

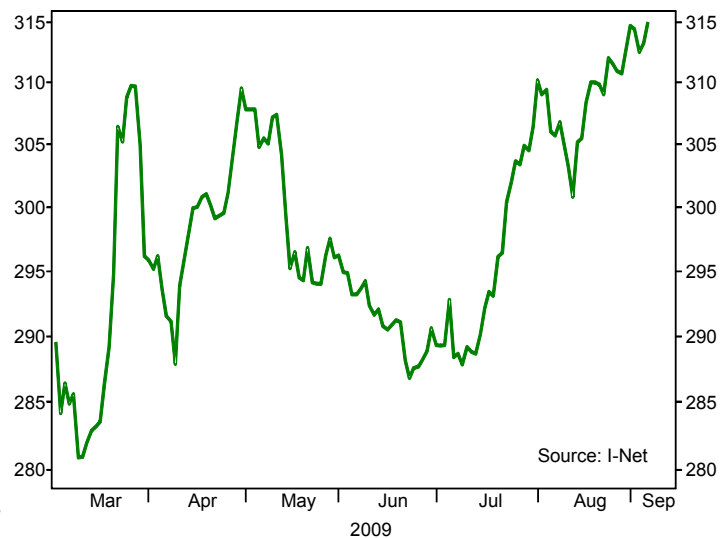


OMIGSA Comment – Thabo Motloutung, Analyst: Listed Property

Listed Property outlook remains positiveamid increased vacancies risk

It's been company results season in the listed property sector over the past few weeks, where most companies reported distribution (dividend) growth in line with our expectations. However, growth in distributions has slowed to upper single-digit levels compared to double-digit growth in 2008. A clear trend in the results was the increase in vacancies, which was expected. In most companies, vacancies were still below 5% and therefore not a material concern at this stage. We, however, have seen a marked reduction in rent growth on expiring leases, especially in the retail sector where the rent growth was around 10% on expiring leases last year and has now dropped to below 5%. Hardest hit are companies with large exposures to community shopping centres (Emira and SA Corporate property funds) and it's clearly evident that small tenants in those centres are taking strain. Larger shopping centers are still trading well, with no noticeable signs of concern.

FTSE/JSE SA Listed Property Index



The listed property sector has been quite defensive so far in 2009, producing a total return year-to-date of 14.3% and a pre-tax dividend yield of 8.4% against equities' total return of -2.8% and a post tax dividend yield of 3.3%. The sector also outperformed bonds, which returned 12.3% year-to-date. In terms of our 12-month outlook, we are expecting the sector to deliver a 9% dividend growth and 10% dividend yield. The total return expected for the sector is 15%. However, a big risk to these forecasts is the possibility of vacancies increasing to above 10%, but we believe this is unlikely to happen.

28 Aug - 03 Sept 2009 in a nutshell

Global: The bears gained the upper hand in a week that was characterised by risk-aversion, profit-taking and market volatility on disappointing labour market data from the US. The S&P 500 in the US slid 2.72%, following its European counterparts which gave up 2.84%, and emerging market shares were steady at -0.36%.

South Africa: The lacklustre performance on Wall Street sent the local market on a downward spiral, with the FTSE/JSE All Share Index shedding 1.49%. Small caps were the winners, ending the week 2.90% higher and the losers were financials, falling 2.78%.

Markets and Economics - Highlights

Global

- The US lost fewer private sector jobs last month than in July, while companies also planned fewer layoffs, suggesting modest improvement in the beleaguered US labour market. Private employers cut 298 000 jobs last month, beating the 360 000 job losses seen in July, according to the ADP Employer Services report.
- The European Central Bank (ECB) kept interest rates at 1%, and bank president Jean-Claude Trichet said the euro zone economy faced a very gradual recovery from recession. This was in line with the market forecast of keeping the rates at their current all-time low for the fourth month running.

- China, battling its worst export slump in more than two decades, is finally getting consumers to pick up some of the slack. The government's 4-trillion yuan stimulus plan — as well as record lending, tax cuts and subsidies — has spurred a 60% gain in property sales in the first seven months of 2009 from a year ago, driven car sales 70% higher in July and is stoking demand for television sets and computers.

South Africa

- Household spending fell during the second quarter at the fastest rate since 1985, when the country faced sanctions and civil unrest. The Reserve Bank Quarterly Bulletin showed consumption by households plunged 5.8% in the second quarter, compared with the first.
- SA notched up its third surprise trade surplus in a row in July, official data showed, marking one of the few positive outcomes to stem from the country's first recession since 1992. The surplus narrowed to R446m from R3.8bn in June, with imports rising 10.5% during the month and exports rising 3.3%. But it was the first time in six years that SA recorded three monthly trade surpluses in a row.
- Growth in credit to the private sector slowed to 3.4% in the year to July, a new five-year low, with borrowing by companies falling for the second month in a row. During the month itself, mortgage advances fell for the first time in seven years, showing that local households remained under heavy pressure, official data showed.
- The pace of decline in new vehicle sales continued to slow, providing further evidence that sales were bottoming out, the National Association of Automobile Manufacturers of SA (Naamsa) said.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 03.09.2009	% Performance Return
United States	S & P 500 (US\$)	-2.72%	1,003	11.07%
Europe	Euro Stoxx 50 (Euro)	-2.84%	2,699	10.12%
Emerging Mkts	MSCI Emerg Mkts (US\$)	-0.36%	841	48.32%
South Africa	FTSE/JSE All Share (ZAR)	-1.49%	24,623	14.48%
Global	MSCI (US\$)	-2.03%	1,064	15.65%
ZAR/Dollar	Rand/US \$ (ZAR)	-1.80%	7.63	-19.94%
ZAR/Pound	Rand/£ (ZAR)	-1.42%	12.47	-9.11%
ZAR/Euro	Rand/Euro (ZAR)	-2.42%	10.88	-17.33%
JSE	Industrials	2.09%	23,948	11.41%
JSE	Financials	-2.78%	17,897	13.42%
JSE	Resources 20	-0.68%	44,208	14.80%
JSE	Small Companies	2.90%	26,211	15.41%
JSE	Listed Property	0.64%	313	0.97%
JSE	RAFI® ALSI	-2.23%	5,095	18.54%
JSE	RAFI® 40	-1.90%	4,902	15.02%
JSE	SWIX	-1.64%	5,203	14.35%

 Editor: kbuthlezi@omigsa.com

OMIGSA: Tel. 021 509 7622

www.omigsa.com

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