



PREMIUM
PROPERTIES
LIMITED



OCTODEC
INVESTMENTS LIMITED

Financial results presentation



For the six months ended 31 August 2013



For the year ended 31 August 2013



Agenda



- Introduction
- Corporate structure
- Financial highlights and results
- Property portfolio
- Prospects
- Q & A
- Thank you

Introduction



- REITS listed on the JSE
- Premium and Octodec listed in 1994 and 1990 respectively

- Premium and Octodec are one of the top performers on the JSE with total annual return to shareholders over a 10 year period of 30,88% and 23,83% respectively

- Premium property portfolio comprises of 168 properties in Gauteng
- Octodec property portfolio comprises of 109 properties in Gauteng

Introduction



- Managed by City Property Administration – over 40 years property management experience
- Seven year management contract in place effective 1 July 2010

- Premium's and Octodec's revenue received from residential accommodation of 28% and 8% respectively
- Octodec has a large investment in shopping centres
- Strategic focus on Pretoria and Johannesburg CBD's and surrounding areas

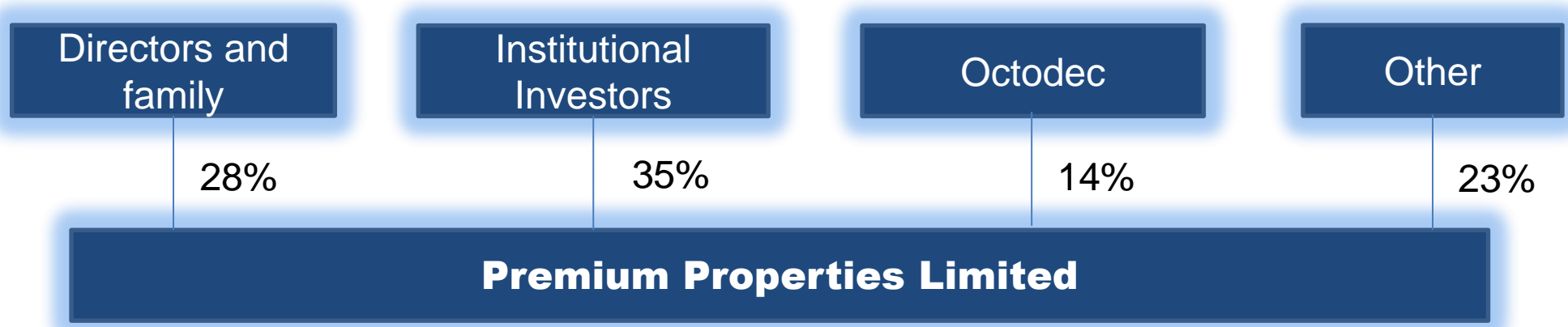
- Key focus on unlocking the value of properties by development and refurbishment
- Performed some pioneering work – of office buildings to residential

Introduction

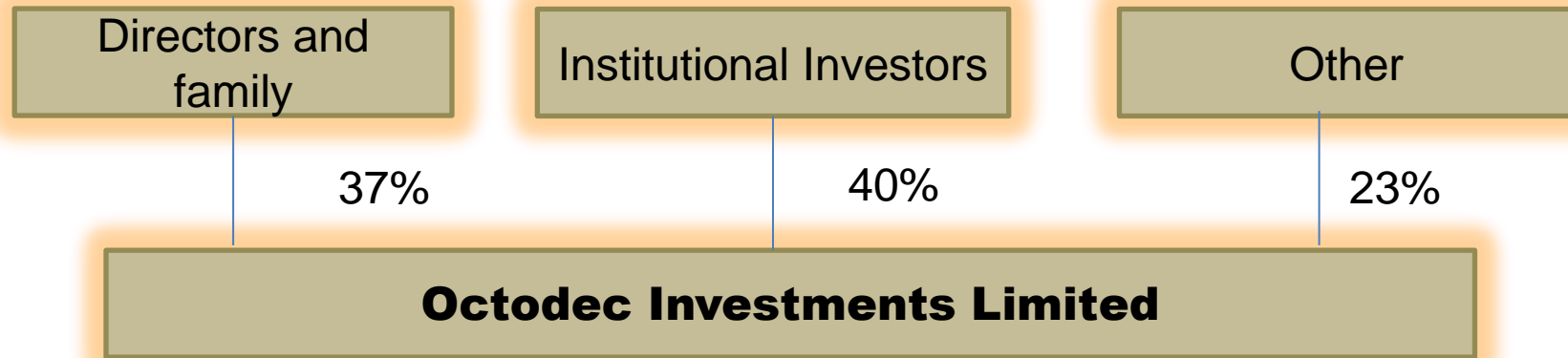
The strategy of the Premium and Octodec Group is focused on:

- Enhancing the profitability of the existing portfolio by:
 - Continuous improvement in the quality of the portfolio
 - Enhance tenant profile
 - Develop well located properties
- Building a diversified property portfolio in Gauteng
- Maintaining a balanced exposure to the office, retail, residential and industrial property sectors
- Pursuing acquisitions that add not only improved profitability but also strategic value to ensure that new investments enhance the value of our existing portfolio, thereby adding growth and sustainability in the areas in which we operate
- Maintaining and growing distributions to unitholders
- Managing risks to minimise volatility of distributions (by ensuring sustainable lease structures and optimising operating income)
- Reducing vacancies and managing lease expiries and arrears
- Pursuing high standards of corporate citizenship and sustainable development with a focus on training, corporate social responsibility and minimising environmental impacts of operations
- Prudent management of debt to lower cost of funding

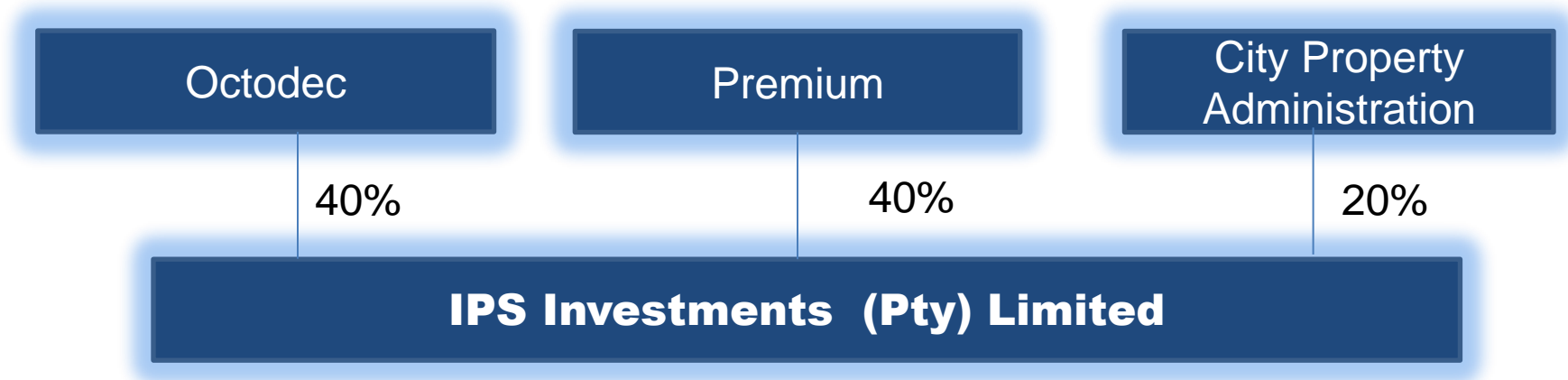
Corporate structure: Premium Properties Limited



Corporate structure: Octodec investments Limited



Corporate structure: IPS Investments (Pty) Limited



Financial highlights and review



2013 Financial highlights

Premium

Reduction in core vacancies from 13,9% to 13,0%

Obtained REIT status from 1 March 2014

Establish presence in the debt capital market. Total issuance of R465 million, or 28% of borrowings

Reduction of cost of debt to 7,8%

Total investment assets exceed R5,0 billion
Market capitalisation of R2,7 billion

Half year distribution of 66,20 cents per unit increase of 10,3%

2013 Financial highlights

Octodec

Reduction in cost of debt to 8,4%

Obtained REIT status from 1 September 2013

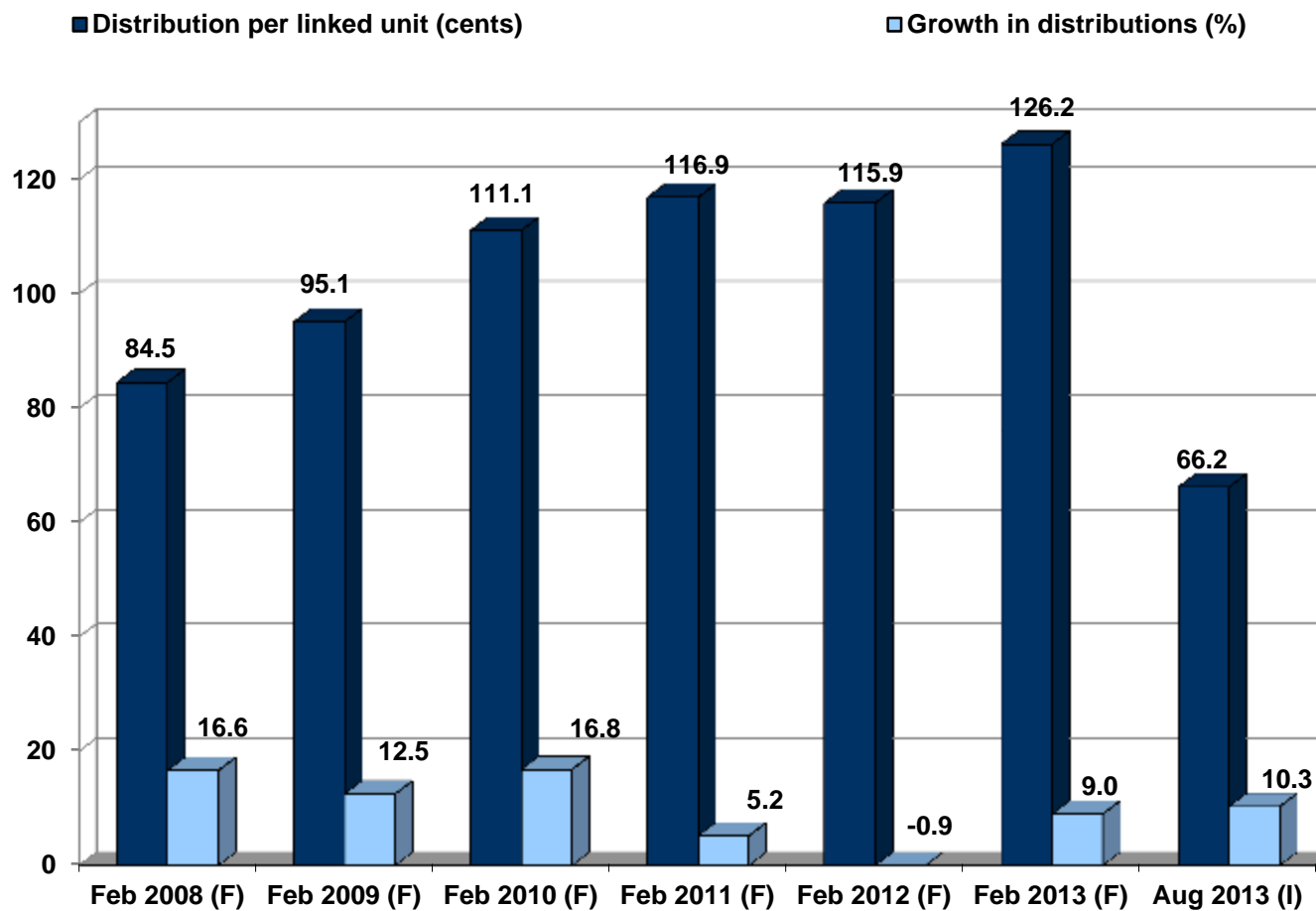
Total investment assets exceed R4,0 billion
Market capitalisation of R2,1 billion

11,7% return to investors – for the 12 month period – income return of 8,3% and capital growth of 3,4%.

Full year distribution of 157,60 cents per unit

Increase of 14,8%

Premium distributable earnings

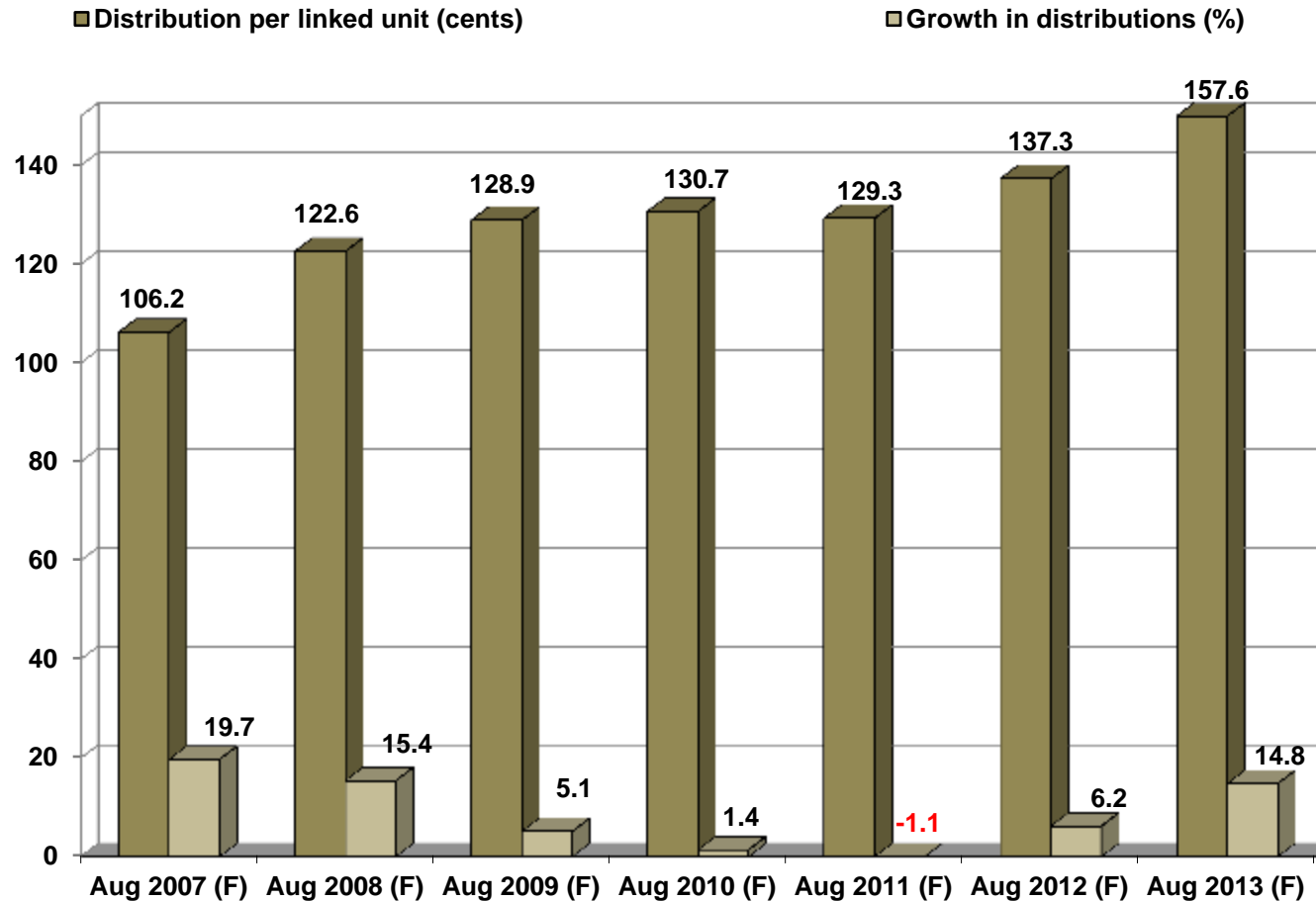


Premium distributable earnings

	31 Aug 2013 (I) R'000*	28 Feb 2013 (F) R'000	28 Feb 2012 (F) R'000	28 Feb 2011 (F) R'000	28 Feb 2010 (F) R'000	28 Feb 2009 (F) R'000	28 Feb 2008 (F) R'000
Revenue	311 307	575 112	519 570	452 075	409 128	348 603	282 398
Operating Profit	151 378	292 948	273 426	248 439	221 889	197 563	162 335
Investment income	15 635	23 993	19 673	13 896	18 879	15 975	15 333
Income before interest							
Finance costs (excluding debenture interest)	167 013 (63 128)	316 941 (118 880)	293 099 (111 464)	262 335 (110 375)	240 768 (96 188)	213 538 (89 706)	117 688 (66 960)
Income before taxation	103 885	198 061	181 635	151 960	144 580	123 832	110 708
Taxation	-	-	-	-	-	-	(21)
Unitholders' distributable earnings	103 885	198 061	181 635	151 960	144 580	123 832	110 729
Distribution per linked unit (cents)	66.2	126.2	115,8	116,9	111,1	95,1	84,5
Annual growth in distribution (%)	10.3	9.0	(0,9)	5,2	16,8	12,5	16,6

*Six-month period

Octodec distributable earnings



Octodec distributable earnings

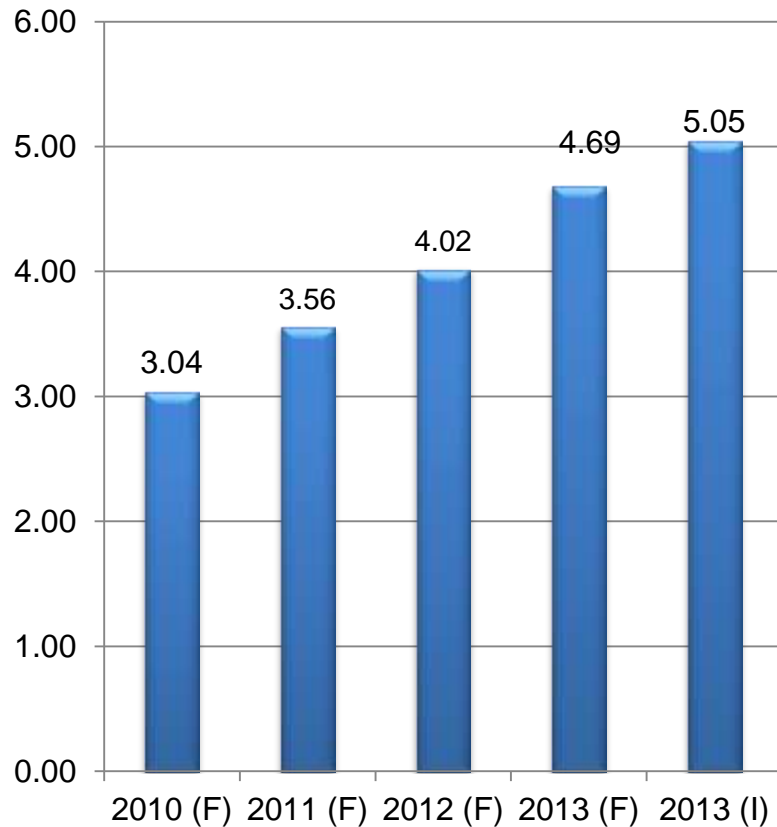


	31 Aug 2013 (F) R'000	31 Aug 2012 (F) R'000	31 Aug 2011 (F) R'000	31 Aug 2010 (F) R'000	31 Aug 2009 (F) R'000	31 Aug 2008 (F) R'000	31 Aug 2007 (F) R'000
Revenue	505 732	457 452	384 345	333 498	311 447	269 535	226 333
Operating profit	225 622	211 303	177 063	168 140	166 731	154 742	135 666
Investment income	55 984	44 755	38 601	33 581	29 189	23 426	129 000
Income before interest	281 606	256 058	215 664	201 721	195 920	178 168	148 566
Finance costs (excluding debenture interest)	(110 638)	(127 387)	(100 004)	(84 395)	(80 132)	(66 624)	(64 499)
Income before taxation	170 968	128 672	115 660	117 326	115 788	111 544	84 067
Taxation	(314)	(353)	(175)	(512)	(667)	(1 550)	(1 547)
Unitholders' distributable earnings	170 654	128 319	115 485	116 814	115 121	109 994	82 520
Distribution per linked unit (cents)	157,6	137,3	129,3	130,7	128,9	122,6	106,22
Annual growth in distribution (%)	14,8	6,2	(1,1)	1,4	5,1	15,4	19,7

Investment Portfolio

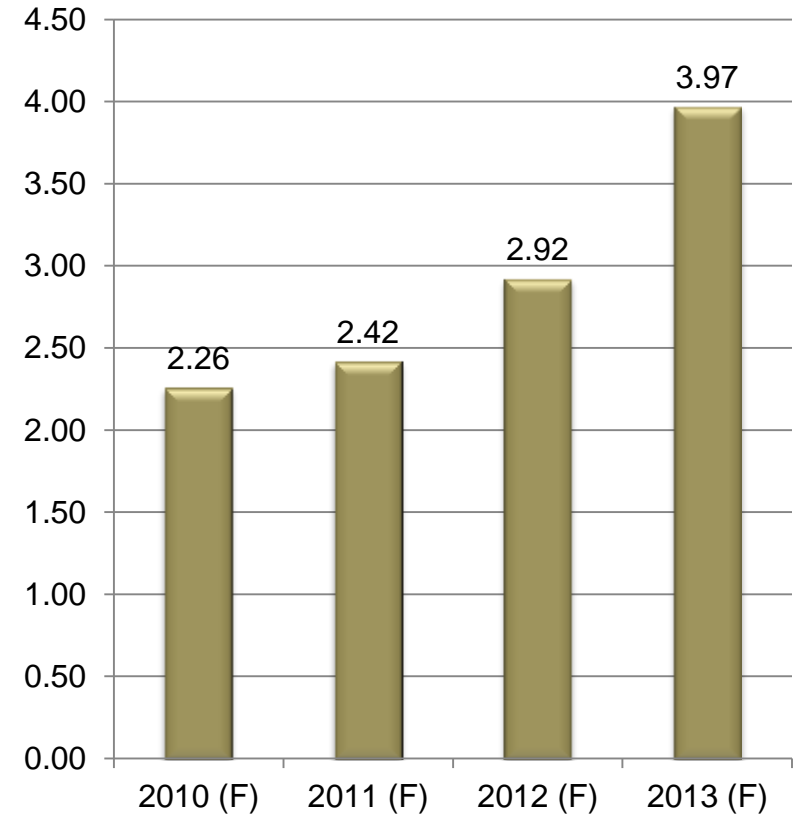
Premium

- **Value of investment portfolio (R'billion)**



Octodec

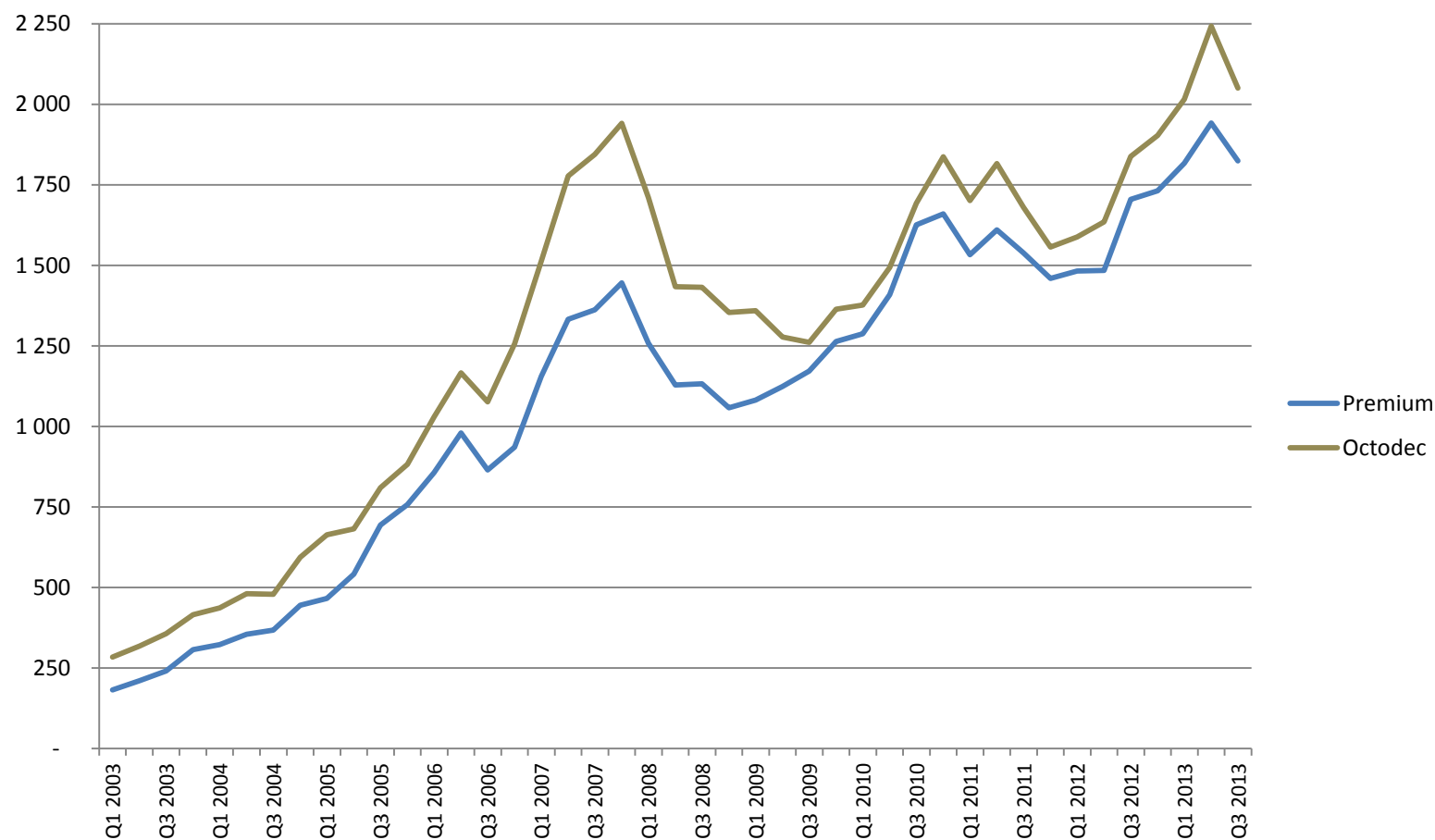
- **Value of investment portfolio (R'billion)**



Closing share prices (quarterly average)



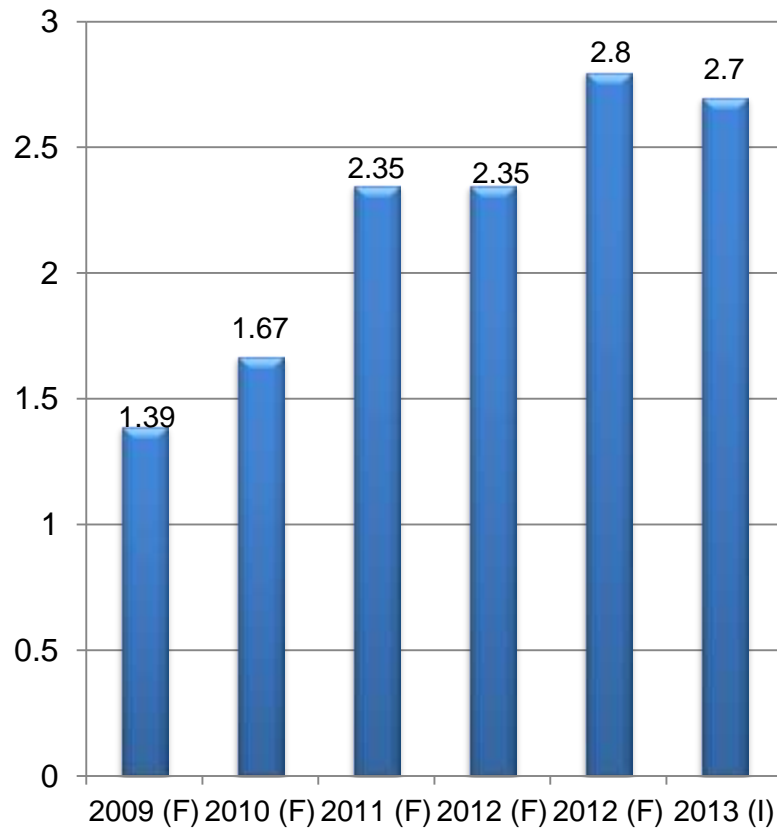
Premium and Octodec



Market capitalisation

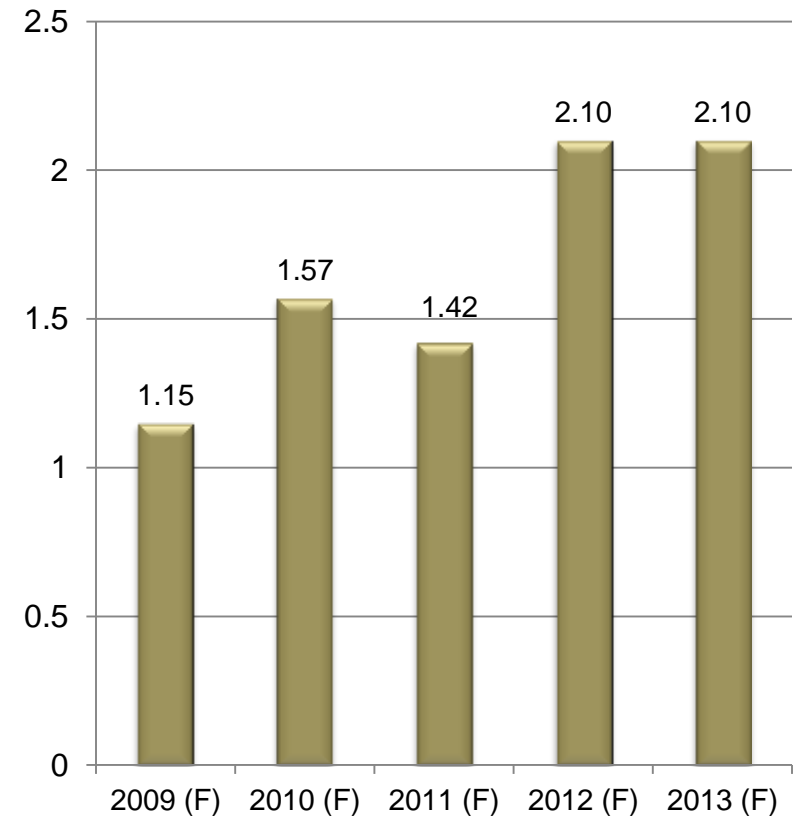
Premium

● Market capitalisation (R'billion)



Octodec

● Market capitalisation (R'billion)



Funding at 31 August 2013

Premium

	31 August 2013 (R'm)	Interest Rate (%)
Fixed interest rates / swaps	710 000	9.3
Floating interest rates	993 009	6.7
Total borrowings	1 703 009	7.8
Loan to value (%)	33.7	
Weighted average cost of borrowings (%)	7.8	
% of hedged borrowings	41.7	
Average length of fixed rate loans/swaps (years)	4.3	
Projected funding headroom for existing facilities	In excess of R400 million	

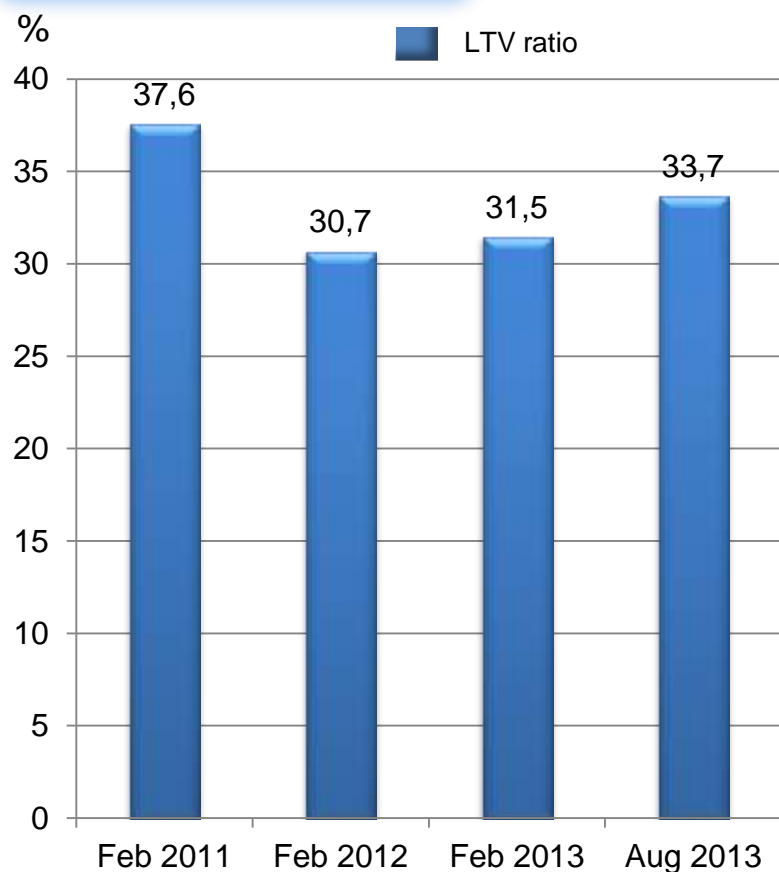
Funding at 31 August 2013

Octodec

	31 August 2012 (R'm)	Interest Rate (%)
Fixed rate borrowings/swaps	765	9.7
Floating	629	6.8
Total borrowings	1 394	8.4
Loan to value ratio (%)	35.9	
Weighted average cost of borrowings (%)	8.4	
% of hedged borrowings	54.9	
Average length of fixed rate loans/swaps (years)	3.9	
Projected funding headroom for existing facilities	In excess of R200 million	

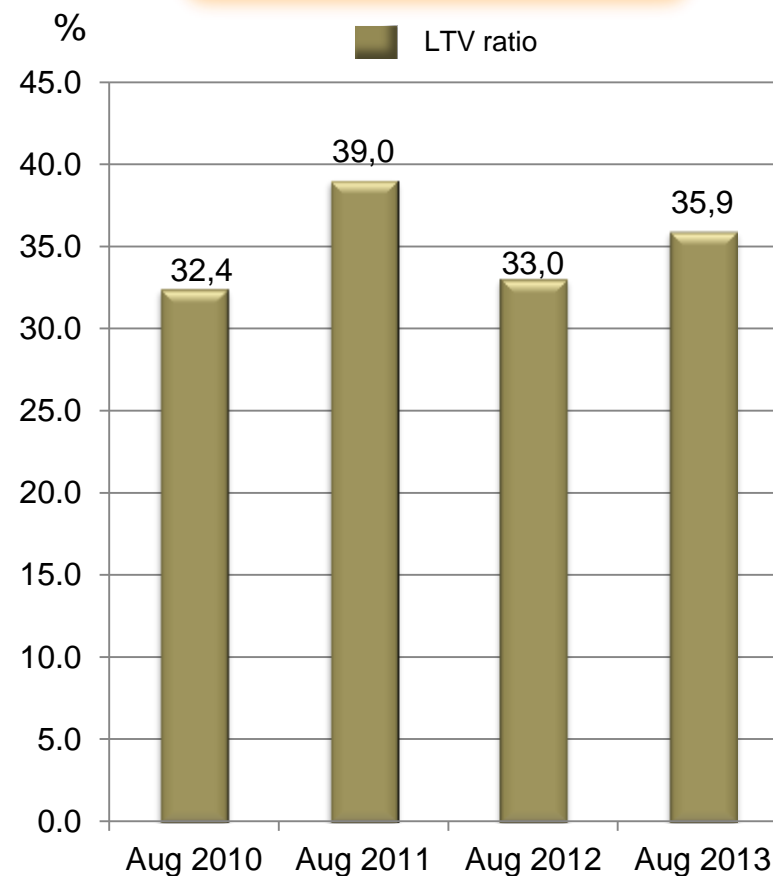
Borrowings – loan to value ratio

Premium



*Based on nominal value of interest bearing borrowings and net of cash balances

Octodec



*Based on nominal value of interest bearing borrowings and net of cash balances

Property portfolio

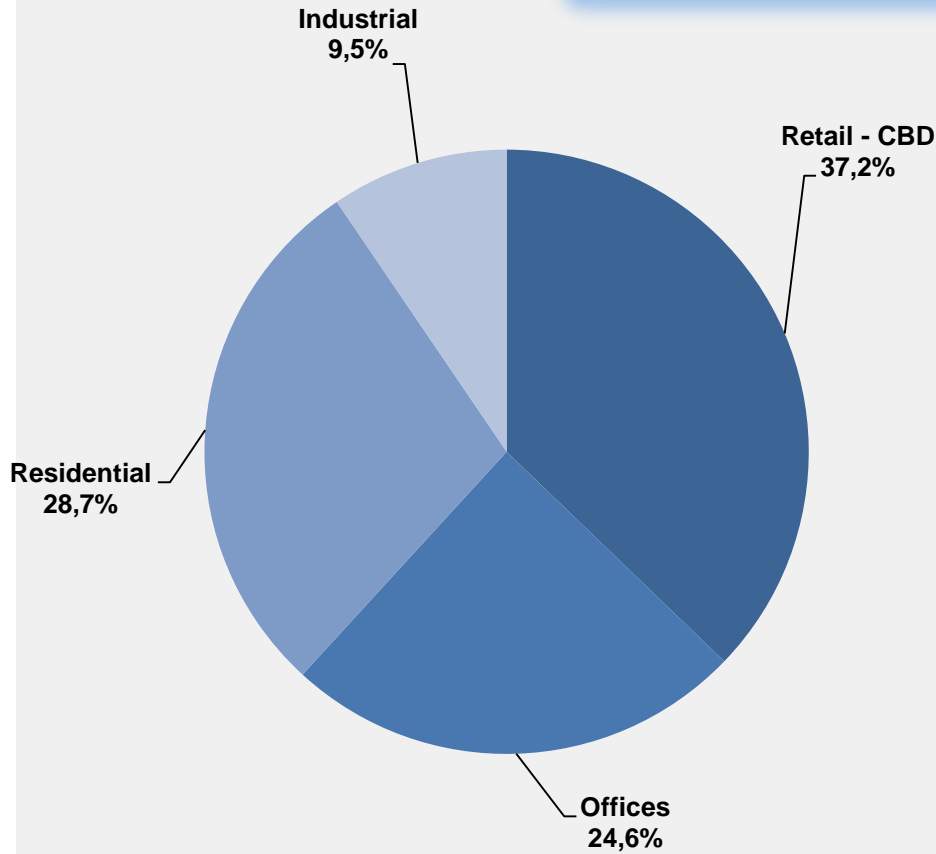


Sectoral and geographical analysis at 28 February 2013

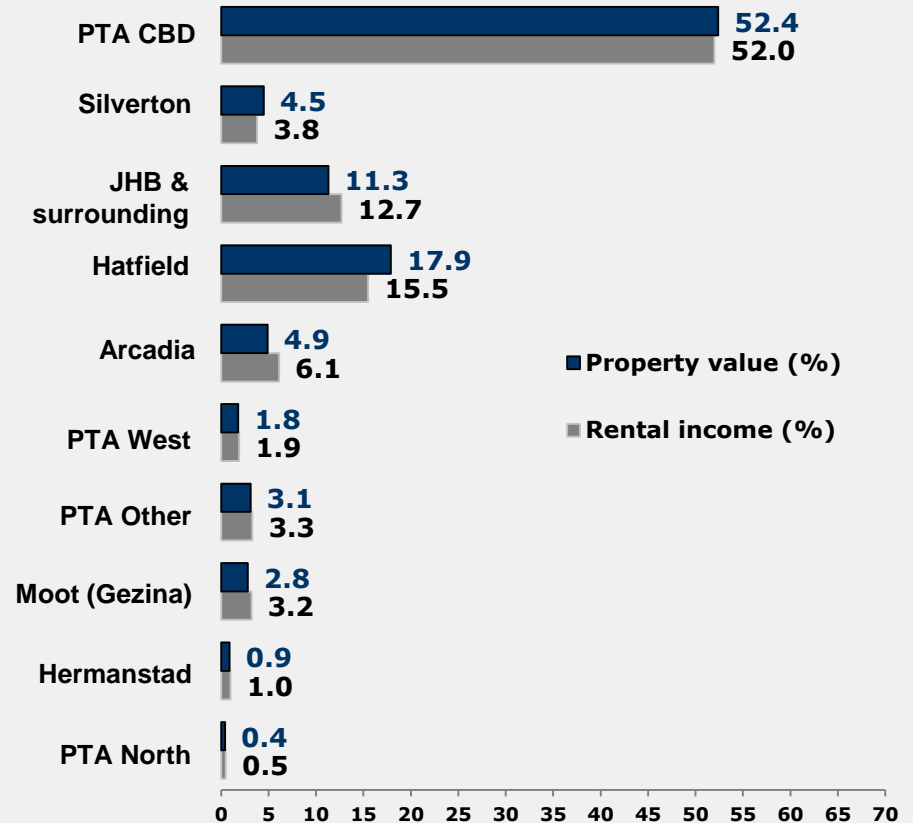


Premium

Sectoral analysis Rental income (%)



Geographical analysis

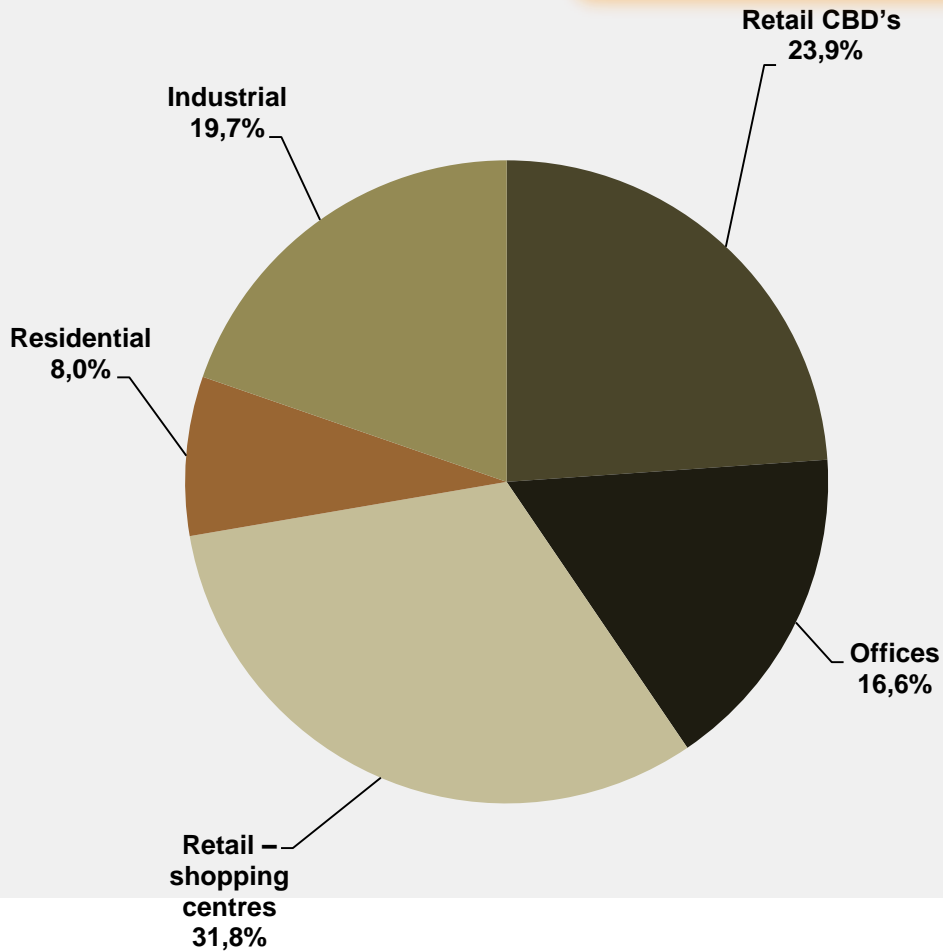


Sectoral and geographical analysis at 31 August 2013

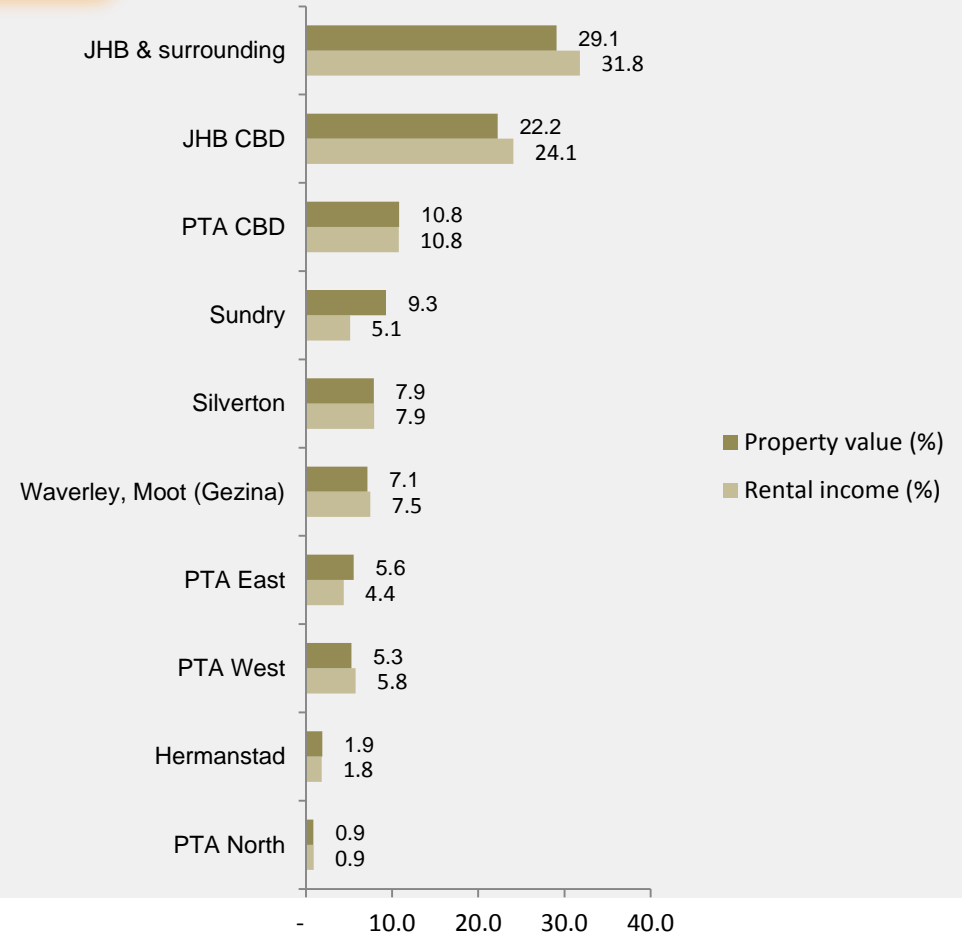


Sectoral analysis Rental income (%)

Octodec



Geographical analysis



Larger properties – Top 10

Premium

Name	Location	Sector	Value R'million	% of portfolio
The Fields	Cnr Hilda and Burnett Street, Hatfield	Hotel, Shops, Offices and 678 flats	700,53	15%
Louis Pasteur	374 Schoeman Street, Pretoria	Shops, Hospital and offices	182,90	4%
Centre Walk	266 Pretorius Street, Pretoria	Shops and offices	176,87	4%
Shoprite	298 Church Street, Pretoria	Shops and offices	155,35	3%
Capitol Towers North	225 Vermeulen Street, Pretoria	Shops and offices	133,44	3%
Station Place	190 Scheiding Street, Pretoria	Shops and 369 flats	123,25	3%
The Hangar	Cnr Bosboknook and South, Centurion	260 flats	114,66	2%
Silver Place	617 Pretoria Road, Silverton	Shops, offices and 232 flats	105,07	2%
City Place	111 Church Street, Pretoria	Shops and 298 flats	89,26	2%
Russell's Place	213 Schubart Street, Pretoria	Shops and 191 flats	79,06	2%

Larger properties – Top 10

Octodec

Name	Location	Sector	Value R'million	% of portfolio
Killarney Mall	Killarney, Johannesburg	Shopping Centre	547,31	16,8%
Woodmead Mart	Woodmead, Johannesburg	Shopping Centre	207,86	6,4%
Inner Court	Johannesburg CBD	Shops and offices	168,46	5,2%
The Tannery	Silverton, Pretoria	Industrial Park	152,24	4,7%
Elarduspark Shopping Centre	Elarduspark, Pretoria	Shopping Centre	145,92	4,5%
Rentmeester Park	Val de Grace, Pretoria	Offices	138,49	4,3%
Waverley Plaza	Waverley, Pretoria	Shopping Centre	128,21	3,9%
Castle Mansions	JHB CBD	Shops and 176 flats	118,59	3,6%
Sildale Park	Silverton, Pretoria	Industrial Park	89,28	2,7%
Persequor Park	Silverton, Pretoria	Offices	77,34	2,4%

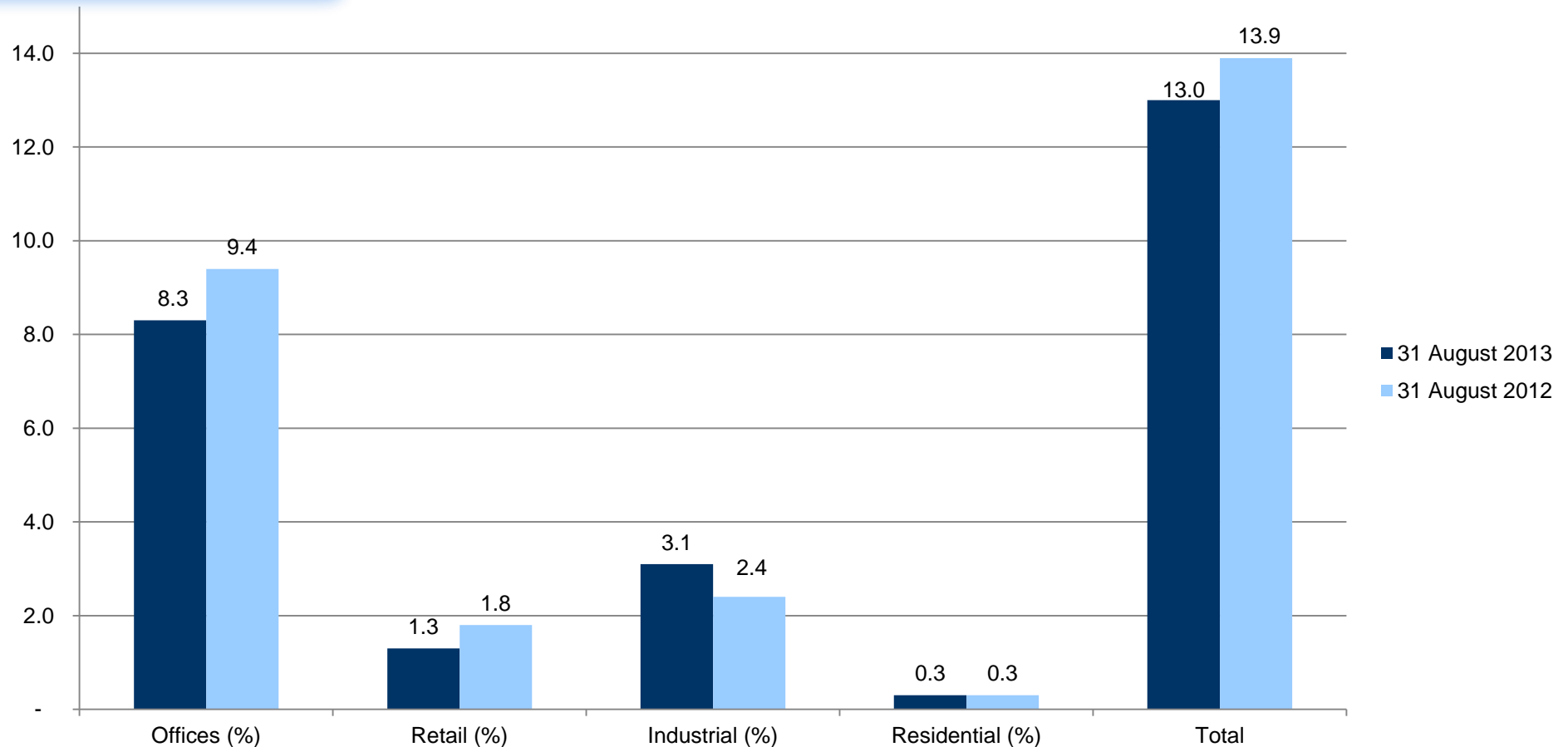
Larger properties – Top 10

IPS

Name	Location	Sector	Value R'million	% of portfolio
Kempton Place	12 Pretoria Road, Kempton	Shops, Offices and 469 flats	267,36	6,05%
Nedbank Plaza	361 Steve Biko (Beatrix) Street, Arcadia, Pretoria	Shops, Offices and 144 flats	185,55	4,20%
Centre Place	267 Helen Joseph (Church) Street, Pretoria, CBD	Shops, Offices and 234 flats	148,80	3,37%
Steyns Place	274 Francis Barnard (Schoeman) Street, Pretoria CBD	Shops & 381 flats	141,78	3,21%
Tom's Place	227 Minnaar Street, Pretoria CBD	320 flats	125,18	2,83%
Tali's Place	C/o Goud and Market Street, JHB CBD	Shops, offices and 337 flats	123,79	2,80%
Jeff's Place	137 Francis Barnard (Schoeman) Street, Pretoria CBD	Residential Project, 384 flats	109,66	2,48%
Ricci's Place	C/o Rissik, Commissioner & Joubert Street, JHB CBD	Shops & 281 flats	104,91	2,37%
Royal Place	C/o Kerk and Eloff Street, JHB CBD	Shops, offices and 155 flats	104,70	2,37%
Bram Fischer Towers	20 Albert Street, JHB CBD	Shops and offices	61,60	1,39%

Core vacancies by sector (% of total gross lettable area)

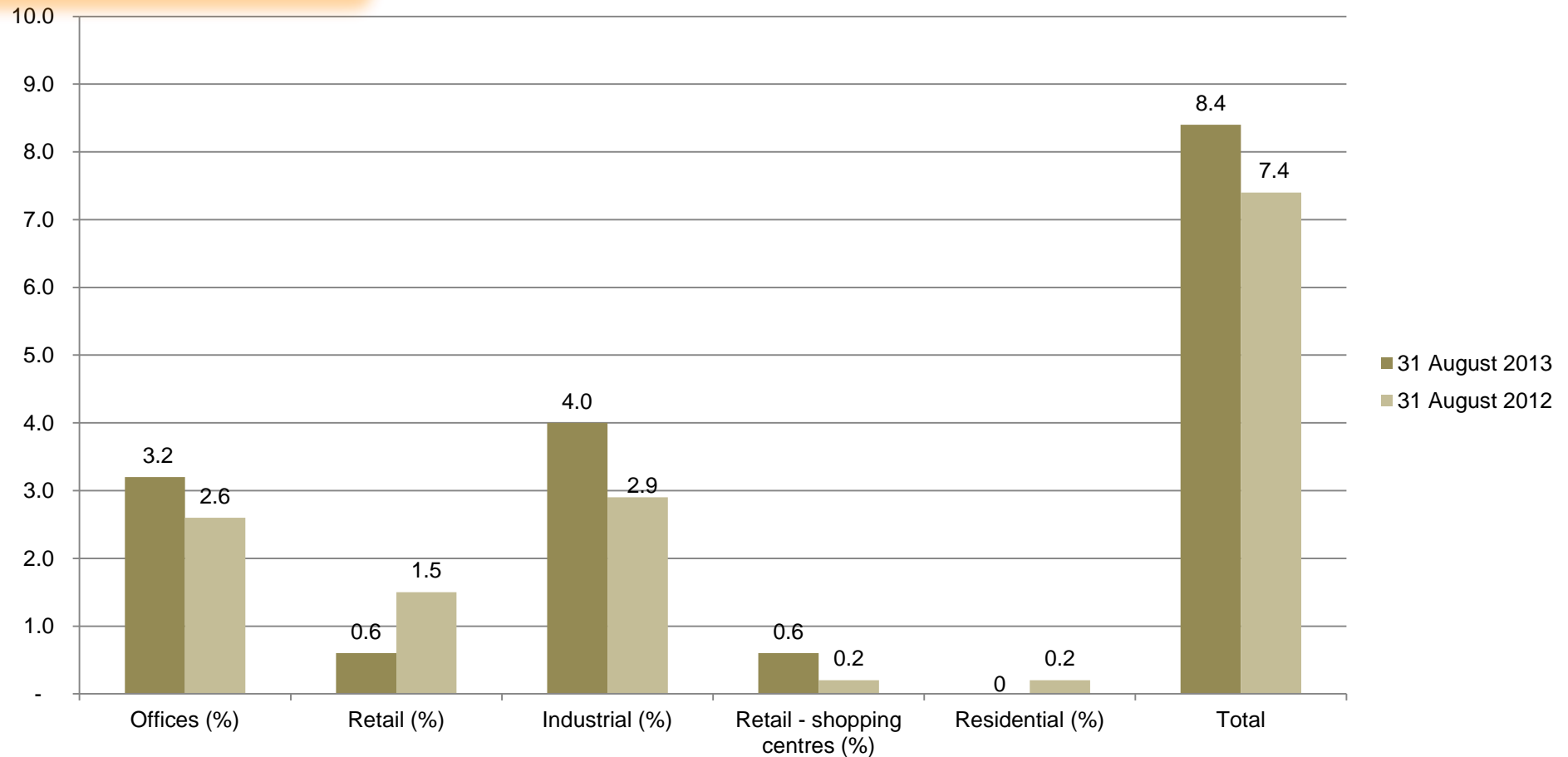
Premium



Core vacancies excludes lettable area of properties that are held for development or properties that were recently redeveloped.

Core vacancies by sector (% of total gross lettable area)

Octodec



Core vacancies excludes lettable area of properties that are held for development or properties that were recently redeveloped.

Vacancies 31 August 2013

- For both Premium and Octodec core vacancy factor at 31 August 2013 has remained similar to previous period

- ⇒ focused letting strategy
 - ⇒ upgrades to improve properties

- Residential vacancies at a all time low, underpinned by stronger demand for well located quality accommodation

- Vacant area provides an opportunity to grow earnings especially were properties have the potential to be redeveloped – ie residential conversion

- Office and industrial vacancies higher due to softer overall demand.

- Strong demand for CBD retail expected to continue.

Recent acquisitions

Premium

Name of property	Address	Description	Rentable m ²	Purchase price including costs R'million	Initial yield %	Date of transfer
DuPro 9	46 Thabo Sehume Street, Pretoria CBD	Commercial	524	7,37	Site assembly	4 July 2013
The Hangar	Cnr Bosboknook and South Street, Centurion	260 residential units	16 660	114,0	8%	31 July 2013

Recent acquisitions

Octodec

Name of property	Address	Description	Rentable m ²	Purchase price including costs R'million	Initial yield %	Date of transfer
Odeon Forum	83 Lois Street, Menlyn, Pretoria	Offices	2 667m ²	348,86	9.09	31 July 2013
Prime Cure House	128 Oak Avenue, Highveld Park, Centurion, Pretoria	Offices	2 689m ²	28,81	10.91*	31 July 2013
Persequor Park: • Dymech Office Park	18 De Haviland Crescent, Persequor Park, Pretoria	Offices	8 004m ²	77,34	10.12	31 July 2013
• De Haviland Forum	30 De Haviland Crescent, Presequor Park, Pretoria					
• Planburo Consillium	38 De Haviland Crescent, Persequor Park, Pretoria					

*Currently vacant, this yield assumes a fully let building

Developments



Premium

Property	Location	Details	Cost R'million	Completion date
The Fields Phase 2b	Hatfield	87 residential units and 87 parking bays	71,3	November 2013
Demar Building	Pretoria CBD	Mixed use upgrade	7,5	October 2012
Prinsman Place	Pretoria CBD	Upgrade of residential units	8,0	September 2013

Developments

Octodec

Property	Details	Gross lettable Area (m ²)	Cost R'million	Fully let yield	Completion date
Temple Court 169 Jeppe Street, JHB CBD	Upgrade of residential – 45 flats	2 136m ²	6,8	8,5	October 2012
Kerk Street Cnr Kerk and Joubert Streets, JHB CBD	Upgrade of residential	7 631m ²	17,5	7,7	December 2012
Scott's Corner C/o Van der Walt and Bloed Streets, Pretoria CBD	Retail development to be occupied by Cambridge and other retailers	5 233m ²	42,1	7,0	March 2013

Details of IPS Portfolio

- Property and investment assets exceed R1,5 (excluding JV's) R1,7 (including JV's) billion.
- 41 (excluding JV's) 48 (including JV's) Properties.
- In excess of 60% exposure to residential property.
- Properties situated in Gauteng, mainly Pretoria, Kempton Park and Johannesburg CBD's.
- Various Joint Ventures including a 50% interest in Joint Venture with Old Mutual and a mixed use development Kempton Place.
- Secured borrowing of R628 (excluding JV's) R784 (including JV's) million.
- Projects in the pipeline which will boost earnings and enhance the value of the portfolio. (Jeffrey's Place)

- Strong demand exists for:
 - Affordable and secure, quality residential accommodation – well positioned in this growing market.
 - Residential has few vacancies – (less than 2%).
 - CBD ground floor retail space – favourable market conditions.
 - Opportunity to further extract value by re-developments/upgrades.
 - Energy saving initiatives to reduce non-recoverable costs (such as common area electricity costs).
- Growth of the Black middle class :
 - Access to tertiary qualifications.
 - Increase in disposable household income.
 - Higher number of individuals employed by the state.
 - 40% of black middle class is situated in Gauteng.

Prospects (cont'd)

- Portfolio well positioned to benefit from any upturn in the economy.
- A number of exciting developments in progress:
 - Residential project in PTA CBD costing R144 million completion in November 2013 – 384 units (IPS).
 - Hatfield mixed use development – 87 residential units, costing R68,9 million (The Fields).
 - Bosman Place – 225 unit residential development (Octodec).

Prospects

- Well positioned to continue to take advantage of opportunities in the CBD's supported by:
 - The growing emerging middle class, in safe, middle to high-end apartments.
 - Infrastructure expenditure by Government of direct and indirect spin offs.
 - Ability to return food and fashion retailers to the city.
 - Taking lettable space from established shopping malls where cost of occupation is much higher.
- Underlying fundamentals in the property market remain relatively strong.
- Distribution expected to grow ahead of market average.
- Access to funding remains good.

More information



- Sharepoint
- www.premiumproperties.co.za
- www.octodec.co.za

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Questions

