oversight and performance-driven management teams.

A useful diversification tool in an investment portfolio, SA REITs have equity and bond characteristics, offering investors the best of both worlds; a reoccurring cash distribution yield like a bond as well as growth in income like equity.

The SA REIT Association represents South Africa's R330 billion listed REIT sector. Its members comprise all the country's listed REITs, which play an essential role in the economy and the lives of South Africans.

Since its inception in 2013, when REIT legislation was introduced in South Africa, one of SA REIT's goals has been driving transparent, clear and comparable financial reporting for the sector. The SA REIT Best Practice Recommendations (BPR) was first published in 2016. The association is currently updating the document in a move that builds on the sector's track record of driving best practice for investors. It expects to share its progress with the market early in 2019.

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Released on behalf of:

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