

MEDIA RELEASE FROM VUKILE PROPERTY FUND

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Vukile builds and strengthens its multi-billion Rand retail property portfolio

Vukile Property Fund has more than doubled the value of its directly held South African real estate assets over the past three years from R6.1 billion to R15.2 billion currently, with retail properties accounting for over R10.5 billion or 70% of its portfolio.

This underlines its strong growth trajectory, but also one of its key stated strategies of rebalancing its portfolio in favour of retail property. Three years ago Vukile's shopping centres made up 54% of its portfolio.

Contributing significantly to these numbers, Vukile gained full management and financial control of Synergy Income Fund earlier this year. Synergy's specialised portfolio included 15 retail properties valued at approximately R2.4 billion. The shopping centres, like most of Vukile's portfolio, are focused in the lower-income market. Vukile also holds a 34% stake in retail-focused Fairvest.

In its most recent deals, Vukile increased its retail exposure by acquiring Nonesi Mall in Queenstown, and Moruleng Mall and Batho Plaza in Soshanguve for R830 million. It has also acquired a R350 million 33.3% stake in Thavhani Mall at Thavhani City in Thohoyandou and a R250 million 25% stake in Springs Mall at Blue Crane Eco Park, both of which are new regional shopping centres under construction in developments being led by Flanagan & Gerard Property Development and Investment. In addition, Vukile's R335 million acquisition of Bedworth Centre in Vereeniging is expected to transfer later this month.

Laurence Rapp, CEO of Vukile Property Fund, comments: "We are still confident retail property will outperform other commercial property subsectors over the long term, even though times are tough for the South African consumer right now. We especially see value in those shopping centres that serve lower-income consumer markets."

Vukile's growth objectives also include improving the quality of its properties, and it has had dramatic success.

"The buildings in our portfolio now have higher average values, carry lower risk and many include future growth potential with development, expansion and upgrade opportunities," confirms Rapp. He adds Vukile has an active development programme to unlock these opportunities.

The largest of these projects is underway at East Rand Mall in Ekurhuleni. Vukile co-owns East Rand Mall with Redefine Properties. In joint venture, they are refurbishing and extending this popular regional mall, which forms the core of a powerful retail node. Vukile is investing R220 million in the project that will add 6,310m² of gross lettable area, taking East Rand Mall to 69,299m². It is expected to be complete in October 2016.

Rapp reports: "The extension will be anchored by Mr Price Emporium, and about 20 new local and international brands will be added to the tenant mix. Plus, we are also creating new levels of energy-efficiency and supporting uninterrupted trade by installing generators and PV panels to provide full back-up power to the centre."

Vukile acquired The Workshop Shopping Centre in Durban in April 2012 and is currently providing a R75 million capital injection for the centre's first ever upgrade. It was built in 1986. The 20,138m² centre attracts more than a million visitors each month and Vukile's investment will protect this unique centre's strong market position. The project is scheduled for completion in November this year and includes an upgrade of The Workshop's food court which adds KFC and McDonalds to an already varied line-up of menus including Nandos, Chicken Licken, Debonairs, Pie City and Orientals Restaurant.

Rapp explains the centre is positioned at the heart of the city's future vision. "The Workshop has always enjoyed an excellent location that is convenient to many shoppers. Soon it will benefit even more as the city of Durban rolls out its renewal plans for the node and adds new transport connections."

The eThekweni Municipality has earmarked the area around The Workshop in the Durban CBD for future community related developments, including a new city library. In addition, the planned extensions to Durban's landmark International Convention Centre (ICC) are alongside The Workshop's parking basement. With Durban having just secured hosting rights of the 2022 Commonwealth Games and the ICC set to be one of the key venues, The Workshop's strategic location next to this key events and business tourism facility is sure to provide a further boost to The Workshop. Furthermore, the Go Durban Integrated Rapid Public Transport Network is designed to revolutionise the current transport system in Durban. A terminal station is planned close to The Workshop, which will complement existing taxi and bus services in the area.

In Germiston, Vukile is refurbishing and extending Meadowdale Mall in joint venture with Moolman Group. The project will add 9,500m² of gross lettable area, bringing the centre to 45,000m². After completion in October 2015, Vukile will own 67% of this asset and the Moolman Group 33%. Vukile's is investing R111 million in the development at an initial yield of 9.1%.

Checkers Hyper anchors Meadowdale Mall with a new 10-year lease agreement and a full new offering. Additional anchors Meat World and Apple Tree Fresh Food Market will be incorporated in the extension. At the same time, the existing centre is also being refurbished.

Vukile knows first-hand the benefits of investing in its assets with upgrades, extensions and redevelopments. Its R40 million three-year phased upgrade and extension of Hillfox Power Centre, completed in 2014, has resulted in significant improvements to the centre's retail mix, occupancy levels and demand from retailers.

First, in 2011, it added new premises for Cashbuild to facilitate extending Food Lover's Market. Then, over the past three years, it improved the centre's visibility and created better signage opportunities for tenants. It also refreshed the building's façade and upgraded its shop fronts, paving, tiling and ablution facilities.

Rapp reports the results of this project have been highly rewarding. "Hillfox Power Centre vacancies are now a low 4% compared with their peak at 20% two years ago. Our upgrade of the centre has substantially benefited its performance and market position, both now and for the future."



He adds that Vukile continually evaluates its assets to enhance its portfolio through redevelopments, expansions and upgrades and will continue to seek opportunities for acquisitive growth with strategic, portfolio-enhancing assets with a focus on shopping centres.

"Vukile has created a strong defensive base from which we can deliver sustainable positive performance, even in tough times," says Rapp.

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