PRESS RELEASE

Industrial Sector Drives South African Property Returns

MSCI Index reveals total return of 6.1% for first six months of 2017

Cape Town – October 18, 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 Bi-annual Property Index**, which shows the South African property investment sector delivered an ungeared total return of 6.1% for the first six months of 2017. This is an improvement on the same period last year when a total return of 4.5% was recorded for the six months ended June 2016.

Income return remained steady at 4.1% in 2017H1, while capital growth came in at 2.0% - an improvement from the 0.5% recorded for 2016H1. Basic rental growth, while slower than a year before, remained positive. A focus on cost management and recoveries has seen an improvement in the cost to gross income ratio from 35.5% in December 2016 to 34.4% as at June 2017.

The latest **IPD South Africa Bi-annual Property Index**, sponsored by Nedbank CIB, is based on asset level data collected from a sample of 1,635 properties with a total capital value of ZAR 290.4billion at the end of June 2017.

Phil Barttram, Executive Director, MSCI, comments: "With a capital value exceeding R290bn, the IPD South Africa Bi-Annual Property Index provides a unique insight into the fundamental performance of commercial real estate. The latest returns have once again highlighted the resilience of the asset class and the value of stable and predictable income streams in uncertain markets."

At a sector level, industrial property was the top performing sector during the six months with a total return of 7.0%, closely followed by retail at 6.7%. The office sector meanwhile continued to struggle in the current challenging macroeconomic environment where a lack of key growth drivers is putting occupancy rates and rental growth under pressure.

The industrial sector's outperformance was driven by an encouraging decline in the vacancy rate from 4.9% to 3.5% during the six months. Active management also played a positive role in the industrial sector's fortunes, as the ratio of operating cost to gross income declined by more than 2% to 32.6%, which resulted in the sector's net income growth improving from -0.1% to 3.3% as at June 2017.

As at June 2017, the aggregate office vacancy rate had ticked up 60bps to 8.5%, which, combined with a flat rental growth rate, resulted in capital growth of zero for the six months ended June 2017.

At a property segment level, City Decentralised Offices was the worst performing segment for the six months, with a total return of 3.9%.

The top performing segments for the six months ended June 2017 were Warehousing and Light Manufacturing, two industrial segments, which produced total returns of 7.2% and 7.0% respectively. The vacancy rate of these two segments has been consistently lower than the All Property aggregate and underpinned their superior income returns.

Robin Lockhart-Ross, Managing Executive, Nedbank CIB Property Finance said, "Nedbank CIB Property Finance is encouraged that the returns reflected by the H1 2017 IPD index again demonstrate the long-term resilience of this sector in the face of tough economic conditions, despite the persistent pressures on vacancy rates, rental levels and cost inflation across all segments of the market, and escalating pressures in some segments. As a market leader and major stakeholder in the commercial property sector, we look for continuity and sustainability of income flows and capital values. So it is comforting to us to note that base rental growth has remained positive and capital growth has improved over the same period in 2016. The slowdown in total return for H1 2017 versus the full year for 2016 is consistent, however, with what we are seeing in commercial mortgage lending activity in the market."

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