

Premium

Premium Properties comes with unique features that were initially treated with suspicion. But these have helped the group to break the trends of dwindling distribution growth within the prevailing harsh market conditions.

An emphasis on the Gauteng central business district (CBD) market, exposure to the residential property sector and relatively low levels of fixed interest rates exposure contributed to the maintenance of double digit distribution growth in the past financial year. Premium, a property loan stock, reported distribution growth of 16,8% in the 12 months ended February this year, when the distribution growth of most of its peers on the JSE sank to single digit levels.

This performance is due largely to the strategic positioning of Premium's property portfolio by the Wapnick family. Premium is managed by the Pretoria-based City Property Administration, which has built a niche within Gauteng's major CBDs, mainly Pretoria. Lately the group has ventured into the Johannesburg CBD in a big way. Together with sister fund, Octodec, Premium's portfolio is exclusively focused on the Gauteng market and comes with a sizeable exposure (more than 20%) to the CBD residential letting market in addition to commercial (6%), office (30%), industrial (10%) and retail property (30%). More than 60% of Premium's portfolio is made up of properties located within the

Pretoria CBD and surrounding areas.

The Wapnick family has grown to master the Pretoria CBD market, having been active in that market since the late 1970s. City Property Administration had the foresight of sticking with the Pretoria CBD market when the decentralisation bug hit SA's major inner cities in the 1990s. That decision is now paying off in a big way.

Premium's contractual revenue increased 17,4% to R409,1m and net rental income improved 12,3% to R241m in the past financial year. Associate company IPS, a residential property developer and manager, contributed R16,9m to Premium's income in the 12 months ended February.

IPS's strength is anchored by its various joint ventures. These include a joint venture with Bidvest Property, which features a motor dealership; and with Old Mutual, which includes four residential properties. IPS has a portfolio of residential properties valued at about R1bn, which comes from 2 732 units. IPS has in the pipeline 700 new units, the majority of which are being built in Kempton City in Kempton Park and at Lara's Place in the Johannesburg CBD.

Premium reported that vacancies in its residential portfolio were down to 0,3% in the past financial period from 0,8%. Office vacancies remained high at 13,5% from 9,9%. Retail vacancies were quoted at 3,6% (3%), industrial 2,9% (2,5%) and



Jeffrey Wapnick

commercial 1,4% (1,5%). Total vacancies from Premium's property portfolio stood at 21,7% from 17,8%. Says management of this high vacancy rate, which has also been attributed to slowed economic activity: "A large percentage of the vacancies are in respect of properties that are undergoing redevelopment or that were recently acquired."

During the past financial year, Premium continued with the expansion of its CBD portfolio, which is realised through extensions, redevelopment of existing buildings and some acquisitions. These included the acquisition of six properties located in the Pretoria CBD for R84m. In May this year the group announced an agreement to

purchase a further three properties within the Pretoria CBD for about R132m. The group says these properties "represent an attractive investment in a prime location, situated in the heart of Pretoria's busiest retail district". The acquired properties are leased by blue-chip national retailers.

About R55m was invested in various upgrades. These include phase 2 of the R285m Hatfield development. This development includes a four-level parking bay, 6 811 m² of A-grade offices and retail space as well as a hotel. The R55m conversion of Longsbank building in the Johannesburg CBD continued and was expected to be completed by June 2010.

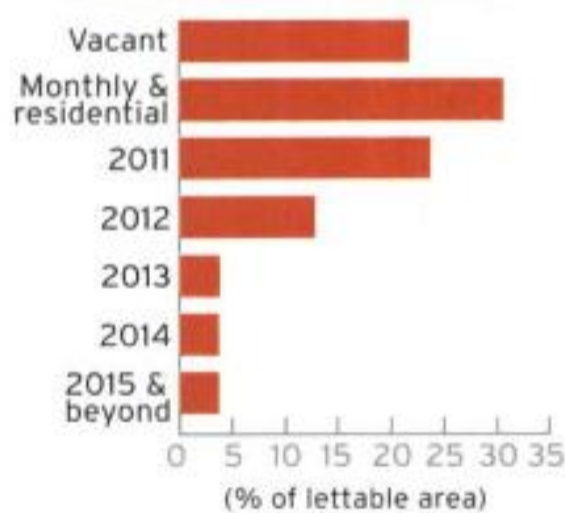
As a result of sustained acquisitive growth, Premium's

debt to asset ratio increased during the past 12 months to 33,3% from 30,8%. Up to 41% of interest rates exposure was fixed at an average interest rate of 12% maturing at various dates, ranging from May 2010 to April 2018.

Premium's portfolio was valued at R3,1bn at the end of February this year, which represented growth of 6,7% or R192,4m.

Management says it expects the company to continue reaping the benefits of upgrades and redevelopment, which will "impact positively on the distribution growth for the 2011 financial year". It says it is optimistic that Premium will continue to deliver distribution growth that is in line with the sector average. *Sibonelo Radebe*

LEASE EXPIRY PROFILE



SOURCE: PREMIUM PROPERTIES

PRICE VS SECTOR (JSE)



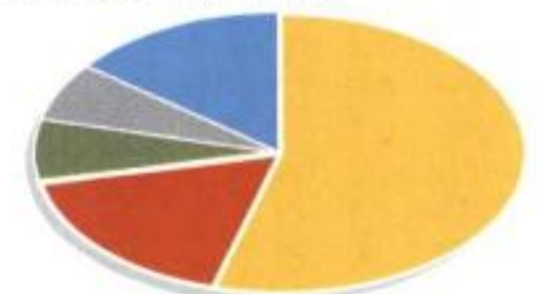
SOURCE: I-NET BRIDGE

TOP FIVE SHAREHOLDERS

Shareholder's name	% Share held
Directors & family	24,7
Octodec	10,9
Investec	8,5
Transnet Pension Fund	5,6
Stanlib	4,5

GEOGRAPHICAL SPREAD

by property value



Pretoria central	54,7%
Hatfield	17,1%
Johannesburg	7,1%
Arcadia	6,7%
Other	14,4%

PREMIUM PROPERTIES

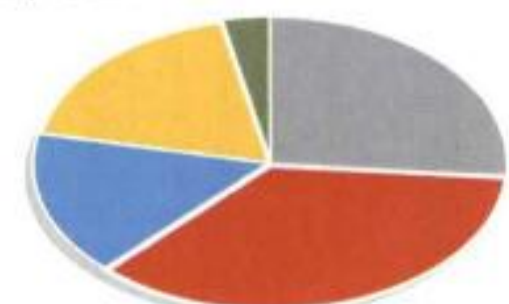
(As at February 28 2010)

Who manages the fund?	City Property Administration
Number of properties in the fund	160
Property valuation	R3,076bn
Market capitalisation	R1,672bn
Annual trading volume as % of units in issue	10,1
Net asset value per unit	R13,13
Price per unit at date	R12,85
Discount to net asset value	2,1
Historic yield (%)	8,6
Loan to value (%)	33,3

Name of the company	Premium Properties
Name of fund	Premium
JSE code	PMM
Head of fund and title	Jeffrey Wapnick (MD)
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SECTORAL SPREAD

by GLA



Retail	26,4%
Offices	36,1%
Industrial	15,9%
Residential	18,4%
Commercial	3,2%

SOURCE: PREMIUM PROPERTIES