

# Industrial Sector Drives South African Property Returns

## MSCI Index reveals 11.1% total return in 2016

**Cape Town – April 13, 2017** – MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, including indexes, portfolio risk and performance analytics and ESG research, has released the [IPD South Africa Annual Property Index](#), which shows the South African property investment sector delivered an ungeared total return of 11.1% in 2016. This reflects a 190bp decline from 13.0% in 2015 and the lowest recorded total return since 2009.

Income return remained steady at 8.3%, while capital growth came in at 2.6% which was down from 4.4% in 2015. Capital growth was underpinned by an improved base rental growth of 6.2% - however, this was offset by negative yield impact.

The latest [IPD South Africa Annual Property Index](#), sponsored by Nedbank CIB, is based on asset level data collected from a sample of 1,450 properties with a total capital value of ZAR 296.6 billion at the end of December 2016. This represents approximately two thirds of professionally managed investment property in South Africa.

**Phil Barttram, Executive Director, MSCI**, comments: “The [IPD South Africa Annual Property Index](#), provides a unique perspective on the fundamental drivers of commercial real estate returns in South Africa. In stark contrast to socio-political volatility, investors have benefitted from stable incomes, founded on the sectors’ contractual income base and aggressive cost management. Even given the decline in total returns, the sector has once again proven its resilience by providing real returns in 2016.

At a sector level, industrial property was the top performing sector during the year with a total return of 13.6%, outperforming retail at 12.6%. The office sector continues to struggle on the back of subdued capital growth and was particularly hard hit in 2016 with a total return of 7.6%. At a property segment level, Inner City and decentralised offices counted among the worst performing segments for the year with total returns of 7.5% and 7.7% respectively.

The [IPD South Africa Annual Property Index](#) has outperformed the MSCI South Africa Index and JP Morgan’s Bond Index (7-10 year) over 1, 3, & 10 year periods.

The top performing segments for the year were High Tech industrial property and Neighbourhood shopping centres which produced total returns of 18.1% and 20.3% respectively. Neighbourhood Centre returns should be seen in a longer term context, which suggests a return to trend growth in 2016 rather than continued outperformance.

**Robin Lockhart-Ross, Managing Executive, Nedbank CIB Property Finance** said, “The index results show that the performance of the South African property investment sector continues to hold up well despite the prevailing low GDP growth environment. Although, at 11.1%, the total return decreased from 13.0% in 2015, this is hardly surprising in that commercial property returns will over time closely track the general economy.

Nedbank CIB, as lenders, look first for stability in income flows and then for sustainability in capital value, both of which this index demonstrates the South African investment property sector to have delivered consistently since inception of the index in 1995.”

-Ends-

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