



**INDLUPLACE**

DWELLING ON RESIDENTIAL

**ANNUAL RESULTS  
PRESENTATION**

NOVEMBER 2018



# RESULTS AND STRATEGY



INDLUPLACE

## RESULTS

Dividend declared 97,75 cents

Residential units increased 43%

Buffet portfolio handover completed

Windsor resolved

Portfolio vacancies increased to 8,4% at year end  
(5,2% excluding Highveld View)

Expect dividend to decrease by 3-10% depending  
on outcome of Highveld View



**HIGHVELD VIEW**  
EMALAHLENI  
MPUMALANGA

Currently market rentals at R5 500-R6 000 for individual units - letting about 10 units per month. About 20% let to individuals (0% in 2017).

Income drop-off in FY 2018 vs FY 2017 over R11 million as bulk leases related to the construction of the Kusile power station were not renewed as in the past. Remaining 43 leases still let to original bulk lessees but all bulk contracts expired by end November 2018.

**FY 2019**

We are in discussions with a potential buyer for the complex. We are however continuing to market the complex to individuals. We have assumed that the current letting rate will continue in 2019.

○ 450 x two bedroom units

The background features a white space with horizontal lines on the left. On the right, there is a photograph of a modern residential complex with a swimming pool and brick buildings. Overlaid on the image are large, semi-transparent geometric shapes in shades of blue, purple, and red. A vertical orange line is positioned to the left of the 'STRATEGY' text.

## STRATEGY

- Long-term investor in South African property
- Diverse portfolio lowering risk (location, building type, unit type and rentals)
- Grow portfolio aggressively by acquiring tenanted properties
- Focus on yield enhancing acquisitions
- Outsourced property management
- Low gearing levels over the long term
- Sustainable dividends
- Focus on buildings with individual leases



# PORTFOLIO & PROPERTY MANAGEMENT



INDLUPLACE

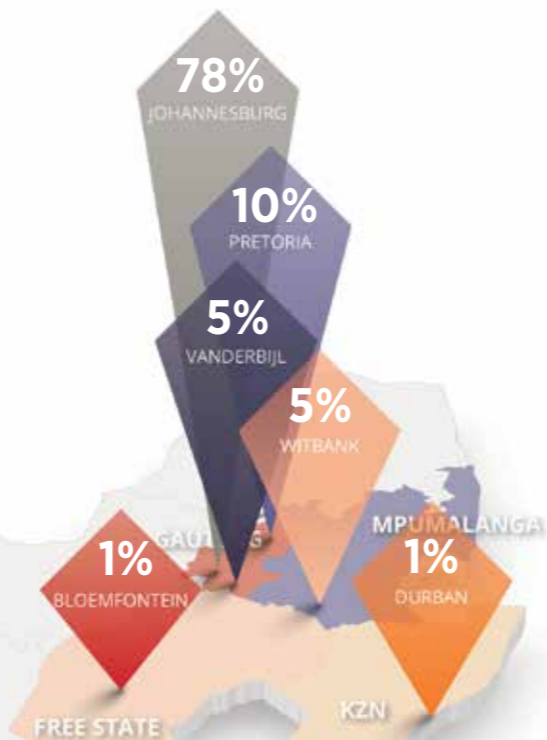
RESIDENTIAL UNITS

Location

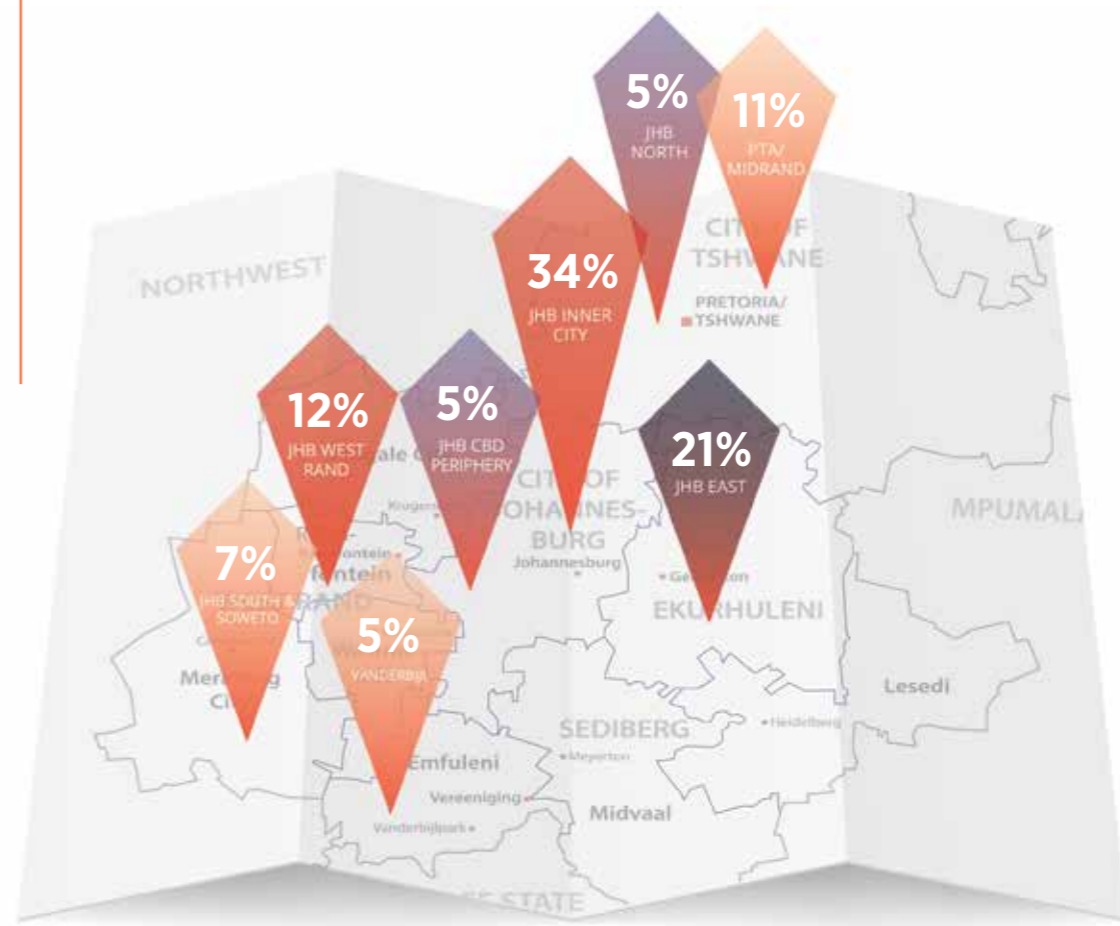
Added over **43%** to our unit count this year

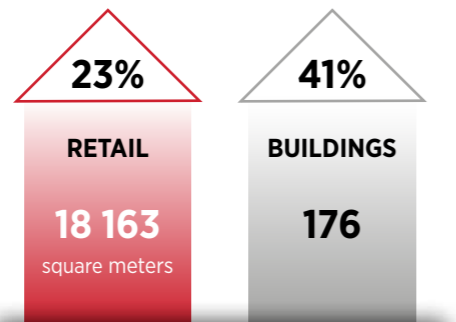
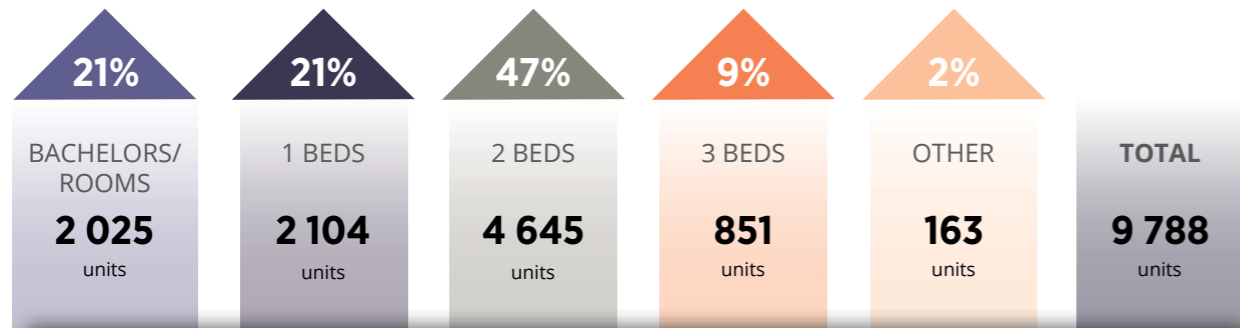
Own **9 788** units

**18 163 sqm retail**  
(up almost 20% in this year)

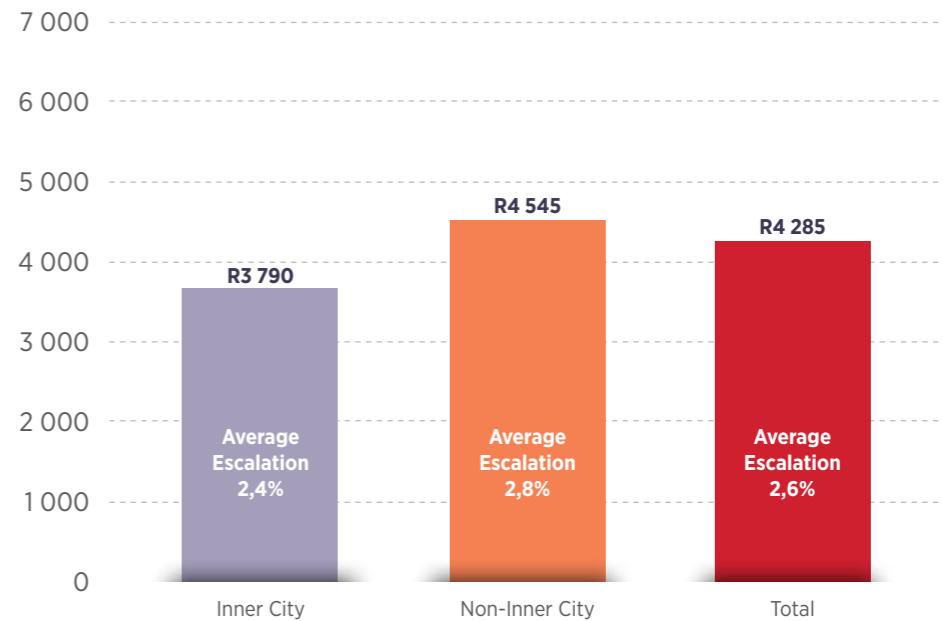


GAUTENG BREAKDOWN



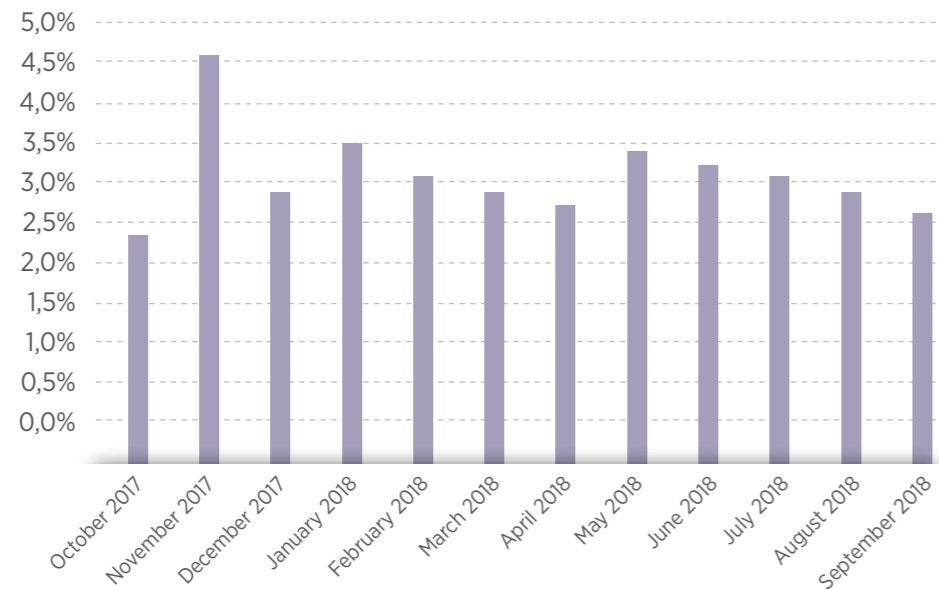


Average Residential Rental



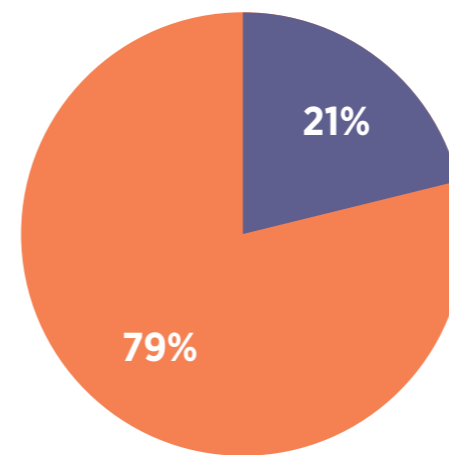


Tenant turnover %



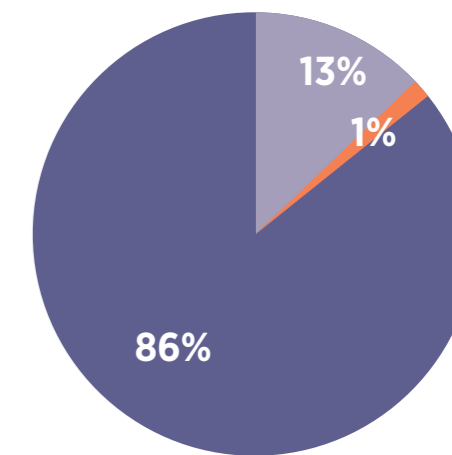
\* excludes Highveld View and Windsor

Sectional title schemes ownership



- ▲ Units in part owned Sectional Title schemes
- ▲ Unit in fully owned buildings

Head/bulk lease exposure  
(rental forecast FY 2019)



- ▲ No exposure
- ▲ Vanderbijlpark
- ▲ Other

PROPERTY  
MANAGEMENT

Property Management Outsourced to Seven Specialist Managers





**DEVELOPMENT  
PORTFOLIO  
(PRIME TRANCHE 2)**

Part of Buffet portfolio acquired 1 October 2017 was a portfolio that was under conversion and refurbishment.

Number of buildings	13
Residential units	446
Purchase price	R241 million

Price adjustment mechanism instead of income guarantee – six months normalised income (after adverse / abnormal events) used to adjust purchase price if required.

Process is underway.



# FINANCIALS



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DIVIDENDS

Dividend of **97,75** cents per share - in line with prior year



DISTRIBUTABLE INCOME

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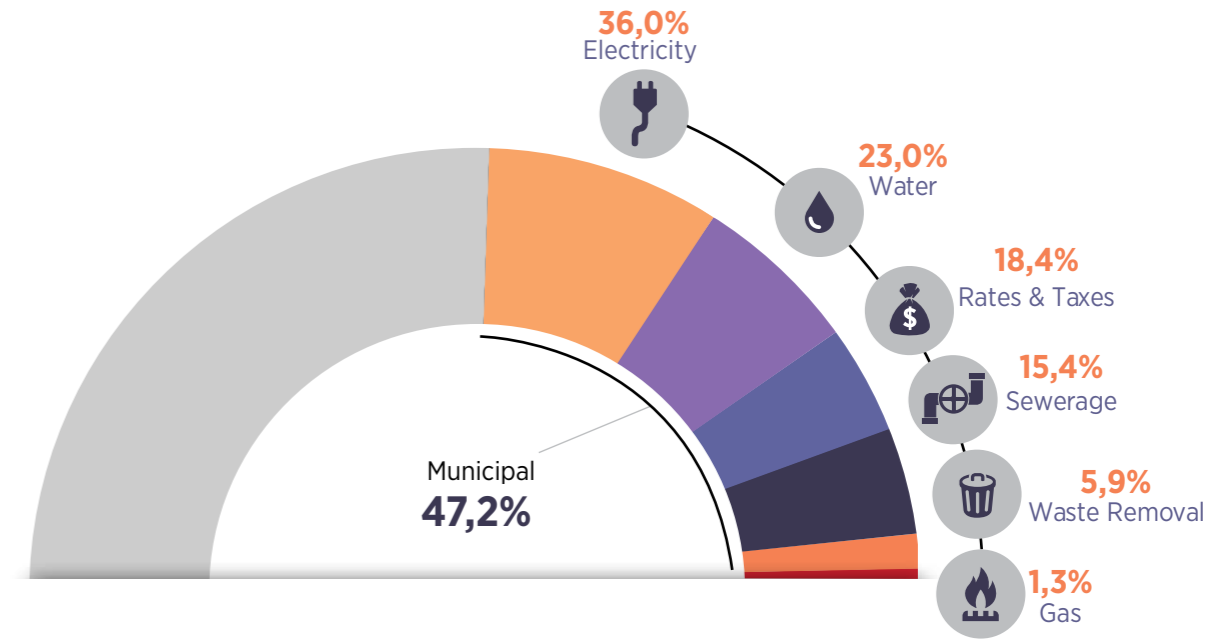
	YEAR ENDED 30 SEPTEMBER 2018	YEAR ENDED 30 SEPTEMBER 2017	GROWTH
Contractual revenue	563 481 852	330 048 127	71%
Net property expenses	(146 817 312)	(73 952 618)	
<b>Net property income</b>	<b>416 664 540</b>	<b>256 095 509</b>	<b>63%</b>
Administration costs	(15 864 641)	(13 409 923)	
Net finance (charges)/income	(89 827 109)	5 384 045	
Antecedent income	510 393	18 717 215	
<b>Distributable income</b>	<b>311 483 183</b>	<b>266 786 847</b>	<b>17%</b>
Average number of shares in issue	318 645 019	272 506 959	17%
Net expense ratio	26,1%	22,4%	



**PROPERTY EXPENSE  
BREAKDOWN**

	% CONTRACTUAL REVENUE	% EXPENSES
Gross municipal	19,6	47,2
Collection commission	5,7	13,5
Building expenses including repairs and maintenance	7,5	17,9
Security	2,9	7,0
Bad debts	2,2	5,3
BC levies	2,3	5,6
Other property expenses	1,5	3,5
	41,7	100,0
Less recoveries	-15,6	
<b>Net property expense ratio</b>	<b>26,1</b>	

**MUNICIPAL EXPENSES**



**LOW BAD DEBTS,  
ARREARS & VACANCIES**

	2018		2017		2016	
	September	March	September	March	September	March
<b>Vacancies Residential</b>	8,4%*	6,3%	3,5%	4,5%	3,4%	6,2%
<b>Vacancies Retail</b>	0,7%	1,5%	1,0%	9,6%	2,1%	5,1%

\* 5,2% excluding Highveld View

**Bad debts & arrears (% total revenue)**

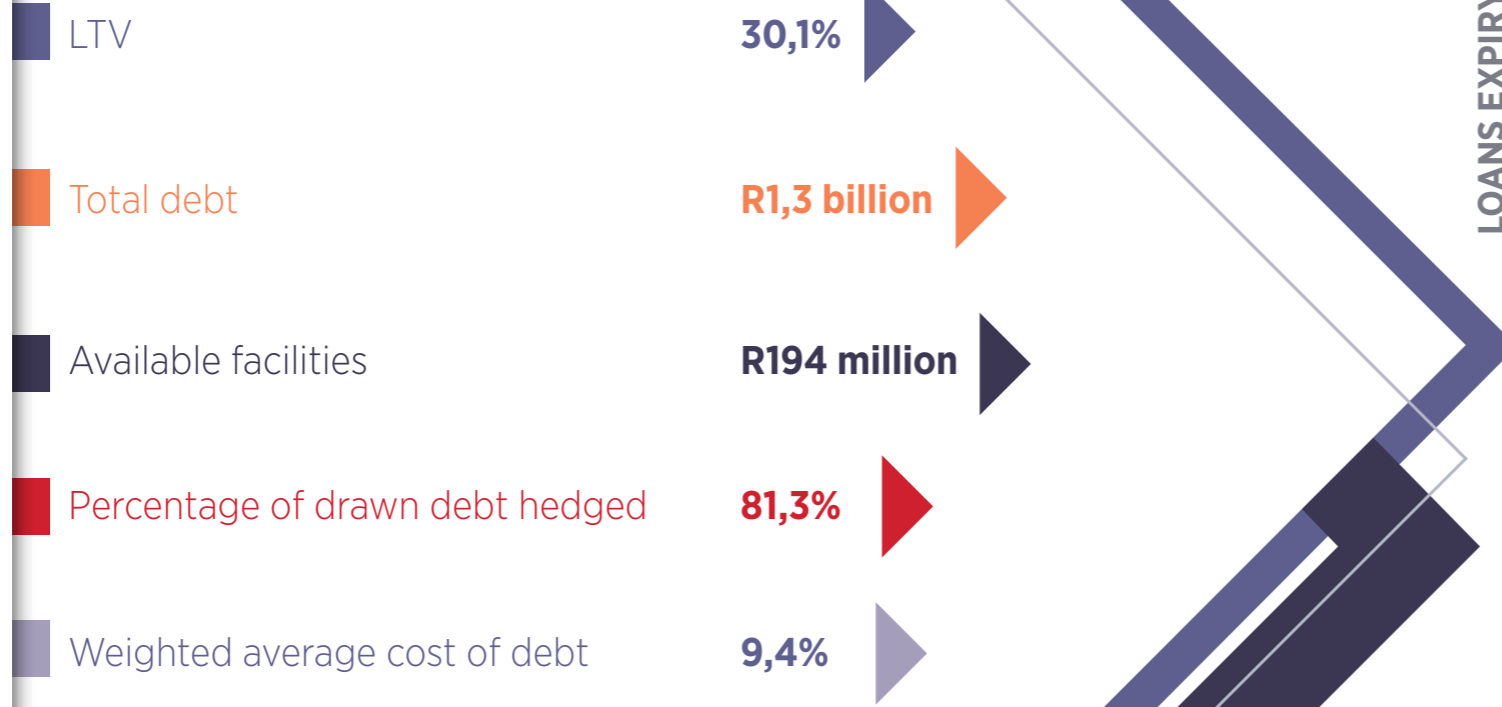
September 2018: 2,2%  
 March 2018: 3,5%  
 September 2017: 1,3%



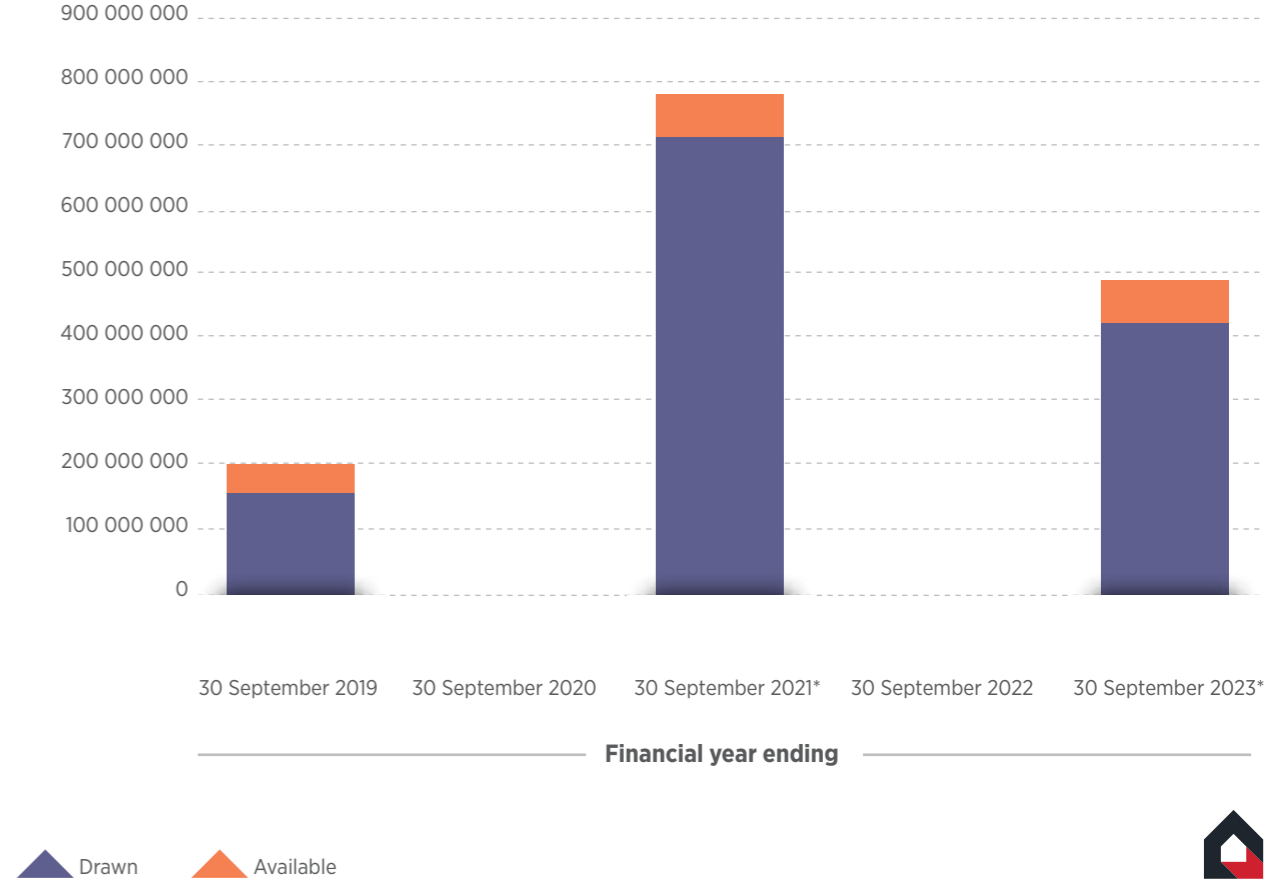
**BALANCE SHEET  
EXTRACT**


<b>R</b>	<b>YEAR ENDED 30 SEPTEMBER 2018</b>	<b>YEAR ENDED 30 SEPTEMBER 2017</b>	<b>GROWTH</b>
Investment property	4 270 425 689	2 945 718 828	45%
Shareholders' interest	3 216 099 141	2 978 791 568	8%
Secured financial liabilities	1 286 849 338	199 599 178	
Shares in issue	318 645 019	289 209 449	10%
Net asset value (cents)	1 009,30	1 029,98	-2%
Loan to value ratio	30,1%	6,8%	

**LOANS & GEARING**



**LOANS EXPIRY**



▲ Drawn    ▲ Available  
 \*Matures at the beginning of the new financial year

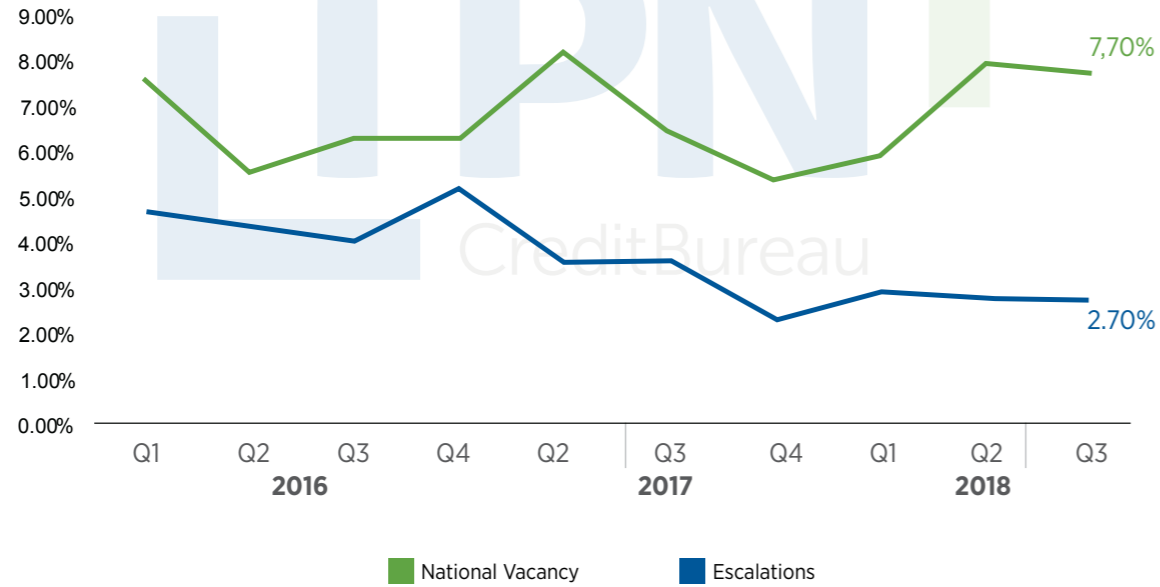


# CURRENT ENVIRONMENT & OUTLOOK



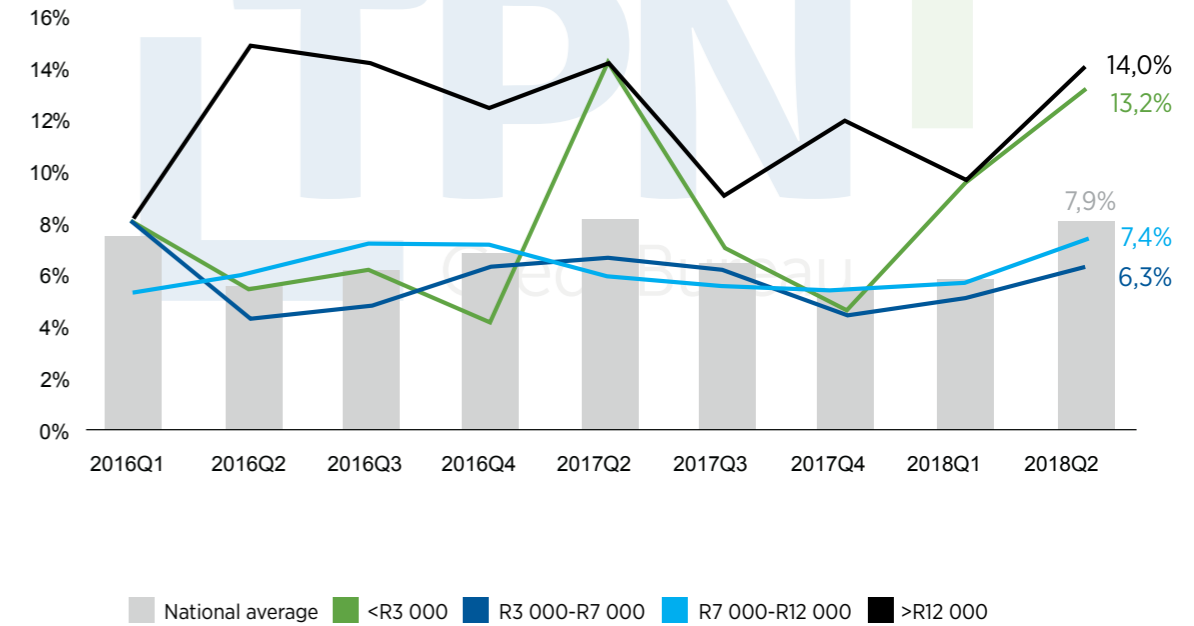
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**NATIONAL VACANCY RATE AND ESCALATIONS**



Source: TPN Residential Sector Q3 - 2018

**VACANCY RATE BY PRICE BAND**



Source: TPN Residential Sector Q2 - 2018

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**Lessons learned and market observations from 2018**

- Retaining customers and attracting new, qualifying tenants
  - Marketing vacant units (on-line marketing, wider net / exposure)
  - Tenant retention
  - Letting incentives (rent free specials, deposit assistance, pre-paid incentives, long-stay incentives)
- Windsor experience and lesson learned
- Highveld View and head / bulk lease strategy
- Escalations
- Taking over the portfolio acquired from Buffet partners
- Legal environment
- Availability of data and up to date reports

EXPECTATION	REACTION
Expect pressure on vacancies and escalations to continue	<ul style="list-style-type: none"> <li>• Still expecting escalations</li> <li>• Follow through with various marketing and letting interventions started in 2018 to retain and attract quality tenants</li> <li>• Great customer communication and service</li> <li>• Empower and grow caretaker team</li> <li>• Well-maintained properties</li> </ul>
Expect our customers to remain under pressure (cost of living)	<ul style="list-style-type: none"> <li>• Keep high vetting standards</li> <li>• Closely manage arrears and bad debts</li> </ul>
Focus on providing value for money	<ul style="list-style-type: none"> <li>• Competitive rentals, constant feedback from market</li> <li>• Continue roll-out of added value services e.g. free wi-fi / connectivity</li> <li>• Competitive utility costs / efficient buildings</li> <li>• Continue roll-out of solar power projects</li> </ul>
Not expecting big improvement with council accounts	<ul style="list-style-type: none"> <li>• Big investment with specialist utility company</li> <li>• Asset management focus area</li> <li>• Closer tracking of building performance</li> <li>• Consolidate prepaid providers</li> </ul>
Land expropriation	<ul style="list-style-type: none"> <li>• Outcome unclear</li> <li>• No vacant land</li> </ul>

EXPECTATION	REACTION
2018 Focus on current portfolio to continue	<ul style="list-style-type: none"> <li>• Better understanding of the Buffet portfolio</li> <li>• Finalise Prime Tranche 2 development portfolio</li> <li>• Continue with capex projects e.g. Greenshanks, Blauwberg, Matroosberg repainting and new lifts at Kings Ransom</li> </ul>
Non-core properties	<ul style="list-style-type: none"> <li>• Looking to dispose of smaller assets</li> </ul>
Head lease exposure	<ul style="list-style-type: none"> <li>• Highveld exposure</li> <li>• Reconsider Vanderbijlpark impact</li> <li>• Others manageable</li> </ul>
Expect high cost of capital to remain	<ul style="list-style-type: none"> <li>• Maintain conservative LTV</li> <li>• Current pipeline</li> <li>• Remain opportunistic</li> </ul>

**Solid Strategy - positive long term outlook**

[www.indluplaceproperties.co.za](http://www.indluplaceproperties.co.za)