

Delta Property Fund

Annual results

for the year ending
28 February 2013

- Introduction
- Highlights *Sandile Nomvete*
- Strategy
- Unitholder profile

- Financial review
- Capital management *Bronwyn Corbett*
- Consolidated property portfolio
- Acquisition and government processes
- Capex

- Prospects *Sandile Nomvete*

Introduction



- Black managed property loan stock company
- Successfully listed on the JSE Limited ("JSE") on 2 November 2012 raising equity of **R980 million**
- Defensive portfolio at an average value per property of **R106 million**
- Representation in **8** of the 9 provinces
- Ratio of government to non-government (GLA) = **69:31**
- Secure **long term** sovereign underpin commercial government leases
- Strong fundamentals for **distribution growth**
- **Dynamic, experienced** and **stable** management team
- Market capitalisation of **R1.39 billion**



Highlights for the period under review

- Maiden distribution achieved per forecast of **23.69 cents** per linked unit
- Total investment property of **R2.12 billion**
- Portfolio occupancy of **95.6%**
- Annualised return to unitholders of **17.4%**
- Attractive forward funding rates of **7.9%**
- Announced additional acquisitions of **R2.3 billion**;
market capitalisation **R3.0 billion**

Strategy



Short-term:

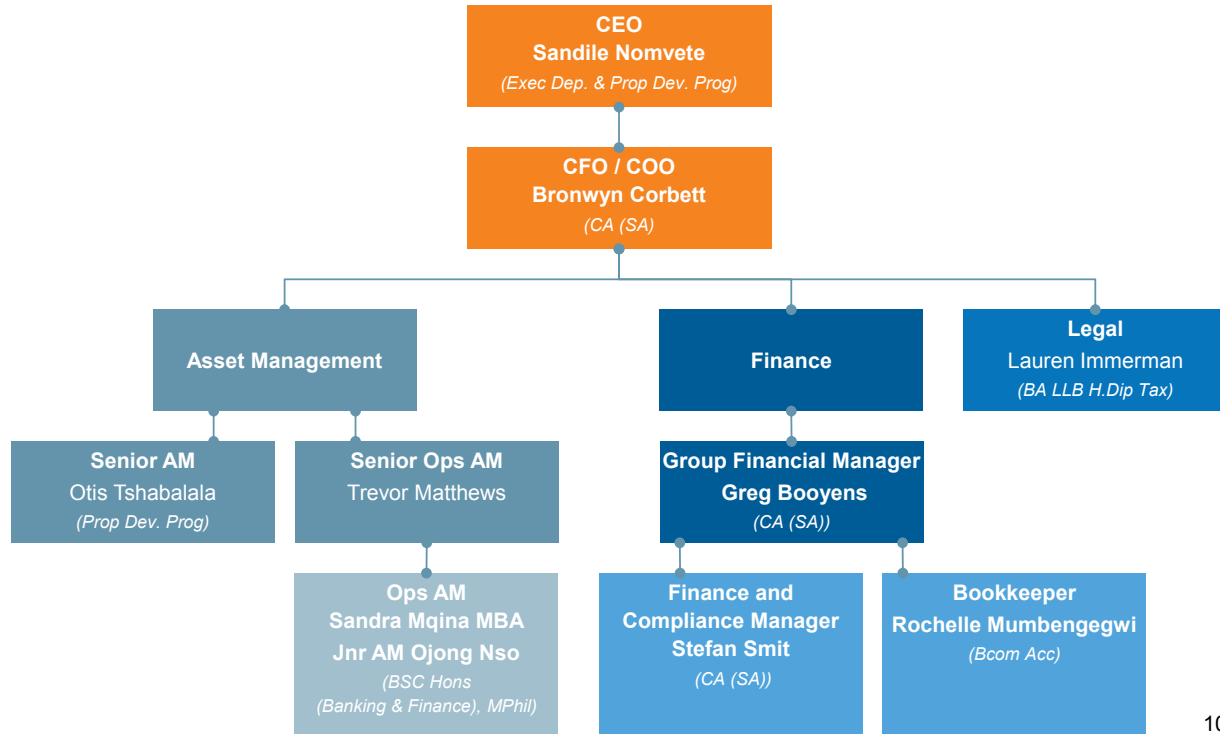
- Achieve forecast distribution
- Sweat current portfolio
- Bed down new acquisitions
- Bulk up asset management team
- Maintain A / B grade Fund
- No development and leasing risk
- Enhance distribution growth through:
 - › Average escalations of >7%
 - › Cost to income ratio (18.8%)
 - › Relet vacancies



Medium-term:

- Growth in portfolio, yield enhancing:
 - › Government (national and provincial)
 - › SARS
- Diversification of portfolio:
 - › Parastatal
 - › Industrial
 - › Second tier retail





As at 28 February 2013	Units held	Holding
Stanlib Asset Management	41 653 739	25.25%
Coronation Fund Managers	31 661 130	19.20%
Public Investment Corporation	24 390 244	14.79%
Directors and management	28 344 833	17.19%
Momentum	8 860 215	5.37%
Subtotal	134 910 161	81.80%
Other	30 025 204	18.20%
Total	164 935 365	100.00%

Financial review



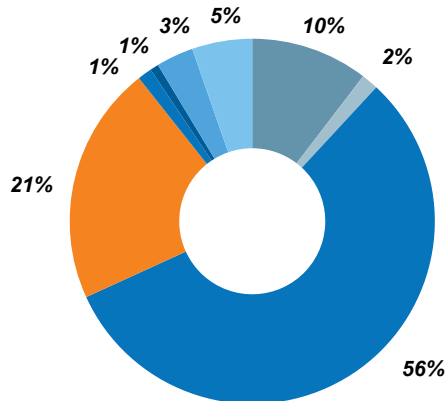
	28 February 2013
Distribution per linked unit	23.69
Cost to income ratio	18.78%
Gearing level	38.7%
Weighted average interest rate - year ended 28 Feb 2013	8.91%
Fixed vs. floating	82 : 18
Average debt fixed period (years)	2.80
Fixed rate debt maturity – 3 years, 5 years	50:50
Net asset value per linked unit (excl deferred tax)	7.89
Average rental/sqm	94.36
Average escalation	8.41%

Distributable Income Statement

R'000	28 February 2013
Net property income	94 920
Rental income	116 867
Property operating expenses	(21 947)
Administration expenses	(12 310)
Net finance costs	(49 610)
Sundry income	10
Net pre-acquisition property income	6 452
Retained profit not distributed	(395)
Distributable income for the period	39 068
Number of linked units in issue	164 935 365
Distribution per linked unit (cents)	23.69
Cost to income %	18.8%

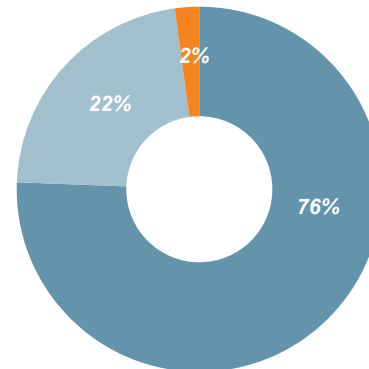
R'000	Revenue	Distributable earnings
Office government	83 978	76 491
Office other	30 206	21 826
Retail	2 683	2 028
Total property portfolio	116 867	100 345
Administration and corporate costs		(11 667)
Net finance charges		(49 610)
Total distributable earnings	116 867	39 068

GEOGRAPHICAL



■ Eastern Cape ■ Free State ■ Gauteng
■ KwaZulu Natal ■ Limpopo ■ North West
■ Northern Cape ■ Western Cape

SEGMENTAL

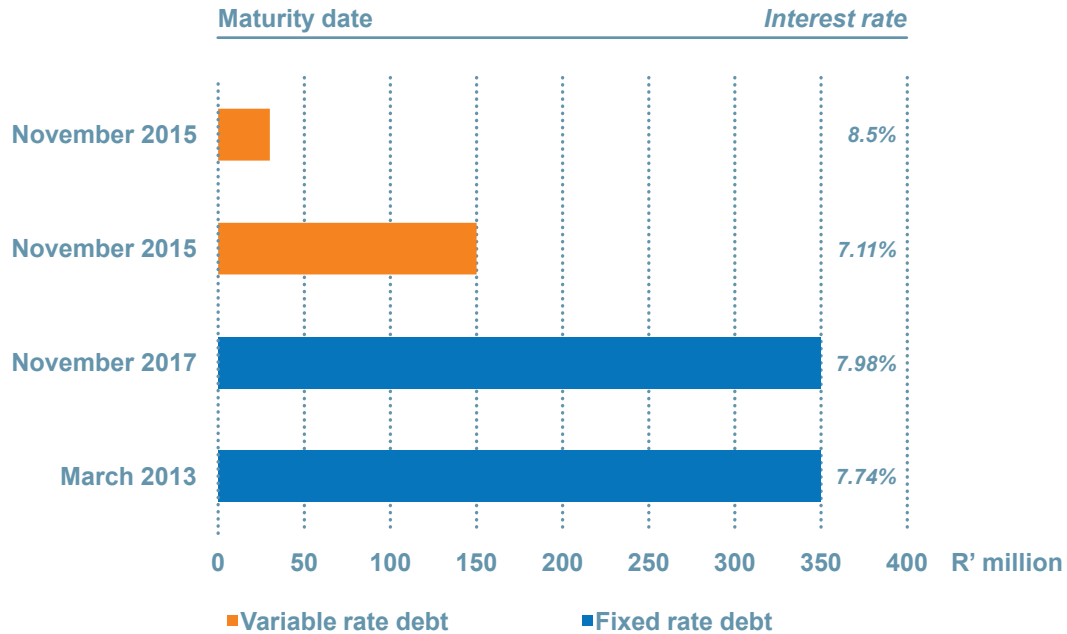


■ Office: government ■ Office: other ■ Retail

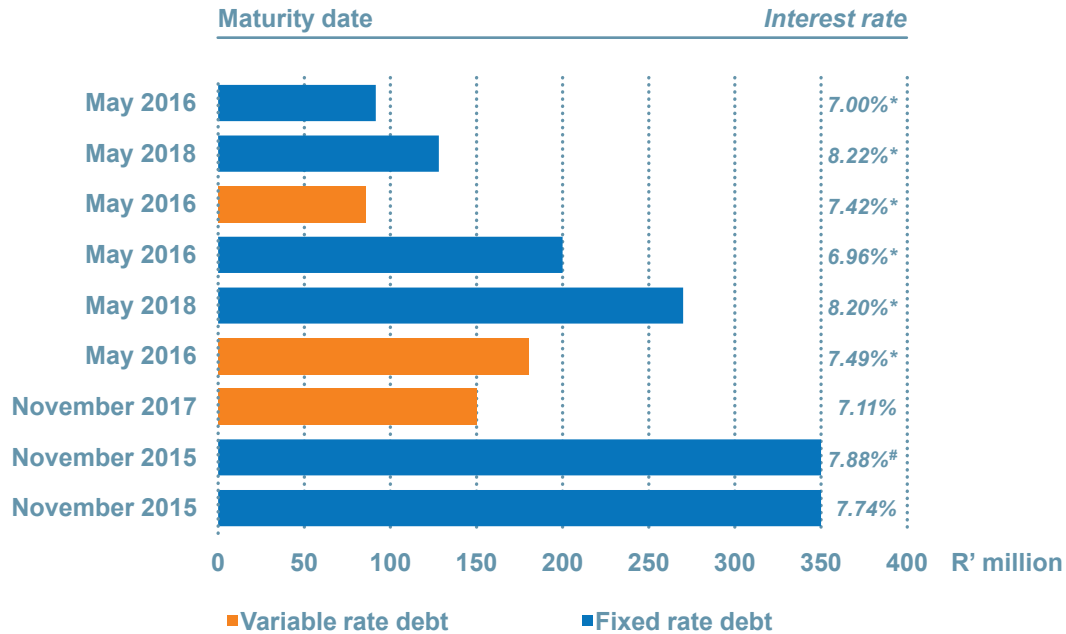
Capital management



Group debt structure at year end



Group debt structure forecasted



* Current quotes on rates for debt still to be issued on new acquisitions

Rate effective upon issue of new debt. Existing rate = 7.98%

Consolidated property portfolio

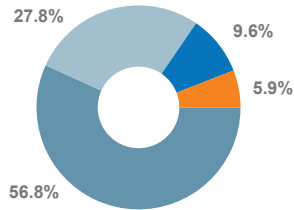


	At listing	Post rights offer and proposed acquisitions
Market capitalisation	R1.35 billion	R3.0 billion
No of properties	20	45
Valuation of portfolio	R2.10 billion	R4.30 billion
Average value per property	R105 million	R95.6 million
Gross lettable area	203 261 sqm	419 975 sqm
Sectorial profile	Office: 94%	Office: 84%
	Retail: 6%	Retail: 10%
	Industrial: 0%	Industrial: 6%
Tenant profile	*OG: 72%	*OG: 57%
	Non Gov 22%	Non Gov 27%
	Retail: 6%	Retail: 10%
	Industrial: 0%	Industrial: 6%
Occupancy rate	95.6%	95.7%
Weighted average rent	R 96.04	R 94.36
Weighted average escalation	8.41%	8.5%
Loan to value	40%	40%
	70% hedged / fixed	70% hedged / fixed
Funding costs	Ave all in rate 7.90%	Ave all in rate 7.66%

* OG – Office government

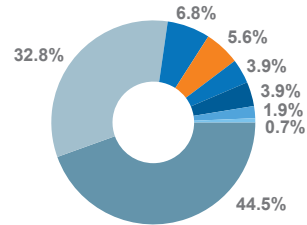


SECTORAL PROFILE: GLA



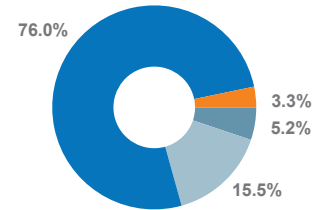
- Office: government (56.8%)
- Office: other (27.8%)
- Retail (9.6%)
- Industrial (5.9%)

GEOGRAPHIC PROFILE: GLA



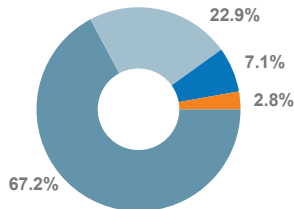
- Gauteng (44.5%)
- KwaZulu Natal (32.8%)
- Northern Cape (6.8%)
- Eastern Cape (5.6%)
- Western Cape (3.9%)
- Limpopo (3.9%)
- Free State (1.9%)
- North West (0.7%)

BUILDING GRADE: GLA



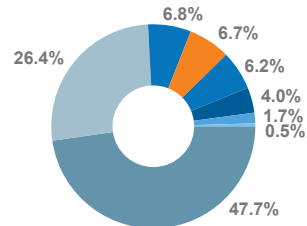
- AAA (5.2%)
- A (15.5%)
- B (76.0%)
- C (3.3%)

SECTORAL PROFILE: RENTAL



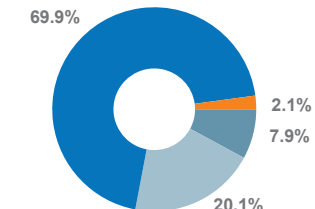
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GEOGRAPHIC PROFILE: RENTAL



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BUILDING GRADE: RENTAL



- AAA (7.9%)
- A (20.1%)
- B (69.9%)
- C (2.1%)

- External quantity surveyors to assess capex spend / building conditions
- External legal opinion on government leases
- Independent experienced investment committee
- Transfer deadlines achieved
 - › Strong conveyancing team
 - › Excellent financier relationships
 - › Streamlined competition commission process
- Negotiation of effective transfer dates
- Good relationships with vendors

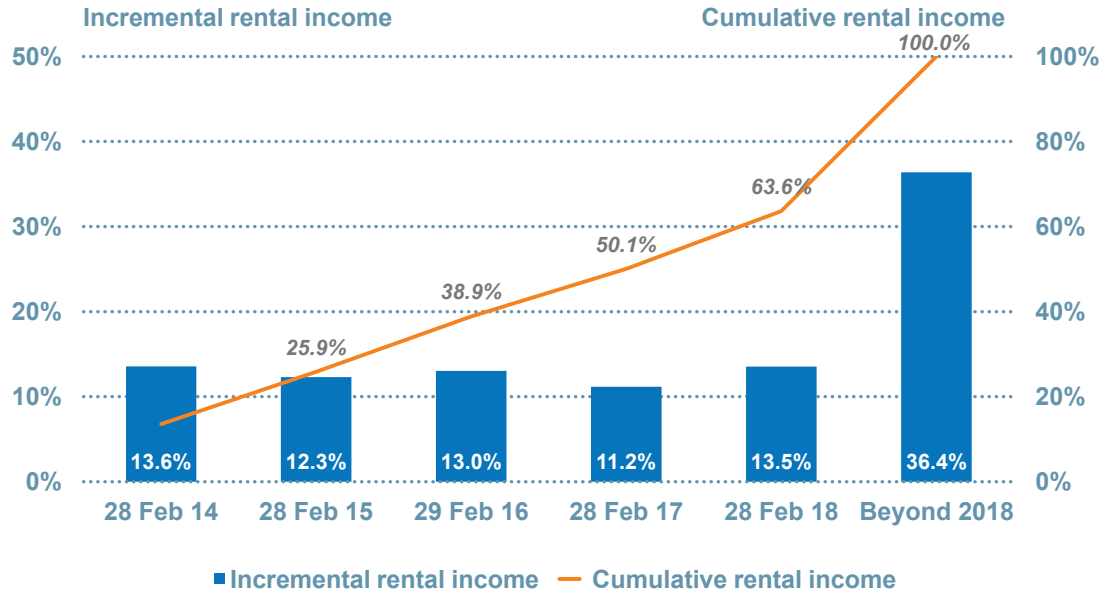
Rationale behind recent acquisition:

- Market capitalisation greater than R2 billion
- Single tenanted long term leases
- Negotiated before listing (and stated as pipeline in excess of R1 billion at listing)
- Increase in geographical presence
- Possible rerating
- Quality strategic assets

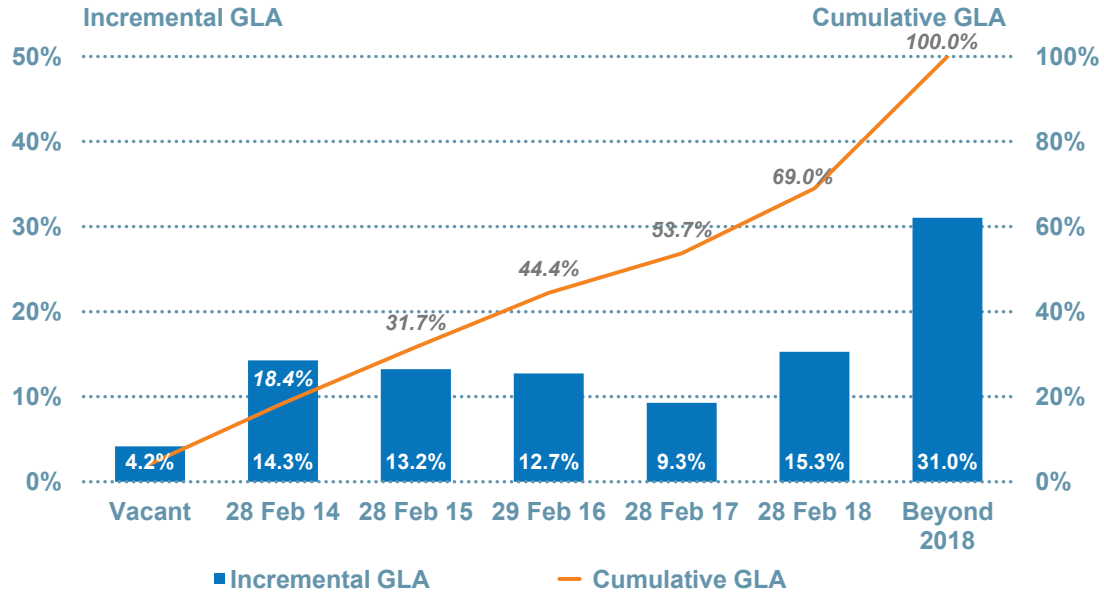
- Understanding the financial / PFMA process
- Adequate tracking of payments
- Skilled staff embedded in government systems
- Ability to negotiate through a protracted period
- Ability to complete A grade T.I
- Negotiation of rentals to Rode's report
- Secured leases from 5 years to 9 years and 11 months
- Normalisation of DPW following historic issues

- Portfolio vacancy at 28 February 2013 of 4.4%
- Bad debts of 0% for the year ended 28 February 2013
- 8.5% average uplift on forecasted consolidated portfolio renewals
- Vacancy upside
- Lease renewals
 - › 88 Field Street: Water affairs and NPA lease renewal
 - › Presidia: replacing NYDA with SAPS
 - › Liberty: expanding Mass Stores
 - › Embassy: Social welfare from Liberty, CCMA tender
 - › SARS Springs renewal (5 years)

Lease expiry profile: rental (percentage)

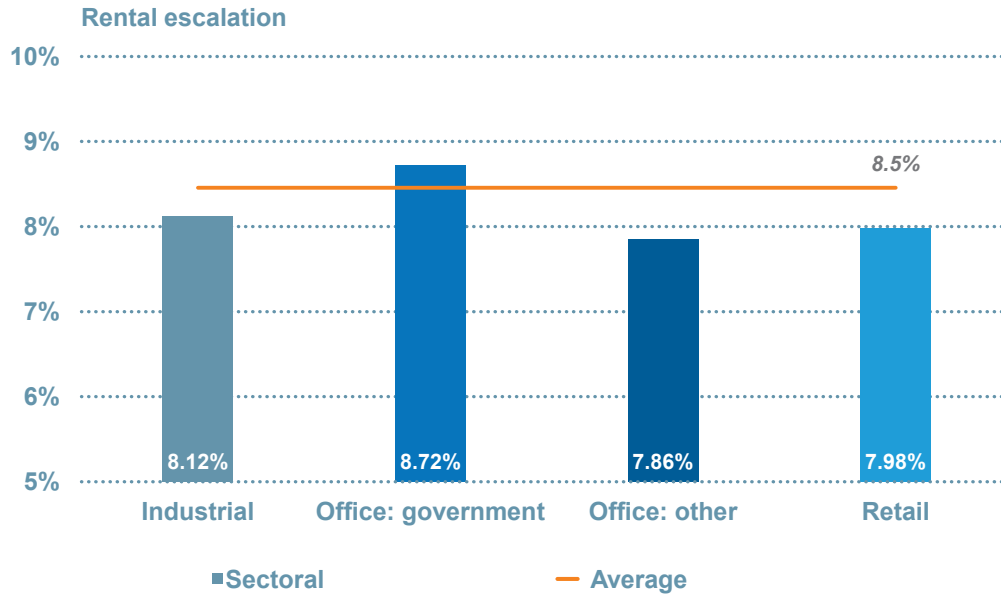


Lease expiry profile: GLA (percentage)

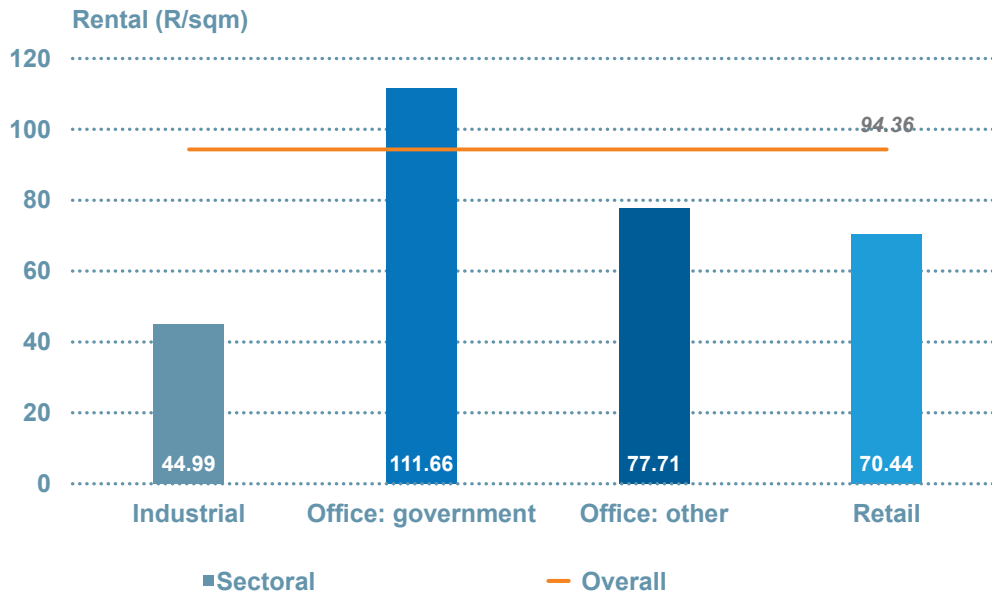




Weighted average rental escalation (percentage)



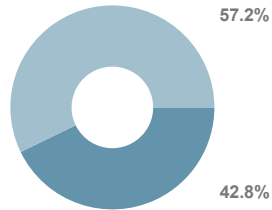
Weighted average rental (per square metre [sqm])



Capex

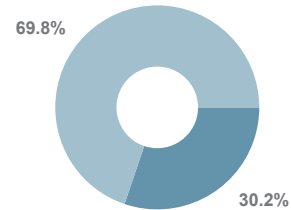


Total capex spend for 2013



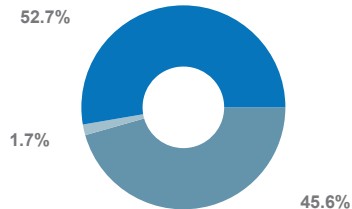
- Capex approved and spent in 2013
- Capex approved yet to be spent in 2013

Total recommended capex for 2014



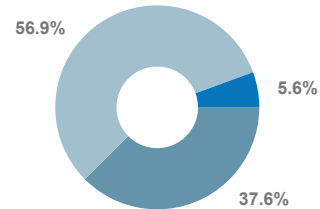
- Capex approved
- Capex awaiting approval

Total capex approved for 2014



- Capex approved and spent
- Capex approved; spend unconditional
- Capex approved: spend subject to lease renewal

Approved capex spend subject to lease renewal



- Tivoli
- Presidia
- NPA

110 HAMILTON: renovation project: offices, meeting rooms, kitchens and ablutions



Salient features

- Building area: 4,511m²
- Location: Pretoria
- Anchor tenant: DPW (DAFF)
- Current gross rental/m²: R164.59

Renovation

- TI cost: R7 million
- Completion: July 2011
- Building grade prior to TI: Grade C
- Building grade post TI: Grade A
- Lease term: 9 years 11 months



before



foyer

after



before



ablutions

after

COOPER HOUSE: renovation project: offices, meeting rooms, kitchens, ablutions and façades

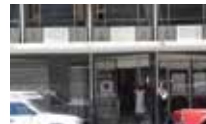


Salient features

- Total building area: 2,544 m²
- Location: Bloemfontein
- Anchor tenant: DPW (DoE)
- Current gross rental/m²: R80.32

Renovation

- TI cost: R6 million
- Completion: April 2013
- Building grade prior to TI: Grade C
- Building grade post TI: Grade B
- Lease term on basis of TI: 9 years 11 months



before



Front façades

after



before



ablutions

after

FORUM BUILDING: renovation project: offices, meeting rooms, new lifts, kitchens, ablutions and parking



Salient features

- Building area: 35,400 m²
- Location: Pretoria
- Anchor tenant: DPW (DoT)
- Current gross rental/m²: R97.19

Renovation

- TI cost: R44.326 million
- Anticipated completion date: December 2013
- Building grade prior to TI: Grade C
- Building grade post TI: Grade A
- Lease term on basis of TI: 9 years, 11 months

UPGRADED



boardroom



office layout



ablutions



disabled ablutions

88 FIELD STREET: renovation project: offices, HVAC system, glazing, lifts upgrade and ablutions

Salient features

- Total building area: 21,105 m²
- Location: Durban CBD
- Anchor tenant: DPW (DoWA, Justice Department)
- Current gross rental/m²: R92.32

Renovation

- TI cost: R19 million
- HVAC retrofit: R7.2 million
- Building grade prior to TI: Grade C
- Building grade post TI: Grade B
- Lease term on basis of TI: renewal of DPW leases (DAFF, AFU, Specialised Tax and NPA)





- Interest rates projected to remain at current low levels
- Process to access debt capital markets
- Introduction of REIT legislation
- Distribution growth of 20% to February 2015
- Strict focus on cost management and sweating the assets will be maintained
- Delta remains focused in its pursuit of yield enhancing opportunities
- Leverage on BEE status

R000	28 February 2014	28 February 2015
Net property income	420 120	492 751
Rental income	538 484	629 889
Property operating expenses	(118 364)	(137 138)
Administration expenses	(42 777)	(48 438)
Net finance costs	(117 954)	(133 581)
Sundry income	-	-
Retained profit not distributed	(2 594)	(3 107)
Distributable income for the period	256 795	307 625
Number of linked units in issue	354 200 146	354 200 146
Distribution per linked unit (cents)	72.50	86.85
Distribution per linked unit growth		20%
Cost to income %	21.98%	21.77%



Q & A

Annual results

