

OCTODEC ANNOUNCES 2018 INTERIM RESULTS; CONTINUES PORTFOLIO OPTIMISATION AND POSITIONS ITSELF FOR SUSTAINABLE VALUE CREATION

- Distribution of 101.7 cents per share
- Total property assets valued at R12.9bn, up by R127.9m
- Increase in Net Asset Value per share to R29.62
- Sharon's Place development substantially completed and experiencing pleasing demand
- 10 non-core/underperforming assets sold, 6 transferred during the period
- Continued focus on cost reductions and improved efficiencies
- Prudent capital management strategy

Monday, 23 April 2018 – JSE listed REIT Octodec Investments Limited today announced its half year results which were impacted by pressure on rental income growth, the lag effect of the let-up period at recent developments and higher finance charges. A distribution of 101.7 cents per share (1H17 104.8 CPS) was declared for the period.

Jeffrey Wapnick, Managing Director of Octodec explained: ***"The political and economic uncertainty experienced during the period, did not lend itself to a supportive operating environment. Our approach was therefore to focus on core property fundamentals and position ourselves to provide sustainable value creation."***

"We achieved some rental income growth and kept the increase in operating costs relatively low while bad debt write-offs were maintained at acceptable levels. Residential vacancies which saw significant competitive pressures, specifically in Hatfield, was a key focus area for us. Marketing efforts and an enhancement of the tenant offering to address the increased competition are bearing results with a reduction in residential vacancies achieved. This sector has seen an improvement in vacancies from 7.2% at end August 2017 to 3.7% just post period end."

Despite the continued sluggish performance of the local economy, Octodec's R12.9 billion portfolio comprising 309 properties, realised like-for-like growth of 3.2%% in rental income and had a total core occupancy level of 89.2%. The net operating costs to contractual rental income ratio improved to 28.3% (2017 30.9%). Bad debts write-offs and provisions remained unchanged at 1.2% of total tenant income.

Finance costs for the period amounted to R213.9 million, an increase of 7.5% compared to the prior period. The all-in weighted cost of borrowings was maintained at 9.2% per annum while the group's loan-to-value was at 37.1% at period end.

Anthony Stein, Octodec's Financial Director, commented: ***"The rise in finance costs is mainly due to increased borrowings to fund developments and projects, as well as the cost of additional interest rate hedging contracts which were entered into to protect against interest rate risk."***

"We are pleased to have reached agreement with City Property for the asset and property management services. This was a core focus during the period as the contract is up for renewal in July 2018. We look forward to engaging with our shareholders ahead of the general meeting to approve the agreement."

Octodec continued to optimise its portfolio by focusing on the completion of certain developments and disposing of non-core or underperforming assets.

Sharon's Place, Octodec's largest residential development consisting of 400 residential units, 5 660 m² of ground floor retail, anchored by Shoprite and Clicks, and 289 parking bays was substantially completed during the period. It is adjacent to the new Tshwane House municipal development in the Tshwane CBD and falls within one of Octodec's key strategic nodes. **"We have experienced pleasing demand for our residential units at Sharon's Place with the first block of 90 units being let-up within two weeks of completion. We expect this level of interest to be sustained for the units in the other two blocks which are nearing completion,"** commented Wapnick.

The group had several smaller projects under way, including the upgrade of North City, an office block in Braamfontein and The Tannery, a multi-tenanted industrial complex situated in Silverton, Tshwane. These projects will not only improve occupancy levels and enhance the value of the portfolio but will also uplift Octodec's key strategic nodes of operation.

Ten non-core or underperforming assets were sold with six transferred during the period, returning R43.8 million. The remaining four properties totalling R44.8 million are expected to transfer during the 2018 financial year. ***We increased our focus on asset recycling which will remain a key focus area for the foreseeable future,*** Wapnick explained.

Wapnick concluded: ***"Our expectations for flat distribution growth for the full year have not changed however we should see positive growth in the 2019 financial year. Our ability to respond to changing trends by adjusting our offering without compromising on our standards, like we have done in the residential sector, will support our resilience."***

"The local operating environment has started to show signs of recovery supported by better market sentiment following recent political changes. We are also seeing significant private and public investment projects in the Tshwane and Johannesburg CBDs which is encouraging as they accelerate the pace of rejuvenation."

"Our strategy remains unchanged and we continue to offer a safe investment option for our shareholders backed by an experienced management team, diversified portfolio, sound operating fundamentals and prudent capital management."

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NOTES TO EDITORS

- Octodec is a Real Estate Investment Trust ("REIT") listed on the JSE Limited ("JSE") and invests in the residential, retail, shopping centre, office and industrial property sectors. Octodec's portfolio which comprises 309 properties mostly located in the Tshwane and Johannesburg CBDs, is valued at R12,9 billion. Octodec is focussed on and committed to the continued investment into the Johannesburg and Tshwane city centres which offer higher yield and growth potential.
- Jeffrey Wapnick, the Managing Director of Octodec Investments since 1998, is responsible for the effective management of the company with a strong emphasis on the upgrades and redevelopment of properties.

He holds various other directorships of unlisted companies including City Property Administration Proprietary Limited where he is the managing director. He is a member of the risk committee of Octodec Investments Limited.

- The Wapnick family has a long history of experience in the property industry and holds a significant stake in Octodec, aligning their interests with those of other shareholders. Management has played an integral role in the running of the portfolio for over 25 years and therefore has an intimate knowledge of every asset and solid relationships with tenants. City Property as the asset and property manager has been managing Octodec for many years and has a wealth of experience in property management, specifically in the Tshwane and Johannesburg city centres and in the residential sector.