dipula INCOME FUND

Sustainable Property Returns

PULSE

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ECONOMIC AND STRUCTURAL HEADWINDS EXPECTED IN 2015 WHILE LISTED PROPERTY CONTINUES TO OUTSHINE

Izak Petersen, CEO

Slow economic growth and high operating cost inflation - especially rates and taxes, and electricity - require delicate navigation by management teams in 2015.

With the continued weak state of service delivery by municipalities, property owners and tenants alike have to dig deeper into their pockets to fill the basic services gap. Money paid to municipalities for this purpose appears to be disappearing into a black hole with generally scant, if any, services delivered.

It is not sustainable to expect commercial, and certain residential, property owners to subsidise a dysfunctional system. Something has to give – and soon. Improvement needs to be made in this area.

On the positive side, the recent announcement by the South African Reserve Bank that interest rates remain unchanged will provide some much needed relief in the short term.
Listed property once again outperformed other sectors for the quarter ended 31 March 2015. The SAPY's total returns for the quarter was an impressive 13.7%, with equities returning 5.8%, bonds 3% and cash 1.5%.

DIB's had an impressive run, accelerating by 29% to become the fourth best performer in the sector and among the top 20 of all stocks on the JSE.

Dipula remains committed to our goal of acquiring portfolio enhancing assets, while growing income. We expect to grow our portfolio by at least R1 billion for the calendar year. We will never pursue portfolio growth at all costs, so each of the assets or portfolios we acquire must pass our criteria of being fundamentally sound and strengthen our overall portfolio.

DIPULA INTERNALISES PART OF ITS PROPERTY MANAGEMENT

From 1 April, Dipula internalised a significant portion of its property management. This strategic move will help achieve greater alignment between Dipula and its property managers.

The Dipula Property Management team comprises 35 people and will operate from 295 Kent Avenue, in Randburg.

Leon Louw will lead the team as General Manager. Leon has extensive property management experience, with a wealth of specialised retail property knowledge. He holds a BCom (Law) degree from the University of Johannesburg and a Shopping Centre Diploma through the University of Pretoria.

He joins Dipula from JHI where he rose to become a retail portfolio executive, responsible for a R5 billion portfolio. Of this, 17 retail buildings belonged to Dipula. This means he has a running start in his new position at Dipula, already being familiar with its strategy, culture and assets.

The Dipula Property Management team will be responsible for the management of 138 of Dipula's properties, spanning some 416,000m2 gross lettable area.

Leon Louw, General Manager
Dipula Property Management team

STRONG MARKET SUPPORT IN OVERSUBSCRIBED DIPULA CAPITAL RAISING

Dipula recently concluded a significantly oversubscribed accelerated book build of R400 million, which was increased from R300 million amid strong demand.

"We're extremely pleased with the support and vote of confidence received from our shareholders," comments Izak Petersen, CEO of Dipula.

With the capital raised, Dipula will pay for recent acquisitions. The new properties are in line with Dipula's strategy of acquiring portfolio enhancing assets.

DIPULA SEALS TWO DEALS AND GROWS

Boosting its property portfolio with R336 million of acquisitive growth, Dipula has acquired UMzimkhulu Shopping Centre in KwaZulu-Natal as well as Corporate Industrial Park in Limpopo.

Izak Petersen, CEO of Dipula Income Fund, comments: "These acquisitions meet Dipula's strategy of acquiring portfolio enhancing assets in our chosen markets."

Corporate Industrial Park in Polokwane was acquired for R143 million. It consists of 28,000m2 of modern industrial units mainly occupied by blue-chip tenants. This park is fully-let and has additional bulk for expansion.

It also secured the 15,740m² UMzimkhulu Shopping Centre on KwaZulu-Natal's South Coast for R193 million. This dominant centre, with additional bulk for future development, is largely occupied by national tenants, which comprise 87% of the centre's total gross lettable area.

Both transactions are subject to certain conditions precedent, including Competition Authorities approval.

Dipula's R5.7 billion diversified property portfolio now comprises more than 170 retail, industrial and office properties countrywide.

RENAISSANCE INDUSTRIAL PARK, ORMONDE, GAUTENG

Construction for this R50 million project began on 30 March, and is expected to be completed in November 2015. This 11,171m2 industrial property is 60% pre-let.

The property consists of modern light industrial warehouses with wide turning circles for maximum circulation. It will be significantly solar powered.