



NEWS RELEASE

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VUKILE RIDES ABOVE RECESSION TO POST ROBUST RESULTS

Johannesburg, 24 May 2010 – Property loan stock company Vukile today posted an 11.5% increase to R323.3 million in net profit available for distribution for the full year to 31 March and posted a 13.2% rise to 60.9 cents per linked unit in the distribution for the second six month period of the financial year, making the total for the year 107.90 cents per linked unit, an increase of 10.2% over the previous year.

The distribution for the second six month period of the financial year was enhanced by a once-off saving of R10 million in distributions payable to Sanlam Properties, which were negotiated and agreed to be waived as part of the agreement regarding the acquisition of the property asset management business concluded in December 2009.

Chief executive Gerhard van Zyl said the robust results were significant given the tough trading environment in which they were achieved. "During the year, the property sector had to deal with rising vacancies, increased bad debts, increased arrears and lower rental growth. Vukile did exceptionally well to contain vacancies at 4.1% of gross rentals (2009: 3.2%), while improving its recurring cost to property revenue ratio, excluding electricity and rates & taxes costs, from 16.7% to 16.5%." New leases and renewals of 194 813m² with a contract value of R364 million were also concluded during the year, while 67% of leases that expired, were renewed.

A highlight of the year was the successful acquisition from Sanlam Properties of the asset management business relating to the Sanlam property portfolio. Vukile is now responsible for rendering property asset management services to Sanlam Life's entire property portfolio. This is in addition to the property asset management services of its own properties, which was internalised in October 2009. In addition, Vukile is in the process of acquiring a portfolio of nine properties from Sanlam Life for R527 million, subject to certain conditions precedent, and has a call option to acquire additional properties from Sanlam Life for R500 million as well as a right of first refusal in respect of the remainder of Sanlam Life's property portfolio.

Van Zyl said the successful acquisition of the property asset management business as well as the proposed acquisition of the high quality property portfolio from Sanlam Life provided the company with a solid platform for the next stage of the company's growth, as did the prospect of future acquisitions stemming from the option to acquire a R500 million property portfolio from Sanlam and the right of first refusal over the remainder of Sanlam's properties.

Looking ahead, van Zyl said that market conditions would remain tough in the near future. "There are signs that the economy has turned the corner and the expectation is now that we could see growth in GDP of 2% to 3% for the 2010 calendar year. On the other hand, the property cycle lags the broader economy by 12 to 18 months and we therefore expect vacancies to increase further from current levels and growth in rentals to remain weak." In addition, the saving of R10 million in distributions not paid to Sanlam Properties would not be repeated.

"However, we will see the full effect of the newly acquired property asset management business as well as the benefit of an enlarged property portfolio, which should enable us to achieve reasonable growth in distributions for the 2011 financial year."



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