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PROPERTY REPORT 2013

The retail, office and industrial property markets

Africa's leading property services provider

PART OF THE CBRE AFFILIATE NETWORK

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CONTENTS

1. GLOBAL ECONOMIC OUTLOOK 3

2. GLOBAL PROPERTY MARKET 7

3. SOUTH AFRICAN PROPERTY MARKET 14

4. SOUTH AFRICAN LISTED PROPERTY SECTOR 20

5. OFFICE SECTOR 27

6. INDUSTRIAL SECTOR 40

7. RETAIL SECTOR 45

8. SUB-SAHARAN AFRICA 53

9. BROLL OVERVIEW 97

10. GLOSSARY 101

11. CONTACTS 105

GLOBAL ECONOMIC OUTLOOK

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Sourced from Oxford Economics/IMF Report

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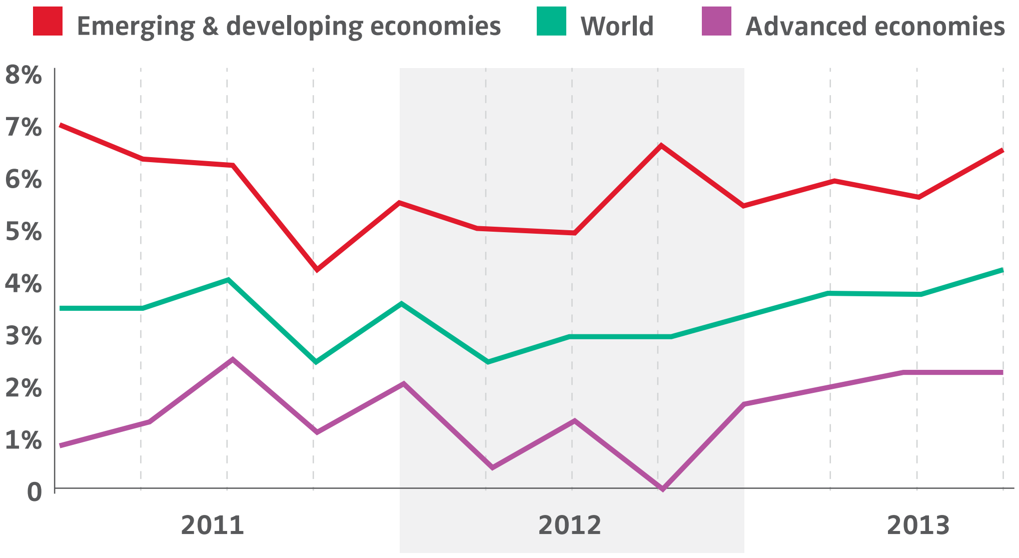
The outlook for an upturn in world growth in 2013 is brighter than that of 2012 when the risk lay with renewed recession across a number of major economies.

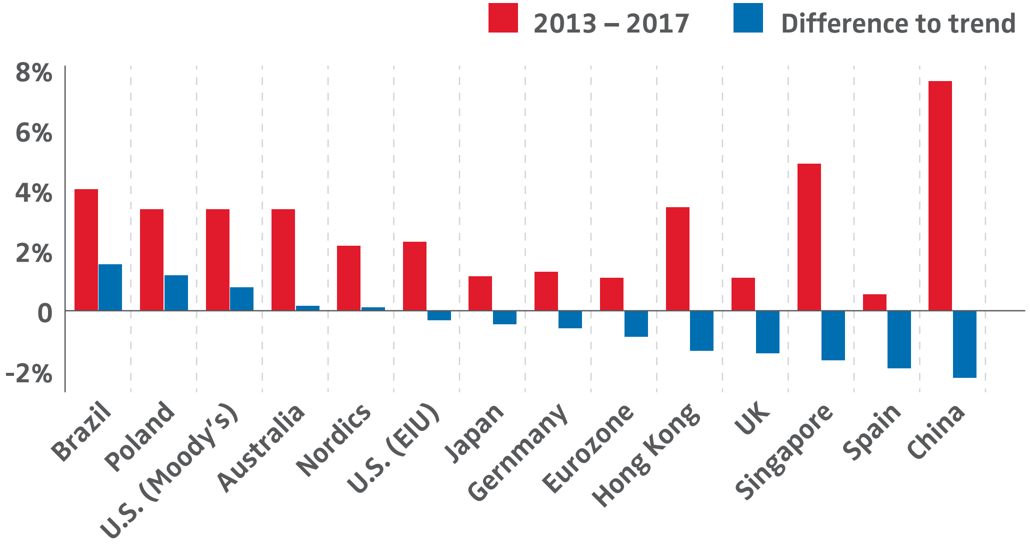
Economic conditions improved modestly in the third quarter of 2012 (Figure 1), with global growth increasing by approximately 3 percent. The main sources of acceleration were emerging market economies, where activity increased broadly as expected, and the United States, where growth exceeded expectations. Financial conditions stabilised, while bond spreads in the Euro area declined and prices for many risky assets, notably equities, rose globally. Capital flows to emerging markets remained strong.

FIGURE 1: GLOBAL GDP GROWTH



Source: *IMF staff estimates*

FIGURE 2: GDP FORECASTS, % PA



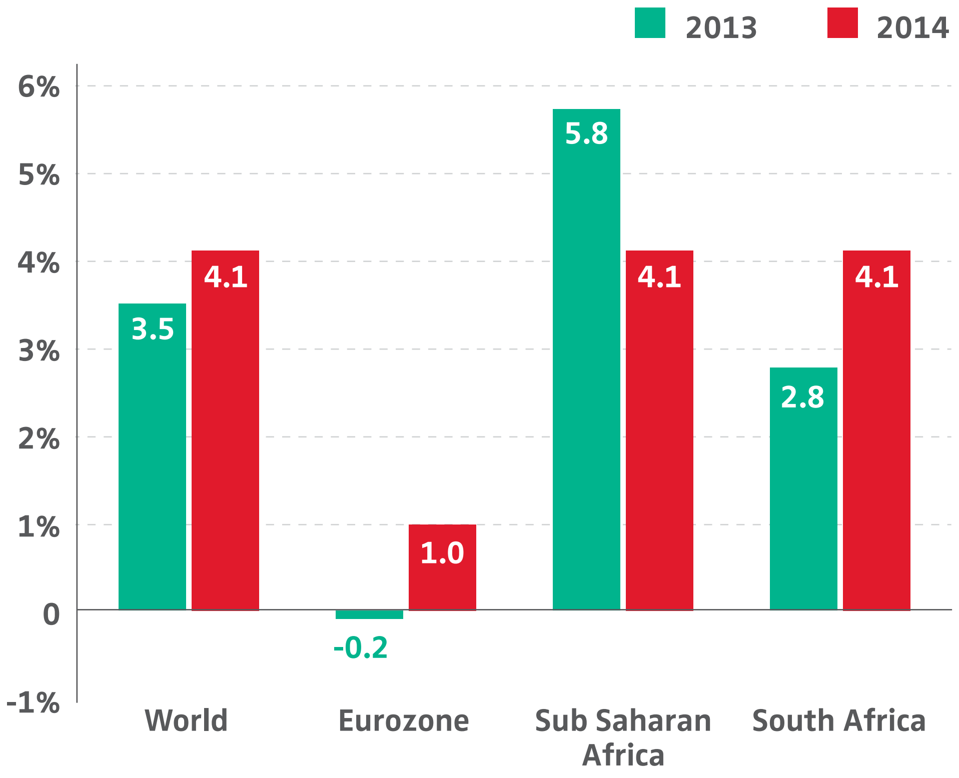
Sources: *Economist Intelligence Unit*

Growth in emerging market and developing economies is on track to reach 5.5 percent in 2013. Nevertheless, growth is not projected to rebound to the high rates recorded in 2010–11.

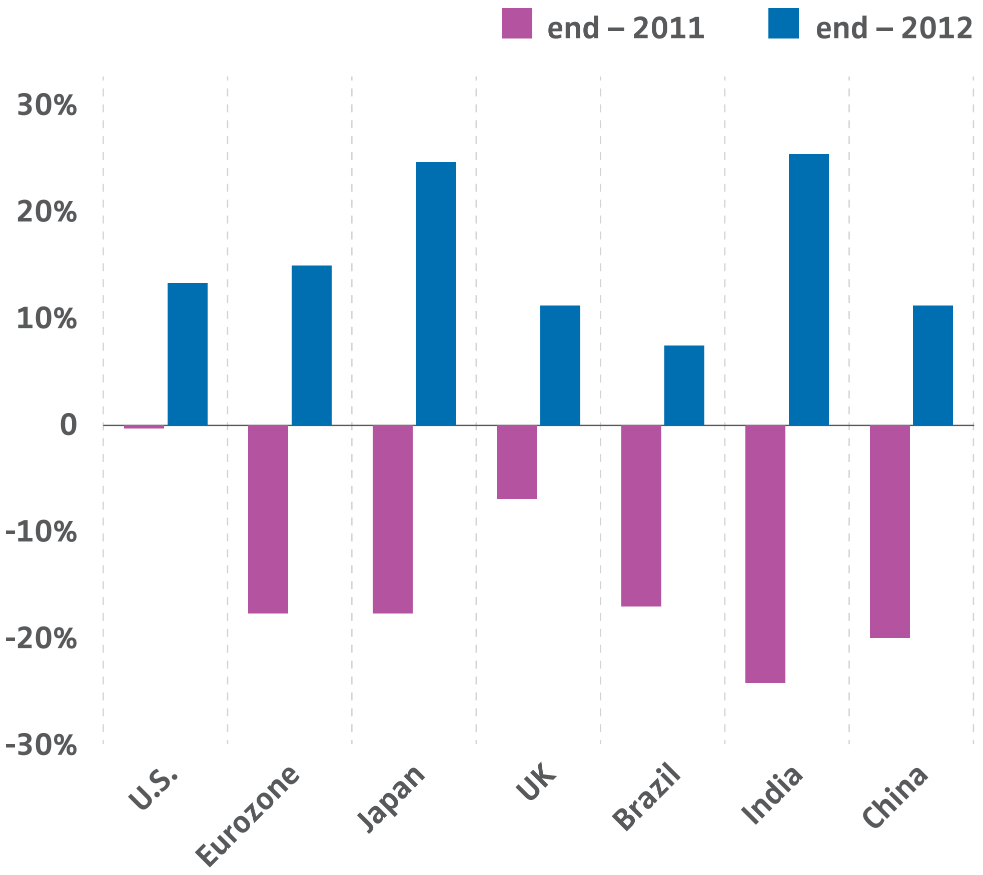
Supportive policies have underpinned much of the recent acceleration in activity in many economies. Given the assumption of lower commodity prices in 2013, weakness in advanced economies will undoubtedly weigh on external demand, as well as on the terms of trade of commodity exporters. Economic growth in sub-Saharan Africa is expected to remain robust, with a rebound from flood-related output disruptions in Nigeria contributing to overall growth in the region in 2013.

As the Eurozone and US economies recover, there is clearly potential for companies' earnings and share prices to rise further. This in turn could have a positive indirect effect on financing conditions as banks become more inclined to lend to households and companies.

IMF PROJECTIONS FOR ECONOMIC GROWTH IN 2013 – 2014



WORLD STOCK MARKETS AT YEAR END



Source: *Oxford Economics / Haver Analytics*

With the 2011 financial market uncertainties in the Eurozone, stock markets in the principal advanced and emerging countries were 10 - 12 percent down on the year. The negative effect on both business and consumer was palpable during this period. However, stock markets in the Eurozone are now 10 - 12 percent higher.

This turn in investor sentiment and sharp rally in Eurozone financial markets can be ascribed to the relatively soft landing for the economy in China, the resolution of the US fiscal debate and indications that emerging markets are accelerating again. The boost in investor confidence has been accompanied by an appreciation of the Euro against a basket of currencies.

However, despite Euro appreciation, economic forecasts indicate that the currency is stronger than warranted by economic fundamentals and that, during 2013, economic differentials between the US and Eurozone will emerge, and expectations are that the Euro will depreciate against the US dollar.

The Eurozone is one of South Africa’s main trading partners and conditions in the Eurozone materially impact on economic prospects for this country.

Nigeria and South Africa account for one-half of sub-Saharan Africa's entire GDP, and are potentially major drivers of growth for the region as a whole.

Projections for 2013 show South Africa is lagging the rest of sub-Saharan Africa in economic growth, but the projection for 2014 and beyond looks more encouraging. It appears clear that projected growth in sub-Saharan Africa will exceed 5.5 percent led in West Africa by Ghana and Nigeria and in East Africa by Mozambique (refer to GDP 2013 graph pg 55).

The negative growth projection for the Eurozone in 2013 likewise suggests that the South African economy still has a hard road to travel before economic conditions can improve.

Currently, at least 12 countries in sub-Saharan Africa export to South Africa. South African companies continue to invest in the rest of Africa and this has an impact on shaping trade flow. This investment is also reflected in the financial sector, where a number of Nigerian and South African banks have extended their operations in many countries in sub-Saharan Africa.

GLOBAL PROPERTY MARKET

Sourced from CBRE Research

In terms of property investment opportunities for 2013, the US remains the world's major economy with the most favourable macro-economic outlook.

Europe is set for a slow crawl back to positive growth. Chinese policymakers continue to create lower, but better balanced, growth.

With risk-aversion levels still high, global direct investment volumes were weaker in 2012 than in 2011, with investors focused on North America and the major liquid global cities such as London and Sydney.

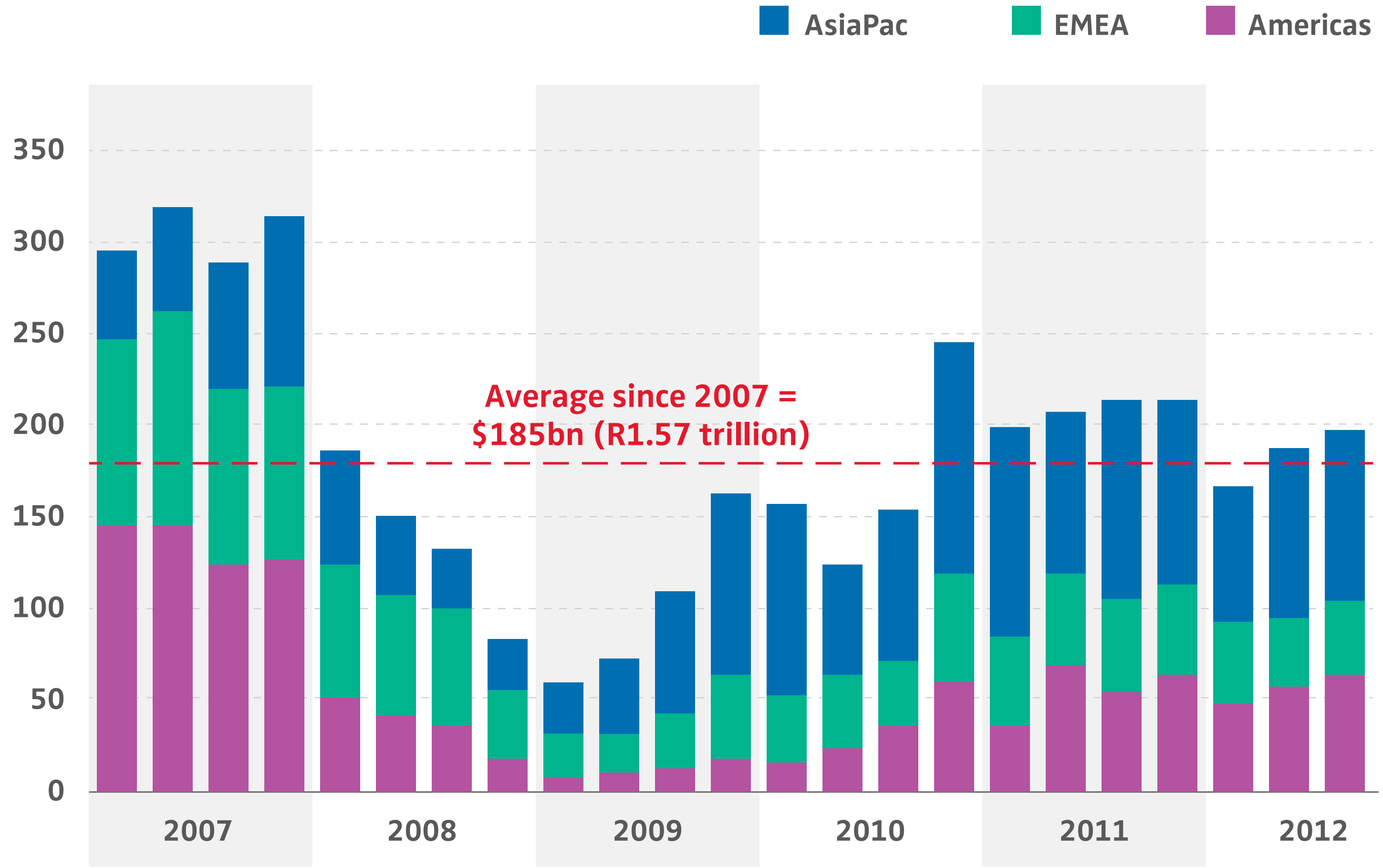
> *On balance, however, there is a more confident outlook for property in 2013. The low interest rate environment and improved investor confidence, on the back of an improved global economic outlook, is stimulating investor appetite and investment volumes are expected to grow in prime and secondary markets.*

However, while prospects for property investment are brighter, the outlook for leasing is in general muted, especially in an environment of subdued business confidence, with the emphasis on workplace consolidation and contraction in the corporate, accounting, legal and banking sectors.

Global **direct** property investment

Data from Real Capital Analytics show that direct investment volumes have ticked up through the year to stand at $197bn (R1.67 trillion) in Q2 2012 just ahead of the five-year average **(Figure 1).** However, at $551bn (R4.67 trillion) in the first three quarters of 2012, volumes remain 11% lower than in the same period of 2011.

FIGURE 1: TRANSACTION VOLUMES, $BN PER QUARTER

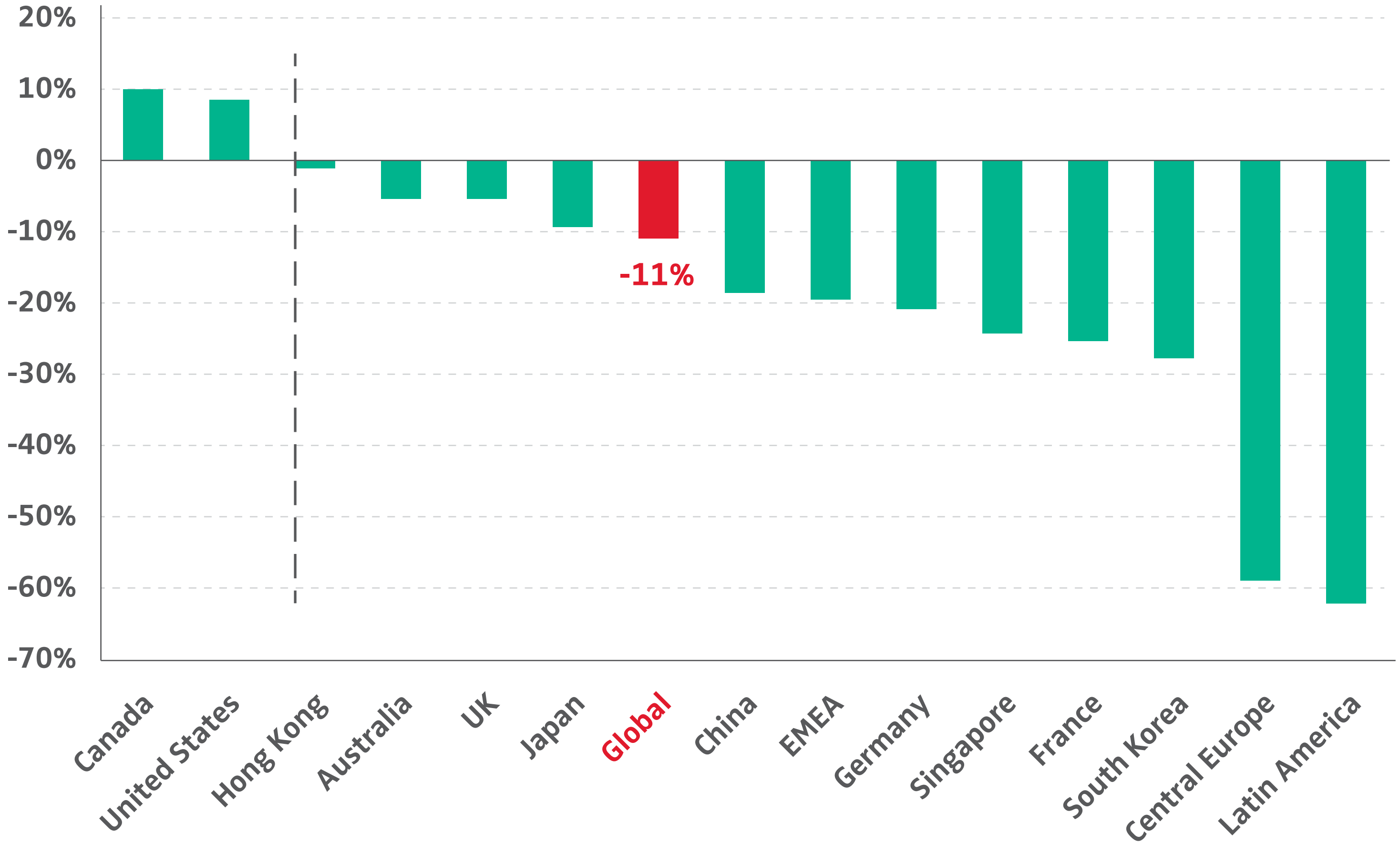


Source: *Real Capital Analytics*

Figure 2 shows that only the North American markets have seen transaction volume increases, with Europe and Asia Pacific (largely due to a decline in China's land sale volumes) all seeing sharp decreases, particularly in the smaller European emerging markets.

European investment volumes are down due to heightened micro risk, although cross-border investment across the region is positive. The most notable trend is the rise in investment from Asia, with North America, Australia and Europe being the favoured destinations.

FIGURE 2: **TRANSACTION VOLUMES, Q1 – Q3 2012, % Y/Y**

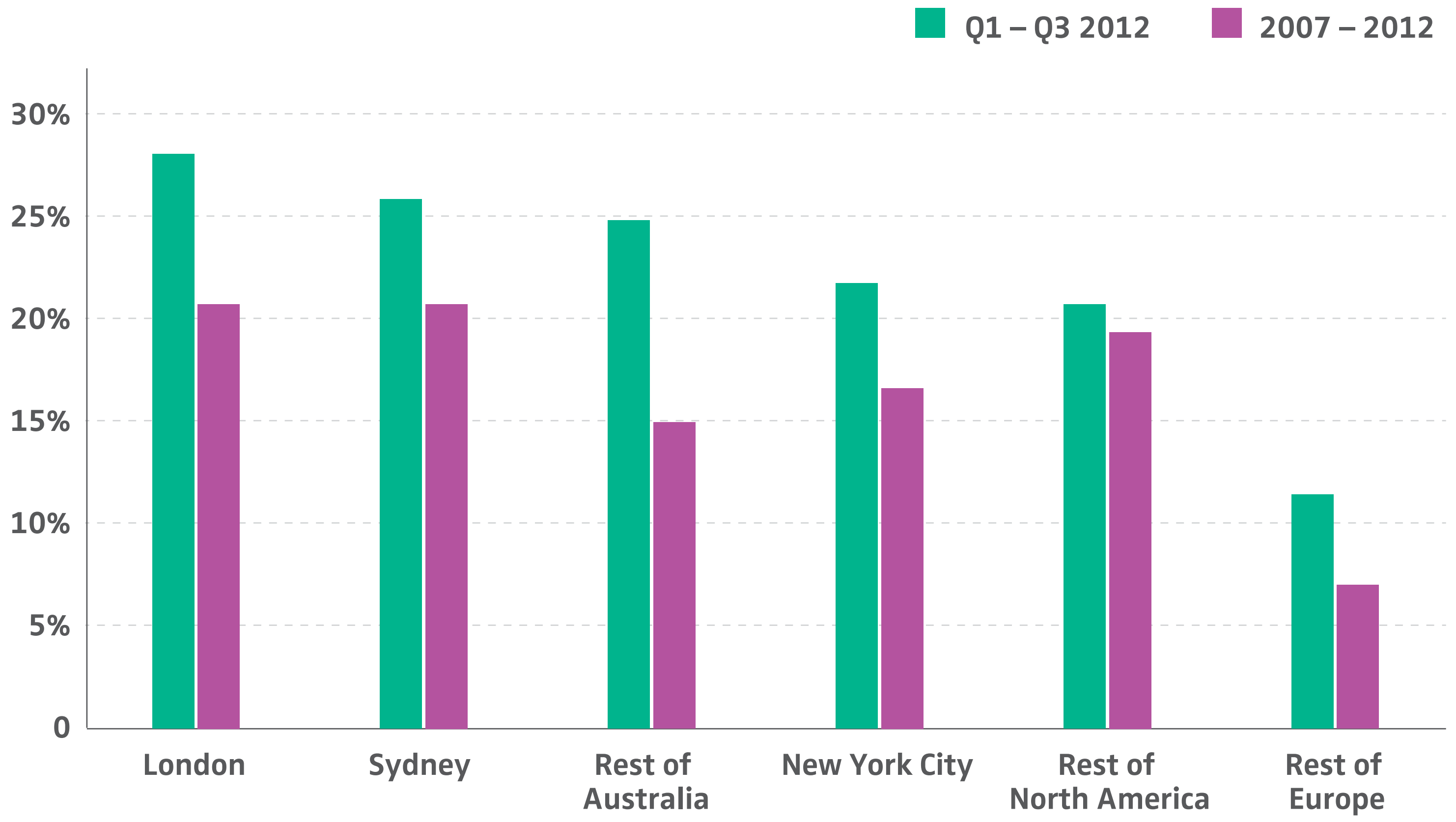


Source: *Real Capital Analytics*

Figure 3 shows that London attracted 30 percent of Asian exported capital in the first three quarters of 2012, up from the average of 25 percent. This could reflect heightened risk in the Eurozone driving capital flows to the UK, as well as ongoing Sterling weakness relative to the US Dollar and Euro. Sydney has also seen a sharp rise in the proportion of cross-border capital that it attracts, at 22 percent relative to 11 percent in 2011.

There is a noticeable gap of around 125 basis points between perceived prime yields (based on long leases and good covenants) and all other property yields. Even good secondary property continues to be punished by valuers and investors in a weak economic environment.

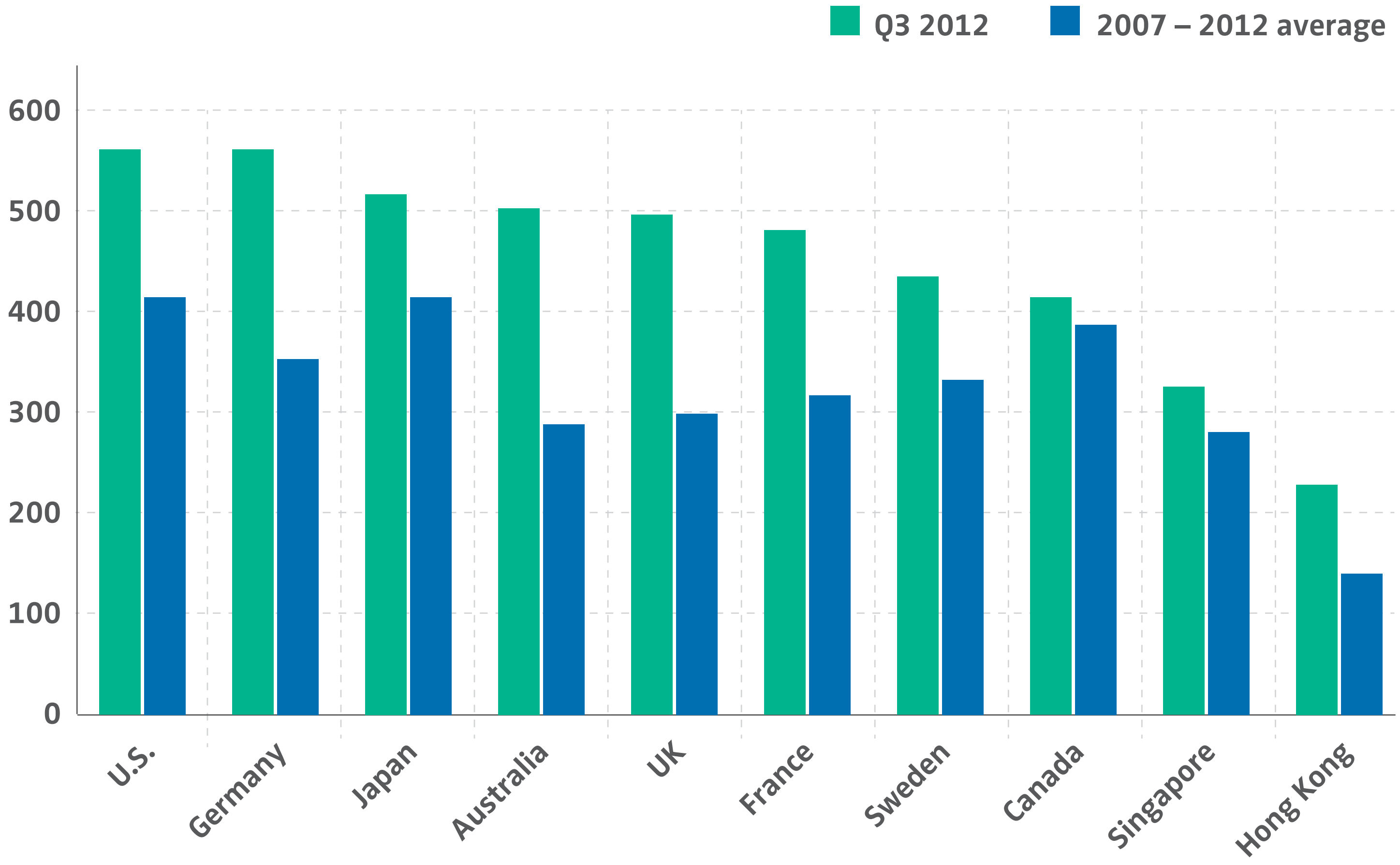
FIGURE 3: ACQUISITIONS BY ASIAN INVESTORS OUTSIDE ASIA, % OF TOTAL



Source: *Real Capital Analytics*

Figure 4 shows that, despite being generally low, the premium offered by property is at an historic high in all markets. The gap is particularly wide -and pricing relative to government bonds particularly attractive - in the UK, Germany and Australia. This situation reflects sovereign bond yields being pushed to historic lows by central bank action, rather than a rise in property yields. In other words, prime property has preserved its risk status in uncertain economic times but it is, nonetheless, vulnerable to any normalisation in bond yields.

FIGURE 4: PROPERTY YIELD PREMIUM OVER BONDS, BPS

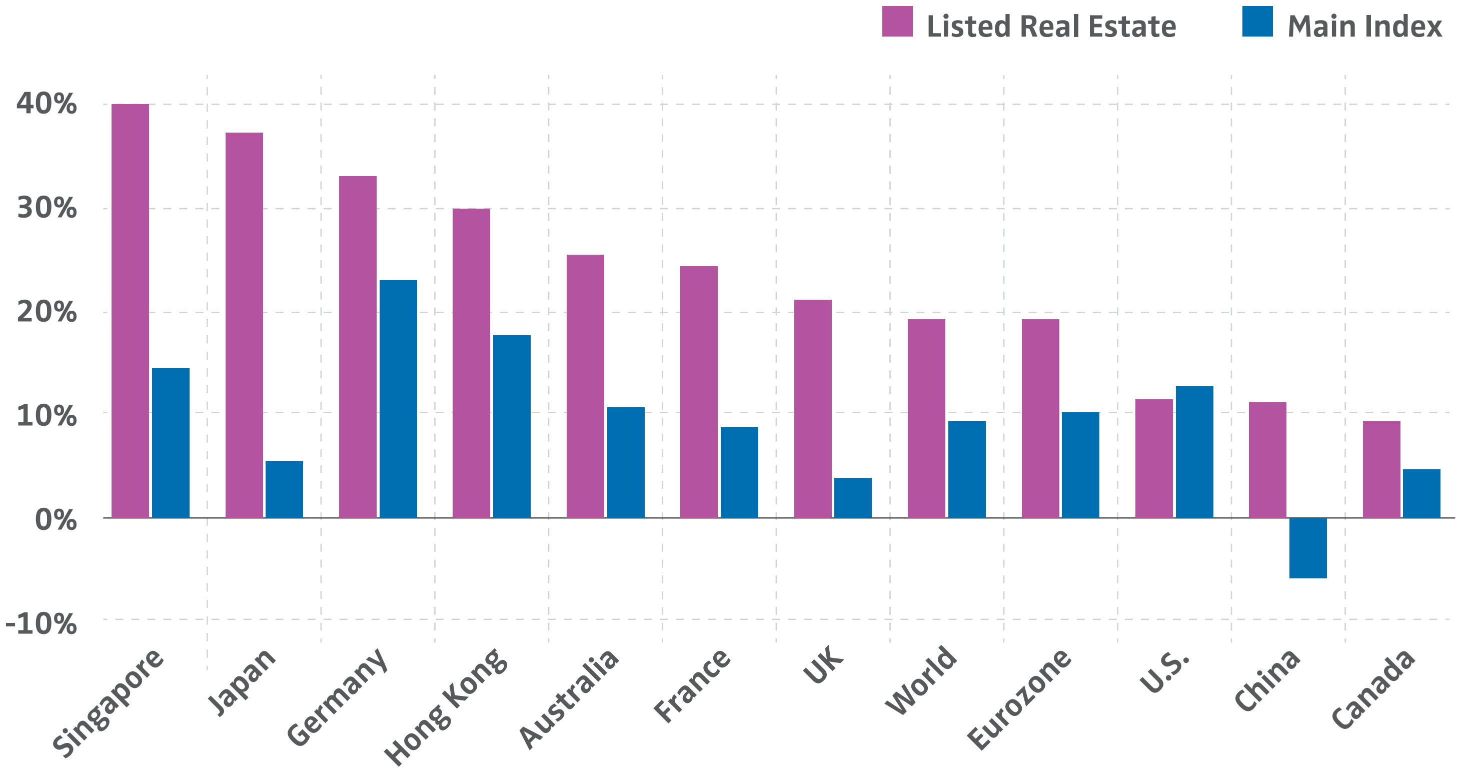


***Source:** Real Capital Analytics*

Global indirect property investment

In the first ten months of 2012, global listed securities outperformed their wider markets, with the exception of the US. The outperformance was particularly notable in Germany and the UK where real estate markets in major cities have benefited from safe haven inflows despite broader macroeconomic difficulties dragging down the performance of the wider market. Chinese listed real estate has also outperformed with central bank action boosting real estate prices and activity, and this in turn is being reflected in equity prices **(Figure 5).**

FIGURE 5: CHANGE IN EQUITY PRICES, END OCTOBER 2012 / END DEC 2011



Source: *Reuters*

Two major global themes are likely to persist in the coming months.

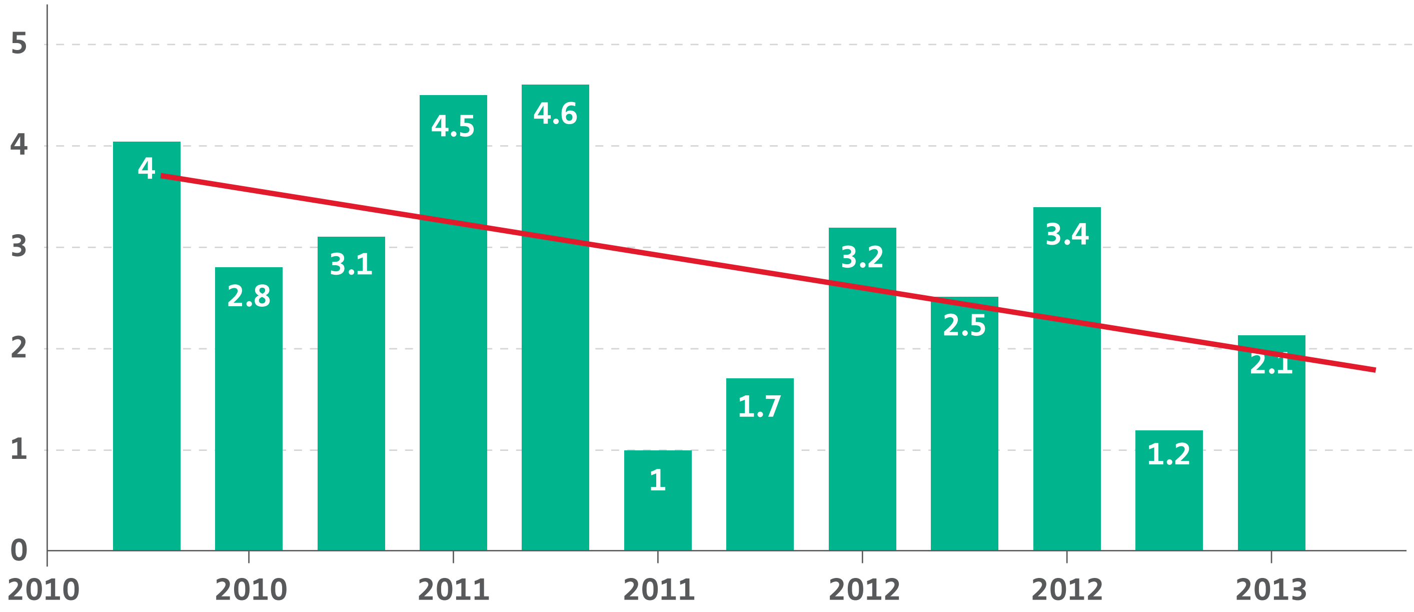
The first is the two-tier market for capital. Those companies that are larger and have a good credit rating have been able to access credit on highly favourable terms in the corporate bond market. For instance, the UK Real Estate Investment Trust (REIT) Hammerson issued a €500 million (R5.59bn) bond, maturing in 2019, with a coupon of 2.75 percent that was six times oversubscribed. There is also a move towards more diversified types of credit by listed companies even at the cost of higher interest rates.

The second key theme expected to gather momentum is the increased use of the listed sector as an exit for portfolios owned by distressed parties.

The general state of the global economy remains sluggish and a number of South Africa's international trading partners, particularly in the Eurozone, experienced little or no economic growth in 2012.

The prospects for Europe in 2013 are not positive, while the economies of the US and Asia are expected to experience limited growth. These factors do not bode well for South Africa's economy and downward pressure on GDP growth is being forecast for 2013.

SOUTH AFRICAN GDP GROWTH RATE: PERCENT CHANGE IN GROSS DOMESTIC PRODUCT



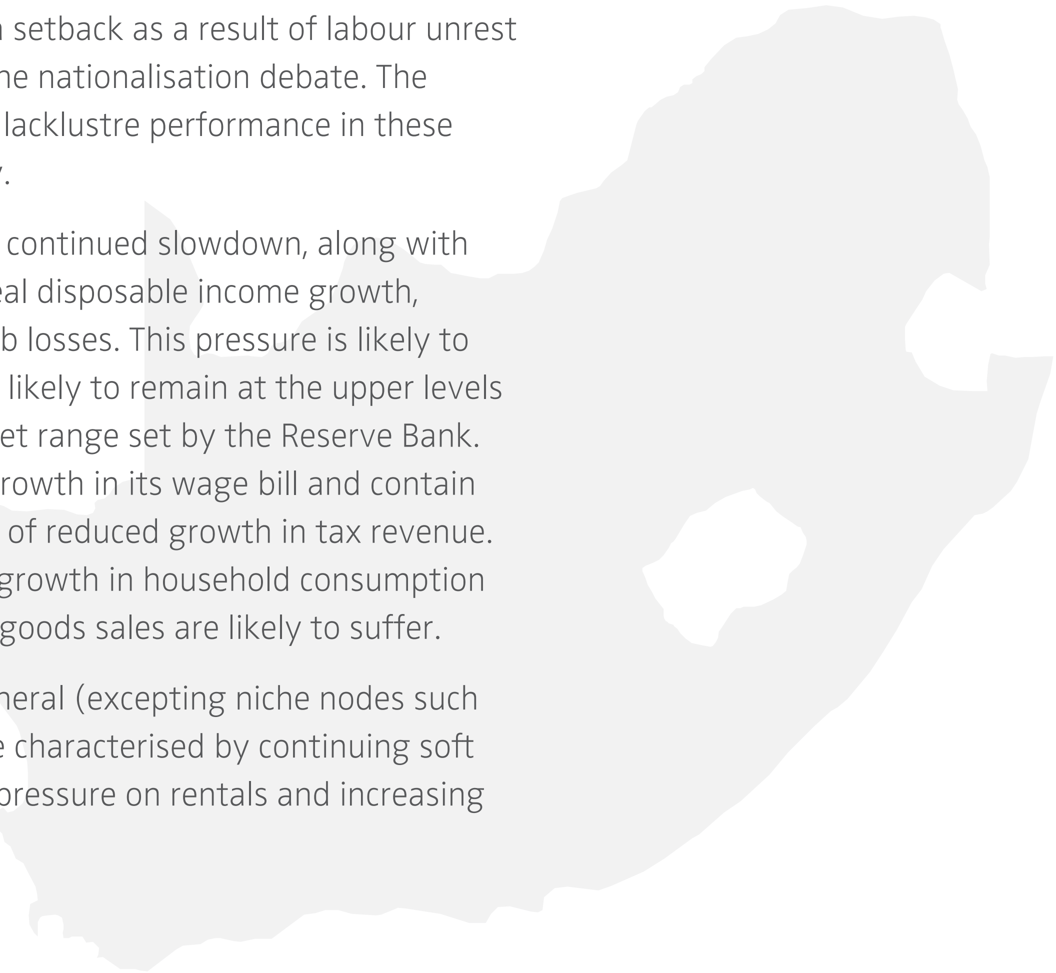
Source: *www.tradingeconomics.com Statistics South Africa*

Demand for South Africa's exports is dependent on the economic strength of the country's international trading partners and on the strength of the Rand. A weaker Rand will boost export potential but will also make imports more expensive, leading to the risk of rising inflation.

The outlook for **industrial property** is closely influenced by the manufacturing and mining sectors. In 2012, manufacturing production was down due to reduced demand both locally and internationally, while the mining sector suffered a setback as a result of labour unrest and political uncertainty around the nationalisation debate. The prognosis for 2013 is for another lacklustre performance in these important sectors of the economy.

The **retail property** outlook is for continued slowdown, along with a persistent downward trend in real disposable income growth, weak consumer confidence and job losses. This pressure is likely to continue into 2013, with inflation likely to remain at the upper levels of the 3 percent to 6 percent target range set by the Reserve Bank. Government is expected to curb growth in its wage bill and contain the growth in expenditure in light of reduced growth in tax revenue. Forecasts suggest slightly slower growth in household consumption expenditure in 2013 and durable goods sales are likely to suffer.

The **office property** market in general (excepting niche nodes such as the Sandton CBD) is likely to be characterised by continuing soft demand coupled with downward pressure on rentals and increasing operating costs.

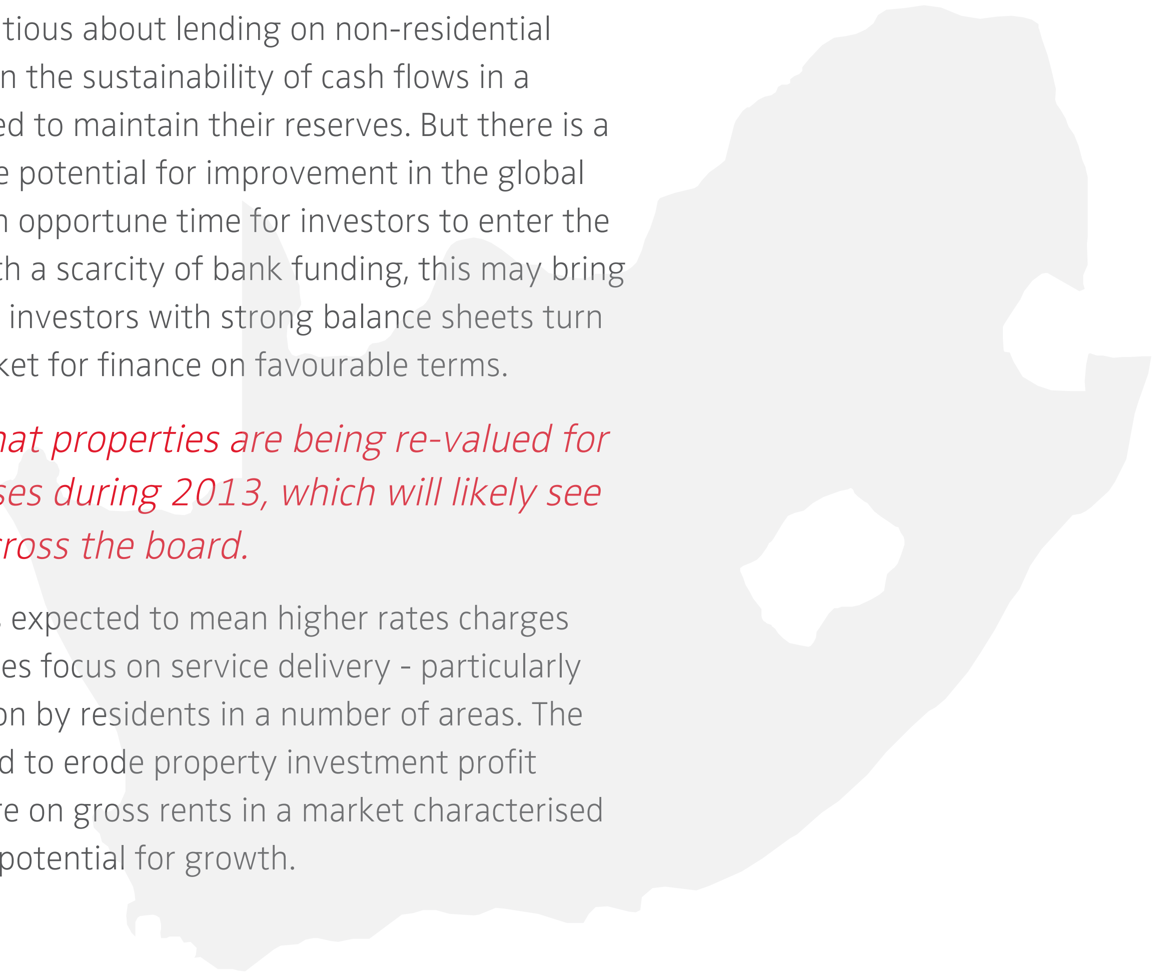


Above inflation rises in the cost of electricity and the price of fuel will increase manufacturing and mining costs, limit consumer spending and may also bring about redundancies as companies endeavour to remain profitable.

Nevertheless, investors are recognizing that the timing to re-enter the property investment sector is starting to look positive, although securing financing from banks is likely to remain a constraint. Banks are expected to remain cautious about lending on non-residential property due to concerns on the sustainability of cash flows in a weak economy and the need to maintain their reserves. But there is a growing view that, with the potential for improvement in the global economy in 2014, this is an opportune time for investors to enter the property market again. With a scarcity of bank funding, this may bring about a two-tier market as investors with strong balance sheets turn to the corporate bond market for finance on favourable terms.

Another key factor is that properties are being re-valued for municipal rating purposes during 2013, which will likely see an increase in values across the board.

For property owners, this is expected to mean higher rates charges being levied as municipalities focus on service delivery - particularly in the wake of protest action by residents in a number of areas. The increase in rates is expected to erode property investment profit margins by putting pressure on gross rents in a market characterised by rising costs and limited potential for growth.



PROPERTY SECTOR REVIEW

Retail

Regional Shopping Centres generally should continue to perform reasonably well, although landlords are faced with vacancies and resistance to rental increases as line shop tenants feel the squeeze of limited economic growth and rising costs. Smaller convenience and neighbourhood centres will continue to be hit by line shop tenant defaults and this will impact adversely on growth and limit investor demand.

The development of shopping centres in rural areas has seen the emergence of a number of successful centres, with strong representation by National retailers and affordable rentals for line shop tenants being key prerequisites.

Industrial

There is a two-tier market in the industrial sector. Prime space for logistics users in metropolitan centres is likely to remain in strong demand, with locations close to markets becoming increasingly important to combat rising transport costs. However, demand for secondary space is likely to remain weak with muted rental growth and limited take-up of vacant space – especially as manufacturing and mining production are hit by weaker external demand and the fall-out from labour unrest.

Offices

Strong demand and restricted supply underpin prime office rents in niche nodes like the Sandton CBD. Constrained supply in that node is having a ripple effect on the demand for office space in secondary buildings and in adjoining nodes, where there are signs of both enhanced investor confidence and better opportunity for capital growth.

Otherwise, in the main urban centres subdued demand is impacting on rental growth, particularly in decentralised locations which are not particularly attractive to investors at the present time. Investors are instead opting for properties where rental cash flows are underpinned by strong financial covenants.

Rent Renewals and Escalation Rates

With the exception of prime properties in high-demand locations, there will undoubtedly be downward pressure on rent renewals in 2013 as a result of tenants facing a subdued economic environment and rising costs. Landlords are expected to implement tenant retention strategies to limit vacancies and maintain cash flows. Annual escalation rates are expected to come under pressure for the same reasons.

Summary

Landlords are likely to be in for a difficult year as they cope with rising costs and an income squeeze, not only exacerbated by economic conditions but also by a trend on the part of tenants towards more efficient space usage.

Continued competition and aggressive pricing for prime investment properties is expected to be a feature of the market in 2013, notably in major urban markets.

Firm demand and limited supply are forecast to drive this trend.

However, secondary office investments are expected to face soft demand due to high vacancy rates, limited tenant demand and persistent downward pressure on rents.

Investment demand for metropolitan and rural retail centres remains strong, especially for those with a high percentage of national tenants and good trading densities. It is worth noting that returns from convenience centres have been negatively impacted by income compression caused by higher vacancies.

Property investment categories - Yields	Dec-12	Trend
RETAIL	**%**	
Large Regional Centres	7.00	Stable
Sub Regional	7.50	Stable
Community Centres	8.00	Weaker
Neighbourhood / Convenience Centres	8.50	Weaker
OFFICE – COMMERCIAL		
Decentralised Prime (Multi-Let)	8.50	Stable
INDUSTRIAL		
Prime Distribution (>10,000m^2) single tenant/long lease	8.00	Stable
Midi Units (1,000m^2 - 2,000m^2)	9.00	Stable

SOUTH AFRICAN LISTED PROPERTY SECTOR

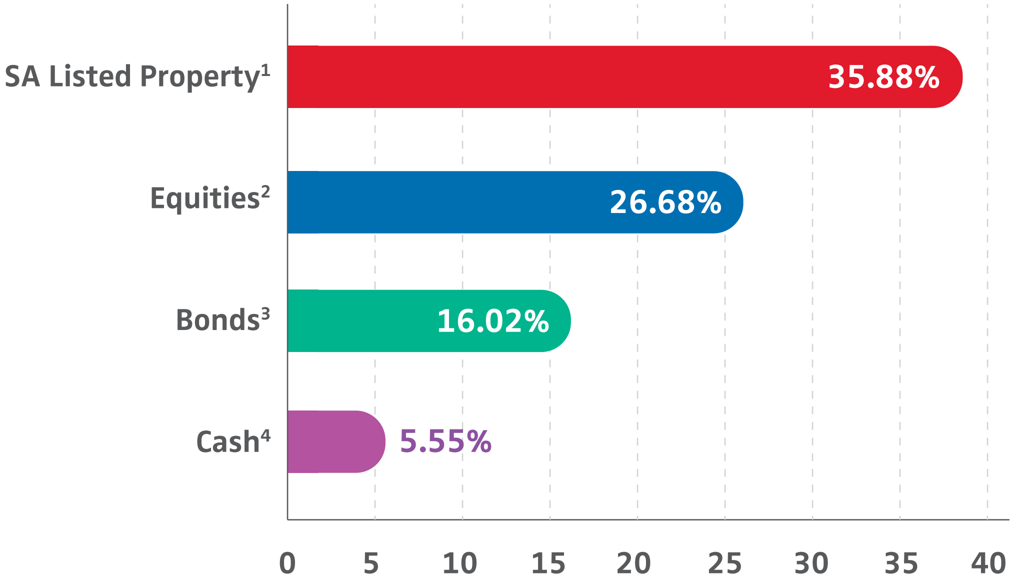
Contributed by Catalyst Fund Managers

Robust capital markets were the biggest driver of the strong total return performance from the SA Listed Property sector in 2012.

South Africa's listed property sector returned a total performance of almost 36 percent in 2012, driven by robust capital markets. During the year, the yield to maturity on the Long Term Government Bond Index firmed by 132 basis points to end the year at 6.76 percent (8.08 percent at 31st December 2011). Over the same period, the historic rolled yield of the sector firmed by 137 basis points to end the year at 6.56 percent (7.93 percent at 31st December 2011). This re-rating of the sector's yield contributed approximately 21 percent of the total return, with the difference of about 15 percent generated by increased income returns.

Listed property was in fact the outperforming sector last year, achieving better total returns than equities, bonds or cash.

ASSET CLASS IN 2012



[1] SA Listed Property Index [2] All Share Index [3] All Bond Index [4] Stefi

Source: *Catalyst Fund Managers, RMB Credit Research*

Looking at the longer-term investment horizon (i.e. the last five years) listed property recorded the highest annualised total return of the four traditional asset classes at just under 16 percent.

Asset Class	2008	2009	2010	2011	2012	Annualised
SA Listed Property[1]	-4.50%	14.10%	29.60%	8.93%	35.88%	15.89%
Bonds[3]	17.00%	-1.00%	14.96%	8.80%	16.02%	10.94%
Equities[2]	-23.20%	32.10%	19.00%	2.57%	26.68%	9.42%
Cash	11.70%	10.30%	6.90%	5.71%	5.55%	8.00%

Source: *Catalyst Calculations*

The value of R100 invested in listed property one, three and five years ago would be R135.88, R191.83 and R209.02, respectively at 31st December 2012.

Period	Value of R100 invested	Annualised Return
1 year	135.88	35.88%
3 years	191.83	24.25%
5 years	209.02	15.89%

Source: *Catalyst Calculations*

The listed sector has weathered several key challenges in recent years.

The year 2011 ended after a protracted period of political indecision around raising the US debt ceiling – something that almost brought the US to a default position on its fiscal obligations. This past year ended with uncertainty surrounding the so-called fiscal cliff in the US, exacerbated by continued concerns around the European sovereign debt crisis and the resulting contagion effect on investor sentiment. Global financial markets look set for another challenging year in 2013.

During 2012 there were three new property companies listed on the JSE Securities Exchange, namely: Annuity Properties Limited; Ascension Properties Limited; and Delta Property Fund Limited. The number of investable listed property securities (Catalyst universe) increased to 33 in the year.

The market capitalisation of the sector grew by approximately 39 percent to R211 billion - with the three new listings adding close to R4 billion to the total.

Demand for good quality investments in prime locations from the listed sector remained strong in 2012, and is likely to continue through 2013. Not only are listed companies seeking to build their portfolios and improve the liquidity of their stock, but they are also taking advantage of the current low cost of debt; new acquisitions are not diluting earnings.

The outlook for distribution growth in 2013 remains reasonably positive. Assuming a distribution growth of 6 percent, the forward yield from listed property at 31st December 2012 is 6.95 percent.

This compares favourably to the South African Benchmark Overnight rate of 4.89 percent (5.35 percent at 31st December 2011), and the yield to maturity on the Long Term Government Bond Index of 6.76 percent (8.08 percent at 31st December 2011). Over the long term, the total return from listed property will be driven by the income yield plus growth in that income. As listed property income has the potential to grow, it remains an attractive alternative to cash and bonds.

The most significant change for listed property in 2013 is the long-awaited implementation of the Real Estate Investment Trust (REIT) structure in South Africa. This international format will have two key ramifications for listed property in SA:

- SA's listed property vehicles will be aligned with global capital markets, enhancing the attractiveness of larger JSE-listed property companies to foreign investors (some of which are not allowed to invest in non-REIT structured property companies); **and**
- The exemption of REITs from Capital Gains Tax, which is notable because a number of listed property companies carry significant deferred tax liabilities on their balance sheets.

LISTED PROPERTY COMPANIES – 31 DECEMBER 2012

Share	Market capitalisation	Close	Clean price	Rolled yield	NAV	Premium or discount of clean price to NAV	Average monthly trade (R'mil)	Debt %
COMBINED MARKET CAP WEIGHTED INDEX	210 997 427 000			6.56%		39.93%	5 063.66	36.34%*
GROWTHPOINT	43 306 290 000	2450	2407	6.0%	1638	47.0%	1 632.7	39.6%
REDEFINE	26 003 910 000	940	931	7.0%	688	35.4%	689.2	43.4%
HYPROP	17 747 260 000	7300	7182	5.7%	5050	42.2%	414.9	28.8%
CAPITAL PROPERTY	17 194 750 000	1070	1045	6.6%	793	31.7%	390.4	29.7%
RESILIENT	14 792 970 000	5177	5093	5.0%	3013	69.0%	244.9	39.2%
FOUNTAINHEAD	9 801 640 000	843	836	6.7%	690	21.0%	297.8	25.3%
ACUCAP	8 258 170 000	4540	4513	6.8%	3425	31.8%	162.0	41.9%
NEW EUROPE PROP	7 867 740 000	5450	5376	4.9%	2911	84.7%	103.1	33.9%
SA CORPORATE	7 485 850 000	365	357	8.5%	330	7.9%	252.9	14.0%
VUKILE	7 444 060 000	1727	1718	7.5%	1263	36.0%	273.4	40.0%
EMIRA	7 250 630 000	1458	1422	8.0%	1153	23.3%	217.3	27.2%
SYCOM	6 849 040 000	2755	2739	6.3%	2388	14.7%	85.0	24.4%

Continued...

LISTED PROPERTY COMPANIES – 31 DECEMBER 2012 *Continued...*

Share	Market capitalisation	Close	Clean price	Rolled yield	NAV	Premium or discount of clean price to NAV	Average monthly trade (R'mil)	Debt %
INVESTEC PROPERTY FUND	4 574 000 000	1615	1606	6.1%	1087	47.8%	32.4	35.0%
FORTRESS-A	4 389 060 000	1465	1428	7.7%	1319	8.2%	99.8	28.3%
REDEFINE INTL	3 161 910 000	499	492	11.1%	649	-24.1%	43.6	72.8%
REBOSIS	2 887 620 000	1159	1147	7.7%	1026	11.9%	71.9	37.0%
PREMIUM	2 790 560 000	1780	1762	7.0%	1651	6.8%	49.8	32.9%
FORTRESS-B	2 157 080 000	720	713	3.2%	150	374.5%	4.3	82.7%
OCTODEC	2 110 390 000	1950	1930	7.3%	1882	2.6%	45.1	37.1%
HOSPITALITY-A	1 890 140 000	1515	1479	8.3%	1000	47.9%	34.8	37.2%
DIPULA-A	1 720 850 000	1199	1192	6.8%	689	72.9%	7.5	31.8%
DELPROP	1 352 467 000	840	828	n/a	767	8.0%	n/a	39.0%
DIPULA-B	1 219 960 000	850	845	7.7%	689	22.6%	12.5	64.5%
ARROWHEAD A	1 193 470 000	663	657	9.1%	484	35.9%	53.5	27.4%
ARROWHEAD B	1 170 070 000	650	647	6.7%	484	33.7%	33.0	60.7%

Continued...

LISTED PROPERTY COMPANIES – 31 DECEMBER 2012

Continued...

Share	Market capitalisation	Close	Clean price	Rolled yield	NAV	Premium or discount of clean price to NAV	Average monthly trade (R'mil)	Debt %
VUNANI	1 157 930 000	960	943	7.8%	743	26.9%	10.0	30.1%
VIVIDEND	1 062 380 000	556	548	9.5%	492	11.4%	27.4	30.3%
ANNUITY	1 029 230 000	550	547	n/a	506	8.2%	n/a	23.5%
ASCENSION-A	760 880 000	430	426	n/a	380	12.1%	n/a	35.2%
ASCENSION-B	742 260 000	218	216	n/a	124	74.3%	n/a	67.0%
SYNERGY B	690 230 000	649	633	7.8%	647	-2.2%	10.0	67.2%
SYNERGY A	496 720 000	1049	1022	7.9%	879	16.2%	9.9	31.0%
HOSPITALITY-B	437 910 000	351	349	2.7%	1000	-65.1%	16.4	85.0%

Information source and methodology*: *Catalyst Calculations of effective and see-through gearing*

Data: *I-Net Bridge unless stated otherwise*

Calculations and forecast estimates: *Catalyst Fund Managers*

Clean Price: *Adjusts the closing price for distribution accrued since last distribution date*

Rolled yield: *Time weighted current 12 month historic distribution divided by the clean price*

** NAV is defined as (Total Assets - Total Liabilities)/ Total shares in issue at statement date (Calculation includes deferred Tax Liability)*

Debt%: *Balance sheet long term interest bearing debt / income earning property assets, adjusted for see-through debt where information provided*

Gauteng continues to dominate the office property market in South Africa.

The significance of Gauteng in the South African office market is reflected by the fact that 77 percent of the combined office stock of Pretoria, Johannesburg, Durban and Cape Town is situated in the province. Gauteng's dominant position is likely to strengthen as more companies centralise and locate their head offices in Johannesburg.

	Stock Inventory	CBD	%	Decentralised	%
Pretoria*	3,217,000	995,600	30.95%	2,221,400	69.05%
Johannesburg	8,441,000	2,258,600	26.76%	6,182,400	73.24%
Durban	1,351,000	738,200	54.64%	612,800	45.36%
Cape Town	2,174,000	878,000	40.39%	1,296,000	59.61%
Total	15,183,000	4,870,400	32.08%	10,312,600	67.92%

* *Arcadia and Sunnyside included in CBD figures*

The decentralised office market continues to grow at a faster pace than in the CBD's

Decentralised office space has continued to grow as a proportion of total office supply in Johannesburg and Pretoria in recent years. Currently, 70 percent of the space in Pretoria is decentralised, although this may reduce in the future if government proceeds with plans to locate more departments in the CBD. This shift may, however, be limited by low vacancies in the CBD's A-grade market, the preferred quality of space required by Government.

The move to decentralise continues in greater Johannesburg, as evidenced by the fact that 40 000 m^2 of speculative office space is currently under construction in the Sandton CBD, with a further 500 000m^2 of office rights available for development.

New prime office space generally has less than a 2 percent vacancy rate, whereas A- and B-grade space in decentralised locations sees vacancies between 5 and 13 percent, depending on the region. CBD's tend to display the widest range of vacancies at between 2 percent and 20 percent.

VACANCY RATES – %

Decentralised	Prime	A-Grade	B-Grade
Pretoria - Menlyn	0.0%	13.0%	12.5%
Johannesburg - Sandton	1.0%	8.9%	9.8%
Durban - Umhlanga	2.1%	7.2%	2.0%
Cape Town - Century City	0.0%	5.4%	10.5%
Port Elizabeth	n/a	5.0%	n/a

CBD's	A-Grade	B-Grade	C-Grade
Pretoria	1.8%	11.2%	7.0%
Johannesburg	11.0%	21.0%	29.0%
Durban	20.6%	12.8%	24.8%
Cape Town	13.5%	7.9%	29.0%
Port Elizabeth	10.0%	10.0%	n/a

Office rental growth throughout the country generally remained stagnant during 2012.

AVERAGE GROSS OFFICE RENTALS

Decentralised	Prime	A-Grade	B-Grade
Pretoria - Menlyn	170	120	75
Johannesburg - Sandton	190	150	110
Durban - Umhlanga	145	130	110
Cape Town - Century City	170	115	95
Port Elizabeth	155	100	75

CBD’s	A-Grade	B-Grade
Pretoria	100	75
Johannesburg	75	65
Durban	80	60
Cape Town	120	85
Port Elizabeth	105	60

Forecasts suggest that rental growth in 2013 will not likely exceed inflation, except in the prime office markets, with A- and B-grade space rentals expected to remain under pressure as landlords seek to limit the fall-out from potential vacancies.

Key trends to monitor include tenant demand for more efficient space and operating cost increases.

Occupiers continue to strive for greater utilisation of leased space (referred to as 'compression'), increasing staff density rates to levels in line with those seen in the more developed economies. Not only does this reduce take-up of additional space on lease renewals, but also puts pressure on the provision of on-site parking: 4 bays per 100m^2 in an open-plan environment does not typically provide the bays required. As a result, there is increased pressure on public transport services to improve as staff seek alternative modes of transport.

It is interesting to note that, in the Sandton CBD, both Alexander Forbes (36 000m^2) and Ernst & Young (23 000m^2) have both located their new head offices opposite the Sandton Gautrain station. The Gautrain train and bus services could well play an important role in transporting staff in Johannesburg and Pretoria while the new Rea Vaya and MyCiTi bus services in Johannesburg and Cape Town respectively should also help in relieving some of this pressure.

If authorities introduce a more efficient and reliable bus service in greater Johannesburg and Pretoria, the move to public transport could well be given a boost by the introduction of e-tolling on the Gauteng freeways.

Building operating costs – especially security and municipal service costs – continue to rise faster than inflation. Eskom's price increases of 8 percent a year over the next five years are just one example. Cash-strapped municipalities will also seek to increase revenue from commercial property rates to meet the growing demands of township residents.

The impact is continued pressure on net property incomes, especially where landlords are unable to pass on cost increases to tenants.

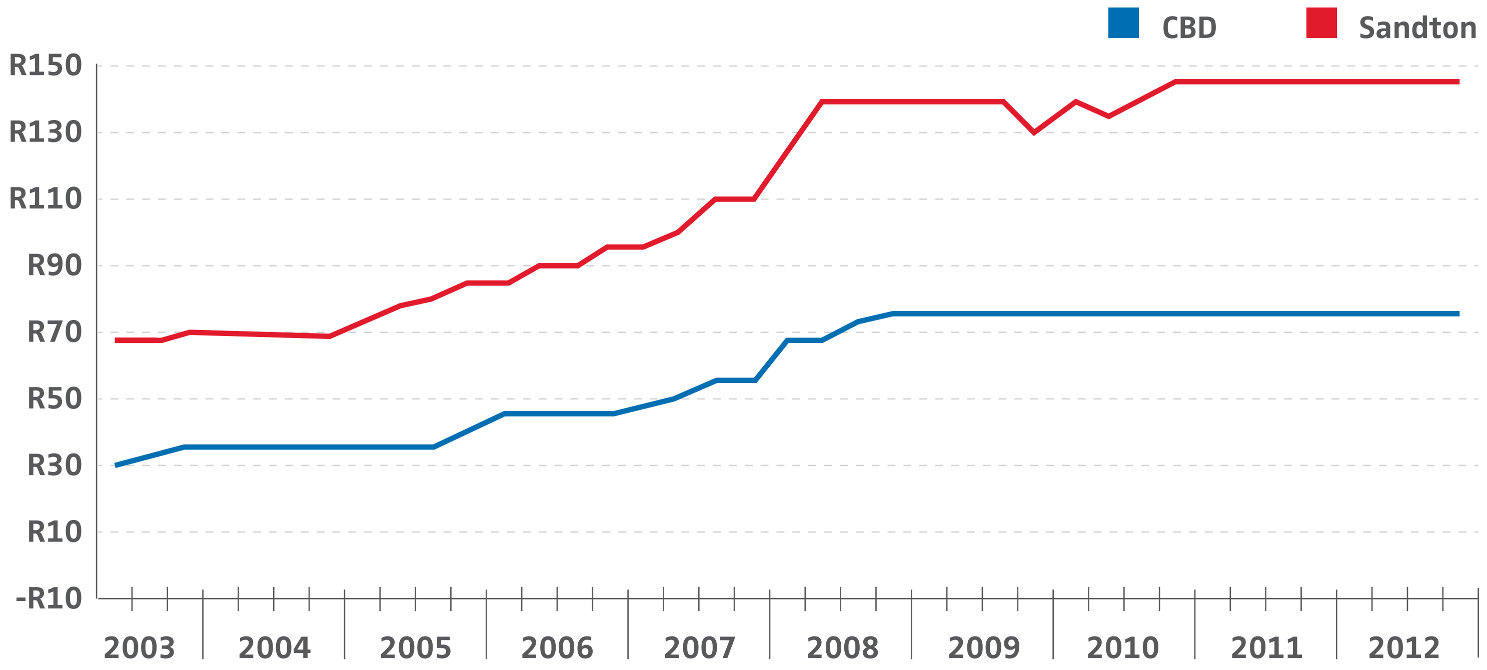
Downward pressure on rentals and fast-increasing building costs mean that land values are unlikely to increase during 2013, other than in very high-demand areas like the Sandton CBD.

Johannesburg

Johannesburg CBD and surrounds are increasingly being defined by the emergence of several key precincts or clusters. For example, the local and national government precinct in downtown Johannesburg; the education precinct in Braamfontein; and a shopping and cultural precinct in Newtown:

- While government remains the dominant occupier in the CBD, the conversion of commercial buildings to residential use continues apace. The 4 000m² first phase of a new office development, Stimele Square, is due for completion in late 2013.
- In Newtown, the much-anticipated Newtown Junction project has commenced. It is planned to bring 80 000m² of mixed uses to the node, including shopping, offices, hotel and a gym, as well as 2 400 parking bays. The project is being developed in conjunction with Newtown's historic Potato Shed buildings between Museum Africa, Market Theatre, Mary Fitzgerald Square and Carr Street. The 38 000m² office component has already been let to Nedbank.

A GRADE RENTALS JOHANNESBURG (R/m²)



Braamfontein, as always, is very much influenced by Wits University and the many colleges in the node. Conversion of buildings into student accommodation is popular, especially as security is improving with the installation of CCTV cameras. Another pivotal factor for Braamfontein's office node is the new public transport hub at Smit and Rissik Streets, and notably the opening of the Gautrain's Park Station and adjoining Rea Vaya bus station.

Further north, Sandton continues to grow as the major financial and corporate business hub of Gauteng. Multiple sites have been rezoned for high-rise offices, especially in the Sandton CBD, providing some 500 000m^2 of new rights for office development. Developers are highly competitive in their bids to secure large tenants, producing innovative building designs, green features and attractive rentals.

Lack of supply is arguably the main constraint in the Sandton office market. Although there is increased demand for buildings from both owner-occupiers and investors, supply is tight – with property funds and developers unwilling to sell assets in this prime area.

Prime-grade new buildings are letting at R185 to R200/m^2 gross, with operating costs at levels of R35/m^2. A-grade rentals in greater Sandton are at around R140 to R150/m^2 gross.

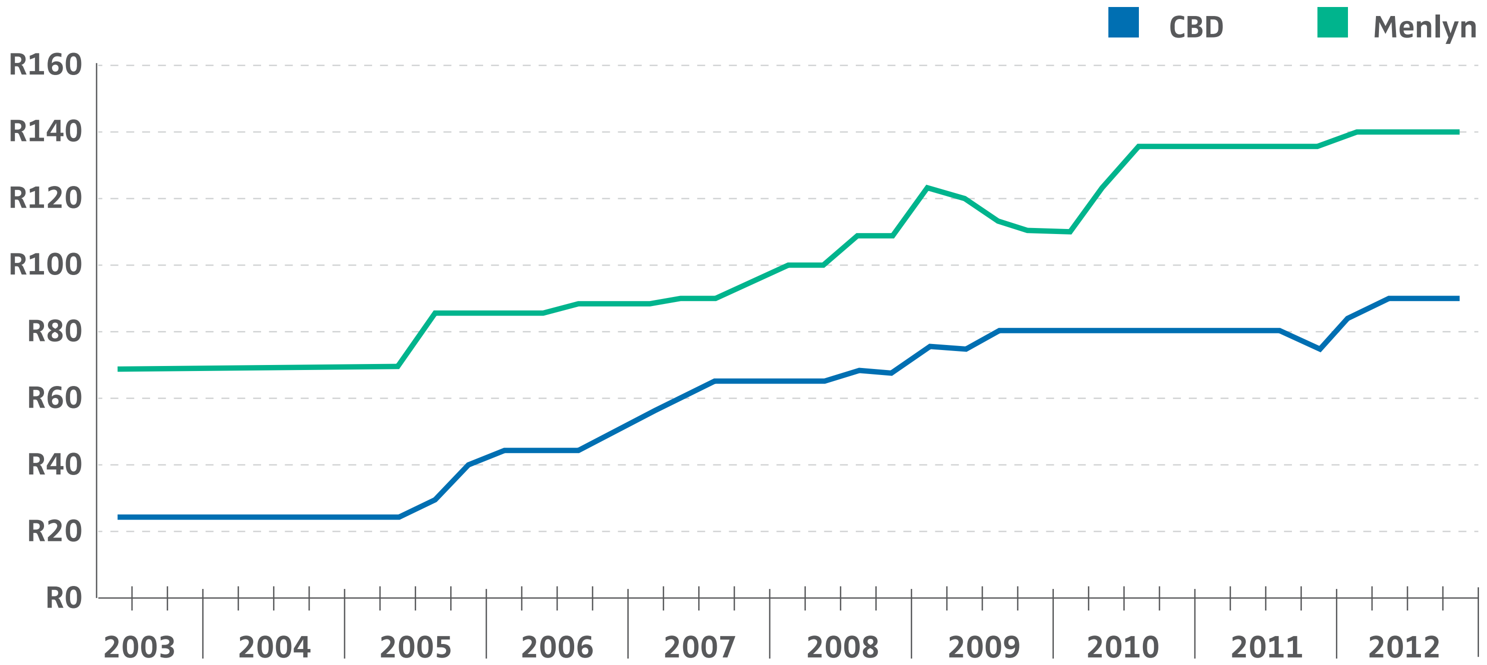
Office vacancies average 7 percent in the greater Sandton area, dropping to around 5 percent in the prime Sandton CBD. Basement parking in Sandton CBD costs about R900 per bay per month.

Pretoria

The two key nodes for office property in Pretoria this year are the Eastern Suburbs and Centurion, both of which are expected to see high levels of development and leasing activity in the coming year.

The Eastern Suburbs of Pretoria attract premium rentals, partly because of the exceptional location but also because of a lack of A-grade office space. The anticipated Menlyn Main mixed-use development project is starting to take shape, with a modern look and feel that will likely appeal to corporate tenants.

A GRADE RENTALS PRETORIA (R/m²)



Centurion is seeing refurbishment of some of the older B-grade buildings around the lake, especially those close to the Gautrain station, and has a number of exciting new development opportunities available for larger tenants.

The Pretoria CBD'S office market has seen a gradual increase in rentals over the past few years, with vacancy levels currently at below 3%. The Central Improvement District policy has brought about a number of positive results, including the redevelopment of "C Grade" buildings (which are being demolished and replaced with modern, efficient buildings) and the refurbishment of a number of older buildings (bringing the space they offer up to meet tenant requirements).

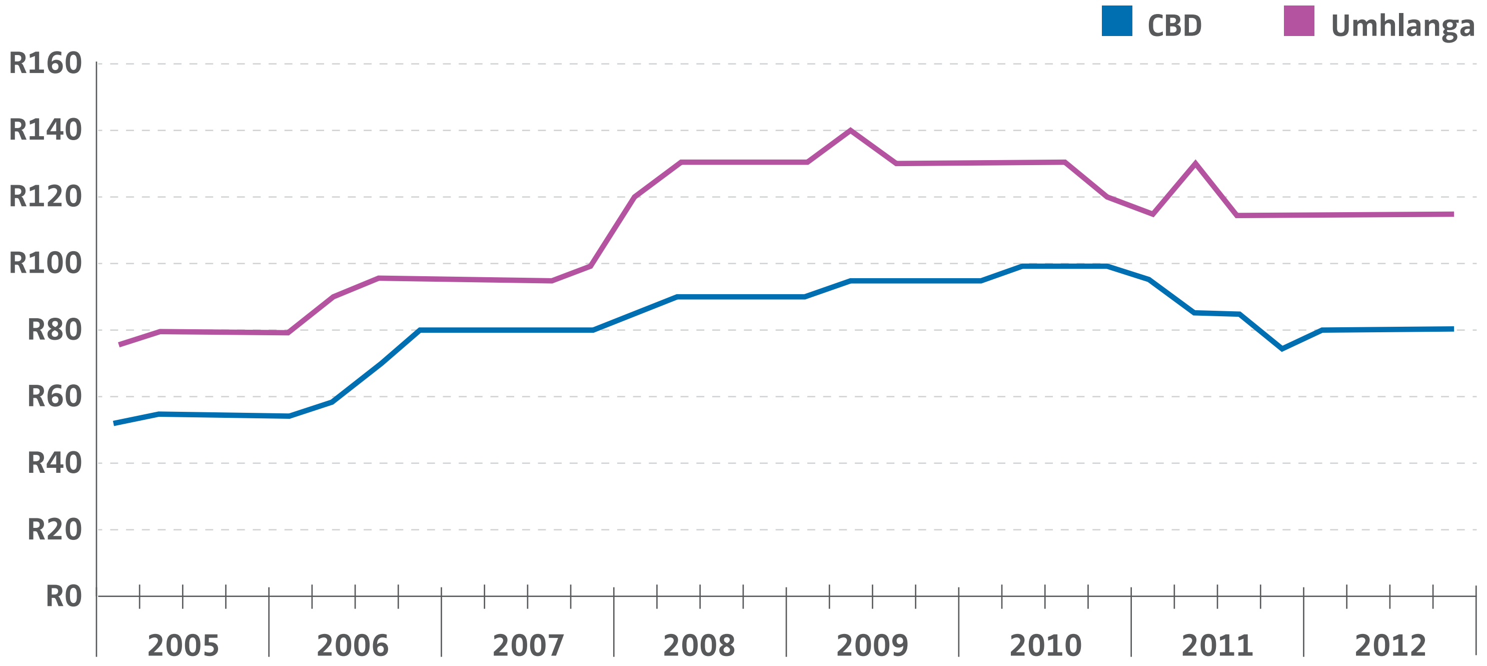
The biggest single tenant in the CBD is still the government and the future of the CBD will, to a large extent, depend on whether government stays or continues to leave for the suburbs. In 2010–2011, a number of government departments moved out of the CBD, either to the decentralised nodes to the east or to Centurion. Landbank, The Nuclear Regulator, The Road Accident Fund, and the Post Office all moved to Eco Park in Centurion, despite rentals in this node being significantly higher than in the CBD.

Durban

Asking rentals in Durban CBD have remained under extreme pressure due to very limited demand, with the Department of Public Works being the only enquirer for any significant amount of space.

To illustrate the impact of low demand, an investor in the CBD, with a recently upgraded CBD office portfolio, is now offering prime A grade space with harbour views at rentals at R65-R75/ m^2. These asking rentals have actually declined over the last 18 months by close to 10 percent in real terms.

A GRADE RENTALS DURBAN (R/m^2)



Most large space users are already out of the CBD, having moved to decentralised offices to the north of the city – such as La Lucia Ridge, New Town Centre, Parkside and Ridgeside - and to the west - such as Westway and Derby Downs. As a result, it is not expected that CBD vacancies will decrease substantially in the short- to medium-term.

It's noteworthy, too, that vacancies are beginning to increase in some of the decentralised nodes in the north, indicating that the office market as a whole is under pressure.

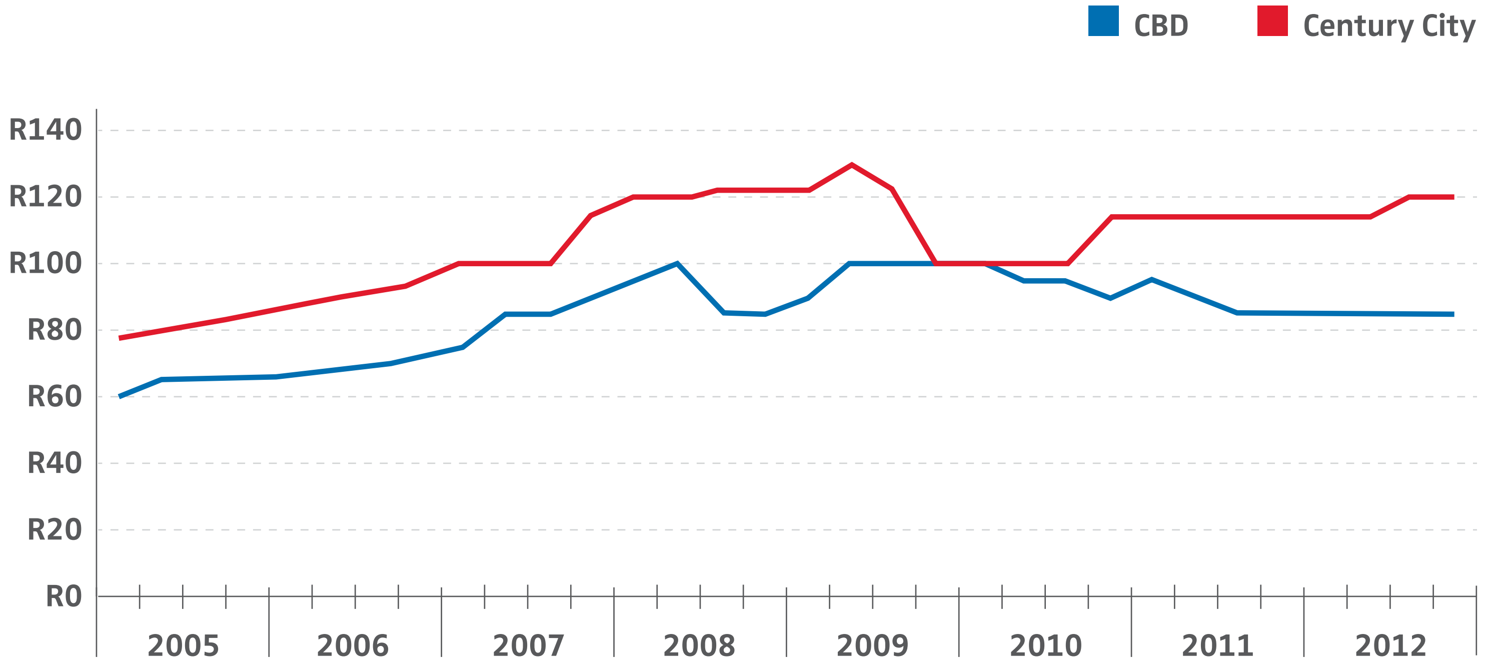
Some investors have entered the sectional title market, creating ''speculative stock'', and tenants are taking the opportunity of the ''tenant's market'' to upgrade accommodation to prime space at similar rentals to those they were paying for A-grade premises.

To date, this situation has not arisen in the western decentralised nodes.

Cape Town

Cape Town CBD's vacancy rate for the fourth quarter of 2012 stood at 13.1 percent, an improvement on the high of 14,7 percent in the third quarter of the same year. Total available space for leasing across all office grades is 115 000m^2, mainly in the A- and B-grade categories. The prime-grade vacancy rate stands at 5 percent, although there are three projects under construction which will add approximately 27 000m^2 of prime office space to the market over the next 12 months.

A GRADE RENTALS CAPE TOWN (R/m^2)



The most competitive rentals are being offered for B+-grade office space with gross asking rentals at R95/m^2. Parking in the Cape Town CBD is still at a premium, with rentals around R1 100 per bay per month at a ratio 2 to 3 parking bays per 100m^2. Lease escalations in the CBD range from 8 to 9 percent.

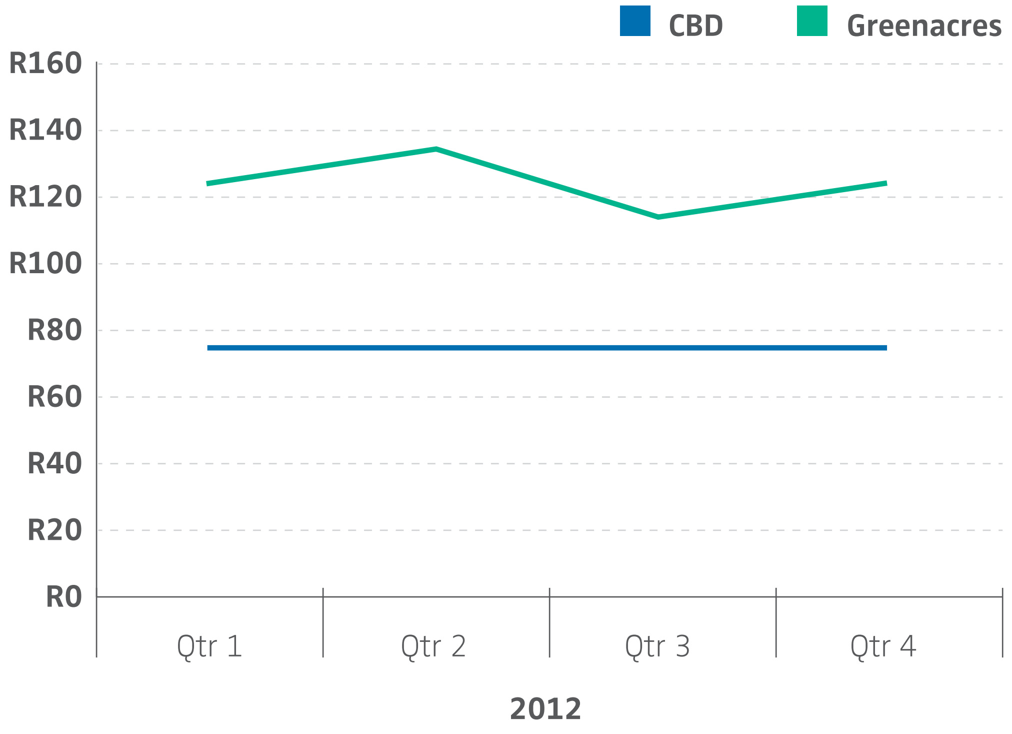
Century City is one of Cape Town's premier decentralised office nodes, offering the benefits of easy access to the CBD. Vacancies across all grades stand at 5,7 percent, down from a high of 8,4 percent in the first quarter of 2012. Century City has approximately 9,000m^2 of prime office space currently under construction - and this will be available to both tenants and owner/occupiers. Offices in Century City have a minimum of 3 parking bays per 100m^2, with park and ride facilities within the greater Century City precinct for tenants who are looking for additional parking. Rentals for parking remain at around R850 to R950 per bay per month. Escalation rates are in the 8 to 9 percent range.

Port Elizabeth

Economic conditions in the Eastern Cape - and hence demand for office space - continue to be mainly influenced by the motor industry and local and national government.

Decentralisation continues to the west of the CBD along Cape Road and the M9 (Buffelsfontein Road) to nodes such as Greenacres, Newton Park and Walmer. Much of the space along these arterials is strip development, while the office node in Greenacres is centred around the 86 000m^2 regional shopping centre.

A GRADE RENTALS PORT ELIZABETH (R/m^2)



Economic fundamentals remain tough for industrial property.

Growth in industrial production slowed to 2.5 percent in 2012, along with subdued GDP growth that slowed to 2.8 percent. As a result, demand for industrial property remains sluggish. Since South Africa's economic growth is forecast to remain below 3 percent during 2013, the outlook for the sector is unlikely to improve significantly.

Landlords need to focus on managing functional and economic obsolescence in older properties.

A notable feature of the industrial property sector is the differentiation between good-quality industrial space situated in good locations; and the balance of the market. Vacancies in the former category remain below 5 percent and there is a shortage of good quality stock, particularly in the warehouse sector. Limited speculative industrial space is being developed at present - a sure sign of caution on the part developers - with new developments driven by tenant or owner-occupier requirements. What little speculative development is taking place is in larger warehouses in prime locations, particularly in Gauteng.

The balance of the industrial stock has had to adjust to several key structural changes over the past decade or so:

- Older C- and D-grade industrial buildings are increasingly obsolete, both from a functional and an economic perspective;
- Changes in construction technology and trends, as well as a shift in the type of buildings demanded by the market, exacerbates this trend;
- Modern warehousing and logistics require greater stacking height space, in contrast to traditional manufacturing properties which are consequently facing increased vacancies as demand slows.
- Other physical limitations of older properties include insufficient loading and marshalling yards; asbestos roofing; inadequate natural lighting and ventilation; and large office components. In certain older industrial areas, poor road access is a further deterrent to tenants.

These factors have resulted in rising vacancy rates, with limited demand likely for this space in the foreseeable future.

In an environment of muted economic growth, occupiers continue to strive for greater space utilisation to reduce their operating costs. This is particularly true of the distribution sector, where increased stacking heights of warehouse buildings is a common trend. Site coverages are much lower than in the past to allow for greater circulation areas for trucks, as well as allocating land for future expansion.

Building operating costs – in particular for security and municipal services - continue to rise at rates above inflation. This puts pressure on landlords, who are not always able to pass these costs on to the tenant, especially in areas where rentals are not growing. As a result, returns continue to be under threat.

Downward pressure on rentals, coupled with rising building costs that are outpacing inflation, mean that land values continue to be under pressure.

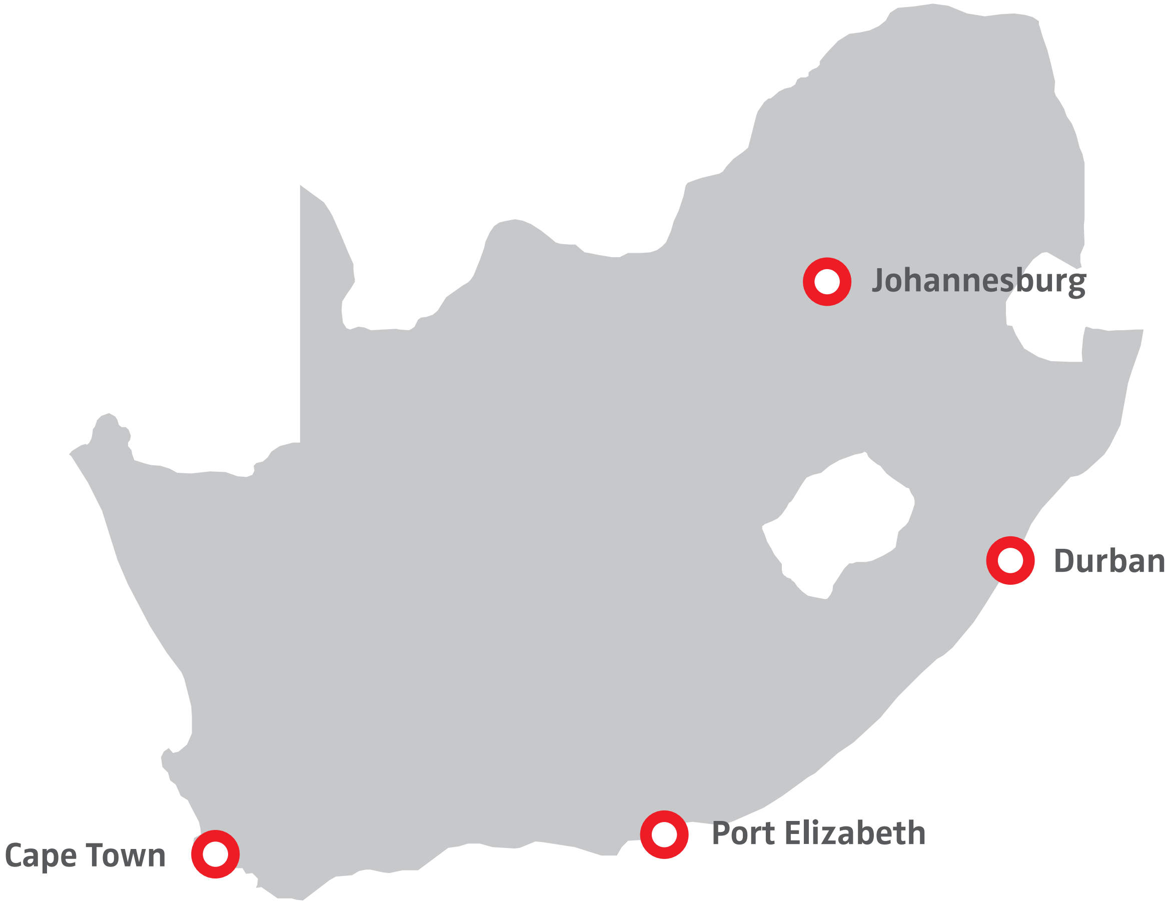
INDUSTRIAL RENTALS – PRIME LOCATIONS (R/m² gross)

	Johannesburg	Durban	Cape Town	Port Elizabeth
Mini Units	55	60	50	55
Midi Units	55	55	50	50
Large Units	53	50	42	45

INDUSTRIAL LAND – PRIME LOCATIONS – 1 HECTARE

	(R/m²)
Johannesburg	1100
Durban	1800
Cape Town	1300
Port Elizabeth	650

South Africa


Johannesburg
Durban
Port Elizabeth
Cape Town

Johannesburg

Vacancies are low across the board, typically only the older more obsolete buildings are proving difficult to let. A shortage of good-quality stock is driving new development to satisfy demand - particularly as new buildings typically provide better utilisation of space. The most sought-after areas are the east rand, Midrand and Gosforth Park where most of the prime sites have been bought up by developers and funds. Land is still available for purchase by owner-occupiers around Samrand, Allandale and on along the R21. Developers are also strategically buying up land around Linbro Park and Longmeadow.

The recent upgrade of the R21 highway from the east rand to Pretoria has been a key catalyst for the establishment of new nodes such as Plumbago Park and the R21 industrial park. While larger sized good quality units are becoming scarce, there is still accommodation available in the mini- and midi-unit categories. Gross rentals in the Midrand area for high-end space are in the order of R55/m^2 to R60/m^2, while gross rentals in Gosforth park and city deep for modern warehouse space are from R45/m^2 to R48/m^2 and R40/m^2 to R42/m^2 respectively.

On the investment side demand is high. Very limited good quality stock has pushed up prices and very good selling prices are being achieved.

Durban

Thanks to a shortage of developable land to the immediate north and south of Durban, developers are looking further afield to Cornubia and Tongaat to the north and Hammarsdale and Cato Ridge to the west. Rentals of A-grade warehousing in these areas have reached R45/m^2, with B-grade space achieving R35 to R40/m^2 and older C-grade textile factories renting from about R25/m^2.

Potential for a major release of land in the Durban South Basin have centred on sites at the old Airport and the Clairwood Racecourse. However, both have already been accounted for in terms of future use. The old Durban Airport is to be developed by Transnet as a deepwater dug-out container and petrochemical port and the 68–hectare Clairwood Racecourse has been bought for rezoning to light industrial and turnkey leasing.

Gross rentals for large A-grade warehouses in the North and South Basins, both of which are within a 10km radius of the container terminal, are around the R50/m^2 mark, with rentals of B-grade warehousing around R45/m^2. There remain pockets of old multi-storey C-grade warehouse-factories for rent at around R35/m^2, which are attractive to textile users.

Port Elizabeth

Demand for space in Port Elizabeth's industrial areas is on the increase, although supply of the type of facility required is limited and enquiries are difficult to satisfy, especially as there has been very little new construction in recent years. Demand for logistics facilities is also on the increase and very difficult to procure. The SAPPI and G.M. sites, which have recently been sold, will be converted for this type of purpose and may ease the pressure. A-grade warehousing in Deal Party, which was previously difficult to let, has now been let to national and international companies – notably at premium rentals.

The Coega Industrial Development Zone, which comprises a land area similar in size to the metropolitan area of Port Elizabeth, will have a significant impact on the industrial market in this region. Land is available for renting on a long-term leasehold basis at R3/m² to R5.50/m² per month, depending on size and position.

Cape Town

Over the past year vacancies have begun to decline and there has been increased take-up of mini and midi units – a sign of some recovery in the small and medium enterprises market.

Nonetheless, there is a significant amount of larger, historically obsolete industrial space on the market, putting pressure on new development rentals as tenants enjoy a wide range of options. Forecasts suggest rentals will gradually strengthen in 2013, thanks to demand exceeding supply for existing A-grade warehouses and factories with a GLA of more than 5 000 m^2.

For this reason, there were a significant number developments completed in 2012, largely on a tenant-led basis. New development rentals are very competitive, as construction contracts have been scarce, land values are relatively stable and interest rates are at record lows. There has, however, been very little speculative development taking place in Cape Town.

With current rentals remaining under pressure, tenants are signing longer leases of 5 to 10 years on average. There has been downward pressure on annual escalation rates, with the majority of transactions being concluded at escalation rates of between 7,5 to 9 percent.

Retail development activity is focused on smaller centres, rural areas and larger towns.

While the next year or so is expected to see an upswing in shopping centre development activity, there appears to be a shift towards revamping existing space thanks to heightened competition for customers' disposable income.

Overall, there has been a notable decline in the number of super-regional and regional shopping centres planned to open over the next 48 months. The number of opportunities in major metropolitan areas is decreasing, and planned projects will, in most cases, overlap with the catchment areas of existing facilities. Developers of super-regional shopping centres are focusing on unique features in design and technology, adding further international flavour to the tenant mix, and enhancing the entertainment elements. Apart from having the regular "cookie-cutter" tenant mix, they have to introduce more innovative reasons to attract potential shoppers, who are already spoilt for choice.

The most notable shift in development activity in the past 12 to 18 months has been towards the "RE" concepts of **RE-brand, RE-furbish, RE-design and RE-tenant.** Owners of super-regional, regional and even certain community shopping centres in highly competitive trading areas have approved the spending of significant amounts of capital in order to enhance the life and attractiveness of key assets in their portfolios. The next 12 to 36 months will see a number of major refurbishment projects commencing for some of the older centres. This, coupled with the opening of contemporary new centres, will place further pressure on trading densities - and ultimately on rent-to-turnover ratios. Tenant sustainability will need to be a key focus for landlords in the years ahead.

Development in the rural and mass market categories has seen increasing activity, with many under-serviced areas now enjoying the benefits of a mini-boom in retail development. Community, convenience and neighbourhood centres are the trend in these areas, with many of the centres serving a population in excess of 50 000. The biggest question facing developers/investors is the extent of the available disposable income of the consumers, with many areas being dominated by the LSM 1 to 4 level groups, or low- to lower-middle-income households.

People living off government grants and pensions, coupled with high unemployment rates, an ageing population and a low percentage of the population being economically active, are all commonplace in these rural areas. Despite this, there are a number of developers who have made this field of retail development their focus and have succeeded in introducing an optimal tenant mix that addresses the demands and affordability levels of the communities they serve. Social development initiatives, community programs, government service facilities and local empowerment have also been key factors in the success of these rural developments.

Some developers are focusing on small regional and community centres in larger towns, with a catchment area of 80 000 to 200 000 people. Traditionally these towns have been serviced by a maximum of four major CBD high streets that contained all the normal day-to-day retail requirements of the local population. Apart from certain neighbourhood and/or community centres, shoppers have had to drive long distances to meet their additional shopping needs, as well as for comparative shopping and durable goods. These new developments have, however, negatively impacted high street retail in these towns. A number of the developments have been initiated by local municipalities in an effort to boost struggling local economies. Regrettably, there are also cases of two competing centres being allowed in some of these towns. Ultimately, the renewal cycle with national retailers will decide which centres survive the battle for diminished spend in these towns.

On the upside, however, success stories are plentiful, with many of these centres becoming the heart of the community and keeping retail spend in the local area. In most cases, retailers of durable goods are experiencing trading densities that are 20 to 30 percent less than comparable stores in metropolitan areas. Rental levels have had to be adjusted accordingly to accommodate a sustainable trading model for these tenants.

Operating costs are a major focus for 2013.

Trading conditions for retailers remained challenging during 2012, with a number of key factors influencing tenant profitability and sustainability:

- The global downturn and its impact on the South African economy;
- Rising utility charges, with further increases from Eskom coming through this year;
- Diminishing retail margins across the board; and
- Rising costs of occupation for all categories of retail

These trends are likely to carry into 2013, with the retail industry taking steps to address risks in a very deliberate way. Many national retailers are using energy management consultants to improve energy efficiency at their stores, for example. The food service sector, which relies heavily on electricity and gas, has seen the overall cost of sales increase by as much as 8 percent. Traditionally, food service tenants could survive comfortably on a rent-to-turnover ratio of between 10 to 12 percent. However, given the extent of rising costs, they now target 8 percent as viable.

Retailers are also asking for consistency and transparency from landlords about operating costs. Whilst many nationals are already on a gross rental/m^2, there remains a large percentage of the tenant base that is still on the "basic rental plus operating cost" model. Indeed, at most of the super-regional shopping centres in the Broll managed portfolio, more than 80 percent of tenants are still on this model. With operating costs reaching levels of around R70/m^2 in some centres, and with significant inconsistencies concerning the definition of operating costs, the matter has become a serious issue for retailers.

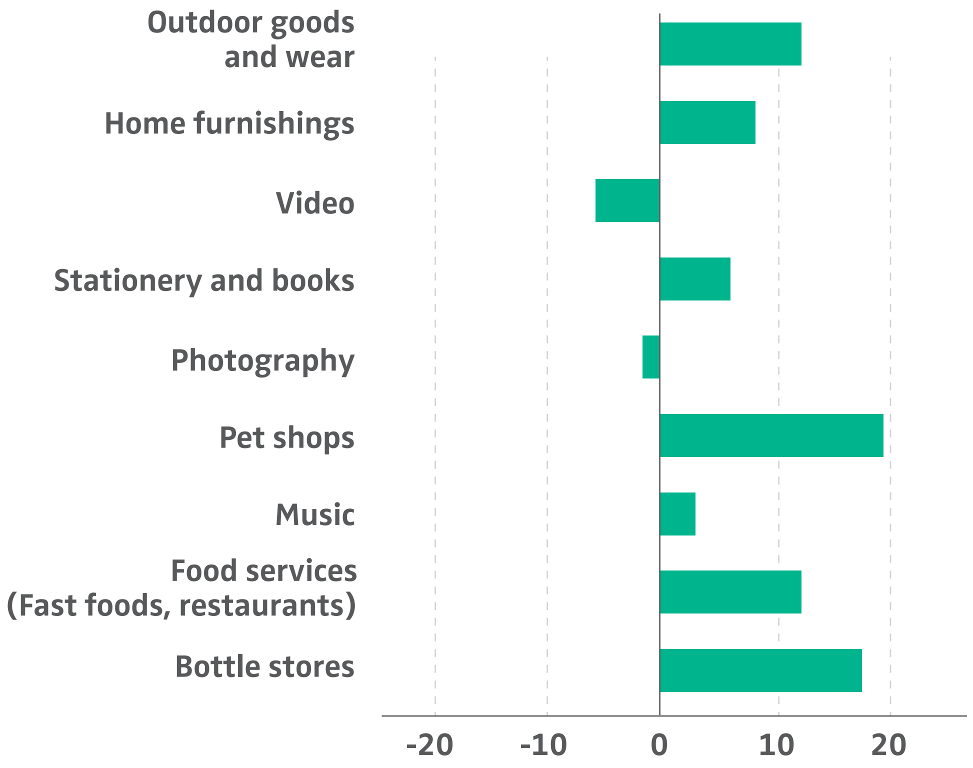
Many landlords are now switching to the gross rental charge basis. The dilemma for most landlords is how to treat this gross rental when calculating turnover rental.

National food and grocery retailers are increasingly creating stores that offer an experiential outing. New stand-alone formats offer more than just groceries. Apart from modern, visually-appealing fresh produce areas, elements such as delicatessens, bakeries, florists, gifting, coffee shops, sushi counters and patisseries have all been packaged into a sleek, shopper-friendly environment that would certainly meet global best practice. Store conversions in shopping centres have already begun to follow suit.

These multi-faceted stores are, however, having a negative effect on independent retailers in shopping centres. Stores like independent florists, butcheries, home industry, the corner bakery and the neighbourhood pharmacy are slowly disappearing from the retail landscape. The loss of these retailers is particularly impacting on neighbourhood and convenience centres and is placing increased pressure on vacancies in this asset class. Video on demand and internet downloads have also, to a large degree, caused the demise of the video store category. The recent filing for bankruptcy by Blockbuster UK should be a clear indication of where this sector is heading.

Trading density figures show a mixed picture, with certain categories showing significant improvement from 2011 to 2012 while others have seen their figures drop.

% INCREASES 2012 vs 2011 – RETAIL CATEGORIES (All centre types)



Source: *Broll research*

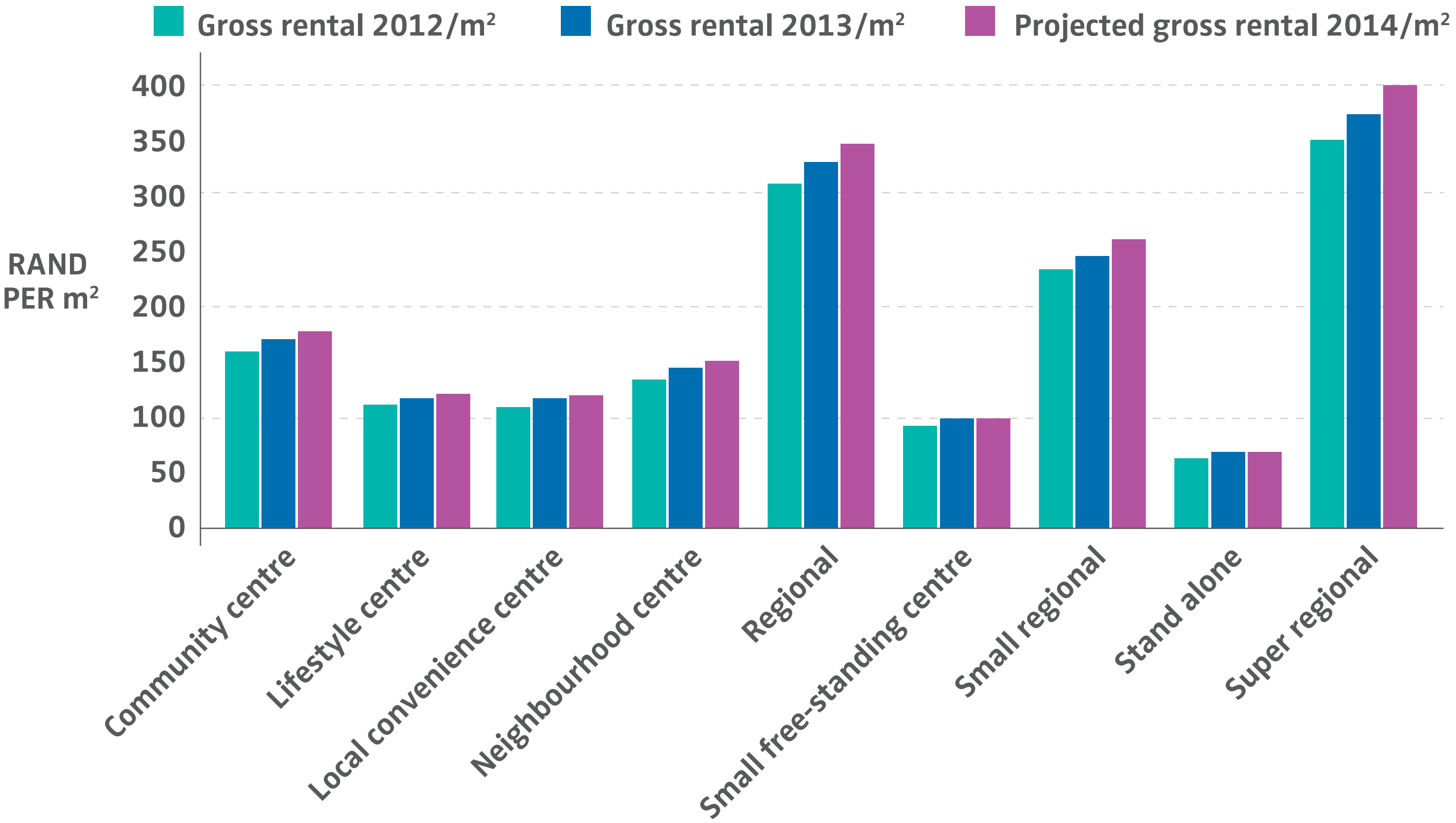
Rental pressure has been clearly seen in Broll's managed portfolio.

For example:

- Higher vacancy levels in convenience and neighbourhood centres has pushed rental increases down to a nominal 5 percent.
- Community centres have fared marginally better, with rentals rising at 5.4 percent.
- Rentals in small regional centres and regional centres have risen by an average 5.7 percent, as a result of pressure on landlords from national retailers during lease re-negotiations.

With consumer inflation for the year to December 2012 at 5,7 percent, only the super-regional centres have seen rental increases in excess of inflation, with increases averaging 7 percent.

GROSS RENTALS FOR SHOPPING CENTRES



Source: *Broll research*

Exclusivity clauses, green retail and online shopping will be closely monitored in 2013.

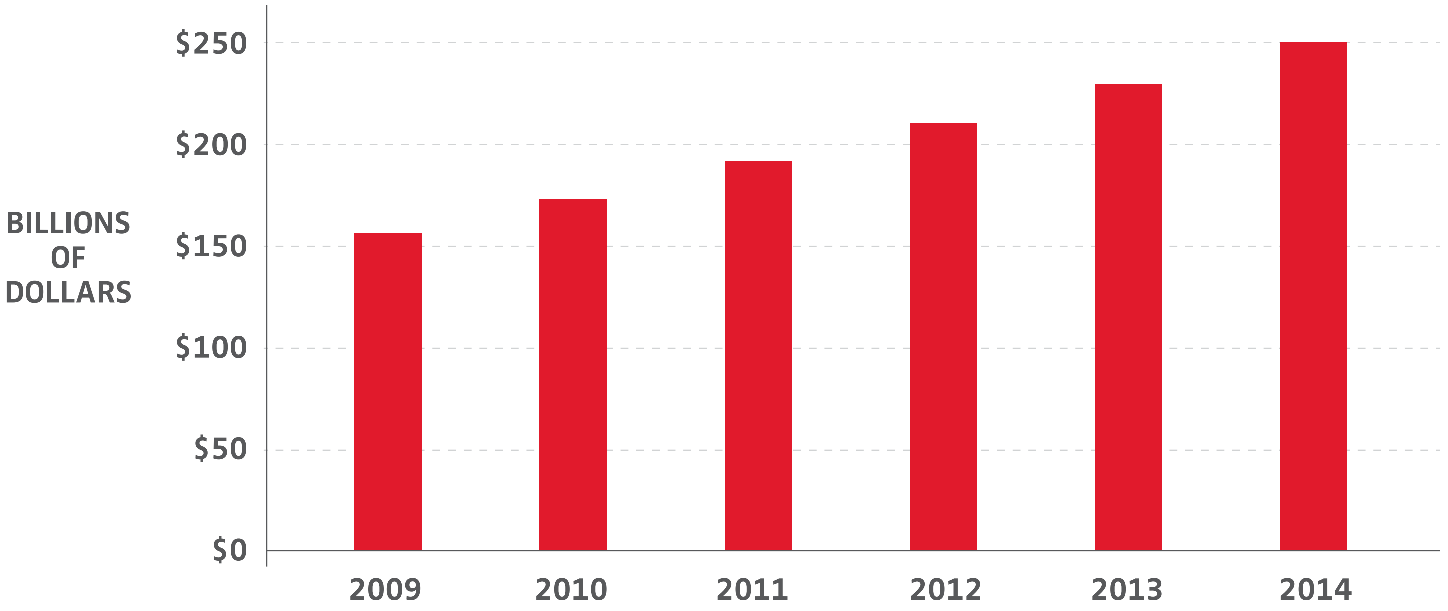
Several other key trends are likely to impact the retail property sector in the coming year:

- Recently the Competition Commission launched initial investigations into the **exclusivity clauses** that certain national retailers insist on before signing a lease. These clauses preclude landlords from securing competing tenants and the Commission is looking to determine whether this practice is anti-competitive and therefore illegal.
- Whilst the shopping centre industry has found the retro-fit of **"green initiatives"** to be challenging and costly, the developers of the newer format centres are able to implement energy efficiency initiatives from the outset at a more reasonable cost.
- E-commerce, whilst still in its infancy in South Africa and Africa as a whole, will play an increasingly important role in how consumers shop over the next decade. Music and video sales are a good example, as are travel, banking and other services. Higher-income households are more likely to shop online, and some banks are offering new formats to attract the customer back to their in-store offering.

According to the NRF Foundation, on-line shopping in the US will grow from $150 billion (R1.3 trillion) in 2009 to a projected $250 billion (R2.1 trillion) in 2014.

This illustrates the growing importance of this sector. On-line sales are set to increase to around 15 percent of all retail sales in the US by 2020.

ONLINE RETAIL SALES PROJECTION, 2009 – 2014



Source: *Forrester Research Inc. "US Online Retail Forecast, 2009 to 2014"*

Whilst the mass market plays catch-up in this regard, the proliferation of smart phones will mean that on-line transacting, and the effect it will have on the shopping centre industry, will impact on the retail sector sooner rather than later. The mass market is becoming more tech-savvy, is being exposed to global brands and is being becoming increasingly more discerning in its choice of retail offerings.

Consider the following quick statistics.

The number of internet users in Africa rose from 4.5 million in 2000 to nearly 140 million by 2012 – with 45 million in Nigeria alone. However, internet penetration still has not reached beyond 7 percent of the population of Africa, so the potential for growth is huge. The GSM Association, a body that represents the interests of mobile phone operators worldwide, predicts that the number of mobile phone users in Africa will reach 735 million by the end of 2015.

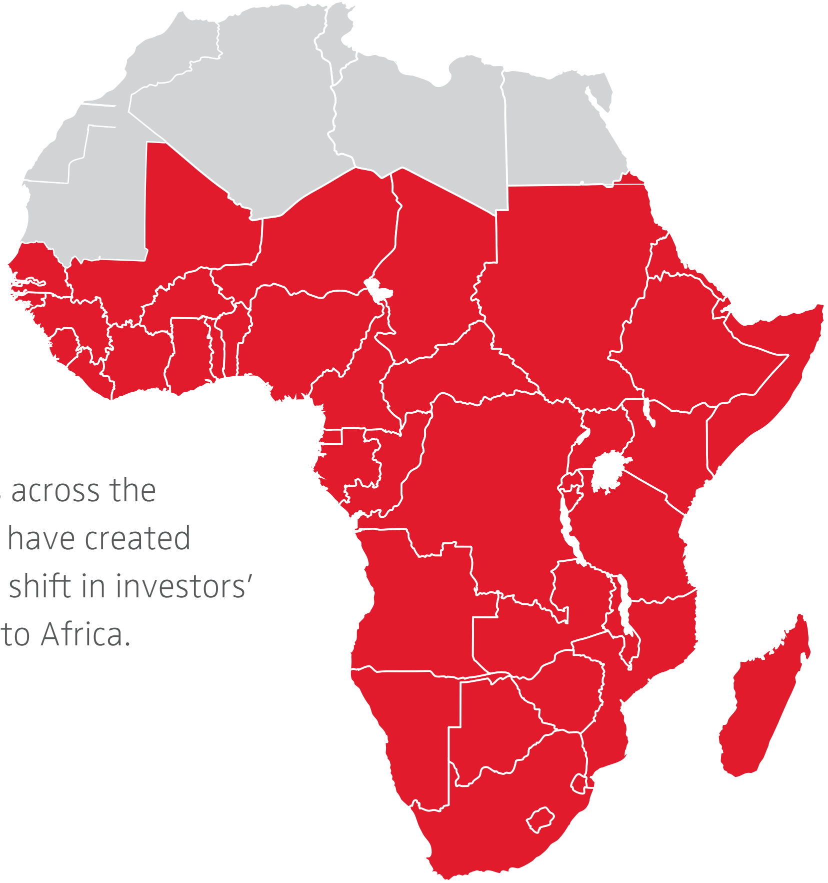
The growth of e-commerce will mean that retailers will require less space to sell their products and this could potentially have a major impact on vacancies and on rentals in the coming decade.

Sub-Saharan Africa's growth story is a compelling one, and the region is seen by many investors as the last frontier for growth.

The economy of the sub-Saharan Africa region, excluding South Africa, is forecast to grow by 6.2 percent in 2013, outpacing developed economies in both the Euro-zone and North America. Of the top ten performing economies in the world in 2012, seven were from Africa; this trend is likely to continue in the medium- to long-term.

The "Real GDP Growth" and "Comparable Projected 2013 GDP Growth" graphs below illustrate this. Projected inflation rates appear to be manageable, other than in the case of Malawi – refer to the "Recorded Inflation Rates" graph below.

Multinationals are increasingly looking to tap into the region's fast-growing consumer markets. Ongoing infrastructure development, impressive demographics, the telecommunications revolution, improving political stability, sound macroeconomic policies and the deregulation of industries across the continent have created a positive shift in investors' attitudes to Africa.



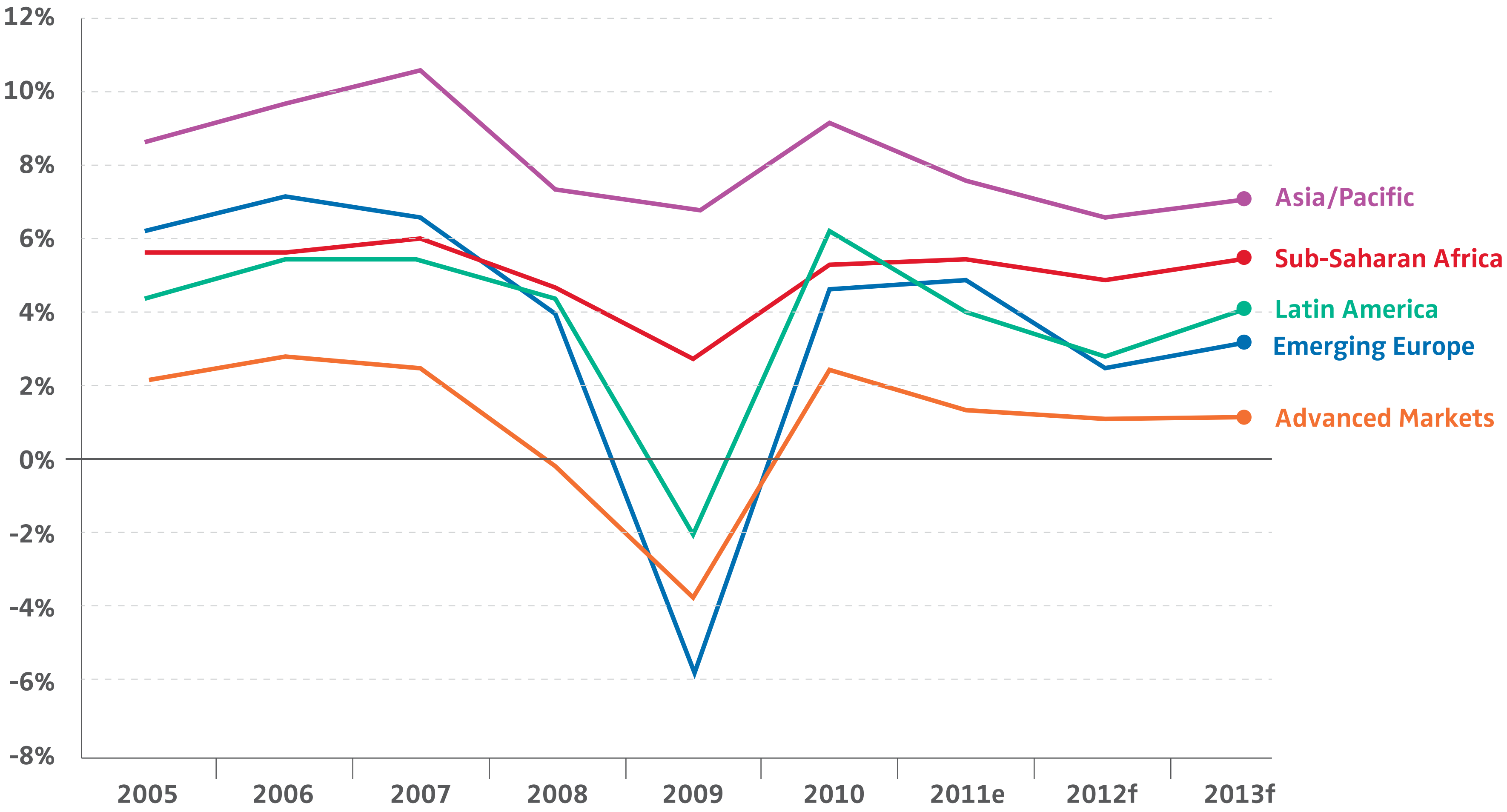
Fifteen years ago, Africa was hardly connected, whereas today it boasts the world's fastest growth rate in mobile subscribers. The mobile revolution is seen as a potential catalyst for economic growth, creating access to information and services that were previously unavailable to large sections of the population.

Undersea data cables are currently being laid at an unprecedented rate, providing bandwidth growth which will drive communications and internet access, particularly through mobile devices.

Forecast growth, spearheaded by a burgeoning middle class and a renewed focus on the African Diaspora, together with the world's highest rate of urbanisation, will reinforce the need for prime retail centres, office and industrial space and a range of housing options.

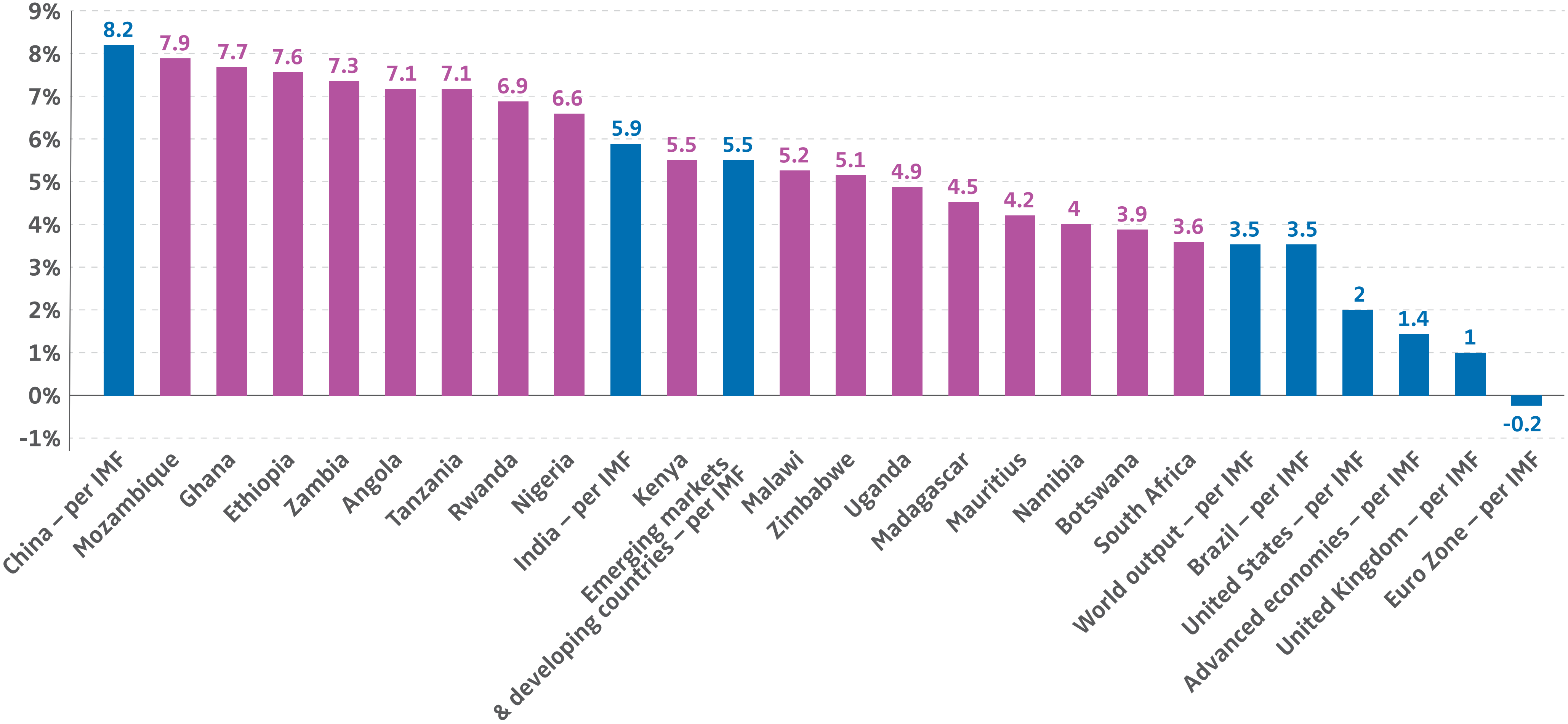
Investors entering the sub-Saharan Africa property market are attracted by high returns, diversification opportunities and access to expanding markets. However, to understand the sub-Saharan real estate environment it is critical that consideration be given to the diverse political, economic, legal and cultural frameworks that characterise each country. Land ownership concerns, poor infrastructure, lack of availability of finance, legal barriers and regulations are a few of the issues to entry that investors must understand.

REAL GDP GROWTH

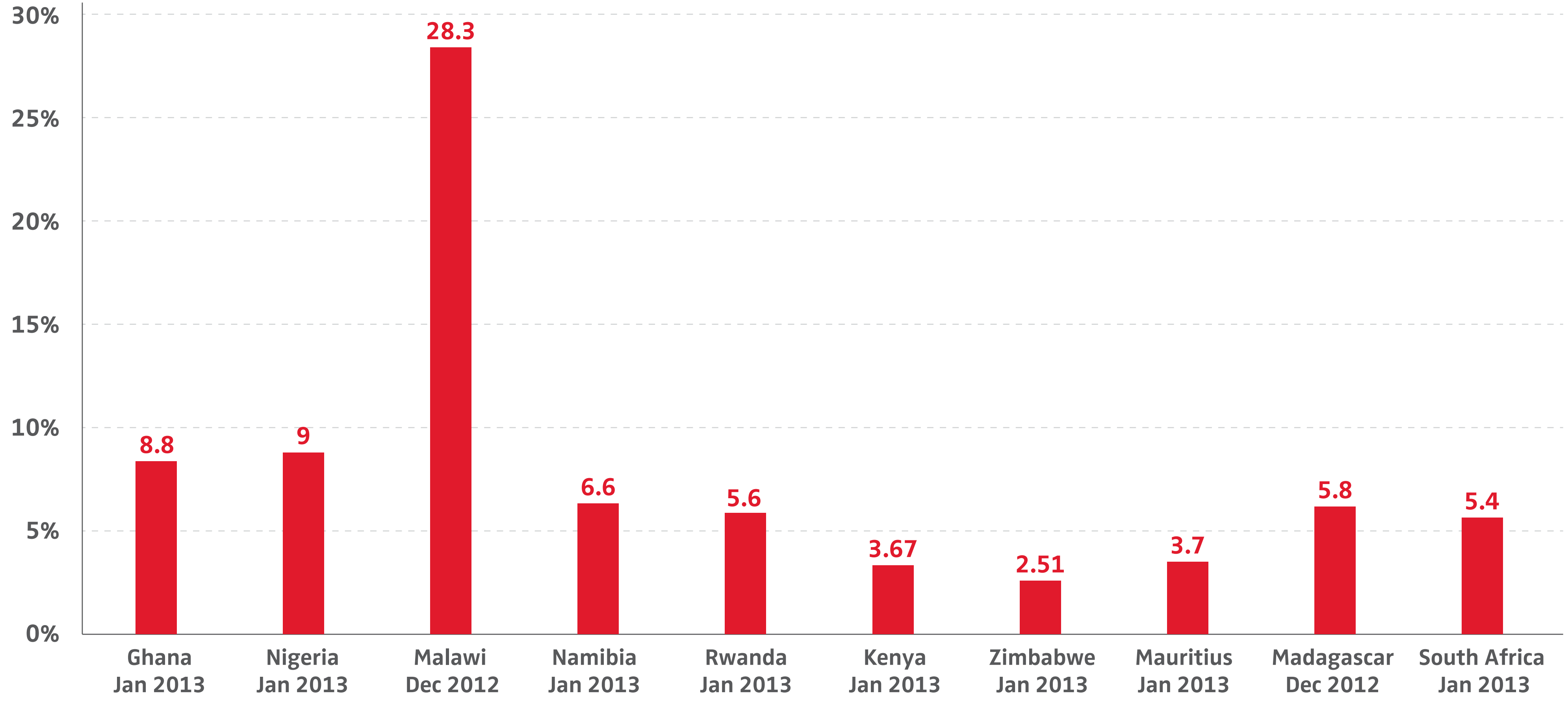


Source: *Institute International Finance Nov 2012*

COMPARABLE PROJECTED 2013 GDP GROWTH



RECORDED INFLATION RATES (%) AS AT STATED MONTH



Foreign Investment

Foreign direct investment into Africa continues to surge and remains resilient despite a slight weakening caused by the global slowdown.

Domestic demand, a key driver to sub-Saharan Africa's growth in recent years, is expected to continue over the medium- to long-term and will be supported by ongoing infrastructure development and increased foreign direct investment.

Indian, Brazil, Russia and China are positive about Africa's future, particularly in the mining, energy and telecommunications sectors. In 2012, Beijing pledged US$ 20 billion (R169.5 billion) to African countries over the next three years in the form of soft loans for infrastructure development and manufacturing. The Chinese economy is expected to grow by 8.4% in 2013, rebounding strongly from its sub- 8% growth rate last year. This bodes well for Africa, as China accounts for 20% of the continent's trade.

The recent discovery of new resource deposits in several countries should result in increased future revenues and increased foreign investment. The challenge, however, for resource-rich countries will be to ensure that the wealth is harnessed to grow and develop their economies. This will only be achieved if effective policies and improved governance measures are implemented.

The services, insurance, real estate and telecommunications sectors have attracted foreign investor interest. A large contingent of South African companies are investing through acquisitions or through aligning themselves with local partners, primarily in the banking, insurance, professional services, telecommunications and manufacturing sectors.

Local brands such SAB Miller, Tiger Brands, Marsh, Stanbic, MTN, FNB, ABSA, Shoprite, Old Mutual and Group Five have committed large sums of capital to expanding their footprint in sub-Saharan Africa. Many international brands such as Unilever, Kraft, Nestle and Diageo are aiming to double their growth within the next three to five years by investing in manufacturing capacity.

Foreign Investment *continued...*

Based on recent returns, there appears to be increased demand for shares in sub-Saharan companies. Some of the larger stock markets have shown extremely attractive returns over the past twelve months; Nigeria at 60% in US dollar terms, Kenya 46% and Ghana 20% being examples. Asset managers view shares in these countries as still being attractive.

The retail real estate development market has seen South African-based equity managers and investors at the forefront of development activity in a number of countries such as Nigeria, Ghana, Angola, Zambia and Mozambique.

Developers are attracted by the rising middle class and the move from informal to formal retail shopping. Leading retail chains from South Africa are investing heavily and expanding their brand penetration throughout sub-Saharan Africa. They include, Woolworths, Foschini, Truworths, Edcon, Famous Brands, Pep, Game, Shoprite, Pick 'n Pay, Spur and Mr Price. Recently, Shoprite committed to a 9 000 m2 store in Luanda, its biggest investment outside South Africa to date. International brands are also waking up to the potential of sub-Saharan Africa and their entry into the market will impact positively on developments and help meet the needs and aspirations of consumers.

Governments are also reacting positively to the surge in foreign interest and are implementing liberalisation policies and opening their doors to foreign investors in various sectors; this bodes well for property developers and investors.

A number of countries are looking to implement improved land release arrangements, resolve land rights issues, improve land accessibility and speed up the process of privatisation of state-owned land. Tax concessions are also being granted by a number of governments, with a tax holiday of up to five years available for approved real estate developments.

The Rising Middle Class

Most of sub-Saharan Africa is experiencing unprecedented demographic transformation, as seen in the emergence of a growing, vibrant middle class with growing aspirations and increasing disposable incomes. This is creating opportunities for investors in a number of sectors, including infrastructure and property development.

With the highest population growth rate in the world and with over 60% of Africans under the age of 30, the challenge will be to harness this work force. Africa's population is growing by 27 million every year and is projected to continue to do so until 2050.

Retail developers within sub-Saharan Africa have been slow to react to the growing demand for consumer goods. Thus, in Nigeria and Ghana growth in retail development in recent years has been slow; it is only now beginning to increase with new schemes planned for completion over the next 24 - 36 months. Kenya and Zambia appear to be ahead of the retail development curve compared to other countries and have a number of modern shopping centres.

First-world shopping centres are still seen as a relatively new phenomenon in many parts of sub-Saharan Africa, with several countries only now in the planning phase of developing their first quality closed shopping centre.

Obtaining finance for development projects remains a challenge, with a limited tenant base, uncertain levels of disposable income and high building costs adding to the uncertainties facing investors.

The Rising Middle Class *continued...*

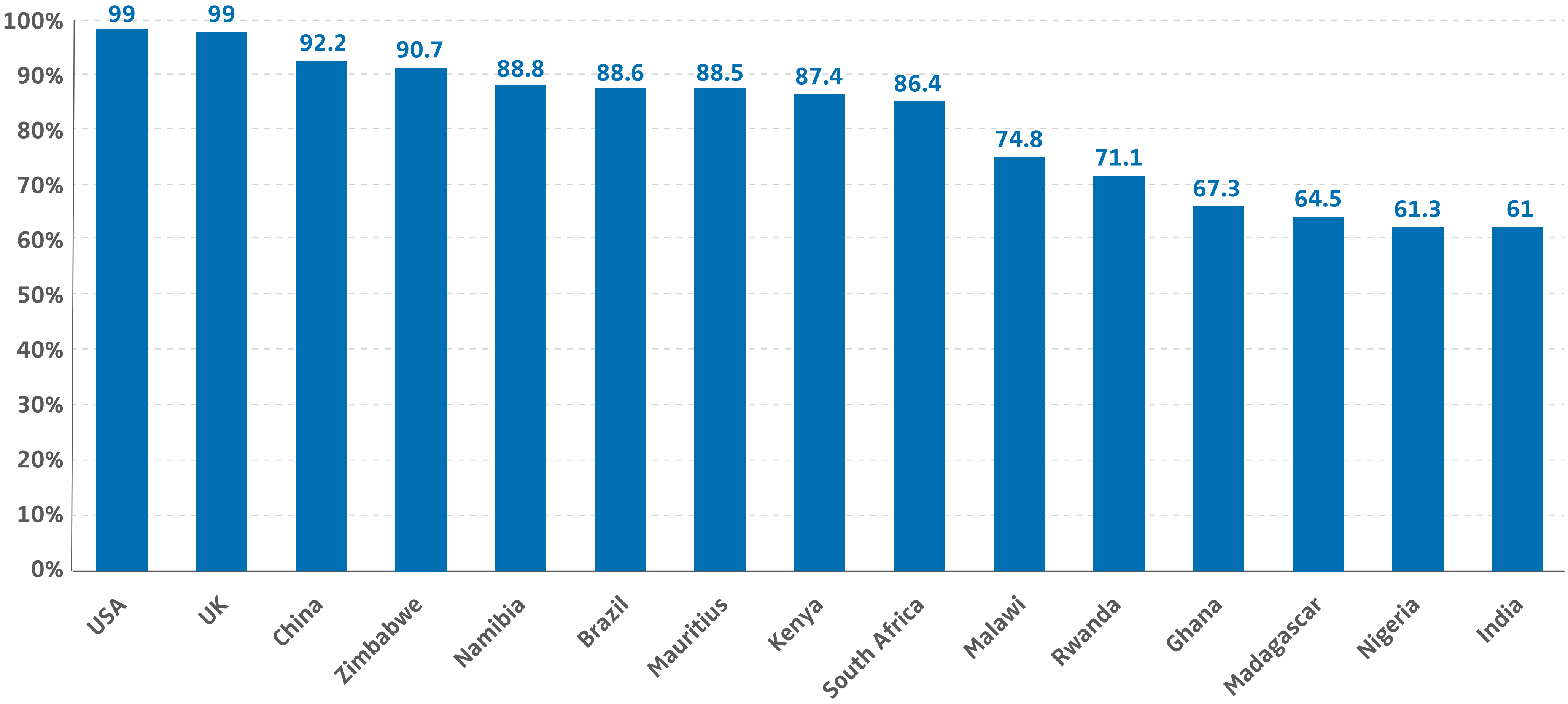
Having the highest rate of urbanisation in the world places extreme pressure on existing infrastructure, with many African cities built to cater for populations of less than 500 000 residents. Today, a number of these cities accommodate in excess of 3 million residents and are faced with an ailing infrastructure. As it is estimated that more than 50% of the population of 800 million will live in cities by 2030, the social and economic implications are immense. Not only will this require employment opportunities to increase substantially, but will also require education standards to improve – refer to the ''Literacy Rate'' graph below. However, investors have identified this as an opportunity and various new satellite cities on the outskirts of existing cities are being planned, e.g. Tatu City in Nairobi.

The biggest need for infrastructure exists in power and transportation (roads, rail, ports, etc), however, the current spend on infrastructure in Africa is estimated at only US$45 billion (R380 billion) a year which is significantly short of the $90 to US$100 billion (R760 to R845 billion) a year that is needed.

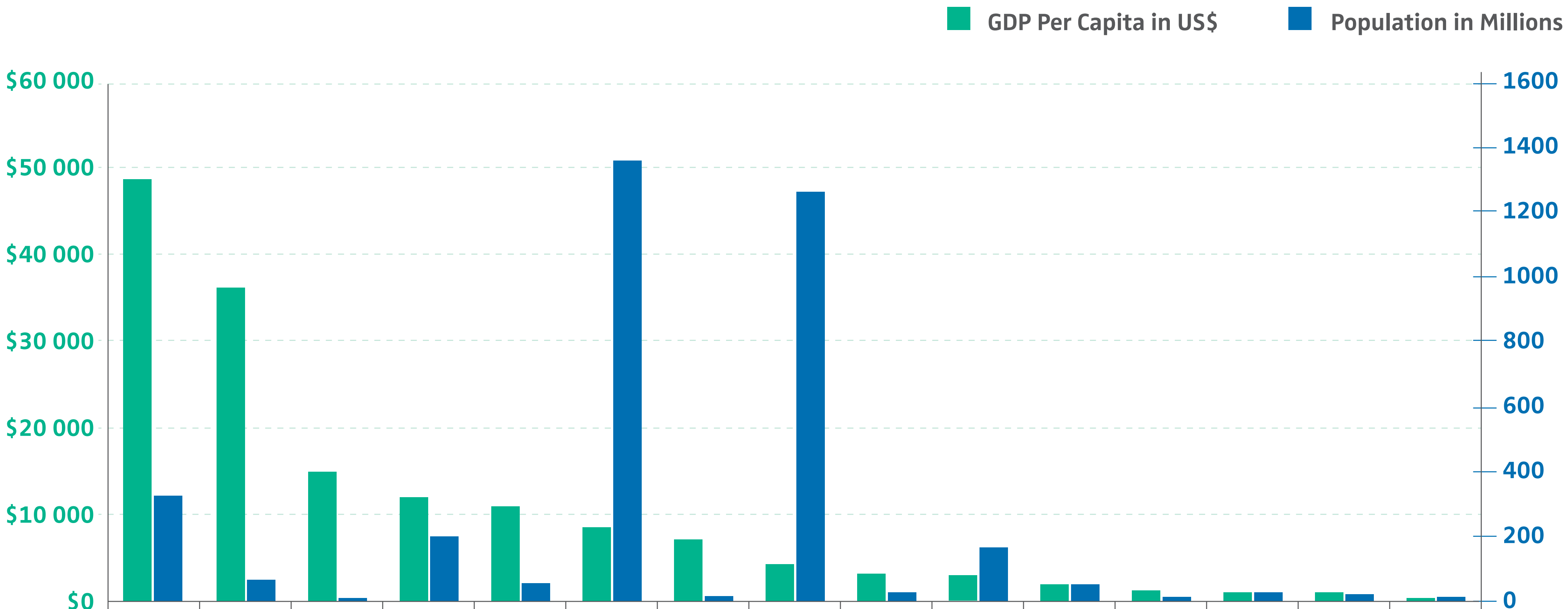
There are significant opportunities for the private sector to either invest alone or in partnership with government.

The McKinsey report states that opportunities in the African market are concentrated within 10 of the continent's 54 countries – Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa, Sudan and Tunisia. These countries accounted for 80% of Africa's consumption in 2011. From 2012 to 2020, consumer-based industries are expected to grow by $410 billion (R3.5 trillion) representing the continent's largest business opportunity. The ''GDP per Capita'' graph below illustrates the potential for economic growth in Africa.

LITERACY RATES – MID 2012 STATISTICS



GDP PER CAPITA – US$ VS. POPULATION (MILLIONS)



	USA	UK	Mauritius	Brazil	South Africa	China	Namibia	India	Ghana	Nigeria	Kenya	Rwanda	Madagas-car	Malawi	Zimbabwe
🟩	$49 000	$36 600	$15 000	$11 900	$11 100	$8 500	$7 300	$3 700	$3 100	$2 600	$1 700	$1 300	$900	$900	$500
🟦	317.55	63.05	1.32	199.45	50.91	1357.00	2.39	1269.00	25.92	169.38	43.50	11.49	22.33	16.22	13.20

Challenges of Doing Business in sub-Saharan Africa

Political instability is still a reality in sub-Saharan Africa, with a number of countries being categorised as high risk; the DRC, Mali, Guinea-Bissau and Sudan falling into this category. While armed conflict is still a common occurrence, the sub-Saharan Africa region today has greater political stability than it has had for many years.

Despite the visible efforts made by some Governments, corruption in Africa remains a serious concern. Transparency International ranks Burundi, Zimbabwe, DRC and Angola as the most corrupt countries in sub-Saharan Africa. However, it is possible to do business ethically without having to revert to bribes and facilitation fees.

Most African countries have abundant labour, but finding skilled workers can be difficult, as is seen in the recruitment of staff with practical management experience. Expatriate personnel are extremely expensive and often find living conditions in African countries difficult.

The high cost of doing business in Africa is a barrier to entry and is often as a result of government bureaucracy and red tape. The high cost of finance, corruption and poor infrastructure are additional challenges.

Each country has its own legal system and laws governing the ownership and leasing of land as well as the giving of property as security for loans. Land claims remain a reality and validating the ownership of property rights can be challenging. Many African countries limit foreign ownership in real estate, either by limiting the duration of rights granted or imposing other restrictions.

For sub-Saharan Africa to become a truly industrialised region, it needs to compete internationally by being more efficient and competitive.

Growth sectors

Africa's growth has largely followed commodity prices, which in turn is highly concentrated in primary commodities. However, sub-Saharan Africa is predicted to be on the verge of becoming an important industrialised region.

According to the World Bank, manufacturing's share of GDP has remained the same as in the 1970's; while this is a concern, it also represents an opportunity for significant economic growth in the future. For countries to make progress however, innovative economic and developmental growth policies must be introduced; encouraging infrastructure development and labour-intensive manufacturing industries, addressing human capital shortcomings and dealing with poor governance.

Approximately 80 % of sub-Saharan Africa's adult population is currently un-banked, this creates an enormous opportunity for the financial services industry, especially for mobile phone banking.

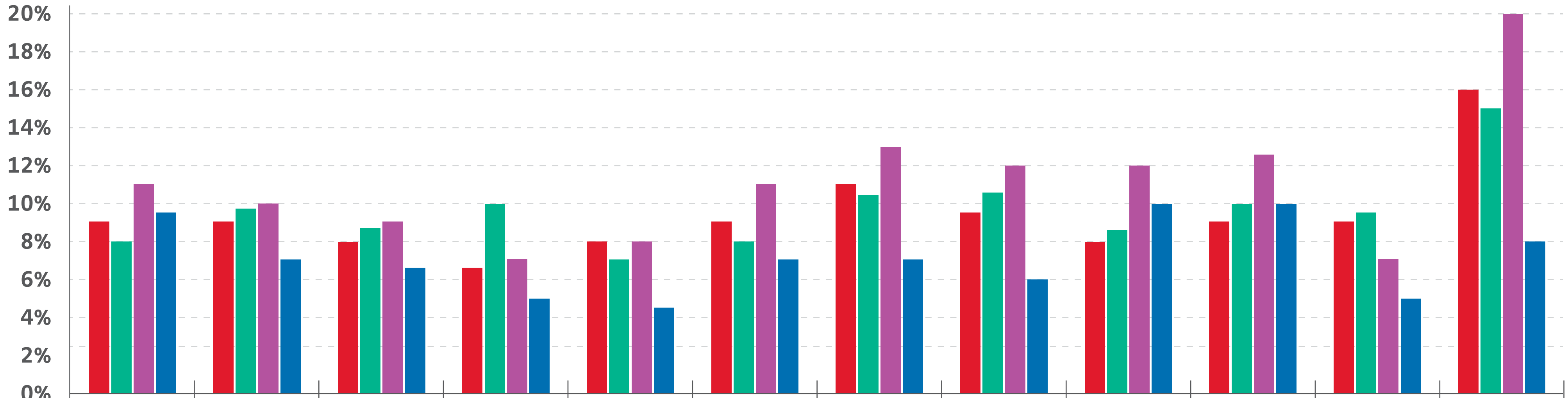
The economic growth that sub-Saharan Africa is predicted to see in the coming decades will give rise to real estate development opportunities as commerce and industry require premises for their operations and the rising middle class and rapid urbanisation create opportunities for residential development.

The increasing interest from international brands, a major expansion drive by South African retailers and the maturing of local markets will give impetus to the development of retail projects, while the growth in the financial and commercial services sectors will require office accommodation and the manufacturing, service industry and warehousing sectors will see a growing requirement for industrial premises. The growing urban population will require housing, with the resulting development of a range of residential accommodation.

Comparable property trends and performance

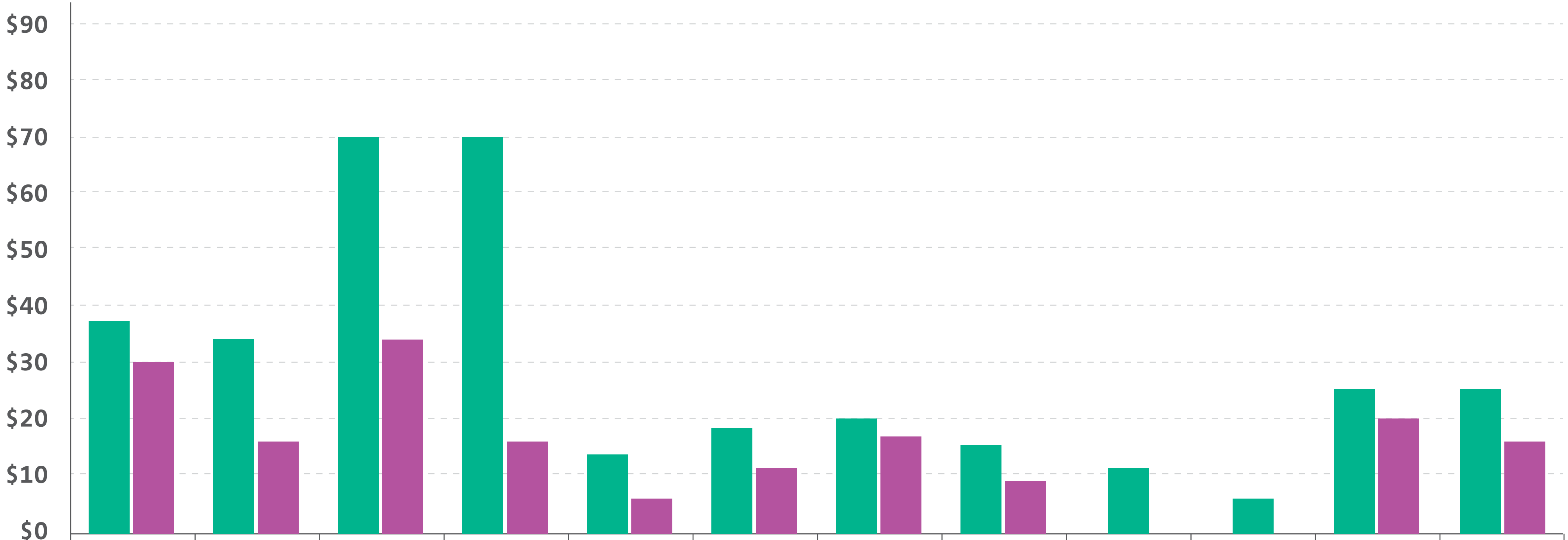
To give an indication of the current property markets in certain countries in sub-Saharan Africa, as represented by investment yields and rentals for prime space, the following graphs are presented.

MEDIAN PRIME PROPERTY YIELDS – ALL SECTORS



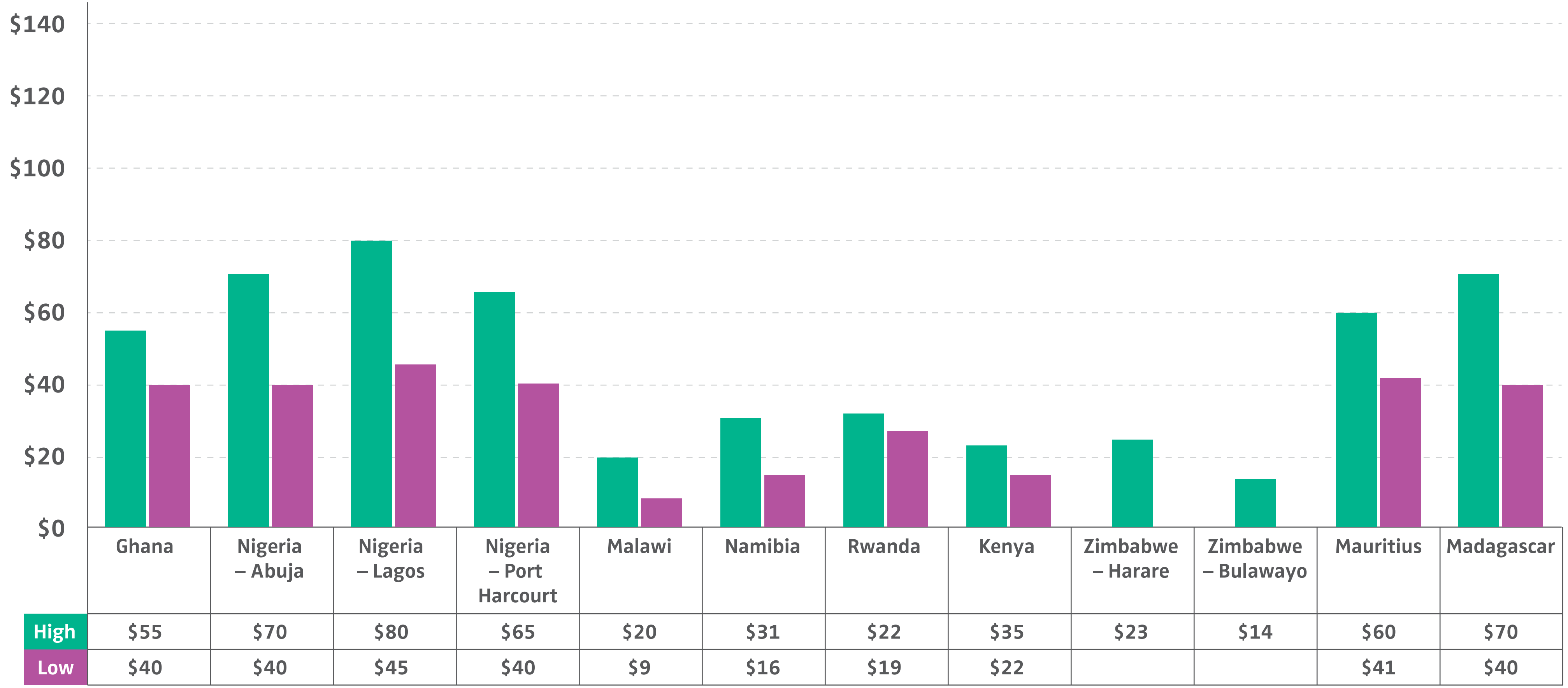
	Ghana	Nigeria – Abuja	Nigeria – Lagos	Nigeria – Port Harcourt	Malawi	Namibia	Rwanda	Kenya	Zimbabwe – Harare	Zimbabwe – Bulawayo	Mauritius	Madagascar
Office	9%	9%	8%	6.5%	8%	9%	11%	9.5%	8%	9%	9%	16%
Retail	8%	9.75%	8.75%	10%	7%	8%	10.5%	10.5%	8.5%	10%	9.5%	15%
Industrial	11%	10%	9%	7%	8%	11%	13%	12%	12%	12.5%	7%	20%
Residential	9.5%	7%	6.5%	5%	4.5%	7%	7%	6%	10%	10%	5%	8%

NET PRIME OFFICE RENTALS IN US$ PER m² PER MONTH



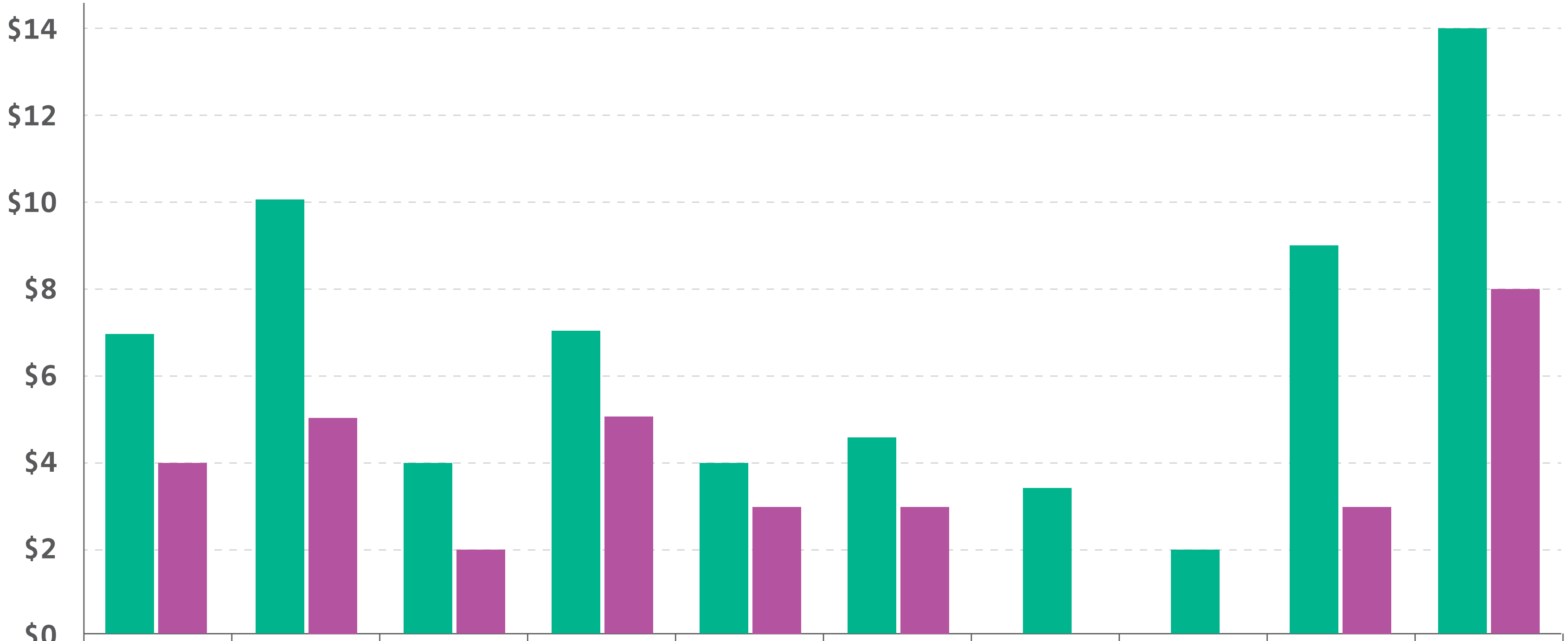
	Ghana	Nigeria – Abuja	Nigeria – Lagos	Nigeria – Port Harcourt	Malawi	Namibia	Rwanda	Kenya	Zimbabwe – Harare Ave	Zimbabwe – Bulawayo Ave	Mauritius Prime Ave	Madagascar Prime Ave
High	$37	$34	$70	$70	$13	$18	$20	$15	$11	$6	$26	$26
Low	$30	$17	$33	$16	$6	$11	$17	$9			$20	$16

RANGE OF PRIME MONTHLY NET RETAIL RENTALS PER m² IN US$ PER MONTH (EXCLUDES ANCHORS)



	Ghana	Nigeria – Abuja	Nigeria – Lagos	Nigeria – Port Harcourt	Malawi	Namibia	Rwanda	Kenya	Zimbabwe – Harare	Zimbabwe – Bulawayo	Mauritius	Madagascar
High	$55	$70	$80	$65	$20	$31	$22	$35	$23	$14	$60	$70
Low	$40	$40	$45	$40	$9	$16	$19	$22			$41	$40

PRIME MONTHLY INDUSTRIAL NET RENTAL RANGE PER m² IN US$ PER MONTH



	Ghana	Nigeria – Lagos	Malawi	Namibia	Rwanda	Kenya	Zimbabwe – Harare	Zimbabwe – Bulawayo	Mauritius	Madagascar
High	$7	$10	$4	$7	$4	$4.50	$3.50	$2	$9	$14
Low	$4	$5	$2	$5	$3	$3			$3.50	$8

Broll's sub-Saharan Africa Presence

Broll has fully fledged offices in Namibia, Nigeria, Ghana, Malawi, Rwanda and Mauritius and, as part of the Group's expansion strategy, plans to open offices in Kenya and Zimbabwe later in the year.

Broll is also active in a number of countries in which it does not have offices.

Broll's operations in Africa provide the full range of property services which include Property Management, Facility Management, Valuations and Advisory, Market Research, Corporate Real Estate Services, Asset Management, Leasing and Sales, and Retail Consultancy.

Ghana

Economic Outlook

Ghana is recovering strongly from the global recession and collapse in world trade, with sharply higher gold and cocoa prices and a strong mining sector contributing to a robust economic recovery and growth. Medium-term growth prospects have also been boosted by the production of oil, with output anticipated to rise to 250 000 (currently 120 000) barrels per day in the next two or three years.

According to the International Monetary Fund (IMF) the outlook for 2013 remains positive with GDP growth forecast at 7.7 percent.

Today, Ghana's steady economic growth, rapid urbanization and growing middle class are creating opportunity for land and property development. Political, economic and social reforms adopted by government have created a platform of stability and have improved the investment climate. Many investors venturing into West Africa use Ghana as a first point of entry, before investing in other West African markets like Nigeria.

Ghana *continued...*

Office Market

The office market is buoyant compared to a year ago, driven by strong economic growth, a stable macro economy, long-term political stability and the prospect of oil revenues. As a result, construction activity has increased substantially. It is estimated that approximately 200 000m² of prime office space is currently part of the development pipeline across Accra's prime nodes. Demand for prime office space is coming from multinationals, financial institutions, oil and gas companies and insurance companies - both foreign and local - looking for quality space that complements their global corporate image. Key features that are in demand include adequate parking and uninterrupted quality service for lifts, air conditioning and utilities.

Prime net office rentals range from US$30 toUS$37/m² (R255 to R315/m²) while prime space under construction is expecting to achieve over US$40/m² (R340\m²). Over the next 12 months, a gradual increase in prime office rentals is likely; however, rentals are also likely to stabilise once the development stock comes to the market.

The majority of commercial property investment is taking place in the Airport City area, South Legon, Tema Community 1, Adabraka and some parts of Osu, the Airport and West Ridge.

Retail Market

A boom era is dawning for formal retail in Ghana.

Following the success of A&C Square (10 000m²), Marina Mall (8 000m²) and Accra Mall (22 900m²), there is a new trend towards retail centre development. Current estimates suggest more than 180 000m² formal retail space will come on stream during the next 12 to 36 months, assuming that all proposed projects come to fruition.

Some of the more advanced projects include:

- 27 000m² West Hills development;
- 22 000m² Tema Meridian Mall;
- 13 000m² The Junction Mall
- 23 000 m² Mall of Kumasi;
- 16 000m² Sunrise Airport development;
- 8 000m² Osu Mall; and
- 10 000m² Accra Mall extension

Traditional middle- and upper-income consumers show a preference for secure modern retail environments offering one-stop shopping.

Ghana *continued...*

South African retailers such as Shoprite, Game, Foshini, Mr Price, Spur, Truworths, Woolworths, Edgars, Spur and Famous Brands are committed to taking space in new retail developments - and to expanding their presence. Recognised international brands, however, have been slow on the uptake although some recent interest from brands like Zara, Mango, Hugo Boss, Tommy Hilfiger and TM Lewin is encouraging.

Net rentals for line stores in prime retail centres are around US$40 to US$45/m² (R340 to R380/m^2). Rentals are expected to move upwards in the short- to medium-term as the local retail market is still in its infancy. For that reason, market rentals for new prime retail centres may vary depending on desired investment return, construction and land costs, and demographics.

Areas displaying the strongest retail growth are: Osu, Tetteh Quarshie Interchange, East Legon, Weija (Dunkuna), Teshie, Tema, Achimota, Takoradi and Kumasi.

Industrial Market

Light industrial units have traditionally been preferred over heavy industrial real estate by property investors and developers. Some shifts are being seen in this trend, however, as large owner-occupiers opt to invest in heavy industrial units. Favourable economic conditions and the discovery of oil are reinforcing this movement. Companies such as Caterpillar, Dangote Cement and Cummins, amongst others, are exploring investment in heavy industrial properties that meet their requirements.

The retail boom is also contributing to an increasing demand for warehousing, distribution and logistics space.

Demand is also being seen from the telecommunications, manufacturing and import/export industries. Operators trading in commodities like rice or cement are also driving warehouse rentals upwards. This is expected to continue in the short- to medium-term. The industrial growth nodes are: Tema, parts of Spintex Road, and the North and South Industrial areas.

Residential Market

Over a decade of improved governance, sustained economic growth, market liberalization, the discovery of oil, and the conversion of some US$459 million (R3.89 bn) of bilateral debt into social spending also means a visible growth in the size of diplomatic missions and the number of expatriate-owned or-managed firms setting up in Ghana, predominantly in Accra.

Ghana *continued...*

Factors influencing/driving rentals and trends/direction of rentals

Most expatriates prefer to live in prime residential communities such as Ridge, Cantonments, Labone or Airport Residential Area. These areas are characterised by high-quality buildings on large plots of land, with low population density and well-developed infrastructure services.

Rentals in these prime areas are on the high end, with a standard one-bed rental averaging US$1,500 (R12 700) per month, and an average rental for a two- to three-bed unit of between US$2,500 and US$3,500 (R21 200 to R29 700) per month. Four bed townhouses average US$4,500 to $5,000 (R38 100 to R42 400).

Major growth nodes

Airport Residential Area is seeing active development of apartments, as are Roman Ridge, North Ridge and Ridge. In Cantonments, however, height restrictions mean that townhouses are more popular.

Newly-developing areas such as Airport Hills, East Airport, and East Legon can also be classified as higher-end residential areas with areas such as North Dzorwulu and Abelempke going through changes.

Apartments in prime residential areas start at around US$150,000 (R1.27m) for a typical 60m^2 one-bed unit, to US$650,000 (R5.51m) for a typical four-bed, 320m^2 townhouse.

Kenya

Economic Outlook

Overall, the Kenyan economy has experienced moderate growth in the past two years, with forecasts suggesting more of the same for 2013, with GDP growth of around 5,5 percent in the coming 12 months.

The greatest challenge to long-term planning and real estate investment is ongoing volatility in economic fundamentals like inflation, interest rates and exchange rates. Nonetheless, some stabilization is expected this year, which will provide a boost for new development and investment in the commercial property market.

Youth unemployment constitutes 70% of total unemployment.

Research shows that Kenya has a total stock of approximately 1.4 million m² of commercial property space. A number of key factors will influence this stock in 2013:

- Softening yields, especially in the residential property sector. This is evident in that, despite the challenges above, Actis are proceeding with the Garden City scheme, a 130 000m² mixed use development. The development is 9km from the Nairobi CBD off the newly completed Thika Highway.
- The Thika Highway is a significant stimulus for new development along the Nairobi – Thika corridor. Current examples include the 130 000m² Garden City mixed-use precinct; and the Two Rivers project, which will bring 830 000m² of mixed-use space on-stream.
- It is anticipated that the local property landscape will be increasingly characterised by these large mixed-use developments.

Kenya *continued...*

Office Market

Commercial space in Nairobi, and particularly Nairobi CBD, is very limited. Rising demand from multinational corporations is likely to drive an ongoing shortage for A-grade offices. Improved flight scheduling to Nairobi has also increased investment commitment.

Rising demand is anticipated to drive rental growth.

A result of this high demand is a movement of businesses from the CBD to the periphery, where space requirements are easier to satisfy. Key up and coming business nodes are Upper Hill and Westlands, both of which have experienced strong letting.

One example is the 15 300m^2 second-phase extension to Nairobi Business Park, planned to include office space, restaurants, a fitness centre and convenience retail. Infrastructure upgrades are a pivotal part of the project, with Ngong Road being expanded into a dual carriageway.

Prime office nodes are Upperhill, the diplomatic node of Gigiri, Riverside Drive and Waiyaki Way. Mombasa Road, whilst still popular, is expected to thrive again once traffic congestion is resolved via the completion of the Nakuru – Mombasa Road link.

Retail Market

Research suggests that retail property investments are outperforming residential property investments, thanks to strong and growing demand.

International retailers are likewise taking notice of rising consumer demand in Kenya, with major brands like KFC, Walmart, Edcon Group and Game moving into the market.

The new Thika highway is also attracting interest from both local and international retailers, with supermarket chains Uchumi and Nakumatt, as well as Swedish furniture giant IKEA considing new developments.

Convenience and grocery retailing remains the core of retail development, but non-essential retail options are becoming more and more popular as disposable incomes increase and the market becomes increasingly aspirational.

One note, though, are that the recent national elections may delay a number of planned retail developments in Nairobi and Mombasa.

Kenya *continued...*

Industrial Market

The industrial property market has traditionally been dominated by owner-occupiers, but this is starting to change with increasing demand. New development along the Mombasa Road, with its proximity to the Jomo Kenyatta International Airport and improved accessibility and infrastructure, is driving this demand.

The Nairobi–Thika corridor is also attracting renewed industrial development, which should generate new employment opportunities. One example is PepsiCo, which is establishing a multi-million bottling plant along the new highway.

Kenya's connection to the submarine fibre optic cable and consequent true broadband capability is making it an attractive destination for Business Process Outsourcing and call centre operations. This generally translates into demand for space in light industrial parks, where rentals are more competitive than in the office market.

Residential Market

Demand for residential property typically takes the form of 'lock-up-and-go' apartments or homes in high-security gated estates, both for reasons of safety as well as easy access to commercial hubs and, notably, diplomatic nodes. Demand for furnished, quality accommodation is particularly high in areas like Gigiri and Westlands.

Residential rentals range from about $3 250 (R27 500) a month for apartments, to an average of $4 000 (R33 900) a month for townhouses.

New residential projects - like Tatu City, Migaa, and Thika Green – are being driven by the improved multi-lane Nairobi-Thika highway.

Madagascar

Economic Outlook

Political turmoil in Madagascar has been a key economic factor in recent years, although the signing of a road-map agreement in late 2011 has started to bear some fruit. The emergence of a mining sector is especially encouraging and GDP growth in 2013 is forecast at around 4,5 percent.

Agriculture remains the mainstay of the Madagascar economy, employing close to 70 percent of the population. Looking forward, growth is anticipated in the tourism, textile and mining sectors.

However, future growth is highly dependent on the political environment, and the market will be watching the May 2013 elections closely.

Madagascar *continued...*

Office Market

Prime office areas in Antananarivo have, as in many sub-Saharan African cities, shifted out of the CBD, mainly because of congestion. Growing decentralized nodes include Route Des Hydrocarbures in Ankorondrano, Antanimena, Zone Galaxy at Andraharo and Ivandry. Decentralized nodes are characterised by high-quality office space in close proximity to prime residential neighbourhoods.

Retail Market

Prime retail is clustered in Antananarivo CBD, with the main retail destination on Avenue De L'independence. Notably, however, new retail developments are more and more located in the decentralized nodes outside the city centre.

Because retail is dependent on foot traffic, forecasts suggest that the CBD will remain the central retail node, because it remains the hub for both transportation and banking services.

Industrial Market

Prime industrial areas include the airport area and Tanjombato in Antananarivo, and the Tamatave port in Toamasina.

A strong export sector means that industrial developments will likely remain close to major ports and along major arterials which provide excellent transport access.

Residential Market

Prime residential areas in Madagascar include Ivandry in Antananarivo and Nosy Be Island on the northern tip.

Ivandry remains the main residential area in Antananarivo for expatriates, thanks to both the security and the quality of accommodation it provides. Additional upper-end developments catering for both expatriate and local residents are expected in the area.

Malawi

Economic Outlook

Although Malawi is generally considered to be politically stable, the issue of devaluation and flotation of the Malawi Kwacha in May 2012 has led to significant price increases; these have significantly affected disposable income levels. Certainly, consumers in Malawi are under substantial pressure and the economic outlook for Malawi remains fragile.

Forecasts suggest that the Kwacha will continue its depreciation against major trading partners, with resultant upward pressure on inflation. For 2013, consumer inflation in Malawi is likely to exceed 30 percent.

As a result of recent changes in economic policy, the International Monetary Fund granted a three-year US$157 million (R1.33 bn) loan to Malawi in July 2012. At the same time, international donors - including the United Kingdom - have moved to restore flows of aid.

Overall, GDP growth is forecast at 4.8 percent in 2013.

Malawi *continued...*

Retail Market

Rentals range between US$ 9/m² and US$ 20/m² (R75 to R170/m²) per month.

As a result of the ongoing Kwacha devaluation mentioned earlier, tenants billed in foreign currency are finding it extremely difficult to meet their rental obligations. Household disposable income has been consistently outstripped by inflationary pressures and is likely to be eroded further before stabilizing. In addition, most retailers rely on imports, putting them at the mercy of foreign exchange fluctuations and shortages.

Notably, a number of international retail tenants have exited the Malawi market as a direct result of difficult trading conditions. Several others have opted to postpone their entry into the market.

The Gateway Mall - which will be the largest shopping centre in Malawi - is expected to open for trade in early 2014. The development has been hampered over the years by economic uncertainties and extreme shortages of foreign exchange.

Office Market

Upward pressure is being seen across the office sector as landlords respond to currency devaluation and rising inflation.

Available office space in the Lilongwe market is limited, creating additional upward pressure on rentals, while Blantyre faces a surplus of office stock, making rental increases more subject to inflationary pressure.

Another factor is sharply-increasing building costs, which should add to rental pressure. Likewise, as vacancies in existing buildings are absorbed, tenant demand will increase and push rentals higher.

Mauritius

Economic Outlook

Since independence in 1968, Mauritius has developed from a low-income, agricultural economy to a diversified middle-income economy with growing industrial, financial, and tourist sectors.

The Mauritian economy is expected to grow by 3.7 percent in 2013.

Mauritius is becoming to Africa what Singapore is to Asia: a financial trade and global business destination of choice. Politically stable and well governed, Mauritius has historically close links with Europe and is becoming the financial gateway to India, Africa and Asia for many European corporates.

Indeed, in sub-Sahara Africa, Mauritius is ranked first for doing business by the World Bank.

The opening of the new airport in March 2013 will further boost the island's economic prospects as it is expected to double the current tourist arrivals to 2 million a year.

Mauritius *continued...*

Office Market

Prime office areas in Mauritius include Port Louis and Ebene. Some beach resort areas offer small-scale office developments catering to the sub-prime market.

Office space in Mauritius has expanded by more than 13 percent a year over the past decade, with stock doubling between 2008 to 2012. The result is an over-supply of office space which is expected to put downward pressure in rentals in 2013.

Retail Market

Prime retail areas in Mauritius include:

- Plaine Whilems area outside Port Louis with the Jumbo, Trianon and Bagatelle shopping centres;
- Rose Hill town centre high street;
- Port Louis CBD;
- Caudan; and
- resort locations such as Grand Baie in the north.

Recent openings include La Croisette Mall, Flic en Flac in the west and Cascavelle Mall.

With annual growth in retail space of some 8,8 percent over the past decade, and the completion of several large projects between 2008 and 2012, there is an over-supply of retail space in the market. As a result, the pipeline of formal closed mall retail developments has dried up and this should help stabilize market dynamics in the short- to medium-term.

Although retail centres typically show low vacancies and growing rental income, trading densities are under pressure. Tenants are increasingly asking landlords to reduce rentals as a result.

Mauritius *continued...*

Industrial Market

Prime industrial areas include Phoenix, Pailles/Plaine Lauzun, Riche Terre industrial estates, as well as Port Louis Port and the Airport area.

Low yields with limited rental increases have made the industrial market relatively unattractive over the past 10 years, with stock growing by just over 2 percent a year. A number of owners have moved to small storage space units to increase their revenues.

Residential Market

Prime local residential areas includes Floreal and Moka in the central plains, Trou Aux Biches, Grand Baie and Pointe Aux Cannoniers in the northern coastal zone, Flic en Flac, Black River and Tamarin on the western coastal zone, and Blue Bay in the south east coastal zone.

The Integrated Resort Scheme (IRS) and Real Estate Scheme (RES) legislation enables foreigners to acquire property in Mauritius. Foreigners benefit from a Permanent Residence Permit for investments above US$500 000 (R4.25 million).

Popular IRS schemes include Azuri on the north-east coast, Anahita on the east coast and Tamarina on the west coast. RES schemes are smaller in size (less than 10 hectares) and successful developments are mainly found in prime resort/residential areas such as Grand Baie, Flic en Flac, Tamarin and Black River.

Thanks to better locations and lower prices, RES projects have been more successful than IRS projects - with more than double the number of sales in 2012. However, some promoters of IRS projects have restructured their developments with lower price entry points as a result.

Namibia

Economic Outlook

Namibia's GDP is expected to grow 4,5 percent during 2013, largely due to improvements in the mining sector.

Overall, mining, transport and tourism activities are driving economic growth, while manufacturing, agriculture, wholesale and retail trade remain sluggish.

Inflation reached 6,2 percent after the third quarter of 2012 and is expected to increase substantially over the next 2 years, primarily due to exchange rate weakness.

Namibia *continued...*

Office and Retail Markets

Windhoek is currently experiencing a major construction boom in retail, with several shopping malls being upgraded or expanded. In addition, the development of at least two new and sizeable retail centres is being planned for completion within the next 24 months.

Namibia is also experiencing a surge in mixed-use developments, which include retail, office, hotel and residential apartments.

The Maerua Mall extension will increase its office and retail footprint by an additional 8 300m² and 3,050m² , respectively. This increase will result in an overall GLA of 58,000m². Completion is expected in October 2013.

The extension and upgrade to the Auas Valley Shopping Mall, located just south of Maerua Mall, is underway at a cost of N$320 million (R320 million). The extension will almost double its retail component to 22 000m², as well as adding an 8-floor office tower of approximately 8 000m².

Maerua and Auas Valley Malls both identified the need to extend and upgrade to ensure they remain competitive within Windhoek's fast expanding retail sector.

Other major retail developments on the cards include the 55 000m² Grove Mall in the Kleine Kuppe residential area, which commenced in January 2013. The southern areas Windhoek have for a number of years been under-supplied with retail, and the Mall will cater to growing consumer demand.

In addition to the Grove, a mixed-use development is being proposed on the Maerua Crossing site just opposite Maerua Mall. It will include upmarket residential units, offices, retail and possibly a hotel. This development will further add to the substantial expansion of the Maerua area, which has over the past years shown significant growth, in particular in the office sector.

Wernhil Park is considering a further extension (Phase 4) of approximately 12,000m² as well as offices and a residential component which would further cement Wernhil Park's position as the "Pulse of the City" within Windhoek's ever expanding retail sector.

Namibia *continued...*

The much- anticipated Freedom Plaza mixed-use development along Independence Avenue opposite the existing Alexander Forbes House appears to be on hold. A portion of the existing site was recently sold to FNB who plan to build their head office, which is expected to be completed in the first quarter of 2015.

The planned 77 on Independence lifestyle apartment and retail development will similarly add to the expansion of Windhoek CBD. The project is scheduled to kick off in mid-2013.

The planned redevelopment of the Windhoek CBD's historical ''Old Breweries'' building, which housed the first commercial Brewery in Windhoek, will bring an additional mixed-use precinct onto the market, including residential apartments, retail, offices and a possible hotel component.

Total retail space in Windhoek is estimated to be between 280 000m^2 and 300,000m^2 currently. Based on planned retail projects, it is anticipated that this will increase to some 420 000m^2 by the end of 2014.

With a population of around 450 000, there is a risk of a possible oversupply of retail and office space in the short to medium term.

Industrial Market

Namibia's industrial property market is still predominately made up of warehousing space, with rentals of between N$35/m^2 and N$75/m^2 (R35 to R75/m^2). Current demand is stable, with the emphasis on small warehouses with an upmarket office component.

Residential Market

House prices both in Windhoek and along the coast in Swakopmund are exceptionally high, with strong demand for apartment or sectional title units. An under-supply of serviced land is a key factor driving these high prices.

Nigeria

Economic Outlook

Nigeria is one of the fastest growing economies in the world and is expected to achieve growth of 6.6 percent in 2013.

Lagos City - currently ranked in the top ten fastest-growing cities in the world with a growth rate of over 4 percent a year - is expected to reach a population of more than 20 million people by 2020.

Forecasts suggest Nigeria is poised to overtake South Africa as the largest African economy within a decade. Analysis by the Oxford Business Group points to five key factors driving Nigeria's growth: favourable demographics; a high rate of urbanisation; the technology revolution; a supply of natural resources (and in particular, quality oil reserves); and a much-improved financial system.

Economic growth is currently driven by the non-oil sector, particularly telecommunications, construction, wholesale and retail trade, hotel and restaurant services, manufacturing and agriculture.

Through its Vision 20:2020 strategy, the government aims to become one of the top 20 economies in the world by 2020, by diversifying away from oil and gas, encouraging industrialisation, and promoting agricultural independence.

Nigeria *continued...*

Nonetheless, there are challenges. Dilapidated bulk infrastructure, corruption and government interference are just three examples.

There are three main property markets in Nigeria: Lagos, Abuja and Port Harcourt, and each have unique characteristics.

The commercial capital of Nigeria, Lagos's rapid growth has come at the expense of good social services and infrastructure. Energy and water access, sewage, transportation and housing have all been adversely affected by the development of a geographically disjointed, poorly planned city. However, over the past seven years, the Lagos State Government has implemented several medium and long term initiatives to improve social services and close the infrastructure gap. These include the Mega City Plan, Public-Private Partnerships, Eko Atlantic City Project, Lekki Free Trade Zone and Lagos State Tenancy Bill.

Abuja - developed as the capital city in the 1980s to alleviate congestion in Lagos and symbolise geographical and political neutrality - is one of the fastest growing cities in Africa.

New urban areas are springing up on the edges of the city as the population increases and a growing business sector supports the large numbers of public servants residing in the city.

Port Harcourt is known as the centre of oil and gas industry activity in Nigeria and the wider West African region.

There has been recent influx of people into the city as the metropolis once more comes alive after the militant security scare that drove residents and companies from the city. Improved security, rehabilitation of major roads and planned rehabilitation of infrastructure have acted as a catalyst for an increase in the number of marine companies and returning oil companies to the city.

Nigeria *continued...*

Office Outlook

In Lagos, prime commercial space is located in Victoria Island (VI) and Ikoyi axis of Lagos state. Demand tends to be driven by the influx of international businesses and expansion programmes. Despite extreme congestion, Lagos is still recognised as the economic hub of both Nigeria and West Africa.

Several A-grade buildings have sprung up in the Lagos in recent times and include Maersk House, Churchgate II Towers, Eko Towers, FF Towers, Mansard Place and Victoria Plaza - all located on Victoria Island and Mulliner Towers in Ikoyi. Rentals for these developments range between \$600 to \$850/m² (R5 100 to R7 200 /m²) a year. Prime office rentals stabilized in 2012.

Many of the existing A-grade properties do not meet the needs of international tenants and some developers are taking the opportunity to capture this segment of the market, where rentals of \$950/m² (R8 050 /m²) a year or more will be demanded.

In Abuja, prime commercial areas are Maitama, Wuse 2 and the Central Business District Area. Demand for these areas is mainly due to their proximity to government ministries and agencies.

In Port Harcourt, prime commercial properties can be found along the major roads like East-West Road, Ikwerre Road and Aba Road, with Aba Road taking the lead.

The influx of new companies into the city as well as the return of oil companies has caused an increase in the demand for commercial space, resulting in higher rentals.

Retail Market

Lagos continues to attract the most interest from retail developers, encouraged by positive demographics and a general lack of contemporary retail space. Sourcing suitable sites with good access and visibility remains the biggest challenge. The retail market in Lagos is currently on the up with properties like The Palms Shopping Centre and Ikeja City Mall leading the way. Rentals in these malls are substantially higher than traditional shopping plazas at between \$40/m² to \$80/m² (R340 to R680 /m²) per month. Other less formal shopping centres in Lagos include the Silverbird Galleria, The E-Centre, City Mall and Surulere Shopping Centre.

There are currently in excess of 10 proposed retail projects totalling approximately 180 000m² that are planned for completion within the next 24-36 months. This indicates current positive sentiment on the part of developers, investors and retailers.

Nigeria *continued...*

Abuja has a large and rapidly growing middle class of salaried government workers, diplomats and others with regular incomes that are higher than average.

As a result, retail development is active in the city. There are at least 5 new developments in the planning stages. The proposed 27 000m² Actis project on the banks of Jabi Lake will dominate the formal retail market on completion. Construction is expected to commence towards the end of 2013. Another promising development is the 21 000m² retail component of the World Trade Centre Tower mixed-use development. Completion is expected towards the end of 2014.

Existing shopping centres include Ceddi Plaza (10 000m²), Grand Towers Abuja Mall (8 300m²) and Silverbird Entertainment Centre (23 000m²).

Port Harcourt has no modern shopping centre as yet, but a number of development plans are on the table. The most advanced of these, with construction already underway, is the Artee Mall of 16 000m², anchored by Spar and Park 'n Shop.

Industrial Market

With respect to the industrial market in Abuja, there is no real industrial warehousing demand, with most warehouses owner occupied.

In Port Harcourt, the demand for industrial space is in line with supply in the prime industrial area of Trans Amadi Industrial Layout.

Residential Market

Prime residential areas in Lagos include Victoria Island and Ikoyi, comprising high-end luxury apartments. New upmarket apartments within the VI and Ikoyi axis include Tango Towers, Alexander Gardens, Ocean Parade, Orange Place and Laila Towers. Rentals for a 2 to 4 bedroom apartment in these communities range from $50 000 to $100 000 (R425 000 to R850 000) a year.

As a result of the rapid pace of expansion there is however a growing over-supply of upmarket high end residential units, whereas demand continues to rise for residential units that cater for the middle income group, particularly 2-3 bedroom apartments.

The Abuja residential property market is influenced by its proximity to commercial activities and rents tend to decrease with distance from commercial nodes.

Port Harcourts's prime residential addresses are within the Government Reservation Area (GRA) Phases 1 and 2, as well as along Peter Odili Road.

Rwanda

Economic Outlook

Rwanda has made a remarkable recovery since the deplorable genocide of 1994 and is today regarded as one of the safest and most progressive countries in Africa. The government's extensive business reforms have made Rwanda the second most-reformed economy in the world over the last five years, and the third easiest country in Africa in which to do business.

Economic growth has held steady in recent years, despite global and regional economic uncertainties and is largely driven by agriculture, rising exports, increases in foreign direct investment, and credit expansion to the private sector.

Rwanda and its economy, however still rely heavily on foreign aid, with the UK being the most significant donor. With few natural resources, most Rwandans are employed in agriculture. Tourism is the leading foreign exchange earner and the country has made strides in transforming its economy into a service-oriented one, with both the financial and IT sectors seeing substantial development.

Significantly, Rwanda is expected to grow by 7.8 percent in 2013, placing the country in the top ten fastest-growing economies in the world.

A key factor for international investors and developers entering the property sector in Rwanda is the Kigali Master Development Plan, which is based on extensive research and analysis of a wide range of conditions and technical aspects, such as environmental, land use, infrastructural, cultural, and socioeconomic factors, as well as economic and demographic projections. The Plan also outlines opportunities and constraints for urban development, for example, it discourages the construction of closed malls and favours the traditional European concept.

Rwanda *continued...*

Office Market

Kigali City is unquestionably the commercial hub of Rwanda, and it is growing rapidly, guided by its ambitious 2012 – 2018 Master Development Plan.

Much of the development is government-led with the Rwanda Social Security Board (RSSB) a key investor and project initiator. Government is also driving much of the new office development, but there are significant CBD developments initiated by private investors.

Kigali's prime office market is located in Nyarugenge and Muhima regions, while most of the government and foreign mission offices are located in, or have been relocated to, the decentralised area known as Kacyiru.

A number of new and redevelopment projects have been proposed in and around Kigali. Most office developments, however, do not fulfil internationally-accepted standards required by multinational corporations.

Residential and Leisure Markets

Rwanda's residential property sector has seen strong growth in recent years, attracting substantial development interest, from external investors as well as local institutions.

The government continues to encourage residential development as housing remains in short supply. Traditionally, Kigali's residential market has been one of low-density residential properties, but more recently a trend is developing towards higher density residential living.

Significant foreign investment is currently evident in the hotel sector, and it is hoped that public-private partnerships will also bring new projects to life.

Rwanda *continued...*

Retail Market

The supply of quality retail space is limited, but this is changing as Kigali starts to see a shift towards planned modern retail malls.

Rwanda has yet to see any significant foreign investment in retail, with the notable exception being the Kenya-based retailer Nakumatt, which now operates three retail supermarkets in Kigali. Mr Price has also entered the market via their Kenya-based franchisee, Deacons.

Kigali offers various retail shopping experiences throughout the city. CBD retail trade has proven very successful and is dominated by a combination of line shops and small- to medium-sized shopping centres. Centres such as The Union Trade Centre and Kigali City Tower, which is anchored by Nakumatt, trade particularly well.

Rwandan consumers generally appreciate quality goods and prefer to pay more for that quality, rather than pay less for cheaper options, namely those offered in the informal market. However, most consumers still think that modern shopping malls are for the rich and the majority of Kigali citizens prefer traditional markets.

The RSSB is currently in the advanced planning phase of two mixed-use projects in Kigali that will offer a unique shopping experience. Planned attractions include upmarket restaurant and entertainment facilities. A large shopping centre is also being planned at the MTN roundabout in Kimihurura, opposite the existing convention center. However, the project has been on the cards for a number of years and it is uncertain when construction will commence.

Industrial Market

Currently owner-occupied industrial property is the preferred option for industrial users. However, the creation of the East African Community Common Market is expected to provide necessary impetus for further investment by developers seeking to fulfil the growing demand for new space.

Rwanda’s industrial sector is poised for growth.

Zimbabwe

Economic Outlook

Economically, Zimbabwe has been recovering from poor growth since 2009. Growth in fact decelerated between 2010 and 2012, as a result of policy inconsistencies and political uncertainty.

Regulations surrounding the economic empowerment programme, as well as bulk infrastructure will continue to constrain the economy.

Real economic growth decelerated to 4,4 percent in 2012, from 9 percent in 2010. Forecasts expect an improvement to 5,5 percent in 2013.

For property investors and developers, key economic challenges to monitor include:

- limited and expensive capital;
- policy inconsistencies, especially regarding economic empowerment and indigenisation;
- outdated infrastructure;
- obsolete technologies and machinery and
- power and water shortages.

Tight liquidity is a major constraint in the Zimbabwe property market, leading to tenants failing to meet obligations and therefore resulting in significant arrears.

Zimbabwe *continued...*

Office and Industrial Markets

A poor economic climate, low capacity utilisation in industry, and a scaling down of operations by some companies means subdued demand for industrial and office space in Harare.

Downtown offices are displaying high vacancies, with few enquiries in sight. Office users are opting for offices in converted residential houses in decentralised areas, and smaller office parks on arterials exiting the CBD.

New office developments can be seen taking place to the north and north east of Harare, in particular in affluent Borrowdale.

The industrial sector is regarded as the least appealing for investors currently and remains more an owner occupier market.

Retail Market

A stable US dollar and slowly rising disposable income are driving retail demand.

As a result, the sector continues to improve as rentals rise and vacancies shrink.

In general, inner city retail is outdated, inconvenient and not supported by most retailers.

Decentralised retail, in contrast, can be found throughout Harare's residential areas, Borrowdale, Pomona, Arundel, Avondale, Chisipite and Newlands nodes.

Many owners of more traditional retail are planning refurbishment projects.

Belvedere, in the inner city, is seeing the construction of a 62 000m^2 mixed use development by a Chinese consortium which will offer retail, an amusement park, office, residential and leisure accommodations.

There are several planned new retail developments including the 68 000m^2 Mall of Zimbabwe adjacent to the Borrowdale Golf Course and The Millenium Mall in Eastlea / Newlands.

Residential Market

In Harare, the residential market is showing signs of strengthening as mortgage finance becomes increasingly accessible, allowing for more projects to get underway.

Most residential growth is located north and north-east of Harare, but there is also a planned US$20 million (R170 million) high-density housing scheme on 328 hectares of land situated 14km south-west of Harare.

Solid demand is being experienced across both the high- and low ends of the residential market.

BROLL OVERVIEW

Broll is the African continent's leading multi-disciplinary property services group, with operations throughout southern and sub-Saharan Africa.

Corporate overview

The company's business philosophy is to be knowledge-driven and it is guided by one over-arching objective: to maximise the potential of its clients' property holdings.

While Broll is proudly African, it brings an international perspective through its association with the CBRE affiliate network, the world's largest property services group.

Broll's management systems are ISO9001:2008 certified, ensuring global best practice in all the services it offers.

CBRE

Broll has represented CBRE in sub-Saharan Africa since 2004. This association has given the company unequalled international connections, as well as access to best-practices and cutting-edge systems, in line with global benchmarks.

SERVICES OFFERED BY BROLL

Broll's team of highly-qualified and experienced staff are able to offer the company's clients a full range of property-related services in South Africa, southern Africa and sub-Saharan Africa.

Office, Retail and Industrial Broking

Finding the right premises involves more than simply finding space; it's about analysing the client's total business needs and working with the client to find the optimal solution. With experienced teams and comprehensive databases of available properties, Broll has the resources to fulfil its clients' requirements across the office, retail and industrial sectors of the property market.

Investment Broking

Broll's investment professionals assist clients within South Africa and beyond - through its global network partner CBRE - to achieve the investment objectives of their property portfolios through acquisitions and disposals.

Valuation and Advisory Services

Broll's team of chartered surveyors and qualified valuers provides clients with a full valuation and investment advisory service. The methodologies used comply with the guidelines of the International Valuations Standards Committee and the team acts on behalf of a number of South Africa's major investors as well as a range of clients throughout sub-Saharan Africa.

Corporate Real Estate Services

Enterprises with multiple properties can be challenged by an uncoordinated approach to their property portfolio. Broll's Corporate Real Estate advisors work with clients to develop a real estate strategy that is both cost-effective and in line with core business objectives.

Property Management

Broll manages a diverse range of property portfolios in South Africa and sub-Saharan Africa, and is the largest manager of shopping centres, from local convenience centres to super regional centres, on the continent. The way in which property is managed today will determine its value tomorrow; this is a concept that Broll fully understands, and it underpins how the company manages property. Broll has the expertise and track record to deliver superior returns for its clients.

Asset Management

Broll's Asset Management division focuses on long-term strategic and financial management of real estate assets at the investment level. Services include: the formulation, implementation and management of investment strategies (including acquisitions and disposals); management strategies and performance monitoring as well as development and refurbishment projects.

Facilities Management

Broll provides full facility management services to a number of blue-chip office, industrial and retailing clients, freeing them to focus on running their businesses. In addition, Broll provides services to specialist education and sports stadia properties.

Broll's experience as property manager to some of the largest publicly traded property funds in South Africa has led to the development of Broll Online™

Broll online

Broll Online™ is one of the most sophisticated end-to-end management information systems available. This facility is used both by Broll's clients as well as by licensed property owners.

Broll in Africa

With its unrivalled experience, Broll is ideally suited to provide the full spectrum of property services across the continent. Through joint ventures with local partners, Broll has assisted local and international property investors and users to grow throughout Africa.

GLOSSARY OF FREQUENTLY USED TERMS

Prime Property

The term Prime Property equates to the most desirable, and normally most expensive, property in a defined location by virtue of the quality and length of income streams it produces. Commonly, but not exclusively, prime property markets are areas where demand has a significant international bias.

Secondary Property

The term secondary property equates to property that does not possess all the attributes of prime property and is often less well located and of lesser quality in terms of income stream and standard of accommodation.

Industrial Building Categories

The following categories are commonly used in South Africa in defining industrial building types:

Mini Units	Units with < 500 m^2 of lettable area
Midi Units	Units with between 500 m^2 and 1 000 m^2 of lettable area
Maxi Units	Units with > 1 000 m^2 of lettable area

Office Building Grades

(defined by the quality of the finishes and facilities)

Prime Grade (P-Grade)

Landmark quality, modern space which is let at pace-setting rentals. It provides accommodation with good views/environment; prestige lobbies; on-site undercover parking at >5 bays per 100 m^2 of space; quality access from the street; premium presentation and good security. The buildings are generally less than 10 years old and well maintained.

A-Grade

Buildings located in a prime location; with high-quality finishes; adequate on-site parking (mainly undercover or shaded) and air-conditioning. Buildings are generally not older than 10 years and may have had a major renovation.

B-Grade

Accommodation is to modern standards; well located air conditioned and has on-site parking. Buildings are generally 10 – 20 years old.

C-Grade

Buildings are in fairly good condition; accommodation is functional but not up to modern standards; lacks central/package air conditioning; may/may not have on-site parking and is reasonably well located. Buildings are generally 20 – 30 years old.

Shopping Centre Categories

Shopping centres are classified according to their size. The following categories are commonly used in South Africa, having been defined by the SA Council of Shopping Centres:

Convenience Centre	from 1 000 m^2 to 5 000 m^2
Neighbourhood Centre	from 5 000 m^2 to 12 000 m^2
Community Centre	from 12 000 m^2 to 25 000 m^2
Small Regional Centre	from 25 000 m^2 to 50 000 m^2
Regional Centre	from 50 000 m^2 to 100 000 m^2
Super Regional Centre	in excess of 100 000 m^2

Outgoings (Operating Costs)

In the case of office buildings, the following items (all excluding VAT) are included under ''total gross outgoings'', irrespective of who pays for them: cleaning, repairs and maintenance (including common area costs), common area water and electricity (not consumed by and paid for by a tenant), security, management (excluding head office overheads), all leasing expenses (including broker's commission), advertising, tenant installation and relocation costs (less those recovered), municipal service costs - rates, refuse & sewerage (less costs recovered)), insurance (including SARIA), audit fees, air conditioning maintenance, lift and escalator maintenance and garden maintenance.

In the case of industrial property, the majority of those noted above would also apply. In the case of shopping centres, certain additional costs such as advertising and promotion costs would be added in.

Market Value

Market Value is defined as ''the estimated amount for which a property should exchange on the date of valuation between a willing seller and a willing buyer in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.''

Market Rent

Market Rent is defined as 'the estimated amount for which a property, or space within a property, should lease on the date of valuation between a willing landlord and a willing tenant on appropriate lease terms, in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

Gross Monthly Rent

Gross Monthly Rent means the total monthly VAT exclusive rent payable by the tenant to the landlord assuming that all expenses of maintaining, insuring and operating the property, with the exception of those in respect of utility services consumed by the tenant, such as electricity, water, sewerage and refuse removal charges, are payable by the landlord.

Net Monthly Rent

Net Monthly Rent means the monthly VAT exclusive rent payable by the tenant to the landlord assuming that all expenses of operating and maintaining the property, including those in respect of utility services consumed thereon , such as electricity, water, sewerage and refuse removal charges, are for the account of the tenant.

DISCLAIMER AND CONTRIBUTORS

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Broll Research, CBRE, Catalyst Fund Managers, IPD, SAPOA, Oxford Economics, SACSC, Economist Intelligence Unit, Haver Analytics, Real Capital Analytics, IMF, Reuters, NRF Foundation, The GSM Association, TradingEconomics and Statistics SA.

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