

JSE Power Hour

Local and Offshore Listed Property

Keillen Ndlovu
Head of Listed Property

11 October 2018



STANLIB

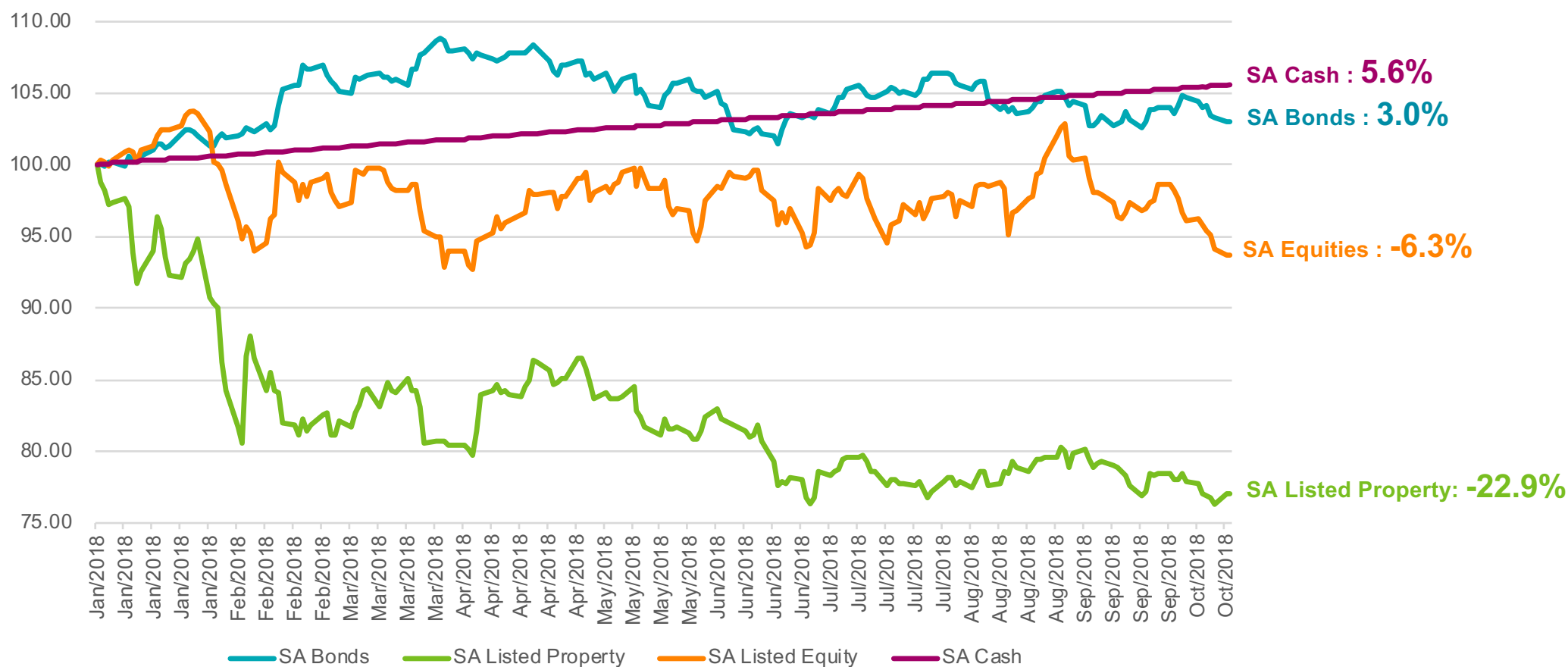
Local Listed Property

STANLIB

A red diagonal line connects the text 'Local Listed Property' in the upper left to the text 'STANLIB' in the lower right.

Year-to-date South African asset class performance

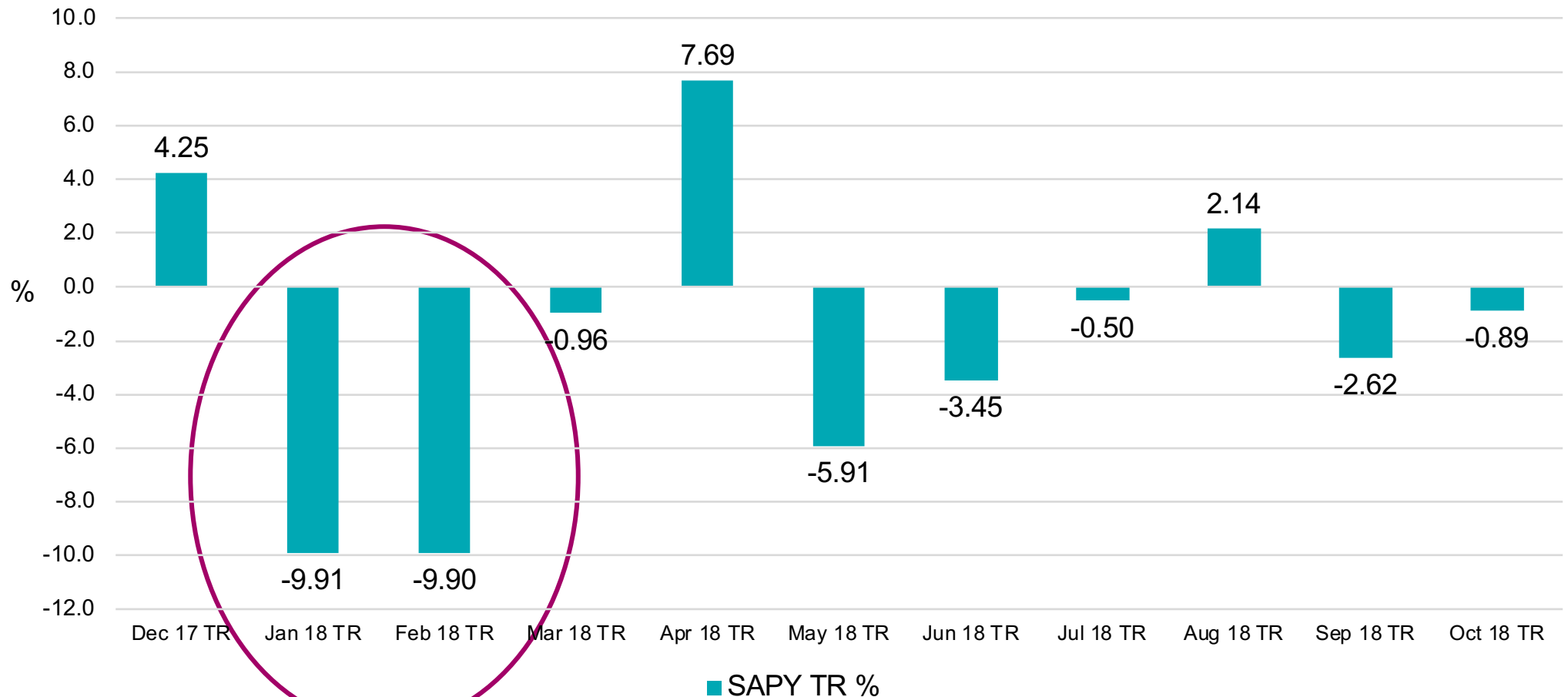
Listed property is the worst performer



Source: STANLIB Research 9 October 2018

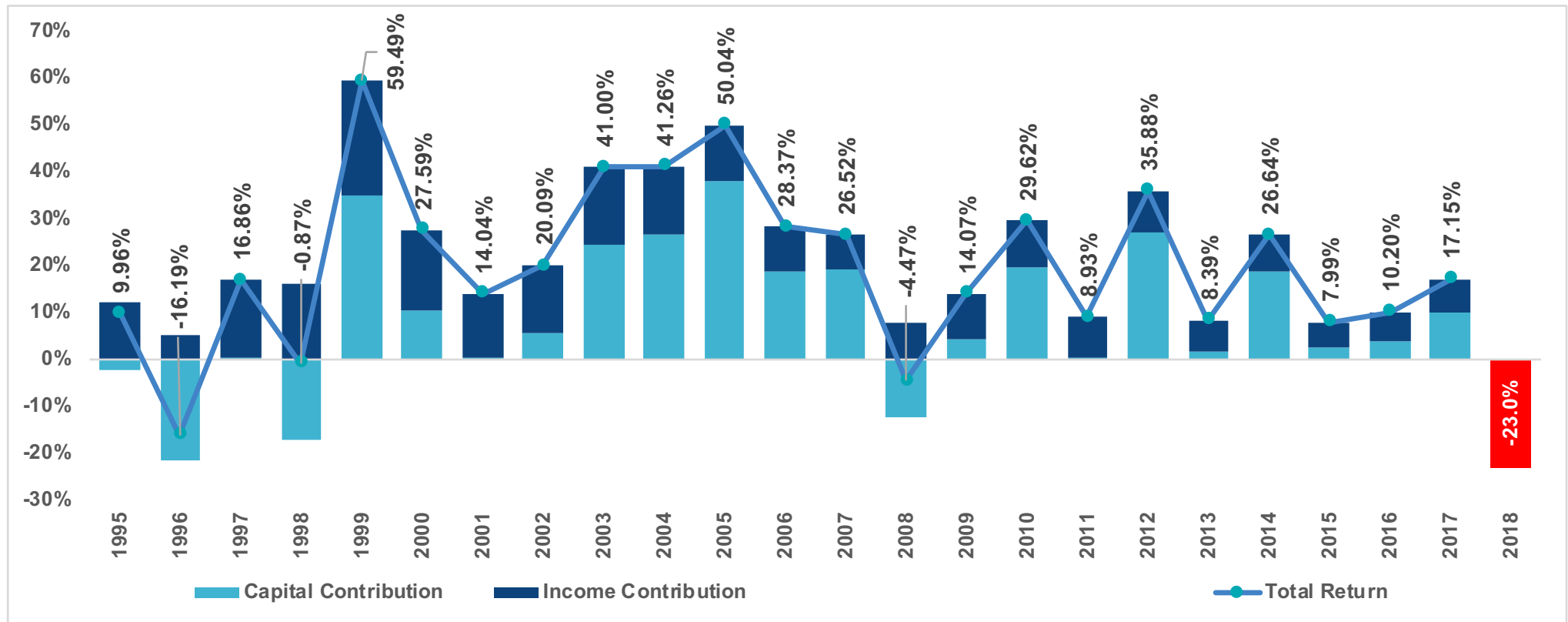
SA Listed Property monthly returns so far in 2018

January and February have been the toughest months



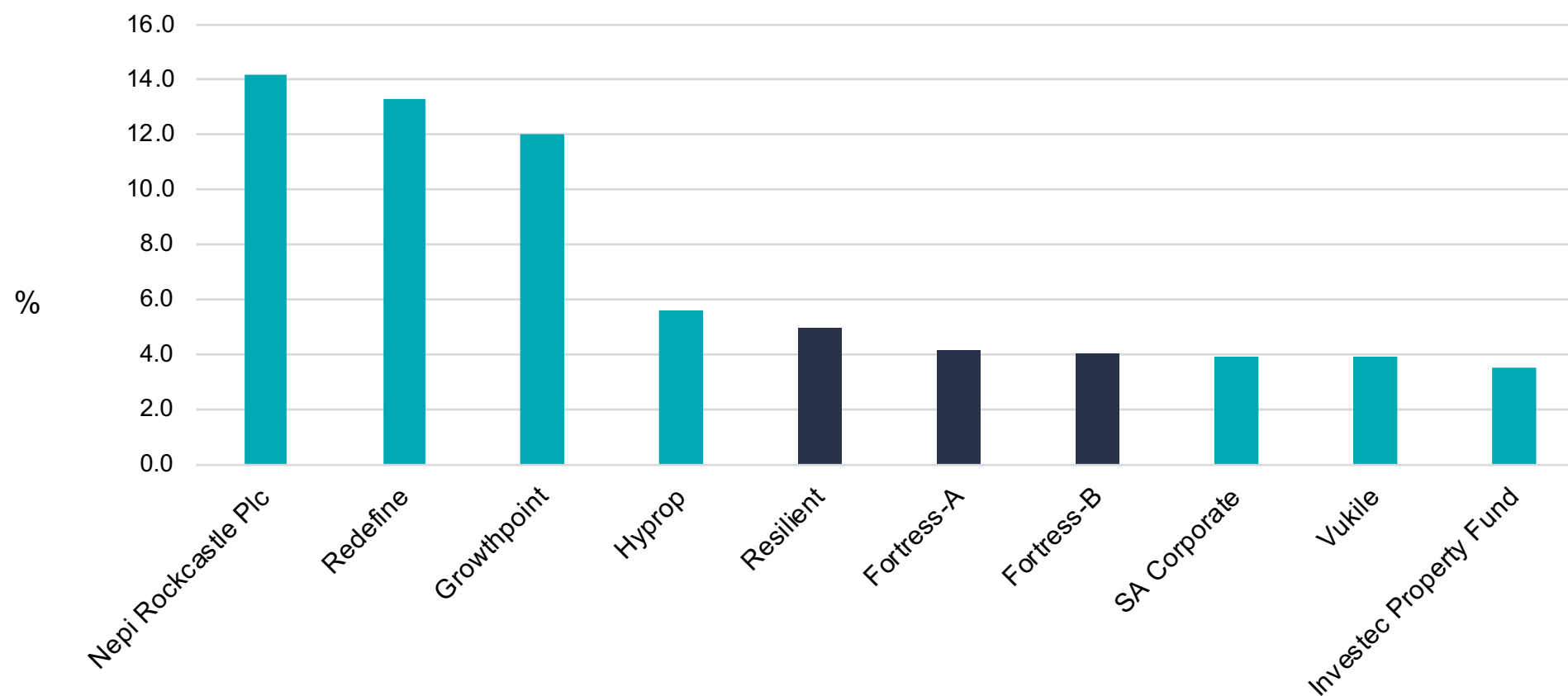
SA Listed Property total returns since 1995

2018 the worst year so far in modern history



Source: Anchor Stockbrokers, STANLIB Research October 2018

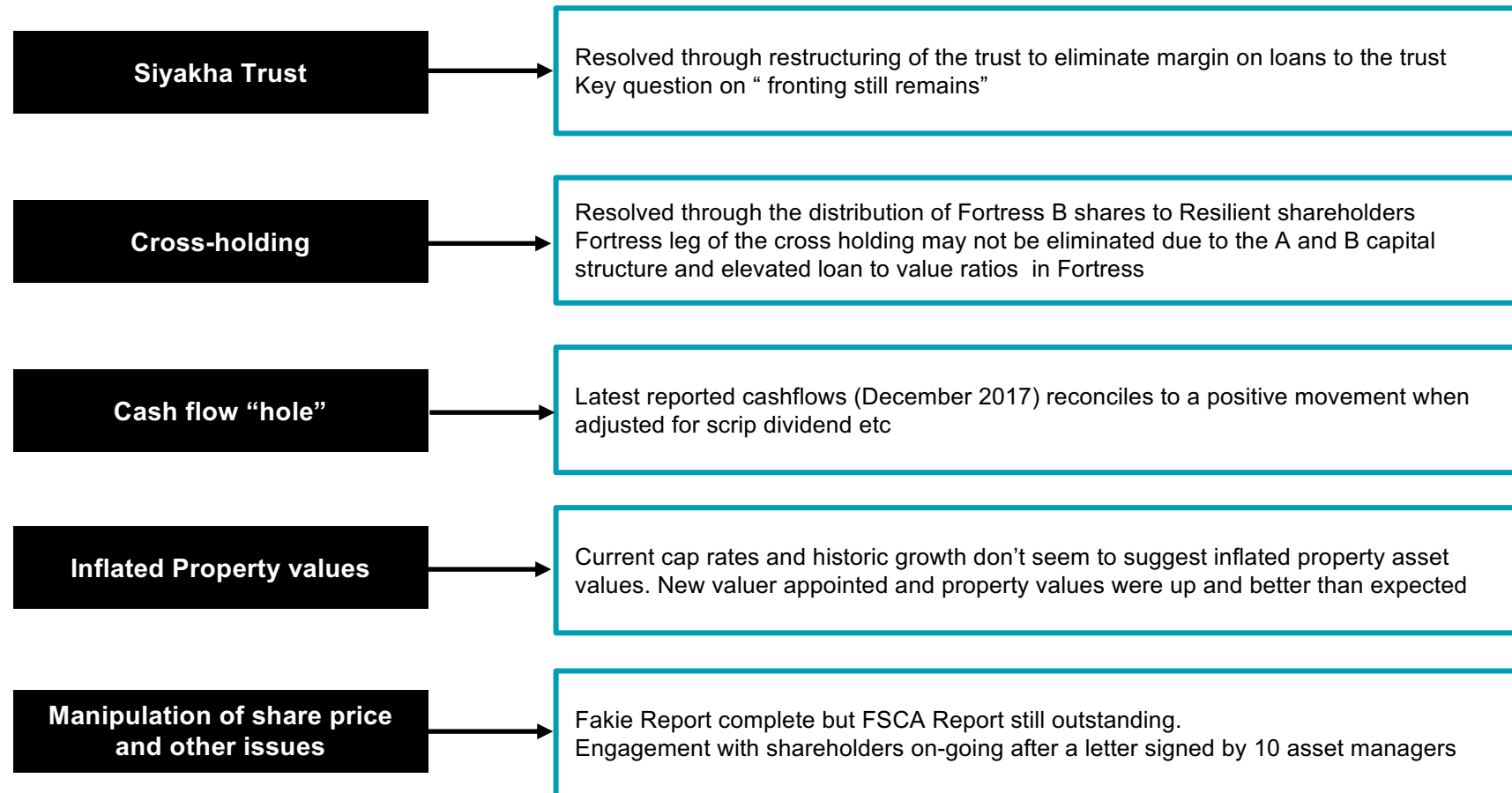
STANLIB Property Income Fund Top 10 holdings



Source: STANLIB Data as at 30 September 2018

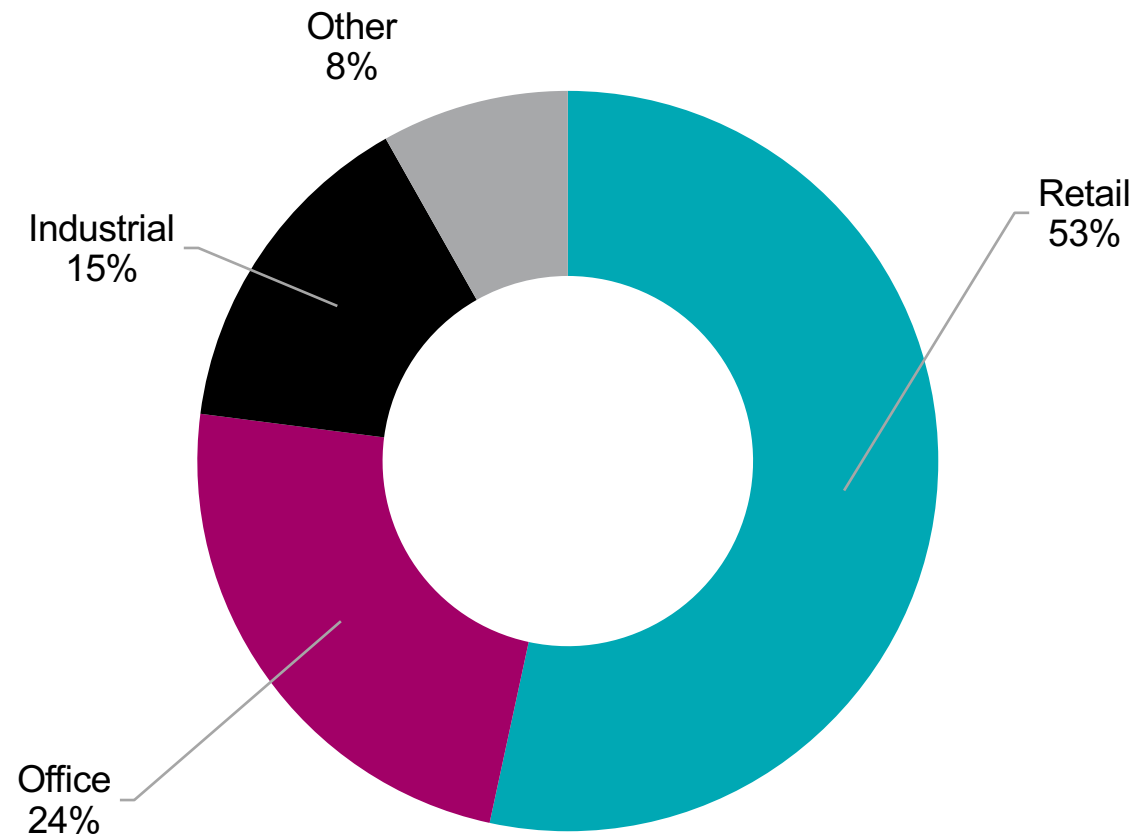
The “Resilient Group” or the “Resilient Stable”

Key concerns and resolutions



South African Listed Property exposure by sector

Retail is the biggest



Offices - Lots of “To Let” signs in Johannesburg

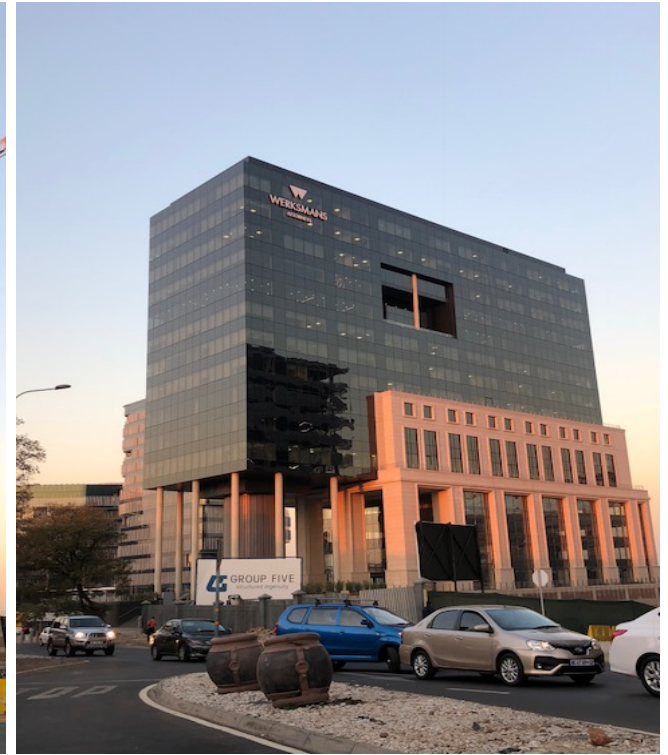
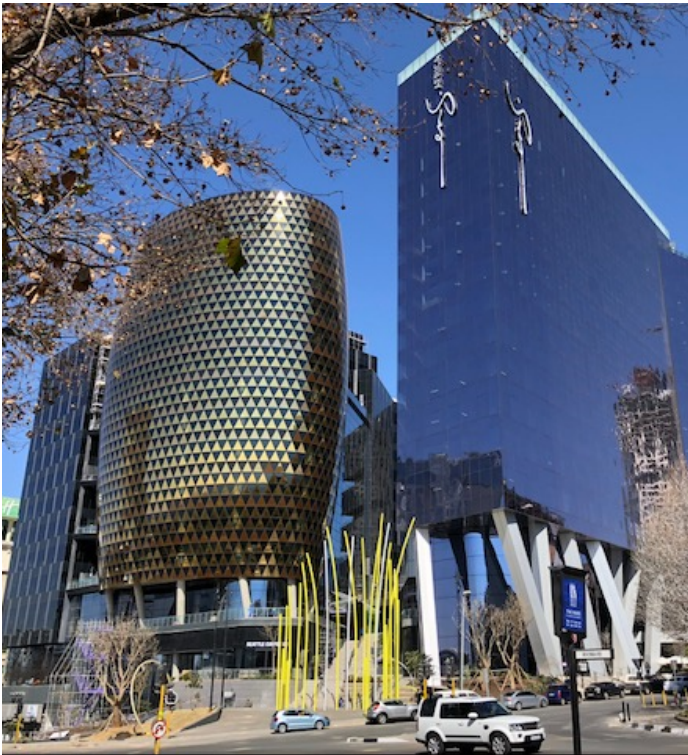
Rosebank - Redefine Properties



Johannesburg CBD - Octodec



Even new office buildings in Sandton, Johannesburg have lots of vacancies



Source: STANLIB Research August 2018

Industrial - Tenants moving from older to new buildings

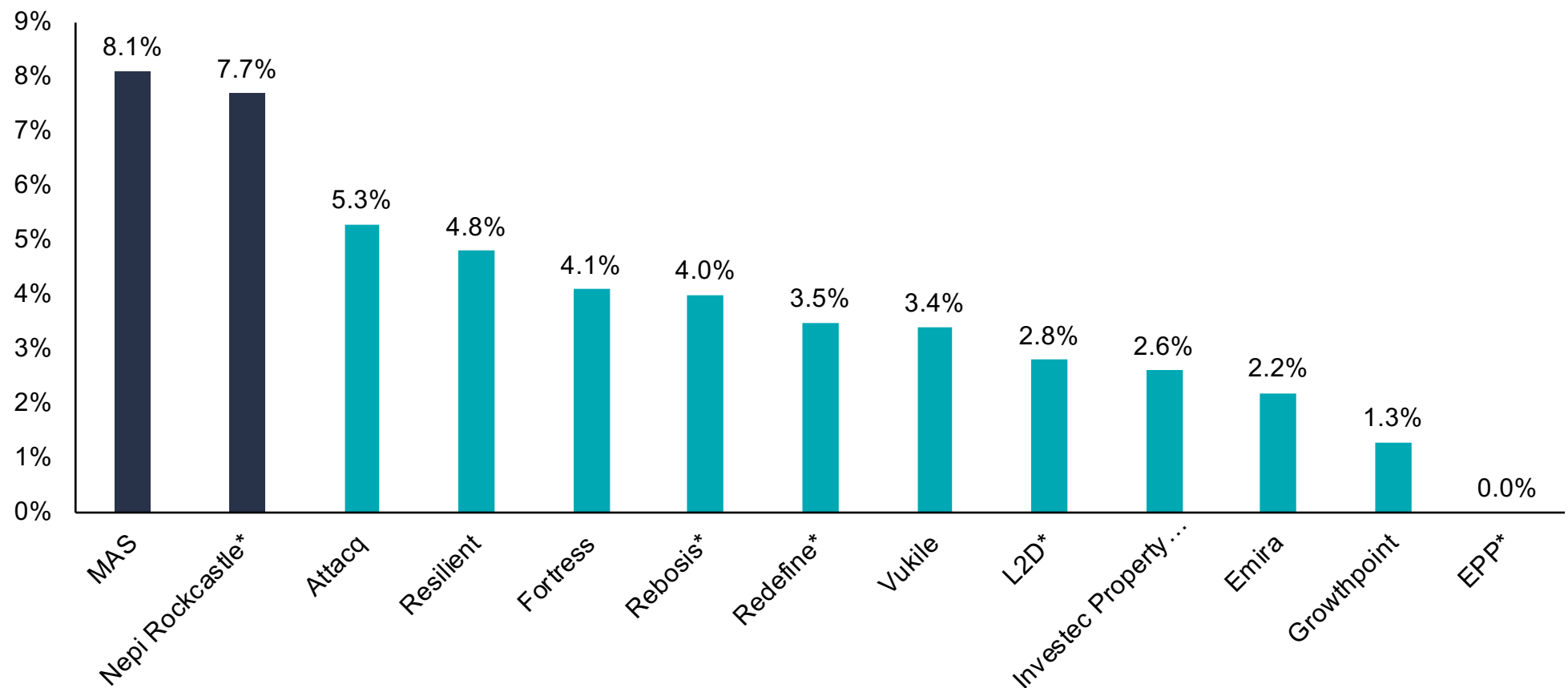
333,000m² development, Durban



Midrand, Johannesburg



Latest retail sales and trading density growth numbers



Source: STANLIB Research, September 2018

New malls coming up despite a weak environment

Cornubia Mall, Durban



~100,000m² Fourways Mall extension, Joburg



2017 experienced store closures and more to come




STUTTAFORDS

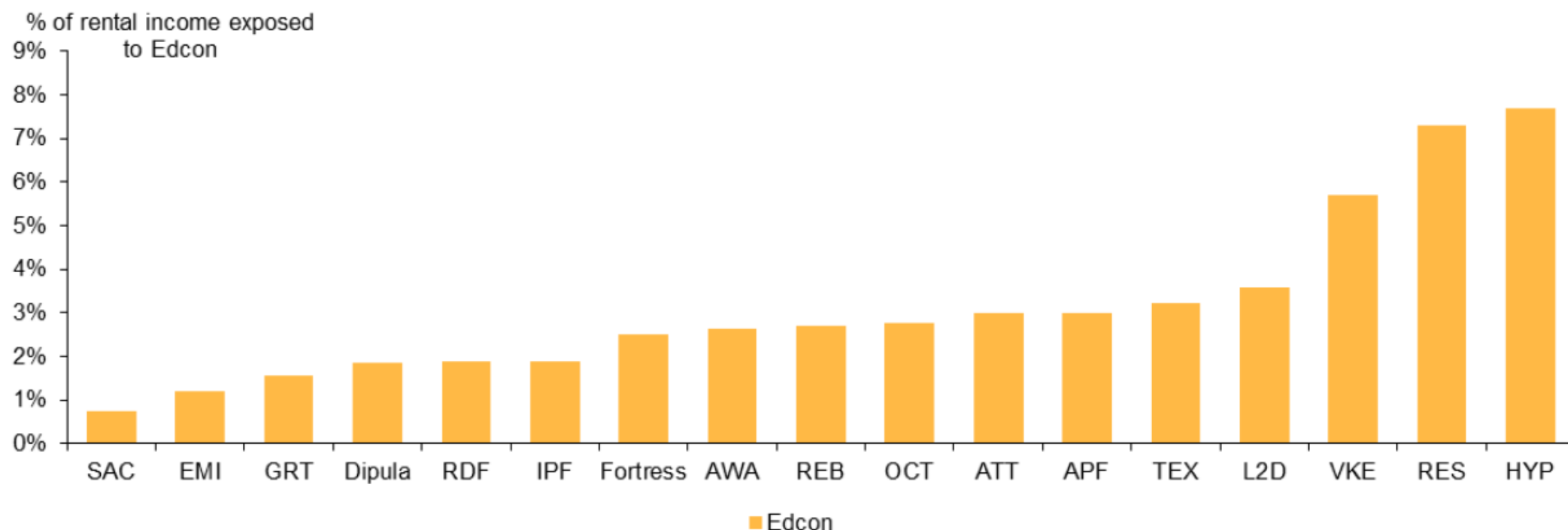
NINE WEST

MANGO

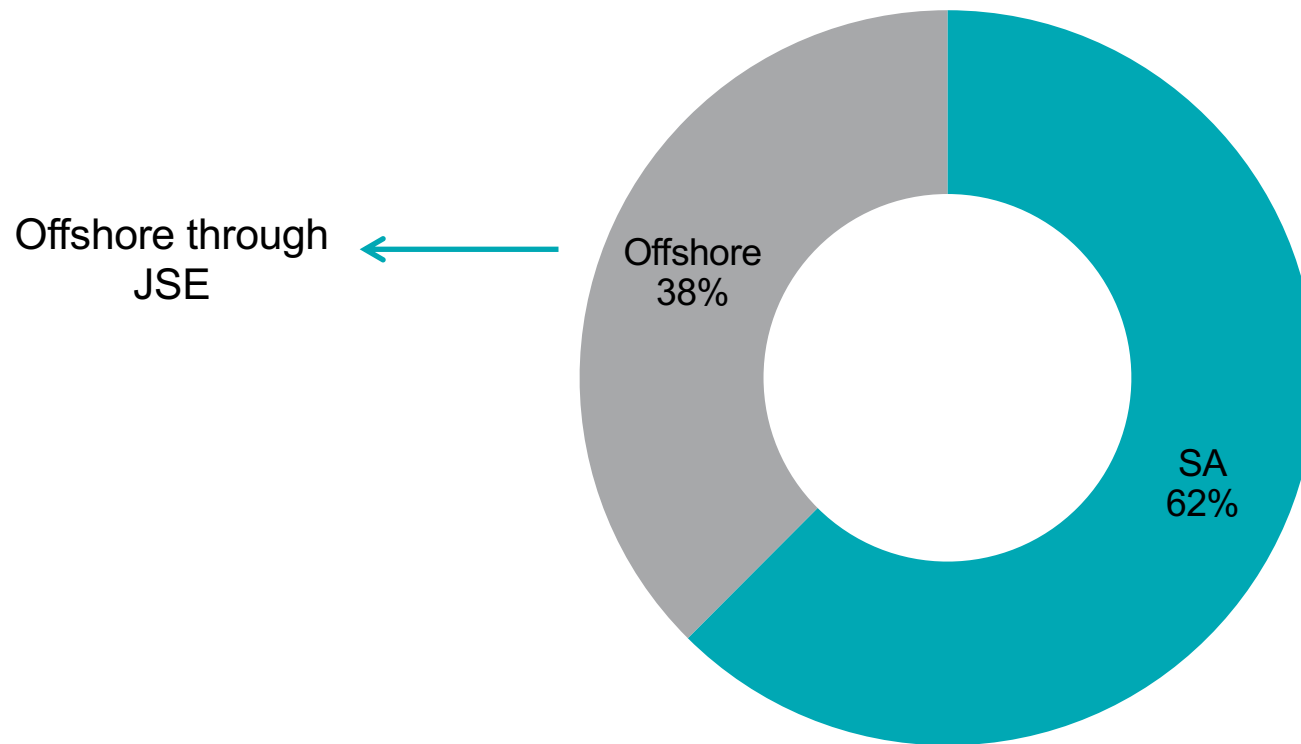
 Edgars

South African listed property exposure to Edcon

% of total rental income in local portfolios

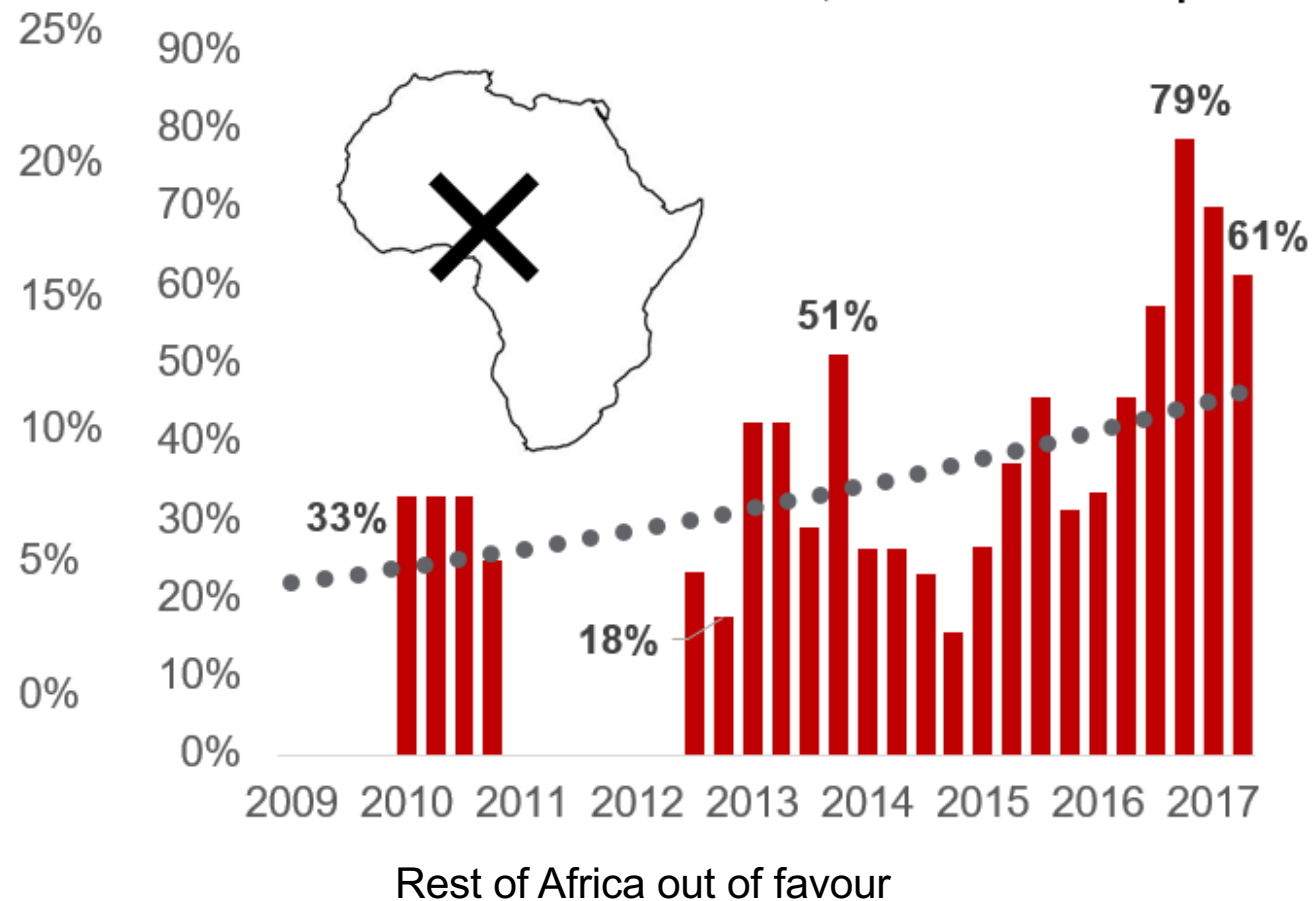


Offshore exposure now 38% of SA Listed Property



Source: Company Data, Anchor Stockbrokers September 2018

South African investment into Central and Eastern Europe (CEE) as a % of total investments in CEE



Bulgaria's top 3 malls owned by South Africans

The Mall, Sofia
Hyprop Investments



Paradise Center, Sofia
NEPI Rockcastle



Serdika Center, Sofia
NEPI Rockcastle



Romanian malls mostly owned by South Africans

Mega Mall, Bucharest



Promenada Mall, Bucharest



City Park Mall, Constanta



South African exposure increasing in other CEE countries

Croatia, Hungary & Poland

Arena Centar, Zagreb



Arena Plaza, Budapest

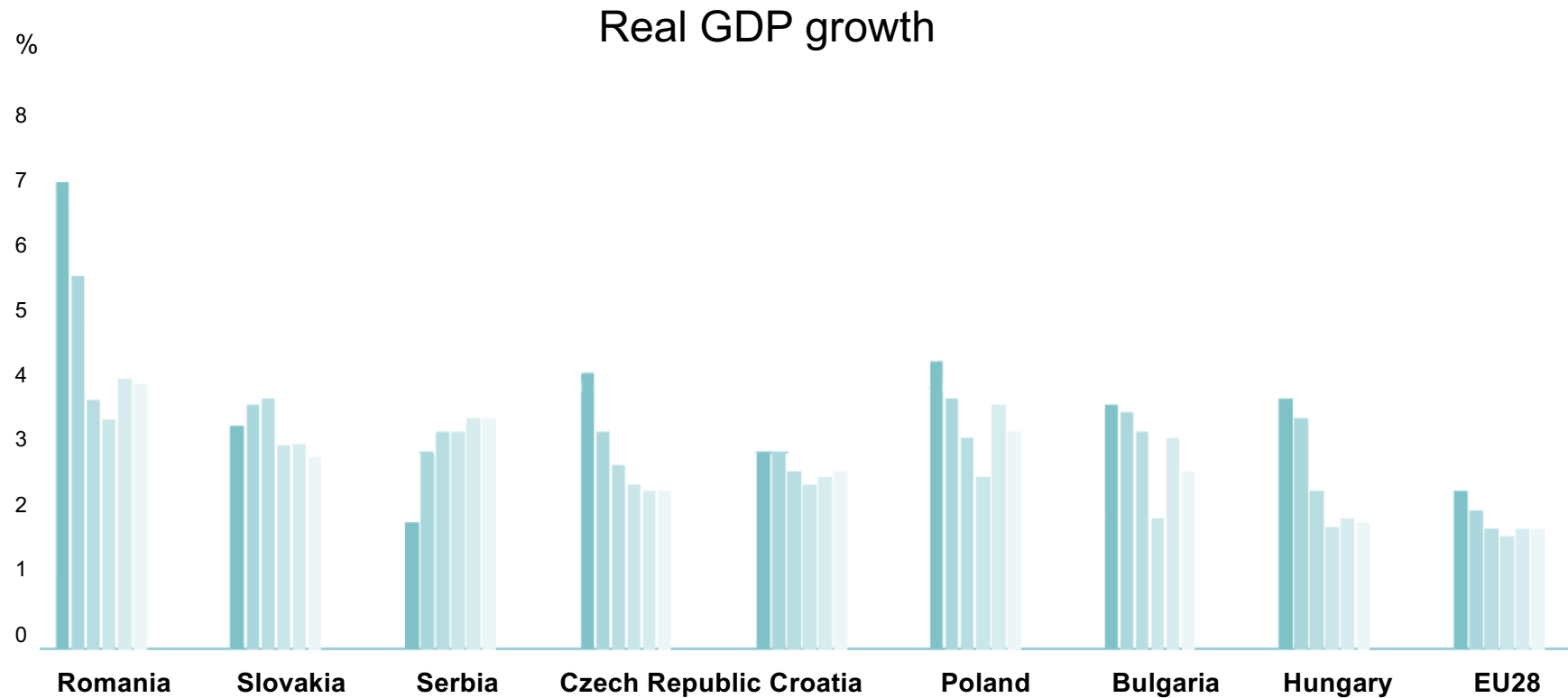


Serenada Mall, Krakow



CEE Real GDP growth forecasts from 2017 to 2022

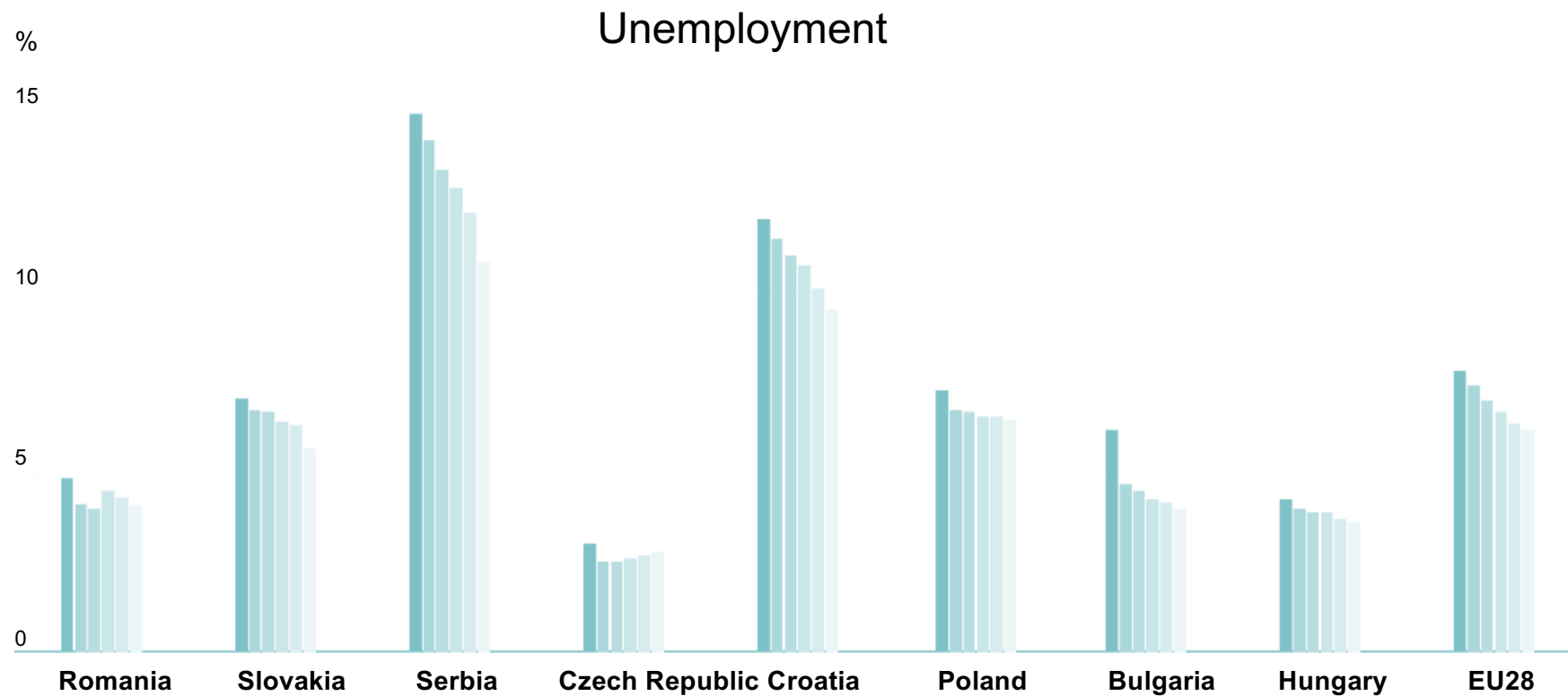
3% average growth



Source: NEPI, December 2017

CEE Unemployment forecasts from 2017 to 2022

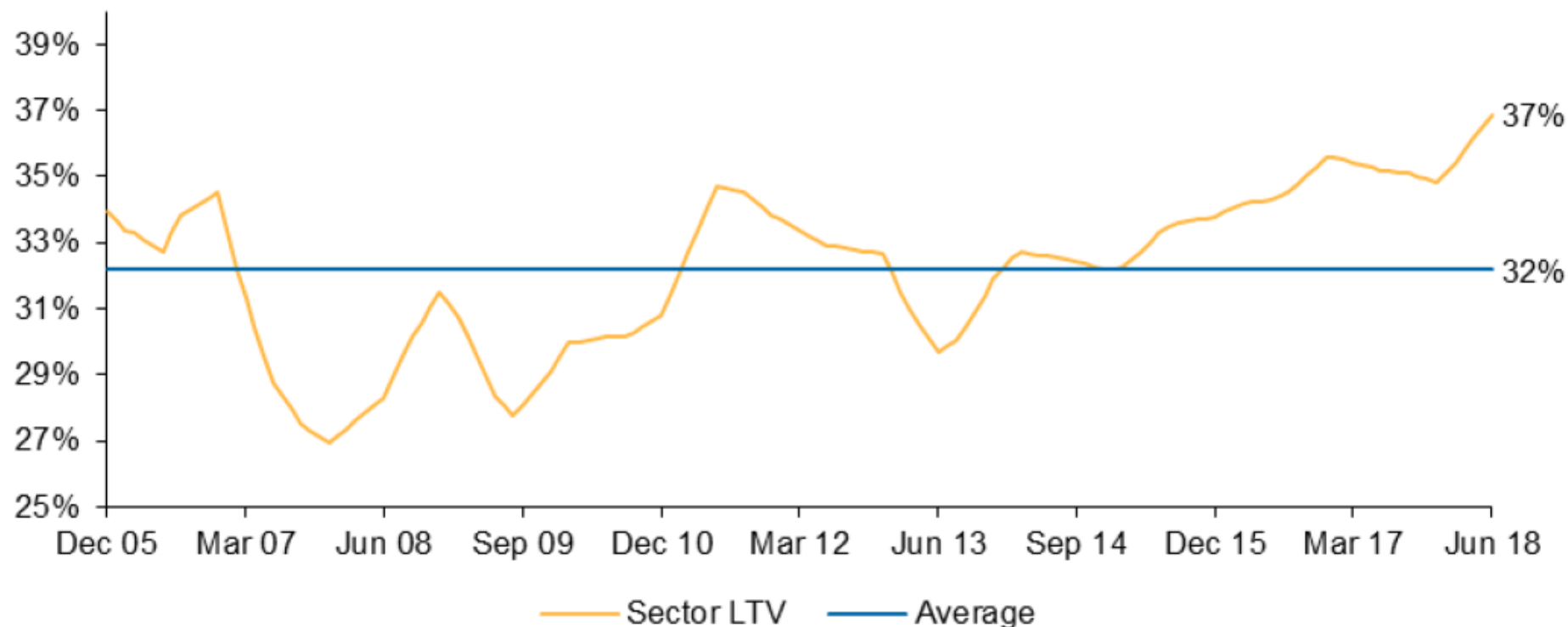
Unemployment declining



Source: NEPI, December 2017

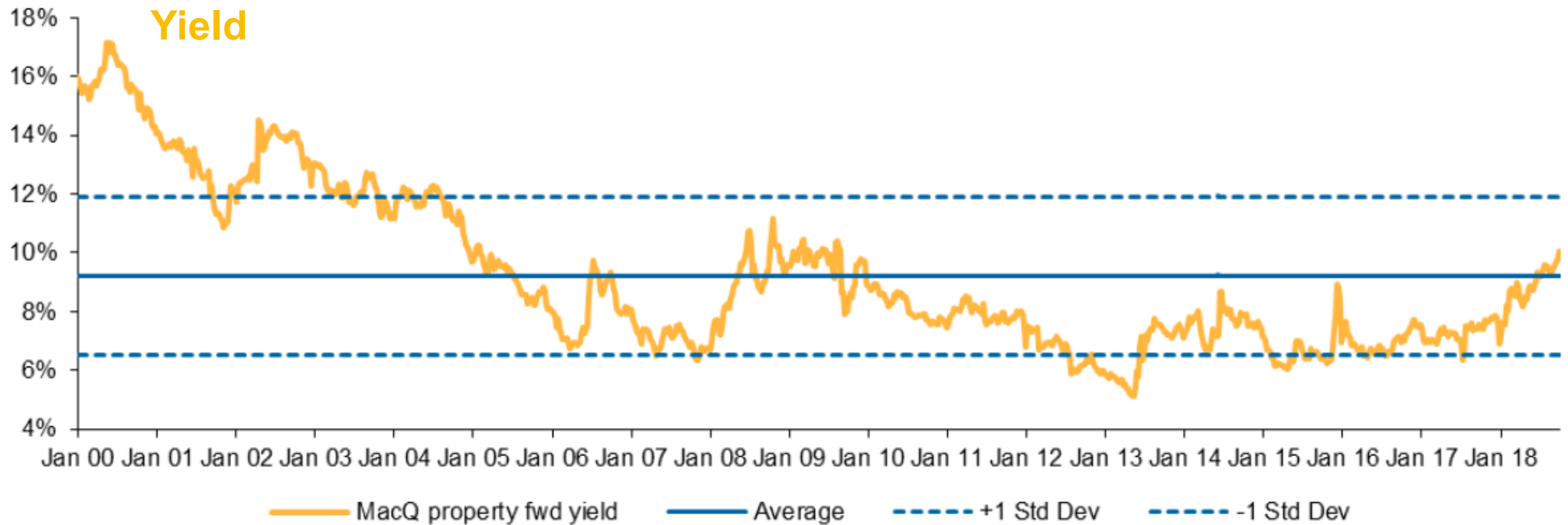
SA Listed Property loan to value ratio (LTV) now 37%

Above long-term average but still manageable

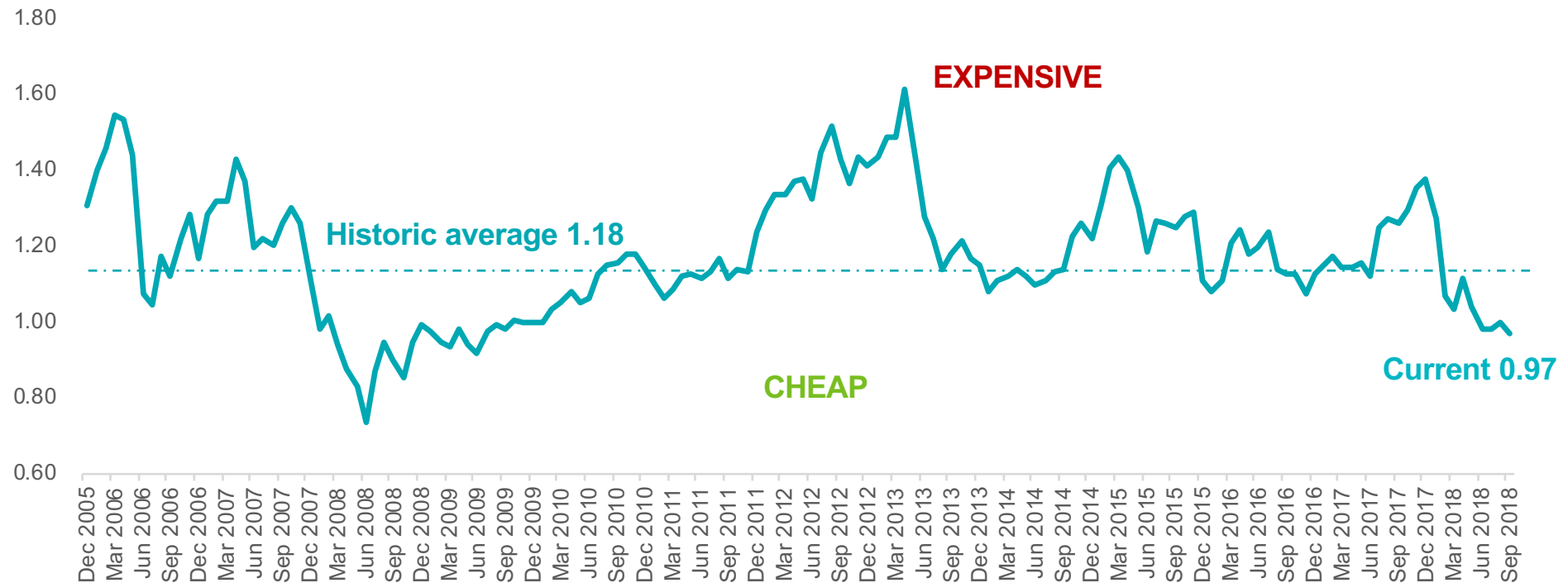


SA Listed Property forward yield

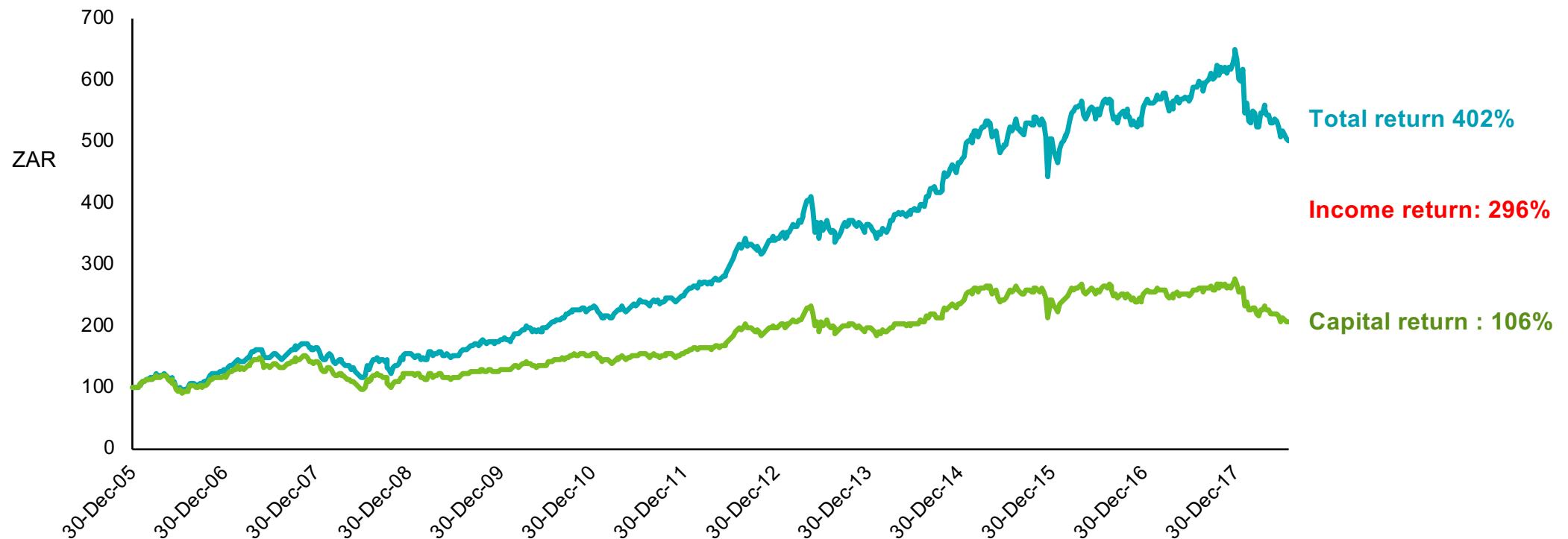
Above long-term average i.e. the sector is now cheaper



SA Listed Property is trading below Net Asset Value



SA Listed Property returns are driven by Income



Source: STANLIB Research, Bloomberg Data 2018

South Africa Listed Property Conclusion

Offering over 9.5% yield with 5% to 6% income growth outlook (ZAR)



Downside risk

- Higher than expected increase in global bond yields and interest rates
- Continued tenant consolidation
- Lower than expected economic growth
- Investor hesitation to invest in the sector given recent events
- Potential failure of Edcon

Upside risk

- Better than expected economic growth
- ZAR weakness versus EUR
- Corporate action given valuation divergence
- Positive outcome on Resilient stable investigation
- Interest rate cuts

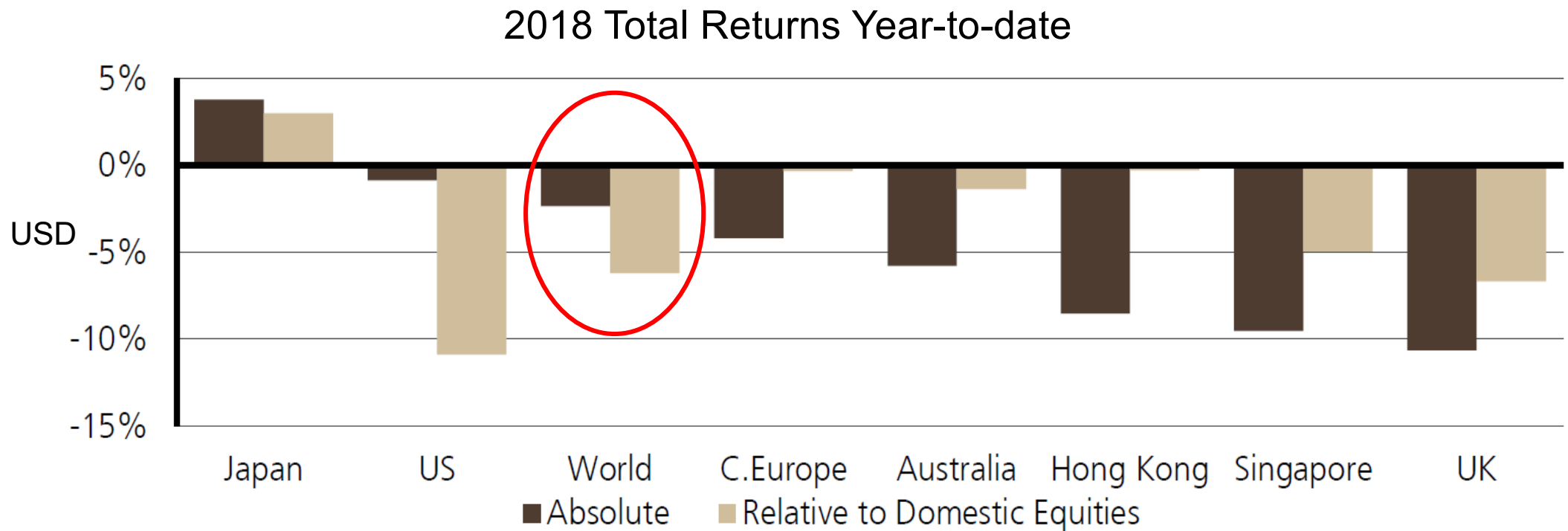


Global Listed Property

STANLIB

A red line originates from the top right of the text 'Global Listed Property' and extends diagonally downwards to the left, terminating at the top left of the text 'STANLIB'.

Global property markets, except Japan, underperforming equities and down 2.5% due to higher bond yields



Source: As of 04 October, FTSE, EPRA, NAREIT, Thomson Reuters, DataStream. UBS Estimates

STANLIB Global Property Fund Exposure

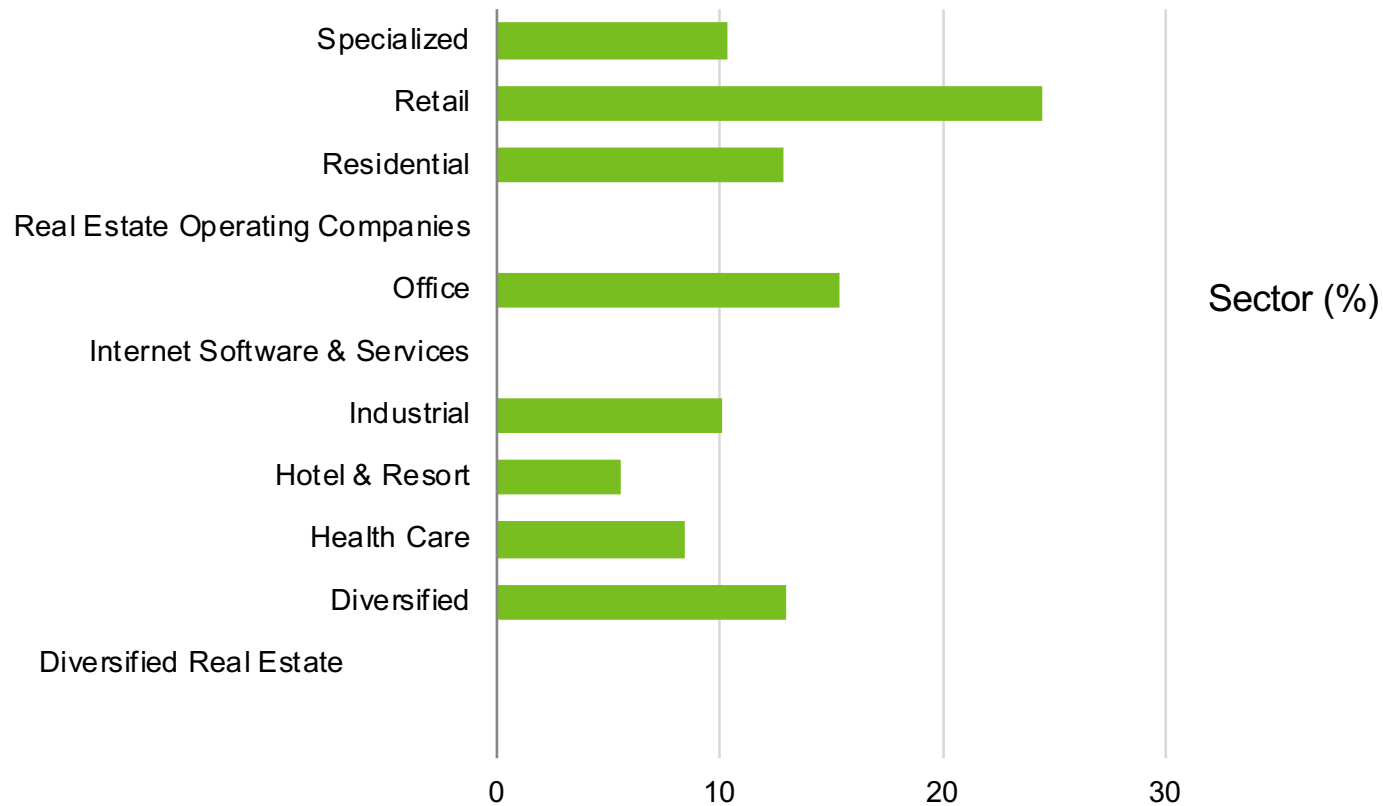
By country and stocks

Country Exposure	Portfolio %
USA	57.23
Japan	8.21
Australia	6.99
Germany	6.34
UK	5.35
Europe	2.56
Hong Kong	2.39
France	2.33
Cash	2.19
Singapore	2.18
Canada	2.13
Spain	1.54
Netherlands	0.57
Total Fund	100

Top 10 Holdings	Country	Portfolio
Simon Property Group	USA	6.13
Prologis	USA	5.92
Public Storage	USA	4.33
Avalonbay Communities Inc	USA	3.09
Boston Properties Inc	USA	2.83
Equity Residential	USA	2.6
Extra Space Storage Inc	USA	2.57
Essex Property Trust	USA	2.56
Unibail-Rodamco-Westfield	Europe	2.56
Deutsche Wohnen Ag Reit	Germany	2.46

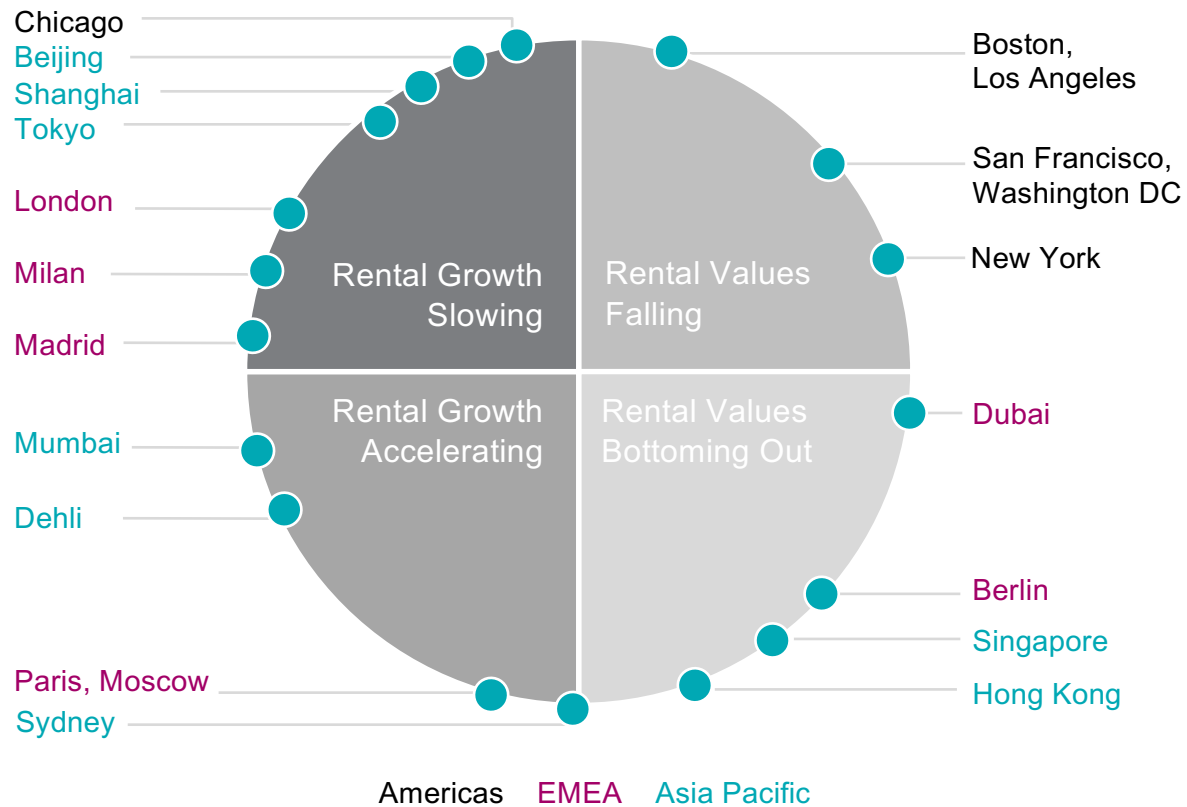
Global REITs sector exposure

Retail is the biggest



Global retail rental cycle

US lagging



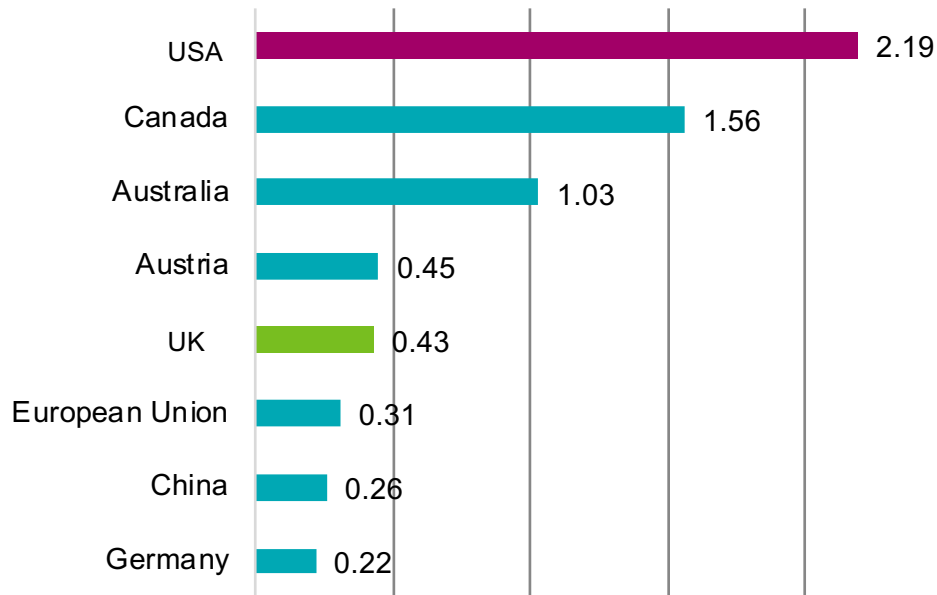
Source: JLL, April 2018 (refers to prime space)



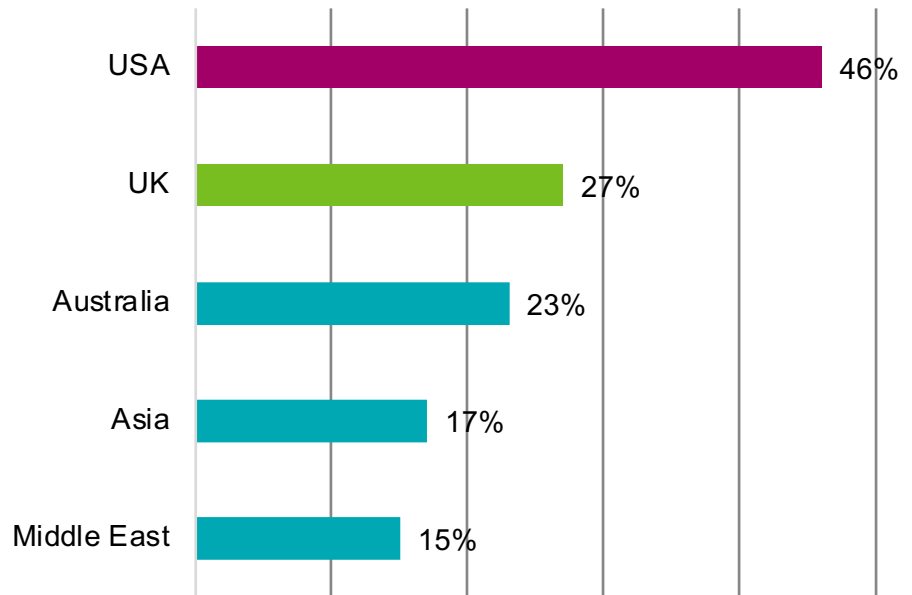
Why have US malls been the hardest hit?

US retail space and department stores versus other major markets

Shopping Centre GLA (sqm) per capita



Department Store % of total GLA



Roosevelt Field Mall, Long Island, New York, USA

Simon Property Group - Anchored by department stores



Westfield World Trade Centre

Unibail Rodamco Westfield - New York City, USA



Source: STANLIB Site Visit September 2018

Undiz, Passage Du Havre, Paris, France

Eurocommercial Properties



“Click and collect” and “quick check-out”

Mall landlords and retailers are enhancing shopping experience



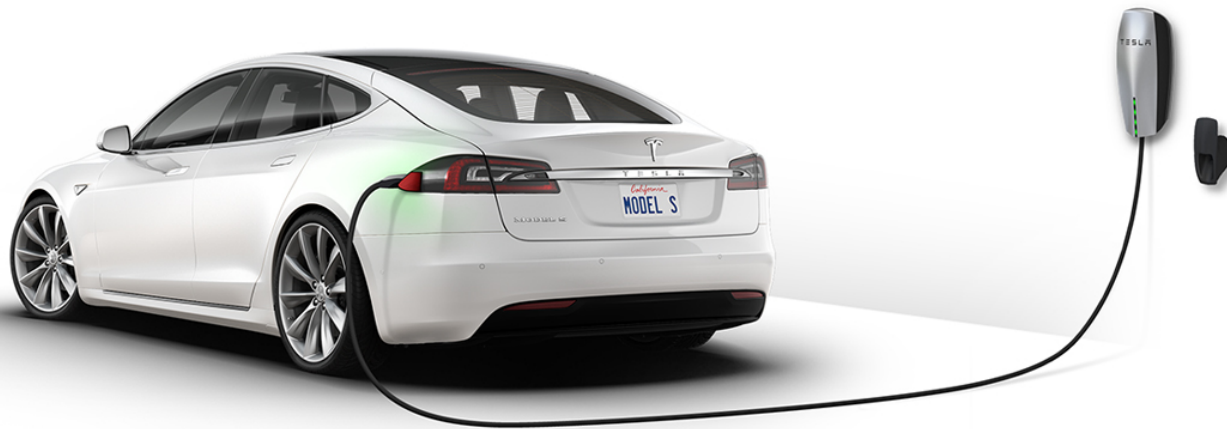
Amazon pick up lockers at Drake's Circus Shopping Centre in Plymouth (British Land)



Quick check-out handsets at Waitrose, Plymouth (British Land)

Introducing electric car charging ports to parking lots

Attracts consumers and increases centre dwell time



224

electric car
charging stations

4

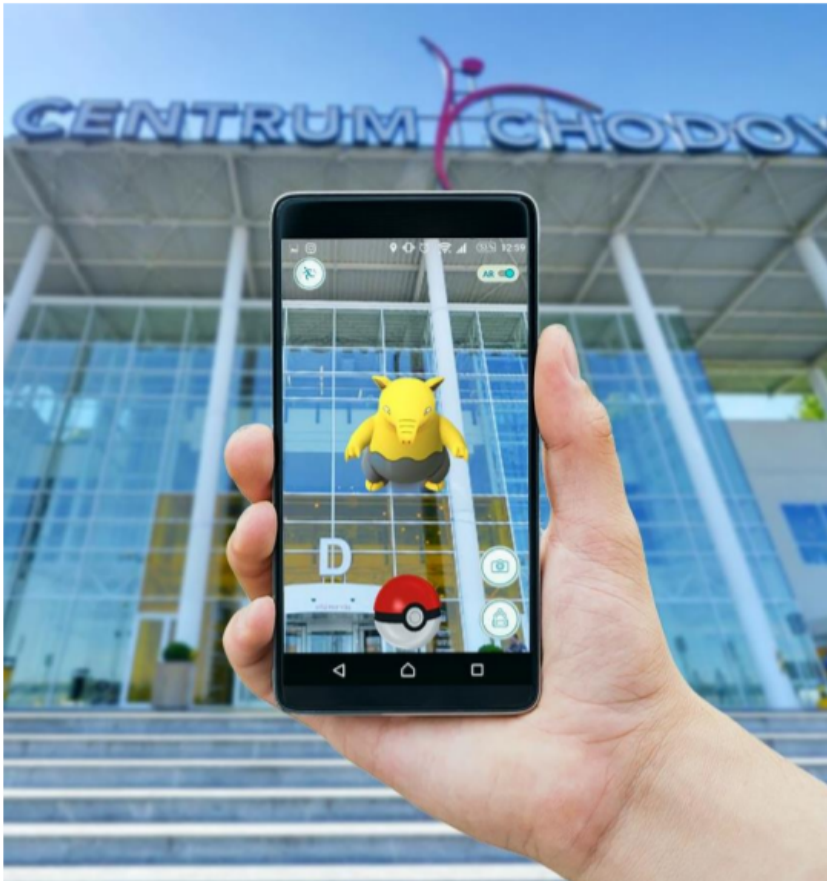
sites with Tesla chargers

20

sites targeted in 2017

Malls using games like Pokémon Go to attract footfall

Particularly Useful for Attracting Young Adults



Source: Unibail Full Year 2016 Results Presentation



Deploying game features and events in
58 Shopping Centres

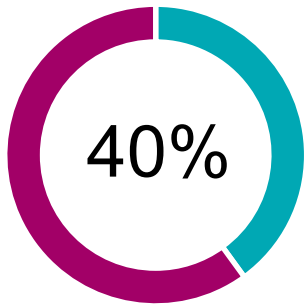
Exclusivity
in Continental Europe

Footfall
Customer Engagement
Enriching Customer Experience

The Importance of Food in Malls

Drives footfall, dwell time and spend

FOOTFALL



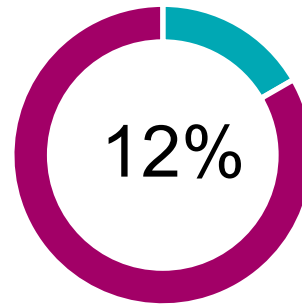
Visitors base their choice of shopping centre primarily on the dining options available

DWELL



How much longer foodservice customers spend in the mall, than the average

SPEND



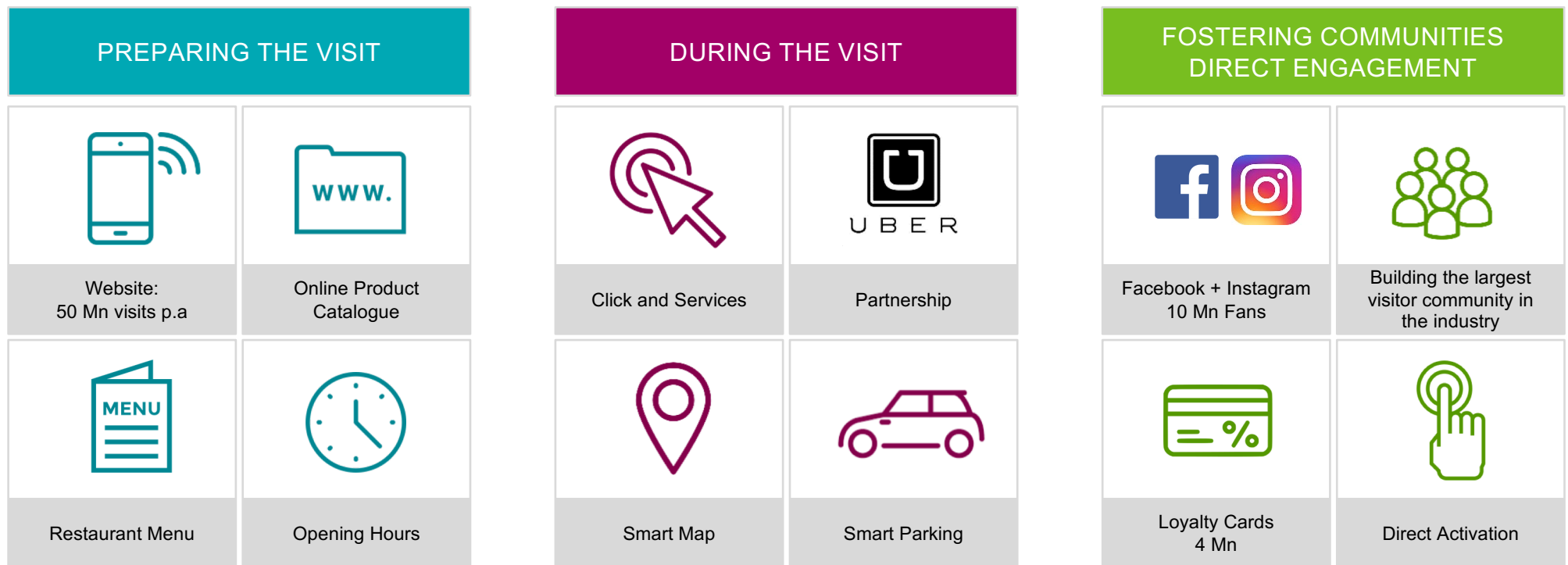
How much more sales revenue is generated by those who stop to eat vs those who do not

Source: JLL, FC & Coniq Study, 2017; ECE Study of German Shopping Visitors



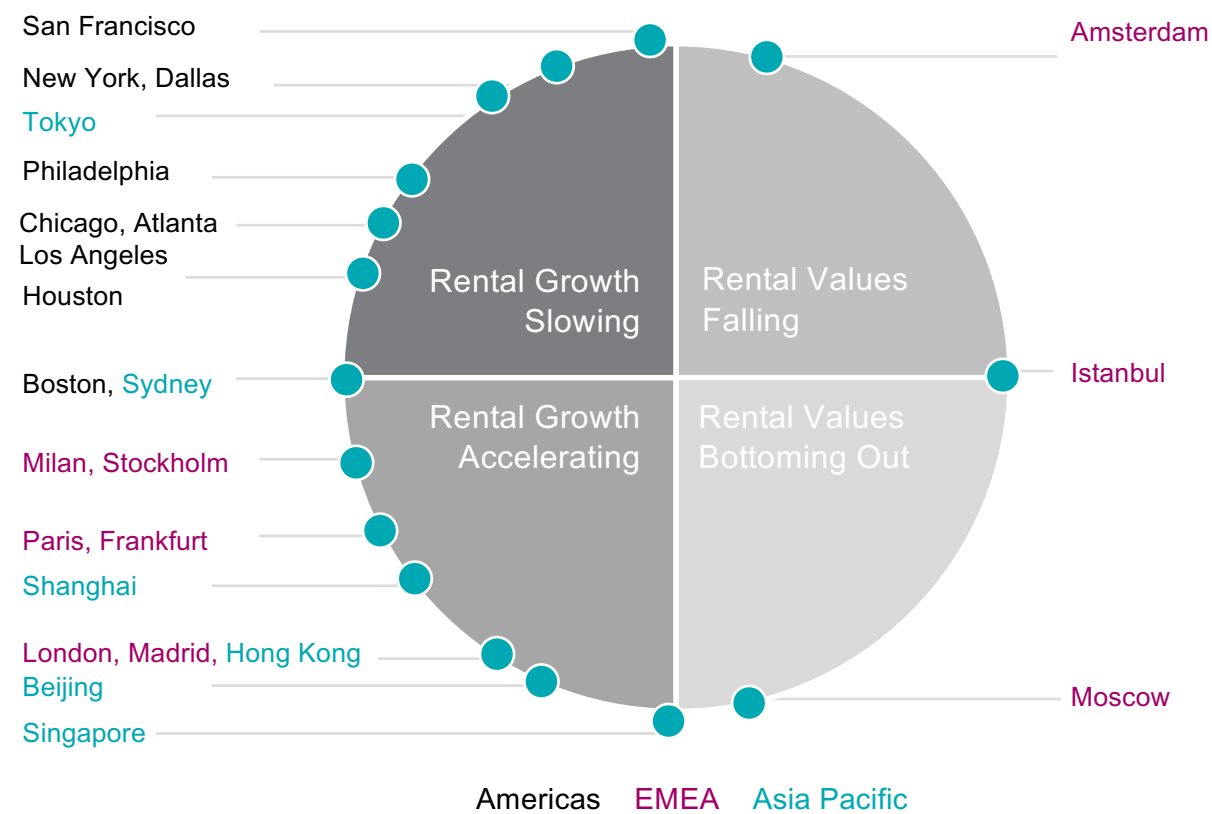
Digital innovation connecting with mall visitors

All about smartphones, social media and apps



Global industrial rental cycle

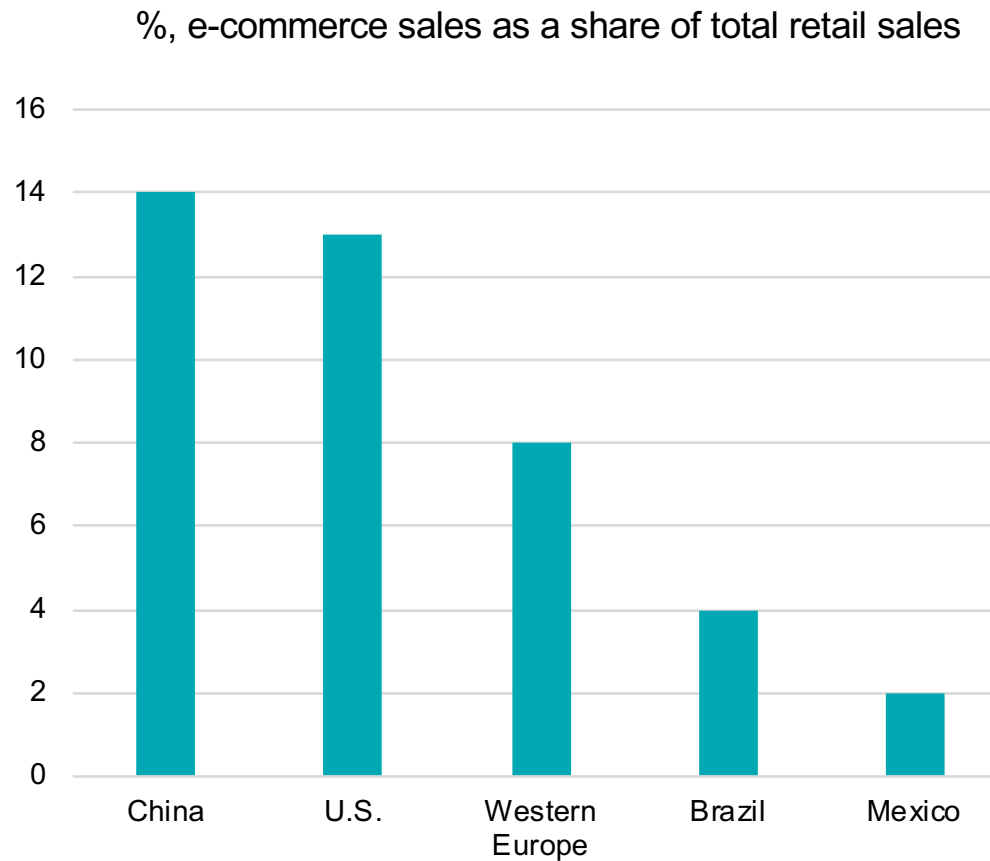
Positive growth outlook



Source: JLL, April 2018 (refers to prime space)

E-commerce sales in developed and emerging markets

South Africa has about 1,5%

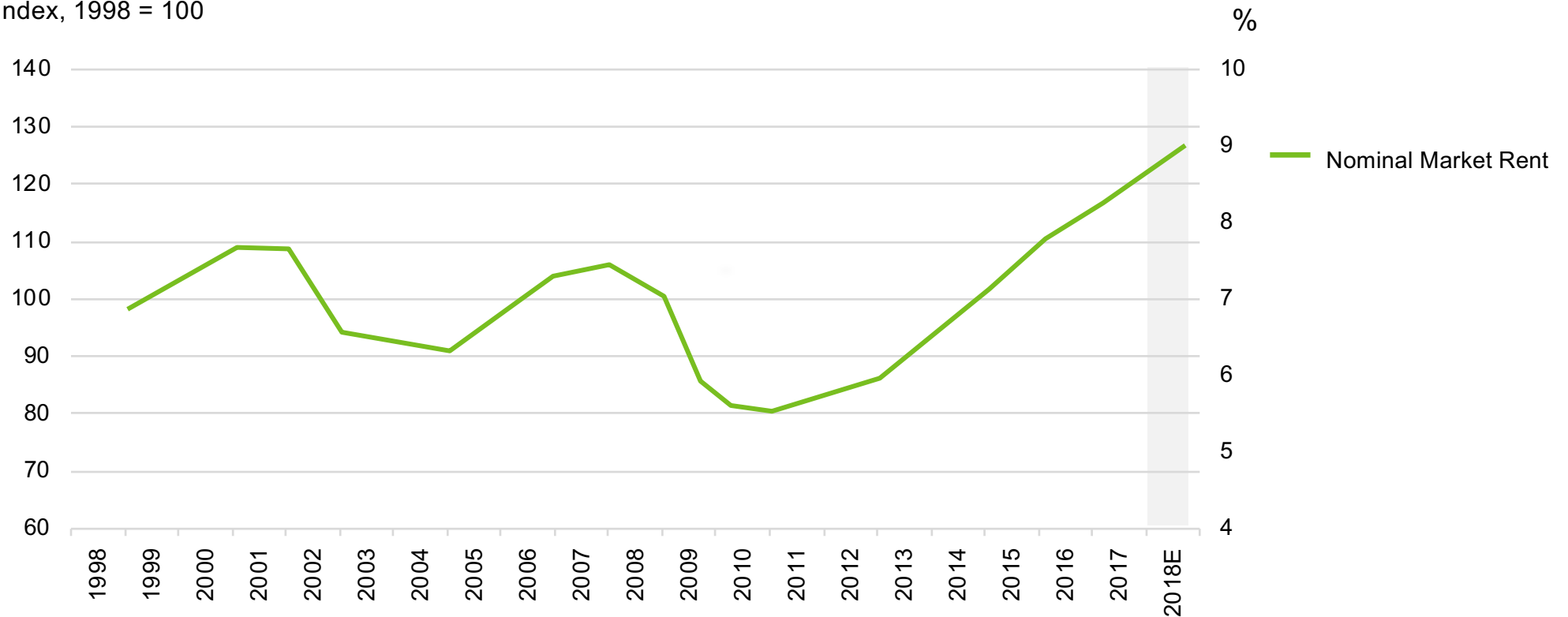


Global Industrial Markets

Strong rental growth to continue and vacancies at all-time lows in the US

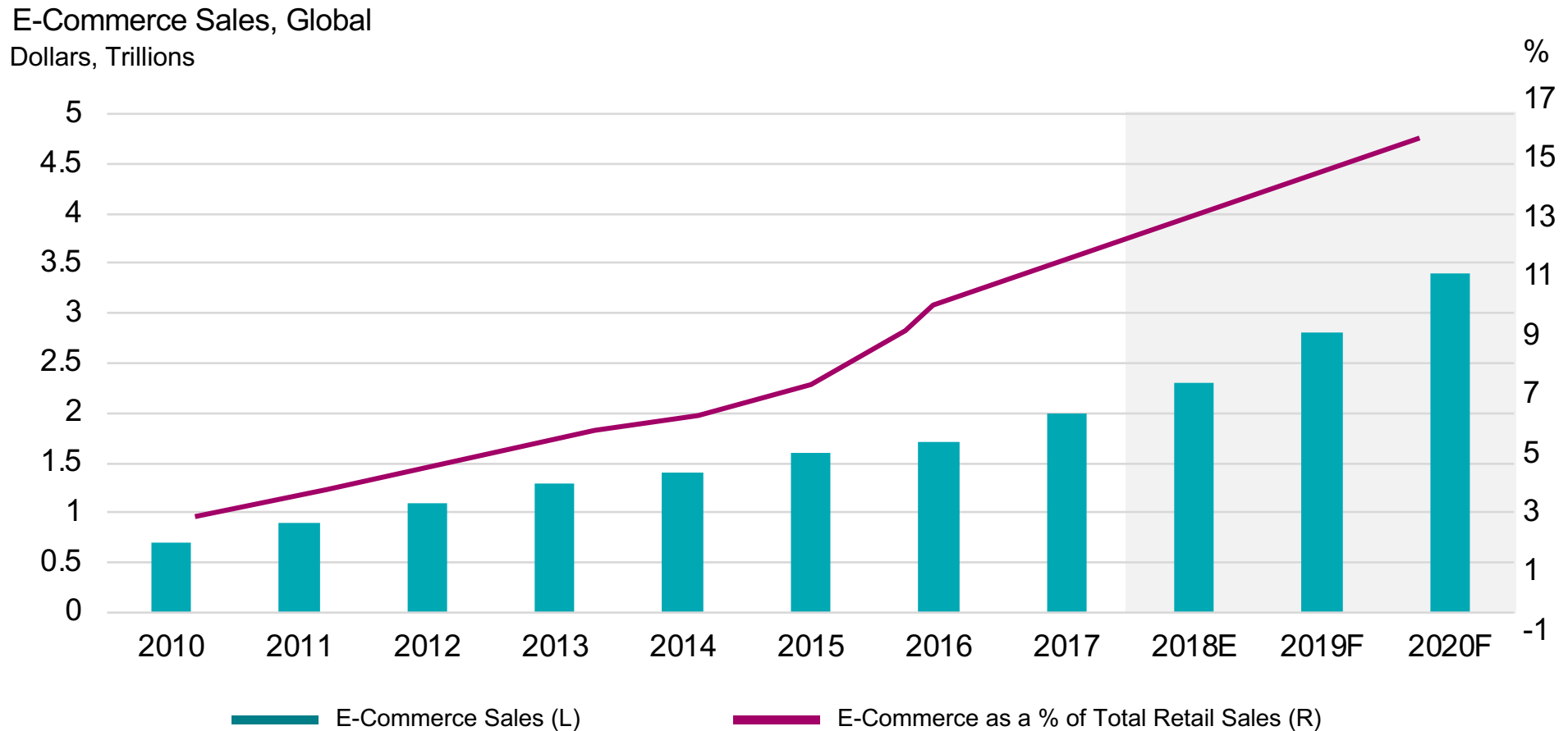
Market rents, Global

Index, 1998 = 100



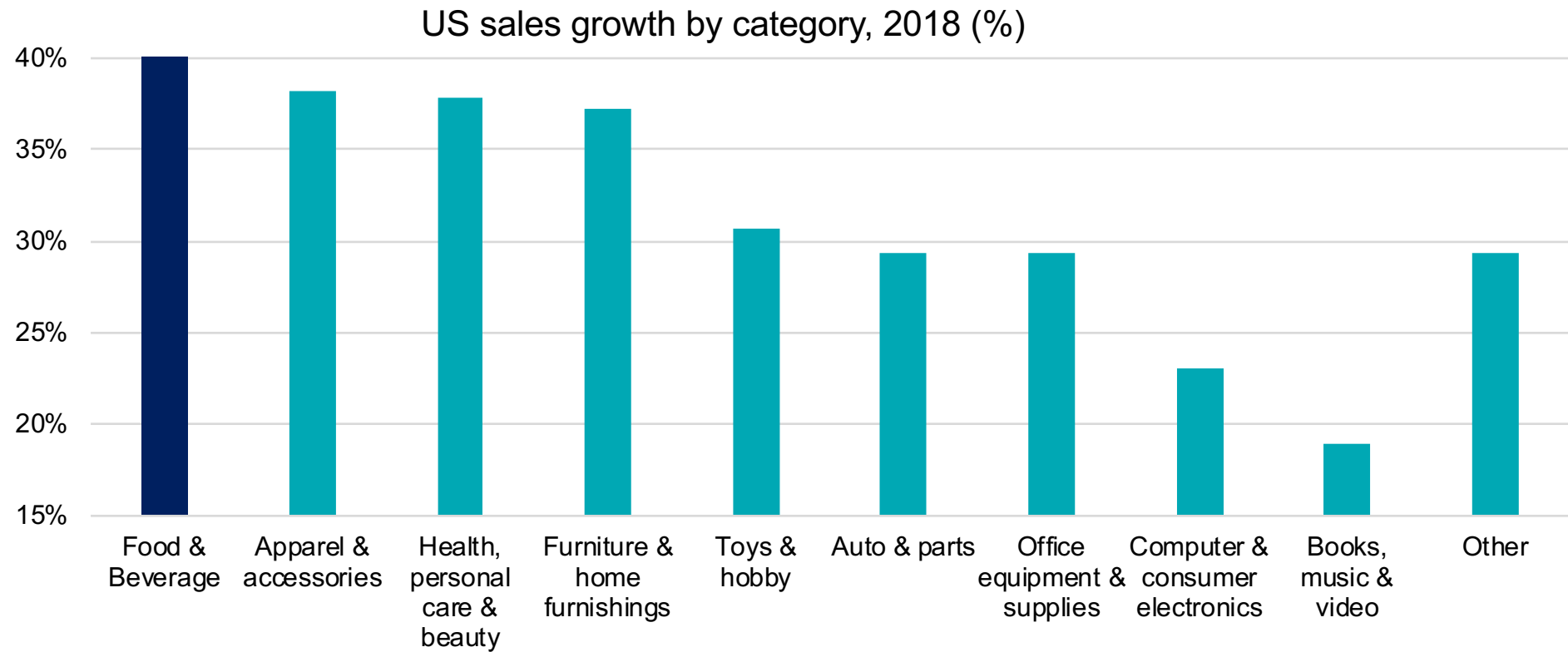
Global e-commerce sales to continue to grow

This will continue to drive industrial rental growth



Source: e-Marketer, Goldman Sachs, Prologis June 2018

Food and Beverage is Amazon's fastest growing category



But online grocery sales only accounted for about 2% of the \$800bn market last year

Prologis logistics site visits in New York, USA

Amazon distribution centre and others



Amazon is buying into bricks and mortar

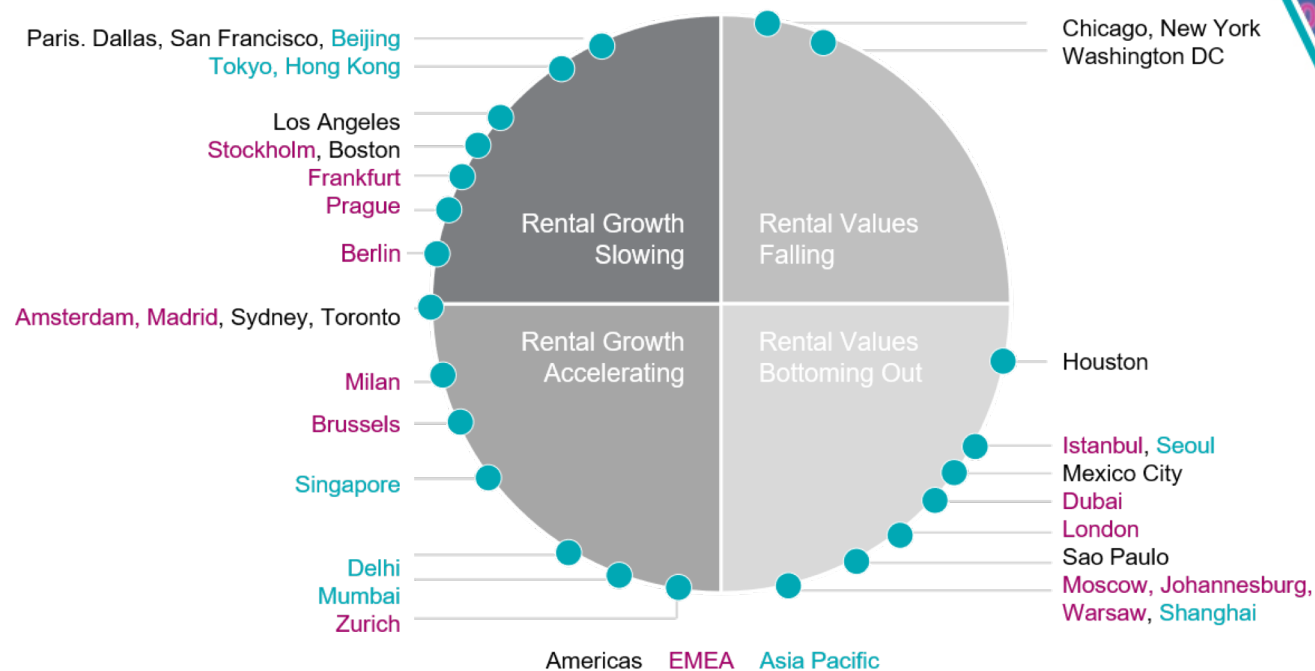
Recently purchased Whole Foods Market



270 Greenwich St, New York

Global office rental cycle

Rents holding up



Source: JLL, April 2018, based on Grade A space in CBD or equivalent



Co-working and flexible space transforming offices

With 20% take-up of space being leased out



WeWork continues to expand in the flexible workspace and is now buying buildings too



Focus on growing your business

We take care of the rest

wework



Super-fast internet



Micro-roasted coffee



Daily cleaning



24/7 building access



Business-class printers



Front desk service



Craft on draft



Professional & social events



Unique common areas



Private phone booths



Fresh fruit water



Mail & package handling



Bike storage



Community managers



Office supplies



Global network

Self Storage

Almost 10% of Americans make use of it



Times Square, Manhattan - New York City, USA

The most vibrant part of the city

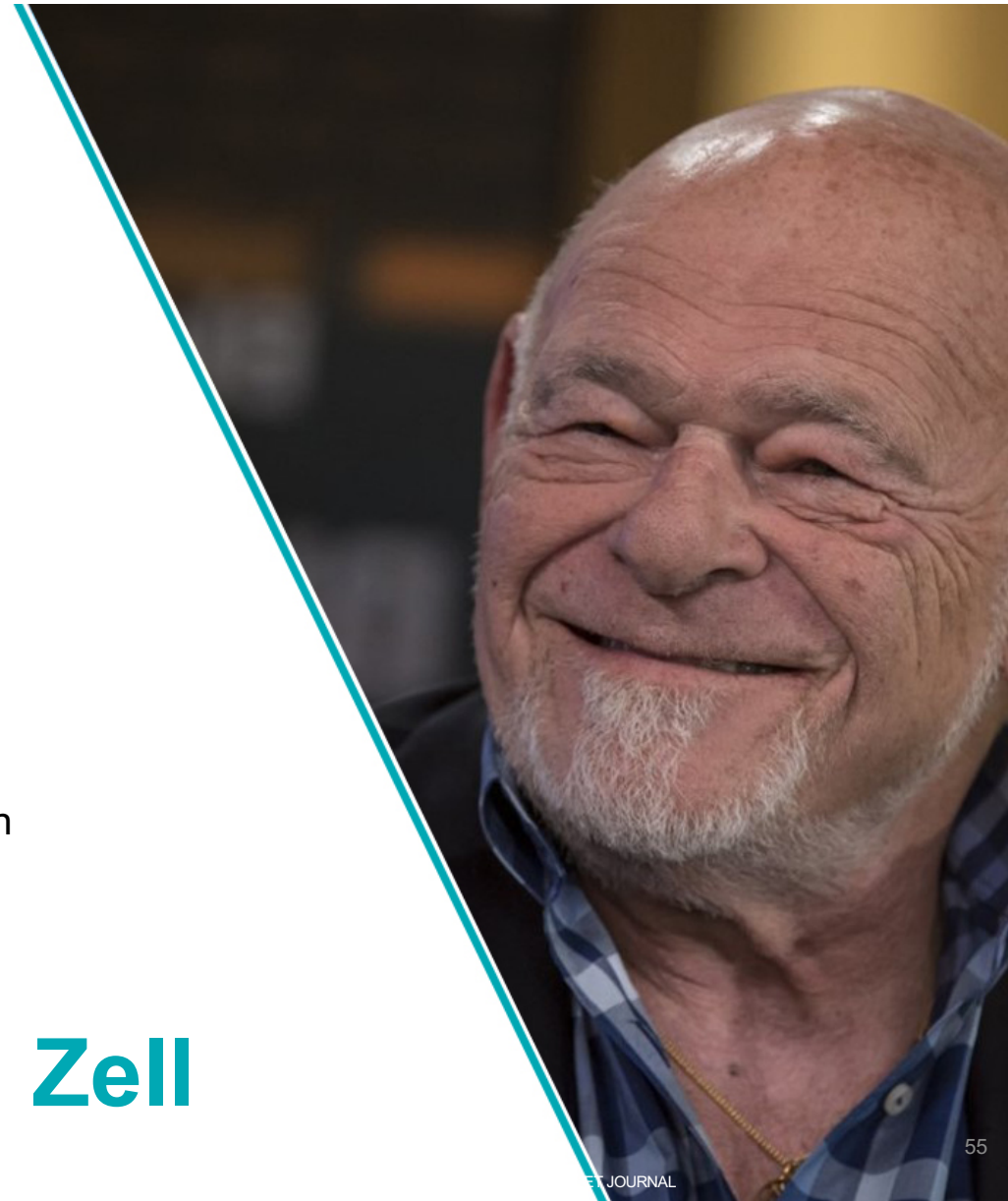


“Interest rates are going to go up
because employment is going to go up.

If employment goes up, then our apartments get filled.
And if employment goes up, our office buildings get filled.

The reality is that increased economic activity combined with
increased interest rates is basically bullish for real estate.”

Sam Zell

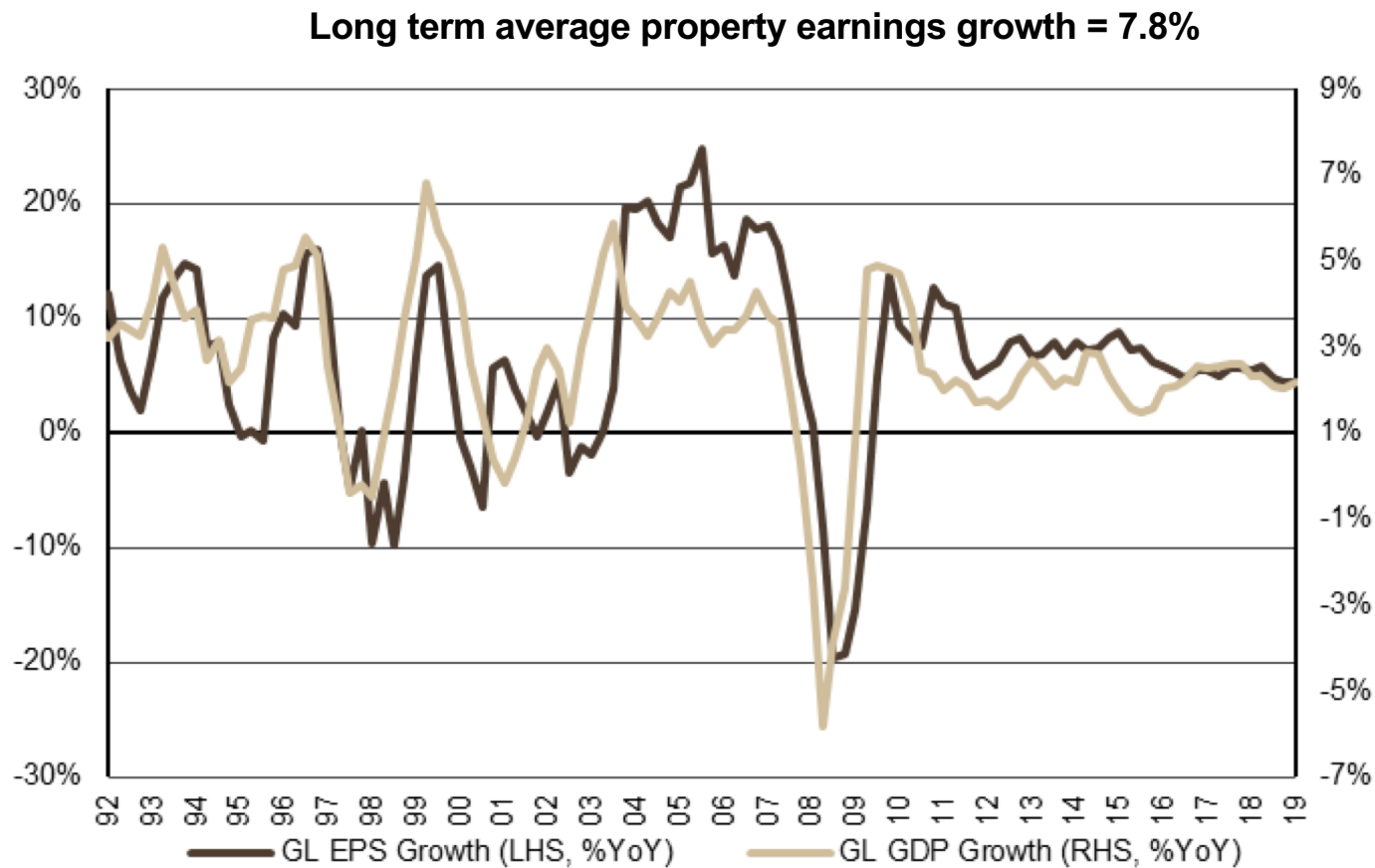


Global Listed Property prices and interest rates

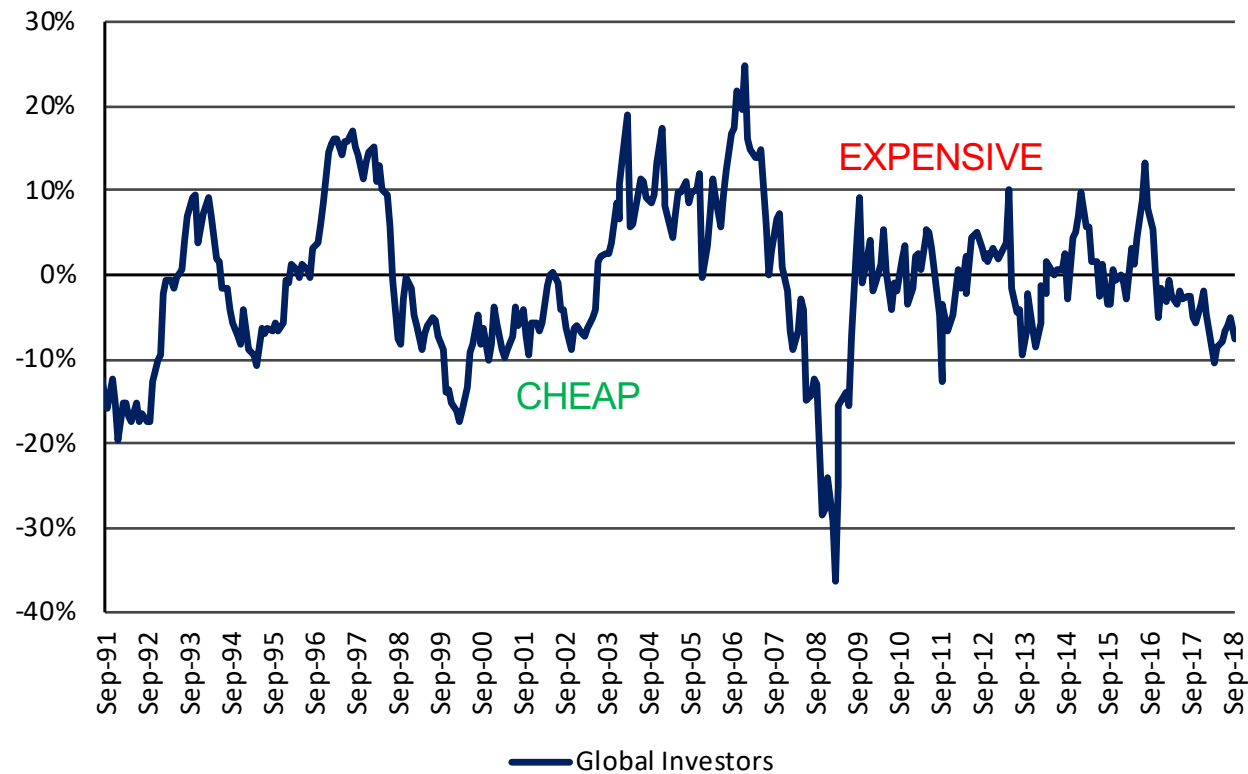
Listed property prices tend to correct before, and go up when interest rates rise



Global Listed Property earnings track global GDP growth

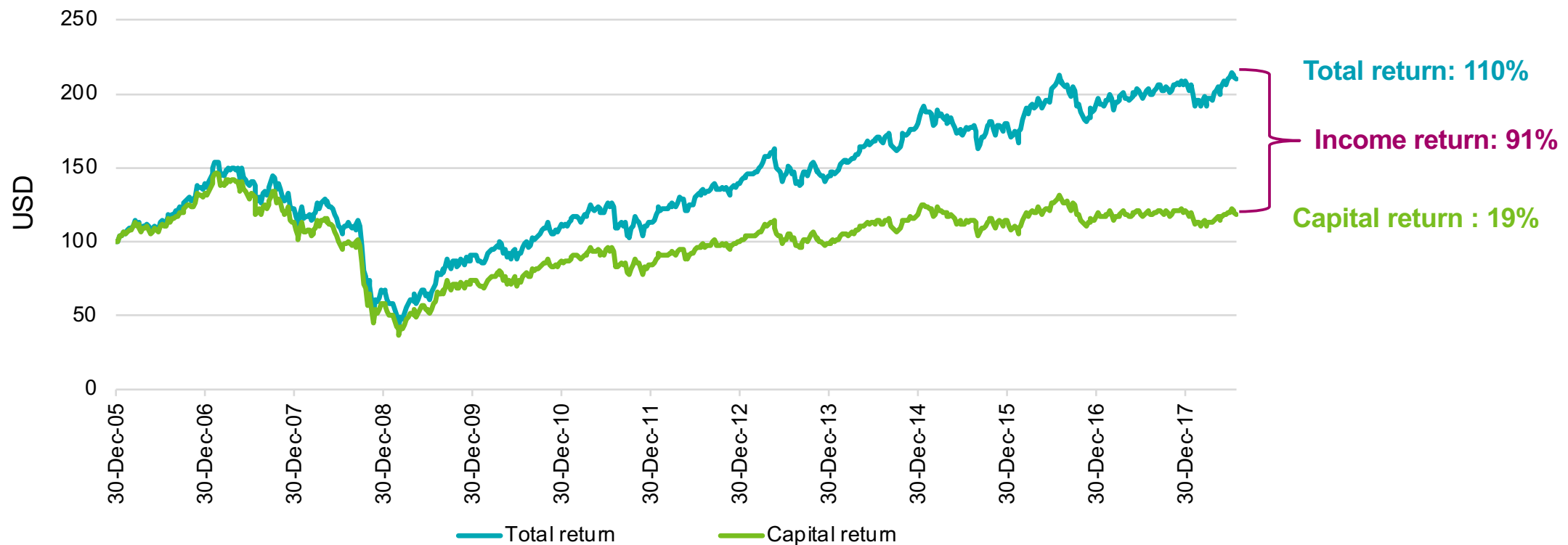


Global Listed Property trading 8% below Net Asset Value



Source: Datastream, UBS Estimates September 2018

Global Listed Property returns being driven by Income



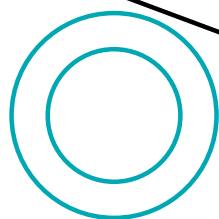
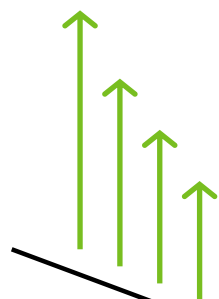
Source: STANLIB Research, Bloomberg Data 2018

Global Listed Property Conclusion

Offering a 4.5% yield with 5% to 6% earnings growth outlook (USD)

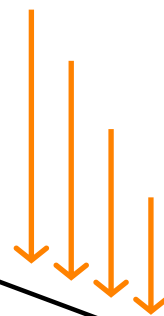
Upside Risk

- Better than expected economic growth
- Mergers and acquisitions in the retail space
- Reasonable gap between property yields and bond yields



Downside Risk

- Higher than expected bond yields & interest rates
- Lower than expected economic growth
- Impact of online shopping to retail centres
- Brexit uncertainty
- Global trade wars



Thank You

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