PRESS RELEASE

MSCI Reveals Botswana Property Returns Experience Slowdown

Total returns reduce by 1000bps over 12 months – albeit from a high base

Johannesburg – June 23, 2015 – MSCI Inc. (NYSE: MSCI), a leading provider of research-based indexes and analytics, today released the fourth **IPD Botswana Annual Property Consultative Index**, which shows the Botswana investment property sector delivered an ungeared total return of 11.5% in 2014 - down from 21.5% in 2013.

While total return was underpinned by a relatively stable income return of 9.4%, capital growth slowed significantly to 2.0% from 10.2% the year before.

Stan Garrun, Head of South African Real Estate, MSCI commented: “Our figures show that the falls in total return are being seen across the board, with all of the main sectors experiencing a similar drop in the region of 1000 bps.”

The latest **IPD Botswana Annual Property Consultative Index**, sponsored by Botswana Insurance Fund Management (BIFM), is based on asset level data collected from six leading local property investment portfolios. First launched in 2012, the index measures ungeared total returns to directly held standing property investments from one open market valuation to the next and covered BWP 3.3bn capital value at the end of December 2014.

The top performing sector for 2014 was industrial property which delivered a total return of 16.8% on the back of solid capital growth of 5.9% and income return of 10.3%. The retail, office and residential sectors (a combined weighting of 83% in the index) all delivered between 10% and 11% total return.

Although industrial rental growth slowed to 3.3%, a zero vacancy rate was recorded for the fourth successive year reflecting the robust fundamentals underpinning the sector.

Stan Garrun added: “Despite a fall in total returns across the board, it appears that the factors that support the property sector – low vacancy rates and rental yield – remain strong.

“Landlords are seeing a rise in passing rents, particularly within the Retail and Residential sectors, which is in line with inflation. Capital value growth declined in all property sectors though still positive at 2.0% on aggregate. This slower growth reverses the bullish view of the year before, perhaps reflecting a more cautious attitude among valuers after a run of particularly strong returns for the three years ending December 2013. The data for 2014 shows that the market is normalising.”

However, Office property was the only sector to record negative capital growth for 2014, largely as a result of vacancy rates increasing 300bps to 7.7% and rental growth declining to 1.7% from 6.2% in 2013. The office market still delivered a reasonable total return of 10.8% for 2014 – in line with that of the retail sector.

The index sample has increased by 38% in capital value terms and 25% in floor area since the index was first released, with a combined value of BWP 3.3 bn spanning over 475,000 sq m recorded as of December 2014.

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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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