



SAPOA

SOUTH AFRICAN PROPERTY
OWNERS ASSOCIATION

**The size and
contribution of Real
Estate in SA's GDP and
the industry innovation
journey over the last
20 years.**



SAPOA was established in 1966 by South African's property investment organizations, to bring together all role players in the commercial property field and to create a powerful platform for property investors.

As **SAPOA's** members control approximately 90% of all commercial retail and industrial property in South Africa, SAPOA is recognized as the representative body and official voice of the property industry in this country

SERVICES

1. Monitoring Legislation and lobbying government
2. Industry Research reports and data
3. Opportunities to participate on various committees created to discuss matters of concern to the industry
4. Professionally designed educational programmes
5. Workshops and Seminars
6. Hosting Networking Functions, Golf Days and other industry events
7. Complimentary Publications
8. Hosting an Annual SAPOA Convention



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VISION

"To be a nationally accepted and internationally recognized leading property association"



MISSION

SAPOA's mission is to be committed to actively and responsibly represent, protect and advance our members' commercial property interests within the property industry

AIMS AND OBJECTIVES

- Issue a clear position on matters relevant to the property industry where the interests of its members and the economy as a whole are impacted upon.
- Provide a source of information for members and government through the coalition, collection and dissemination of property data and statistics.
- Enable wider participation in the industry by historically disadvantaged members of the community to become involved as owners, developers, employees and managers in the property industry.
- Provide professionally designed education programmes.
- Expand contacts with government at all levels to ensure our continued good relations and recognition as the authoritative voice of the commercial and industrial property industry.

INDUSTRY RESEARCH

Our aim is to be the source of information through the coalition, collection and dissemination of Real Estate research.

- ❖ Provide credible research, value-added information and project-oriented research;
- ❖ Conduct studies in all areas directly or indirectly related to real estate;
- ❖ Disseminate findings and results of research;
- ❖ Prepare information of interest to members and make the information available to the general public, universities, media and appropriate state agencies;
- ❖ Use research to encourage economic growth and development;
- ❖ Support the professional development and continuing education of real estate through the dissemination of research;
- ❖ Study and recommend changes in Legislation and Policy through credible research.



SAPOA RESEARCH

Provides a source of information useful not only to our members but also to government at various levels and the industry as a whole, through a significant involvement in the collection and dissemination of property data and statistics.



SAPOA EDUCATIONAL PROGRAMMES

SAPOA's Education Strategy aims to contribute towards the advancement of our members' commercial property interests within the property industry.

The primary reason for the education, training and development of individuals is to increase their skill level in order to raise their employability.

The educational efforts of SAPOA are aimed at:

- ❖ increasing knowledge and skills of the property industry amongst employees within the industry;
- ❖ raising employability and/or competence of the practitioners and professionals in the industry.

SAPOA EDUCATIONAL PROGRAMMES

SAPOA runs several basic to high level education courses ranging from three days to one year certificate programmes. The courses are offered countrywide, making them easily accessible to the property industry.

SAPOA educational Programmes are accredited through the Higher Education Quality Committee of the Council for Higher Education and recognised by the South African Qualifications Authority.

Investing in the future of Property Leaders

Together with its member partners, SAPOA offers bursaries to aspirant students who are working towards industry-related qualifications





Objectives of the SAPOA Bursary Fund:

- To transform the commercial property industry demographics to reflect the population demographics in South Africa.
- To redress the past by offering black disadvantaged individuals funding for property related education.
- To have financially sound solid governance structure and processes.
- Promote the Commercial Property Industry at both school and tertiary levels to students from black disadvantaged backgrounds to ensure growth into the future.
- Address the current and future skills shortage levels in the Commercial Property Industry.



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FUNDED QUALIFICATIONS





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BURSARY FUND STUDENTS



GAUTENG BURSARY FUND STUDENTS 2016



KWA-ZULU NATAL BURSARY FUND STUDENTS 2016



WESTERN CAPE BURSARY FUND STUDENTS 2016





ADVOCACY

Advocacy is a pivotal role of SAPOA as it provides targeted participation in legislative development that will affect SAPOA members directly. Advocacy also gives SAPOA an authoritative voice that participates in matters that relate to laws that govern South Africa's built environment.

The SAPOA Legal Committee works tirelessly to represent the industry, offer opinion on bills that are in parliament and decode the laws that affect the industry and members business interests.





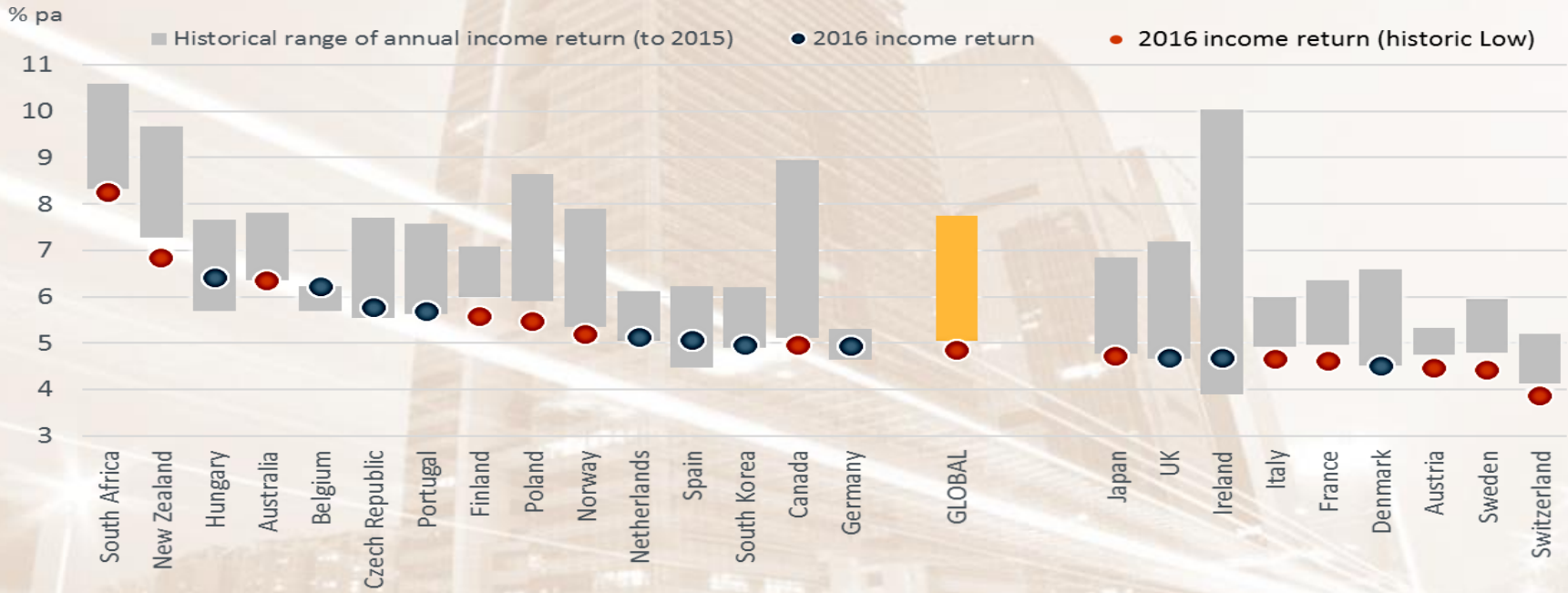
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The size and contribution of
Real Estate in SA's GDP and
the industry innovation journey
over the last 20 years.





- Global fundamental returns spread by country – trending sideways
- Assets at record valuations (income returns at all time lows)
- Increased allocation to alternative assets & real estate
 - Listed real estate puts its hand up – stands on its own (GIC's sector)
 - Growing diversification into alt sectors e.g. Residential – Healthcare - Agri
- Growing understanding of real estate's role within a multi-asset portfolio
 - Diversification benefits more clearly understood – Country, City & Sector
 - Growing comfort with offshore exposure broadens investor's competitive pool
- Driving the need for consistent measurement and sophisticated return attributions
- Application of alternative lenses to enhance portfolio risk/return
 - Risk Perspective - Contribution to Factors / Smart Beta tilts
 - ESG Perspective = Environmental, Social and Governance Risks



Source: MSCI, KTI Note: Annual income return histories shown here range from a minimum of 10 years to a maximum of 15 years, depending upon individual market availability.

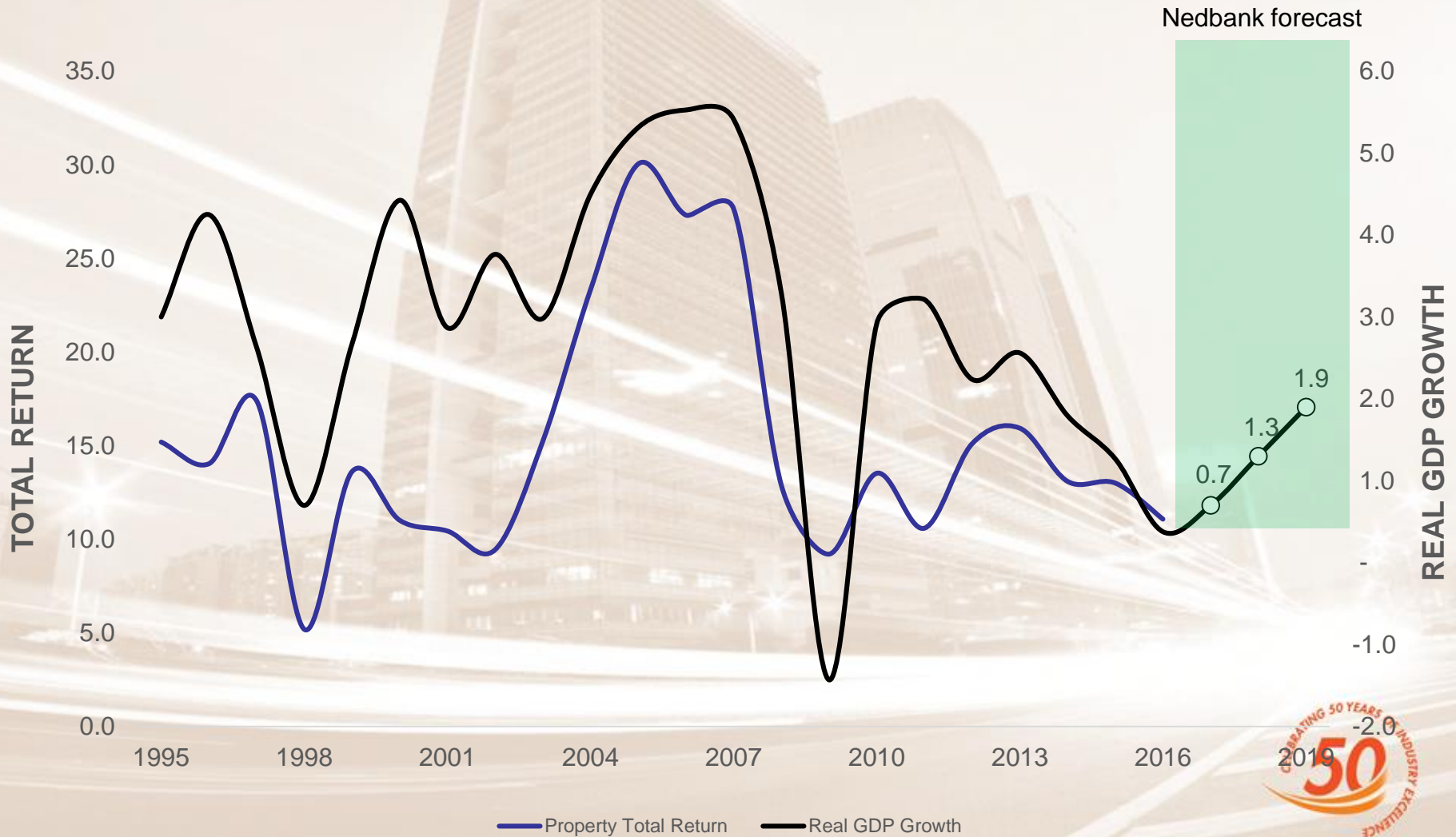




- ECONOMIC GROWTH EXPECTED TO IMPROVE – PROPERTY RETURNS WILL FOLLOWBUT WITH A LAG.
- FUNDAMENTALS STILL UNDER PRESSURE – BUT BY VARYING DEGREES ACROSS SECTORS
 - Listed property funds seeing increased scrutiny of equity level returns
 - But fundamentals of underlying properties remain resilient
 - Base rentals – still growing but a slower rate than previous years
 - Vacancies – slightly up on 2016
 - Op cost ratio's being aggressively managed and showing improvement in spite of growth in Rates & Taxes (2018 impact not included yet)
- SECTOR PERSPECTIVES?
 - Retail retains a high relative weighting in institutional property allocations
 - Net income growth levelling off across all retail formats as additional supply increases competition
 - Smaller format (12-25,000m²) showing revival in trading density and net income growth
 - Offices remain under pressure
 - Office vacancies high but stable (inner city and provincial offices seeing marked jumps) and asking rental growth only just positive
 - Particular nodes more exposed than others – some high development nodes being protected by pre-lets but exposing others to back-fill risk
 - Industrial providing strong returns in a tough environment
 - Vacancies stable with base rental growth still positive but under pressure
 - Nodal allocations important with specific areas outperforming



Real estate Returns & economic growth growth needed to soak up excess demand





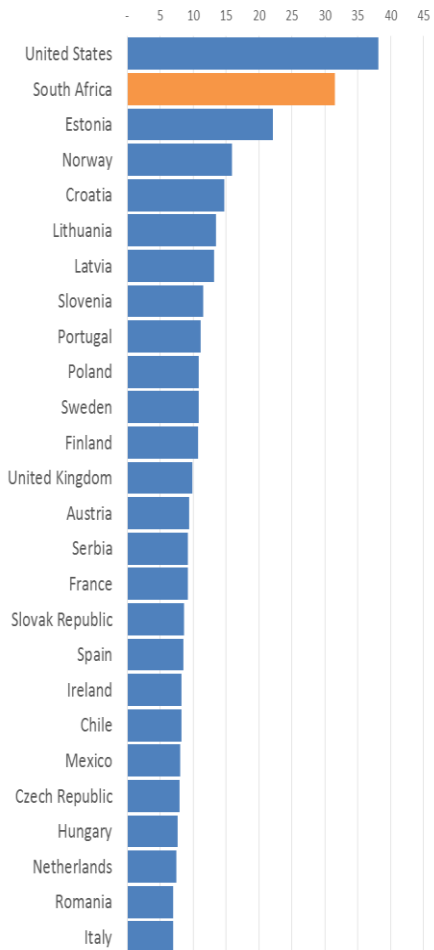
The property sector, perhaps more so than other sectors, forms an integral part of both the real sector (i.e. where production and purchases of goods and services take place), and the system of financial flows. Because of the high values attached to properties and the large amounts required for property developments, financing of investment and secondary market transactions are rather important and can have implications for production, spending, wealth levels, and economic policy.



Where do we stand ?

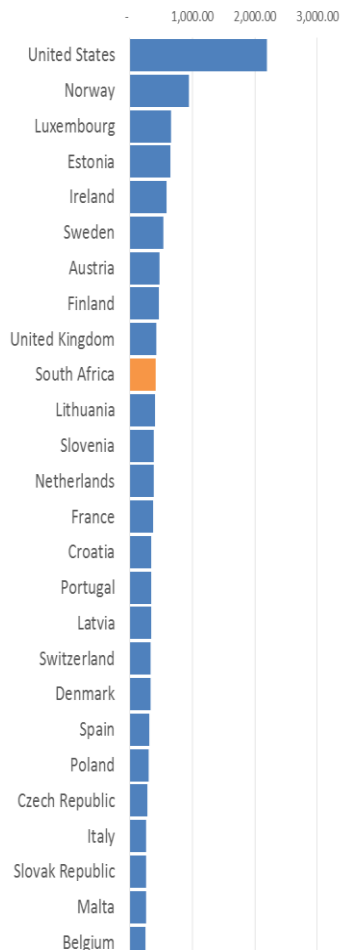
Retail GLA per GDP

m2 per GDP, PPP (curr international \$)

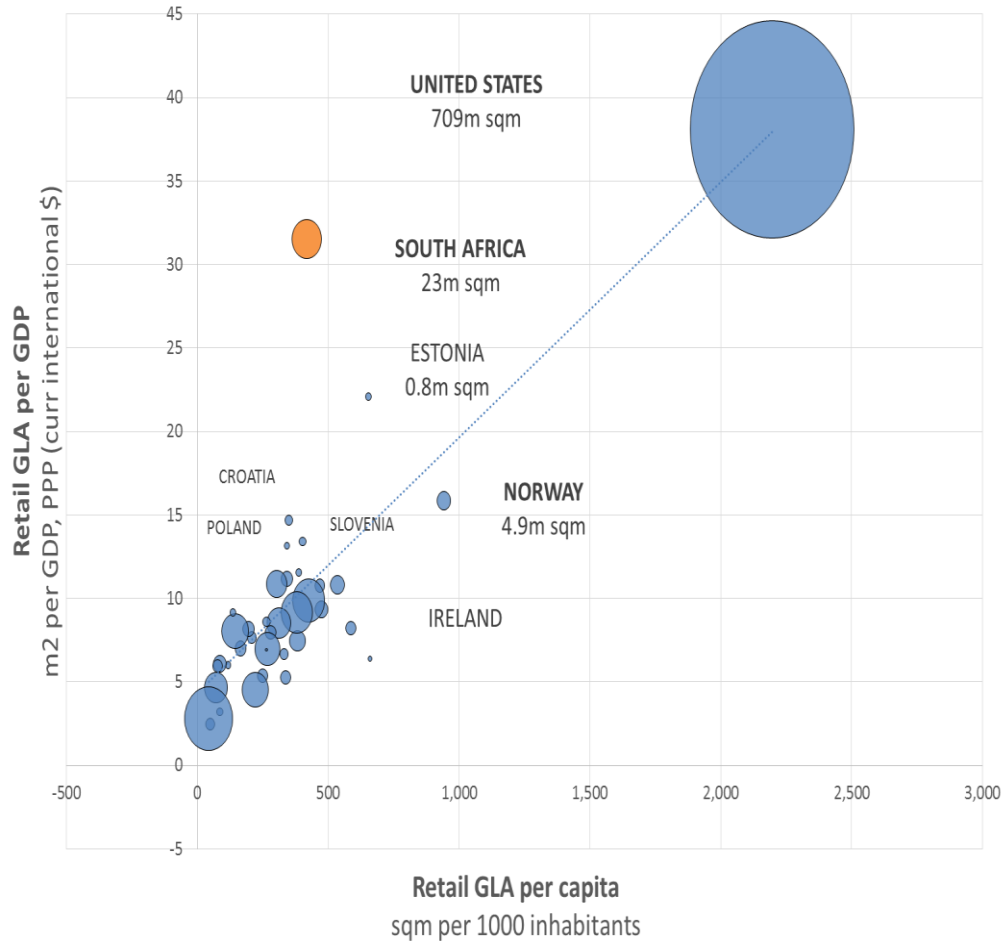


Retail GLA per capita

sqm per 1000 inhabitants



Retail GLA per capita & GDP
size of bubble = total retail GLA

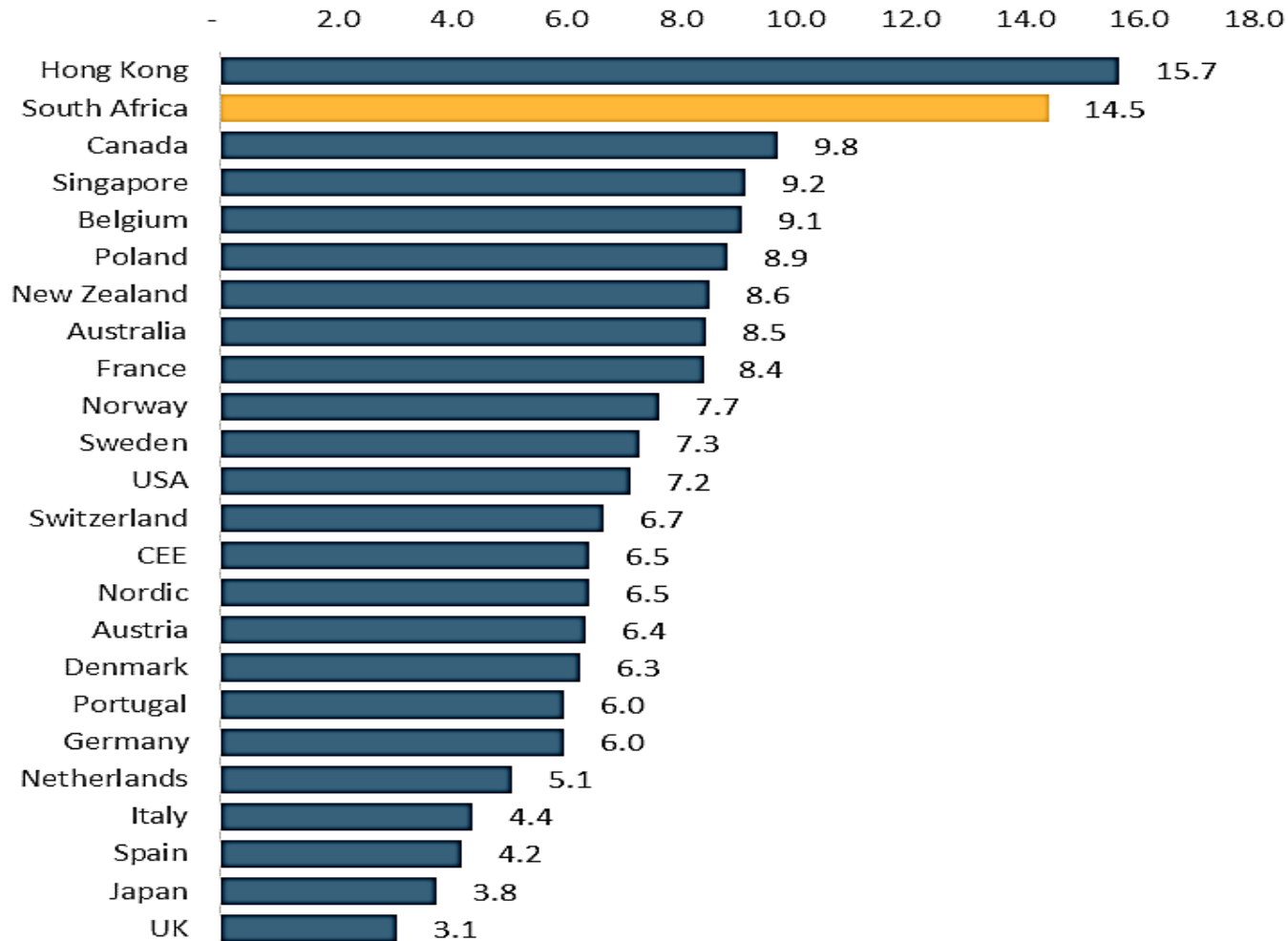




SA Retail – Punching with the heavyweights

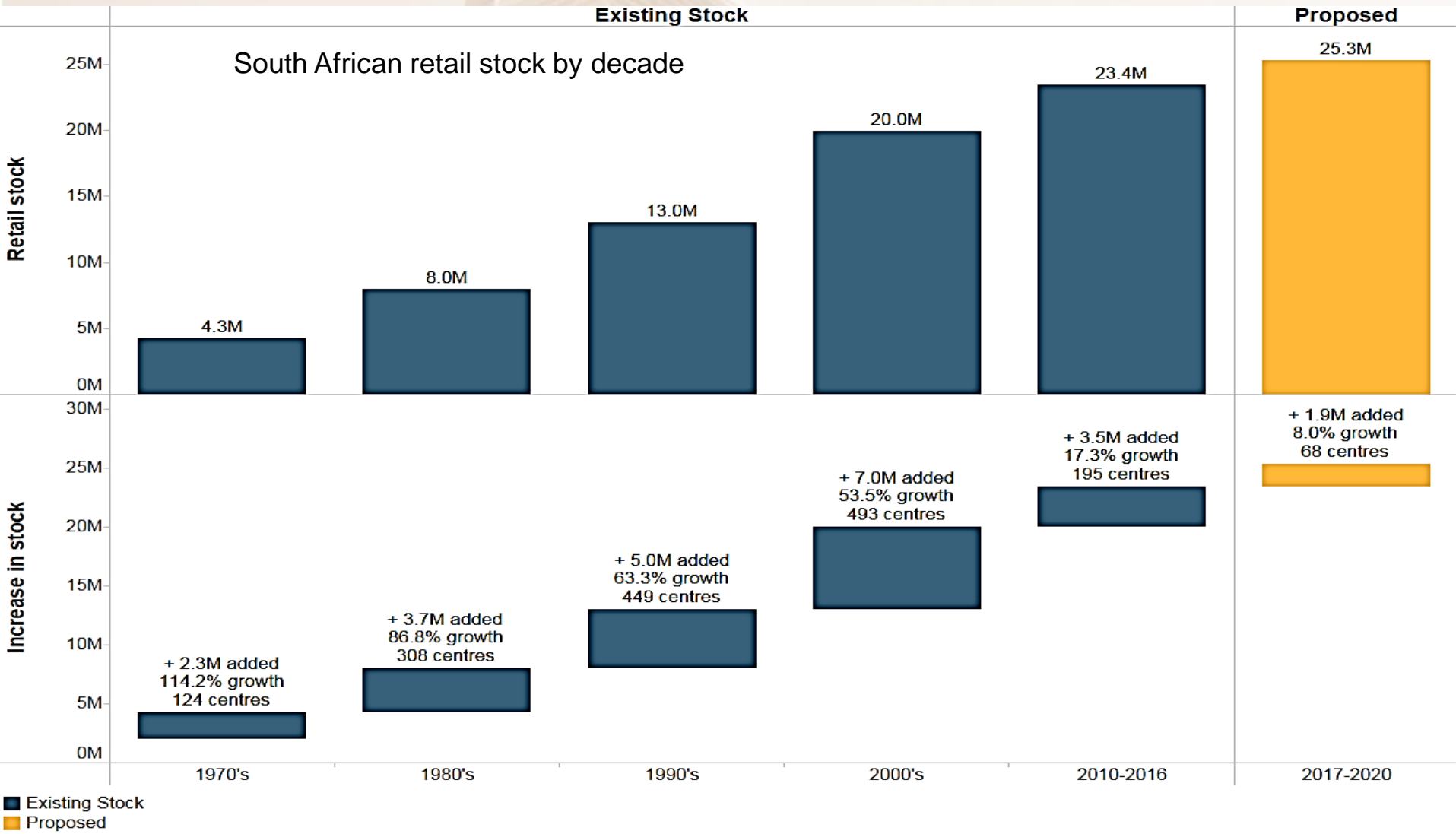
South African retail one of the top performing markets over last 10 years

Total return, retail property; compound annual growth rate; 10 years to December 2016



SA RETAIL STOCK – Bigger is Better & More to come

Current stock at 23.4m sqm with another 1.9m sqm proposed





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Gross value added by the property sector amounted to R177.3 billion in 2009, which was 8.3% of the total GDP.



HEADLINE RESULTS

COMMERCIAL PROPERTY SECTOR

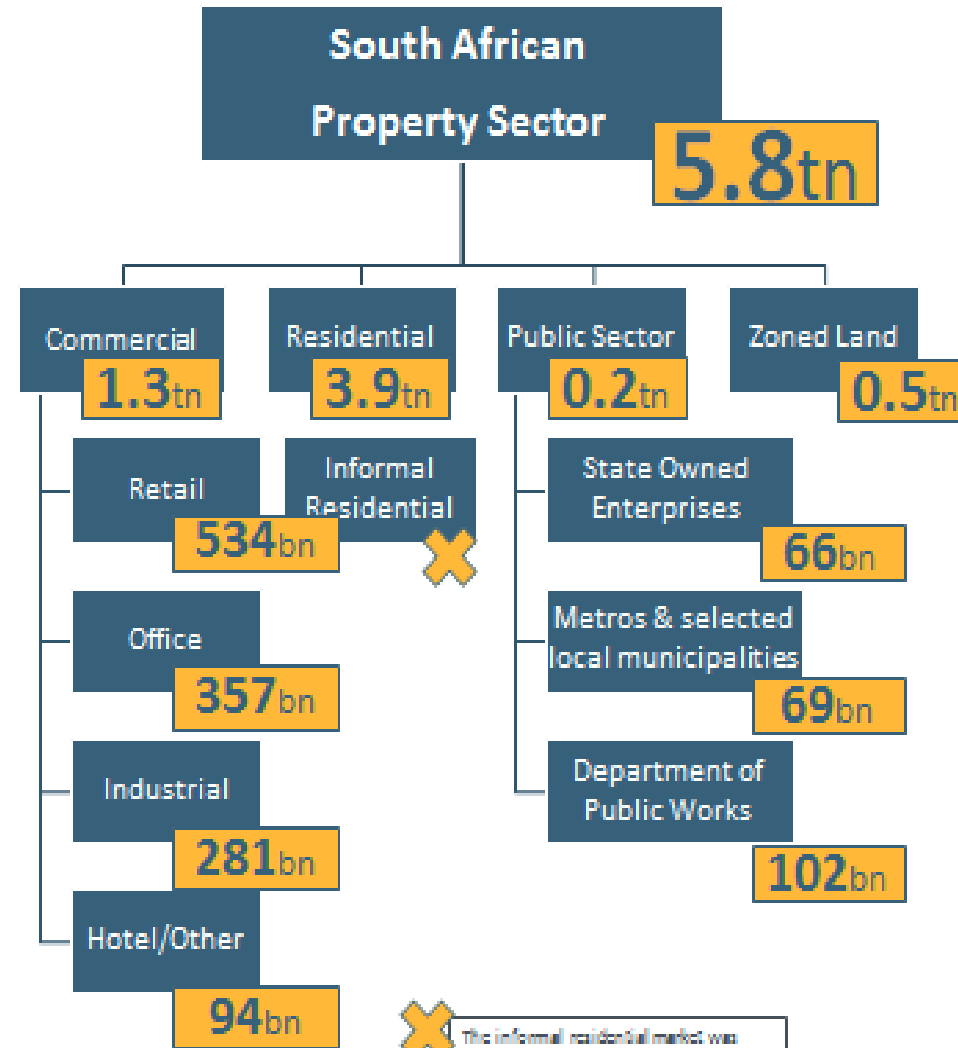
COMMERCIAL PROPERTY SECTOR **R1.3TN**

Property Type	Owner Type
Retail R534bn	REITs R297.7bn
Office R357bn	Unlisted Funds R130.7bn
Industrial R281bn	Life & Pension Funds R48.6bn
Hotel R74bn	Corporate/Other R789bn
Other R20bn*	

* Estimate for "Other" category based on IPD Database

HEADLINE RESULTS OVERVIEW

RAND BILLIONS



X The informal residential market was quantified in terms of number of households with numbers provided by the Department of Human Settlements.

CHANGE IN MARKET SIZE

2010-2014

Retail

- Formal retail estimated at 20.7m m² based on SACSC directory (2013) & workings by MSCI Real Estate (2014)
- Traditional retail estimated at 18m m² in 2010 – this was projected forward at a rate of 6.1% (or 1.5% CAGR) based on building completion estimates from StatsSA for the period 2011-2014.
- Market was segmented by type and a value applied to each segment. The value factor used in 2010 was projected forward using IPD capital growth factors.

Floor area millions of square meter; gross lettable area

2010	2014	CHANGE (%)
37.3	39.8	6.7%

Capital Value Rand per square meter; Weighted average

2010	2014	CHANGE
9,115	13,408	47%

Market Size Rand billions

2010	2014	CHANGE (%)
340	534	57%

CHANGE IN MARKET SIZE

2010-2014

Office

- The SAPOA OVS provides a figure of 16.8m m² as at the end of 2014 - with an estimated coverage at around 85%.
- An additional 14.8m m² of space is added to account for areas not covered by the SAPOA OVS. (14m m² in 2010 escalated by 1.8% CAGR based on StatsSA building completions.
- Market was segmented by grade and a value applied to each segment. The value factor used in 2010 was projected forward using IPD capital growth factors

Floor area millions of square meter; gross lettable area

2010	2014	CHANGE
29.2	32.2	10.3%

Capital Value Rand per square meter; Weighted average

2010	2014	CHANGE
7,808	11,088	42%

Market Size Rand billions

2010	2014	CHANGE (%)
228	357	57%

CHANGE IN MARKET SIZE

2010-2014

Industrial

- Industrial market size was estimated at 55m m² in 2010 – based on 2007 BMI estimates and StatsSA industrial & warehousing building completions for 2008-2010.
- Market was segmented by property type and a value applied to each segment. The factored-down value factor used in 2010 was projected forward using IPD capital growth factors.

Floor area

millions of square meter; gross lettable area

2010	2014	CHANGE
55.1	58.9	6.9%

Capital Value

Rand per square meter; Weighted average

2010	2014	CHANGE
3,393	4,780	41%

Market Size

Rand billions

2010	2014	CHANGE (%)
187	281	51%

CHANGE IN MARKET SIZE

2010-2014

Hotels

- The number of hotel rooms by star grading in SA was obtained from PWC# (3-5 star establishments were included in the analysis)
- Replacement cost per key (source: AECOM) was used as a proxy in order to calculate market size.

Number of rooms

thousands

2010	2014	CHANGE
58.8	61.5	4.6%

Capital Value

Rand ('000) value per key

2010	2014	CHANGE
729	1,146	57%

Market Size

Rand billions

2010	2014	CHANGE (%)
42*	74	64%

* Restated based on new methodology

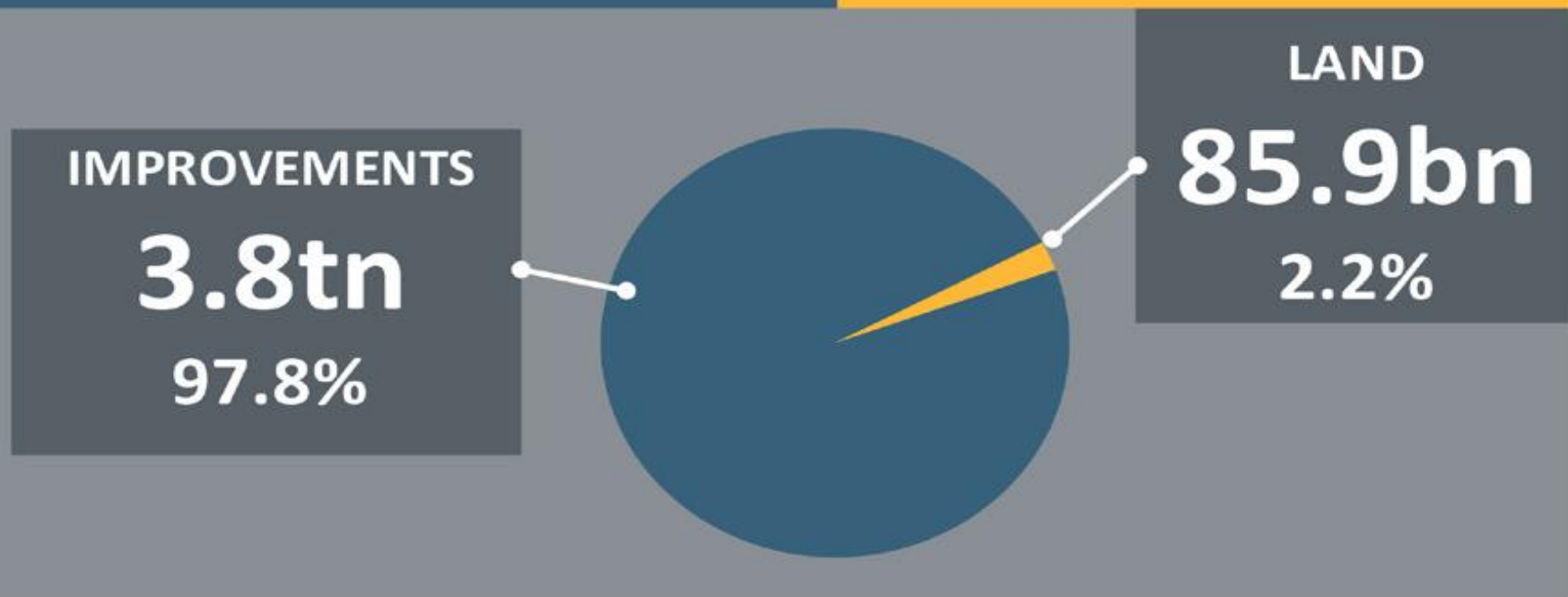
PricewaterhouseCoopers
LLP, Wilkofsky Gruen
Associates

RESIDENTIAL PROPERTY

FORMAL RESIDENTIAL MARKET; RAND BILLIONS

FORMAL RESIDENTIAL
MARKET

R3.9TN



The registered South African residential property market comprises of **6.1 million properties worth R3.9 trillion.**