

South African Property Delivers Muted Performance

Johannesburg - September 28, 2015: MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, announced today the latest results of the **IPD South Africa Biannual Property Indicator**.

The **IPD South Africa Biannual Property Indicator** showed that the South African property sector delivered a relatively muted 6.5% total return for the first six months in 2015. However, the total return was marginally above the 6.2% recorded for the preceding half year period but below the 3 and 5 year annualised six month returns.

Although the total return levels underperformed the MSCI South Africa equity performance of 7.8%, it did significantly outperform consumer price inflation which grew by 3.5% during the six month period.

The total return comprised an income return of 4.0% and a capital growth of 2.4% - up 60bps from the 1.8% recorded in H2 2014. The improvement in capital growth came despite a notable slowdown in base rental growth and was largely driven by a strengthening basic rental yield. This implies a negative sentiment among valuers since the full impact of the base rental growth didn't filter through to the capital growth.

Vacancy rates improved by 30bps during the period and ended at 5.3% on an aggregate level. The fact that improved occupancies didn't lead to a similar improvement in base rental growth highlights the current challenging macroeconomic conditions where tenant retention is top of mind for landlords.

Stan Garrun, Executive Director, MSCI commented: "The retail sector produced the best performance for the six months ended June 2015 with a total return of 7.4% - driven by yield compression rather than a pronounced improvement in underlying fundamentals. The industrial sector delivered a total return of 6.2% while the office sector continues to lag with a total return of 4.8% recorded for the period with growth constrained by stubbornly high vacancy rates that's weighing on rental growth."

According to the index sponsor, Nedbank Corporate and Investment Banking (NCIB), the **IPD South Africa Biannual Property Indicator** is the definitive standard for measuring property investment returns. "The transparency it brings to investment property adds to the credibility of the asset class. It is the essential resource for local and international investors considering commercial property investment in SA," says Robin Lockhart-Ross, Managing Executive for Property Finance at NCIB.

The **IPD South Africa Biannual Property Indicator** tracked the performance of 1,044 institutionally owned, professionally managed property assets worth ZAR 193.5 billion as at the end of June 2015.

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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

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