



## 2010 Annual Results Presentation

August 2010

*Hospitality*  
PROPERTY FUND

# AGENDA

- Financial Highlights
- The Year in Review
- Linked Unit Performance
- Industry Trends
- Market Outlook
- Fund Strategy
- Distribution Time Frame

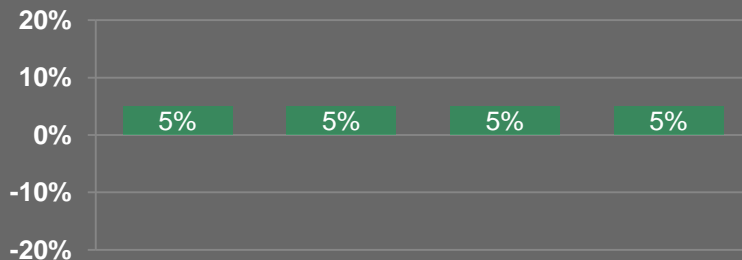
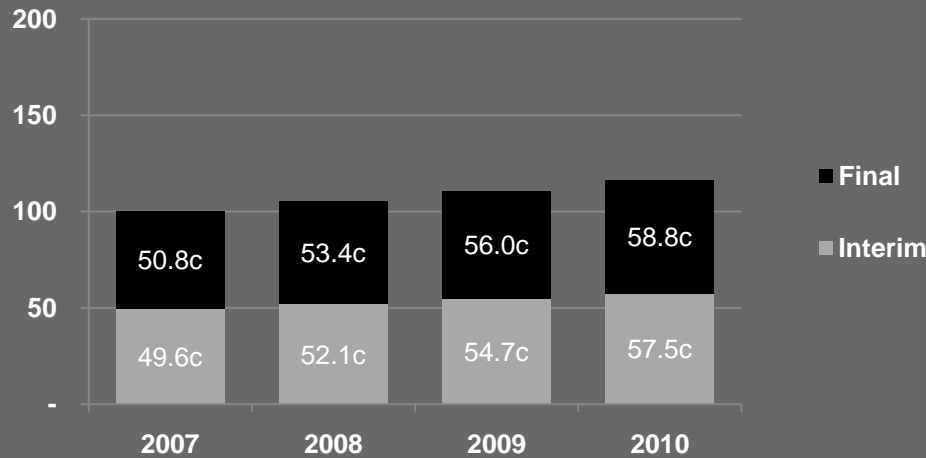


Crowne Plaza Johannesburg - The Rosebank

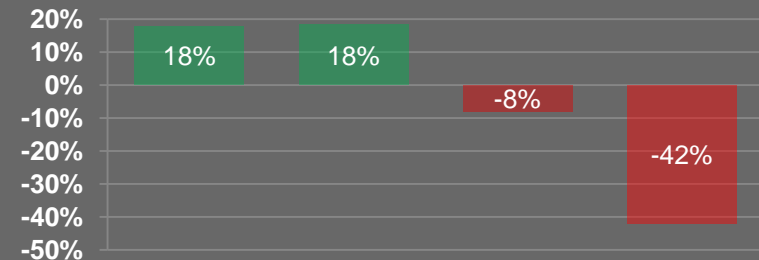
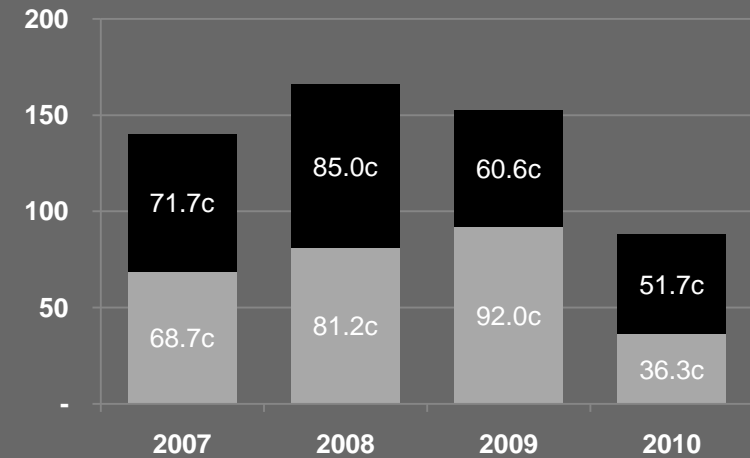
# FINANCIAL HIGHLIGHTS

Year End June 2010

A Linked Unit Distribution



B Linked Unit Distribution



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# FINANCIAL HIGHLIGHTS

Year End June 2010

## Gross Rental Income

R 265 million

↑ 3,4%

## Gross Rental Income (Standing Portfolio\*)

R 184 million

↑ 16%

## Portfolio Value

R 3,32 billion

↓ -2,5%

## Property Valuation (Standing Portfolio\*)

R 1,97 billion

↑ 12%

## Profit before Debenture Interest

R 129 million

↓ -20,5%

## Net Asset Value per Linked Unit \*\*

1 537 cents

↓ 4%

\* Excl. refurbished and newly acquired properties

\*\* NAV excl. deferred tax

# FINANCIAL HIGHLIGHTS

Year End June 2010

Gearing (% of asset value)

39,4%

Weighted Average Cost of Debt

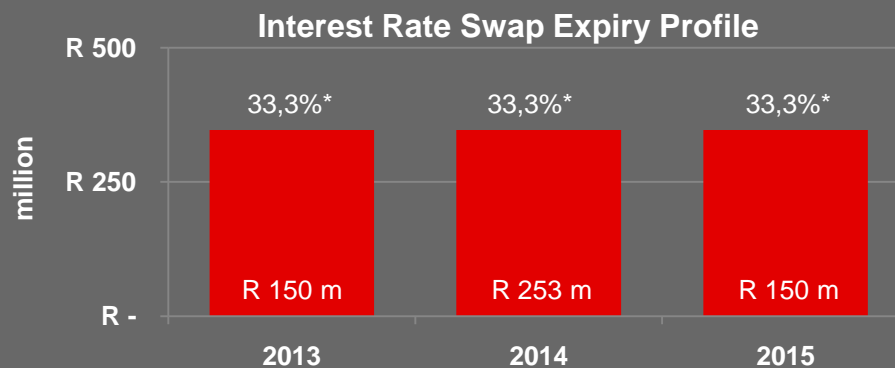
10,2%

Average Lease Expiry

7,2 years

Average Fixed Lease Escalation

9,1%



\* As a % of debt  
outstanding at YE 2009

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Mount Grace Spa

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# THE YEAR IN REVIEW

Re-positioning the Portfolio for long term sustainable growth



Protea Hotel Imperial  
refurbished



Protea Hotel Edward  
acquired



Protea Hotel Marine  
refurbished



Park Inn rebranded as Inn on  
the Square



Development of Champagne  
Sports Resorts' new  
conference centre

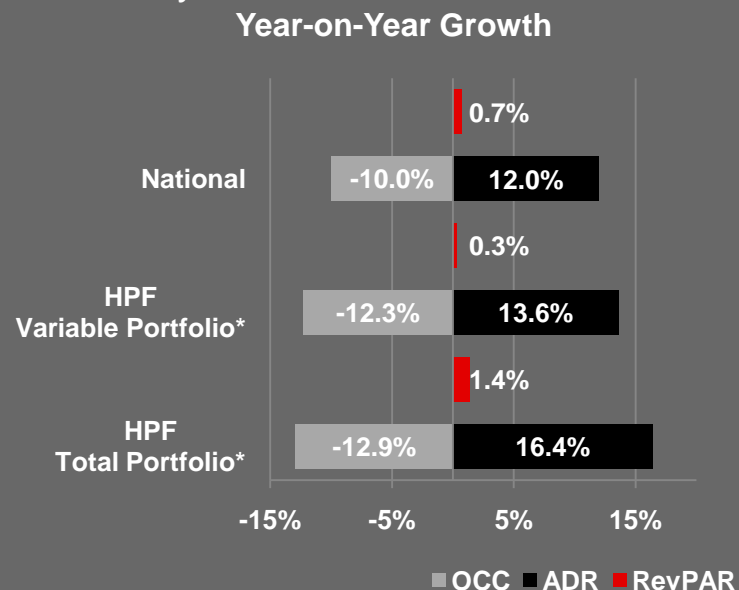


Radisson Blu Cape Town  
refurbishment

# THE YEAR IN REVIEW

## Stable performance in competitive market

- Significantly adverse market conditions for majority of financial year
  - Decrease in occupancies
  - Room rates under significant pressure
- Significant market pressure as a result of new supply
- Marginal recovery of previous refurbished properties
- World Cup not meeting initial expectations
- Performance of standing portfolio generally in line with SA hotel sector

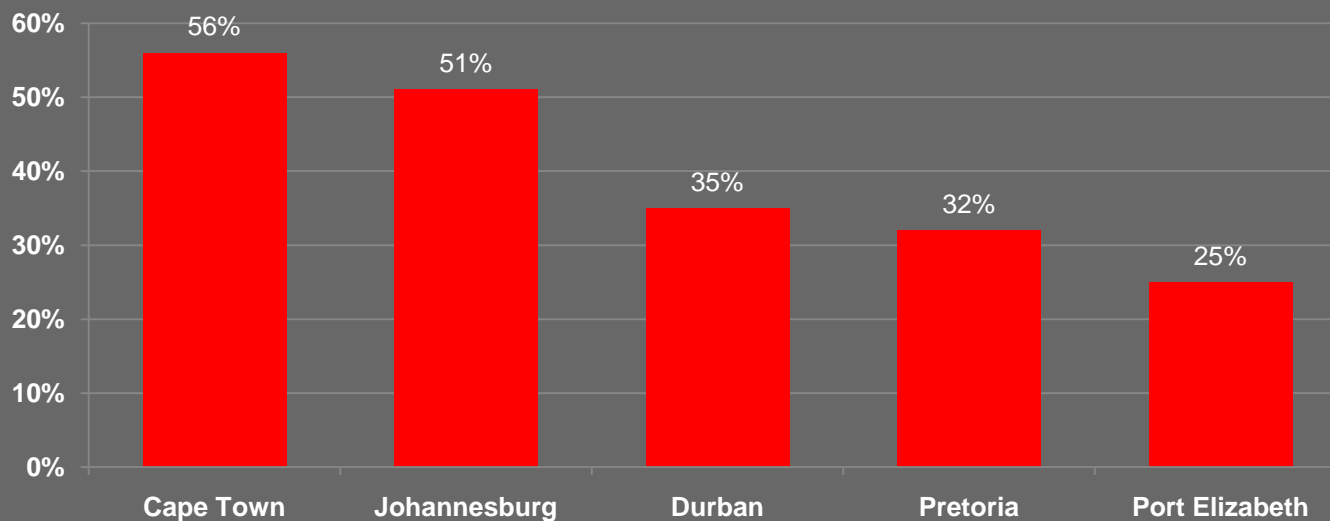


\* Portfolio excluding refurbished and newly acquired properties

# THE YEAR IN REVIEW

## Oversupply in key nodes

Growth in supply of key nodes since 2006



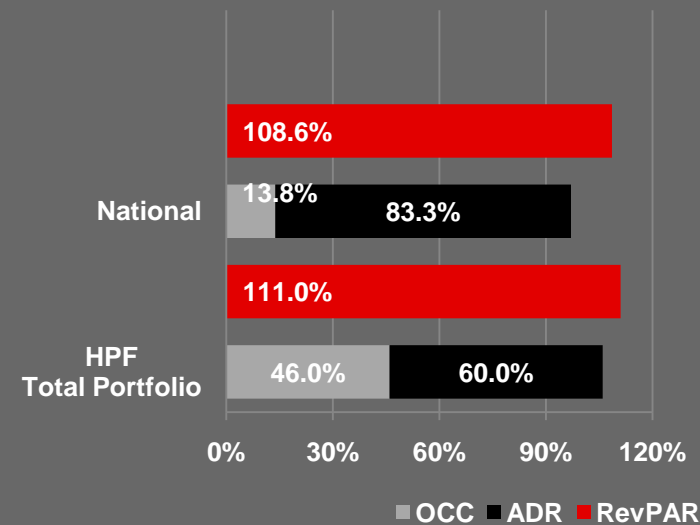
\* Source: UBS & HPF estimates

# THE YEAR IN REVIEW

## The 2010 FIFA World Cup

- Entire event considered a success
- An estimated 200 000 tourist arrivals in June
  - Well below the initial 400 000 estimate
  - 30% increase versus June 2009
- Event contributed an estimated 0,1% to GDP this year
  - Well below initial forecast of 0,4%
- Average tourist stayed seven days
- MATCH releasing rooms presented severe problems
  - HPF secured Tourvest contracts for major properties
- Tourist receipts less than expected
  - Due to excessive pricings & strong Rand

June 10 v June 09 Growth



\* Source: Stellenbosch University, Econex & Financial Mail

# FUND STRATEGY

## Management company internalisation

- Fund successfully acquired and internalised HPF management company on 1 September 2009
- In line with local and international best practice
- HHMC rebranded as extrabold
- HPF and extrabold fully independent
- No shared head office management resources
- Better alignment of the interest of key management with that of unitholders
- No change to management contracts and lease structures
- Asset management oversight role:
  - Monthly Financial Committee meeting - detailed financial review per property
  - Monthly Executive Committee meeting - detailed strategic review per property

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# THE YEAR IN REVIEW

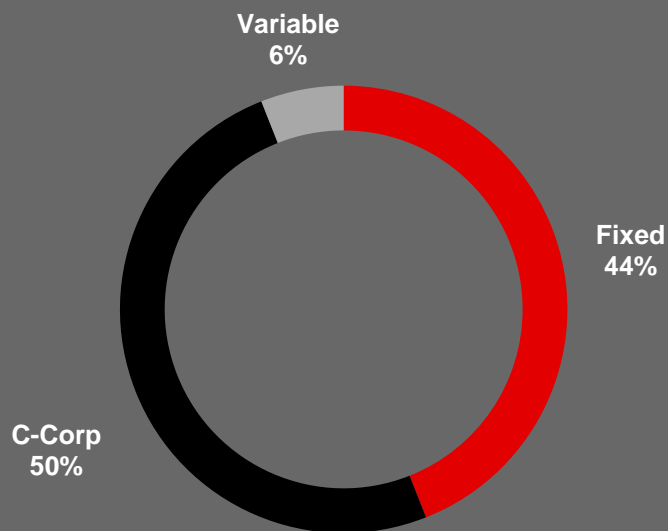
## Review of business models

- Operations geared to suit market conditions
  - Overhead reductions and restructuring
  - Rationalised management and operational staffing structures
  - Focus on sustainable reduction in expenditure
- Renewed focus on what we can control
  - Dynamic revenue management
  - Powerful brands with strong distribution platforms
  - Retain and develop talented management teams

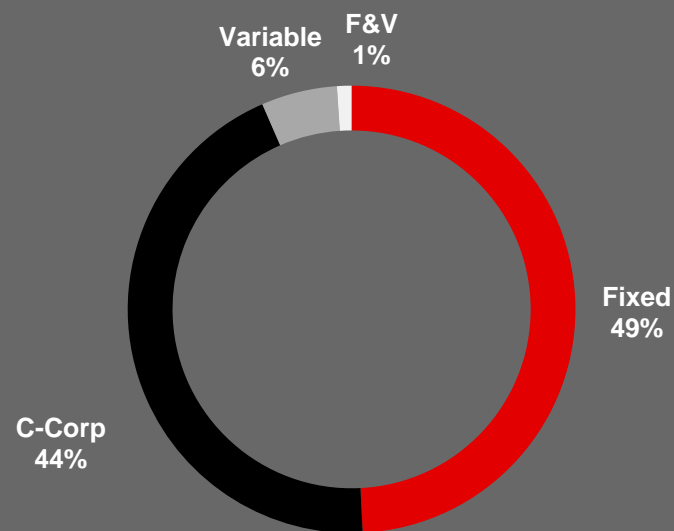
# THE YEAR IN REVIEW

## Lease type by gross rental income

Year Ending 30 June 2009



Year Ending 30 June 2010

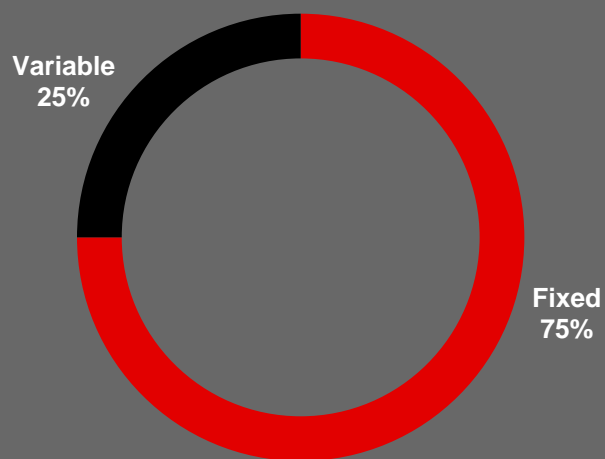


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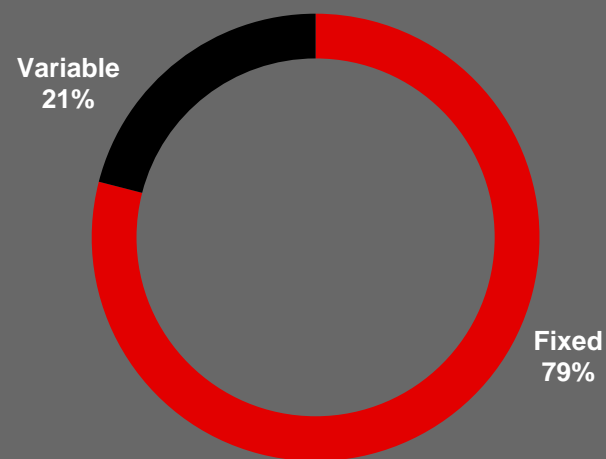
# THE YEAR IN REVIEW

## Income type by gross rental income

Year Ending 30 June 2009



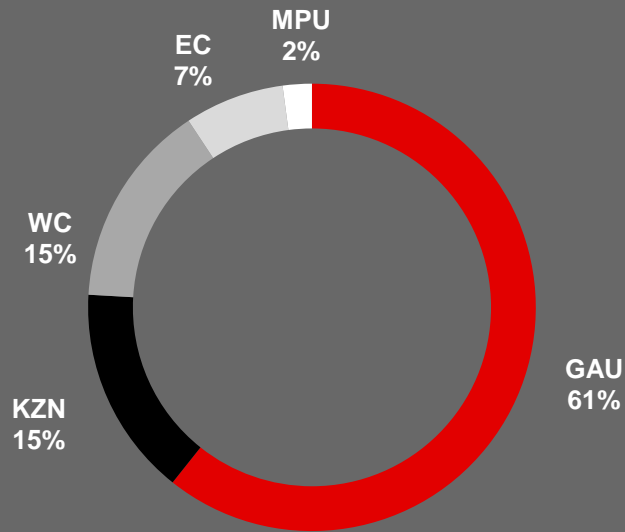
Year Ending 30 June 2010



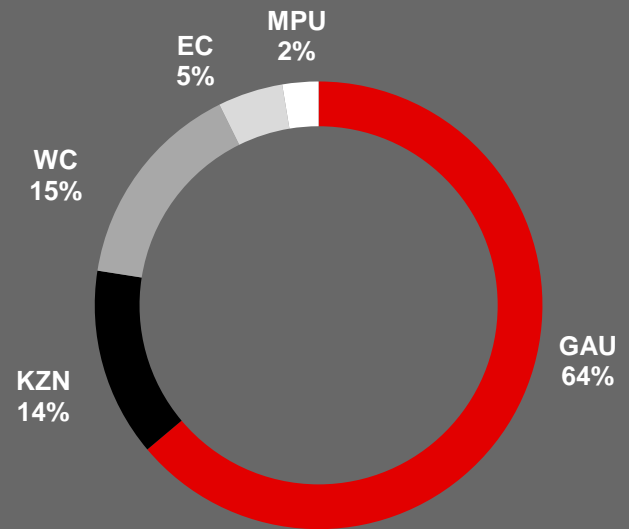
# THE YEAR IN REVIEW

## Locality by gross rental income

Year Ending 30 June 2009



Year Ending 30 June 2010

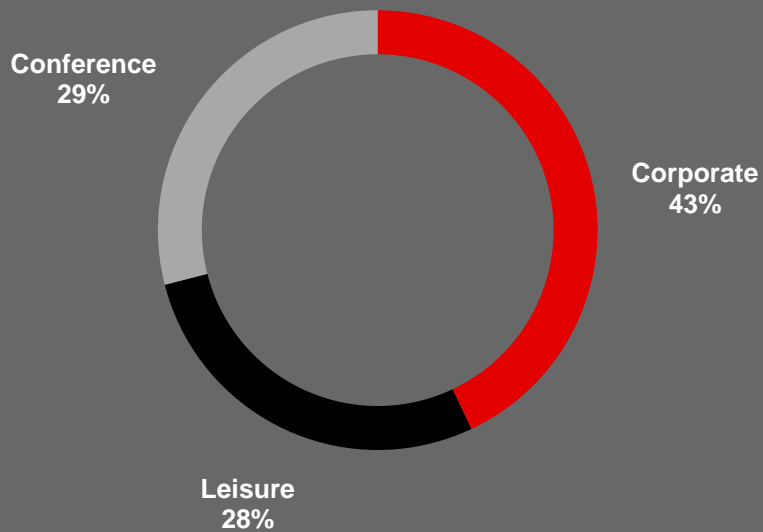


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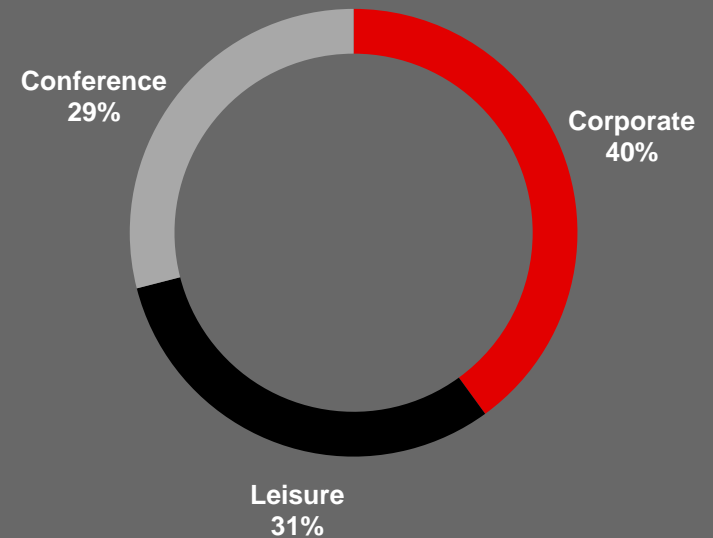
# THE YEAR IN REVIEW

## Patronage by market segment

Year Ending 30 June 2009



Year Ending 30 June 2010



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# THE YEAR IN REVIEW

## Patronage by source market

Year Ending 30 June 2009



Year Ending 30 June 2010

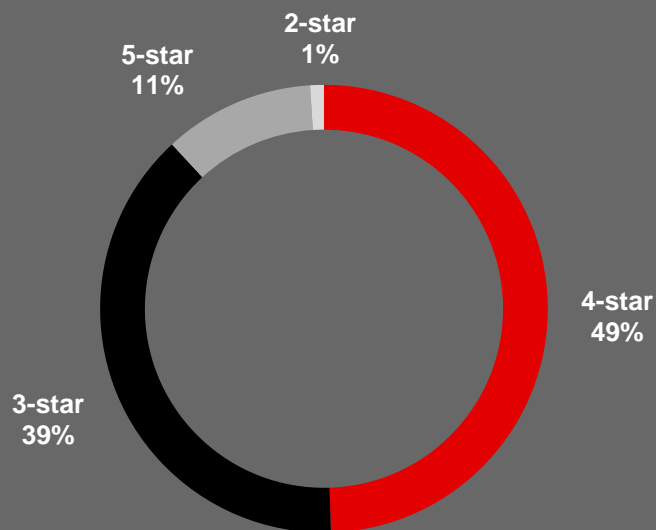


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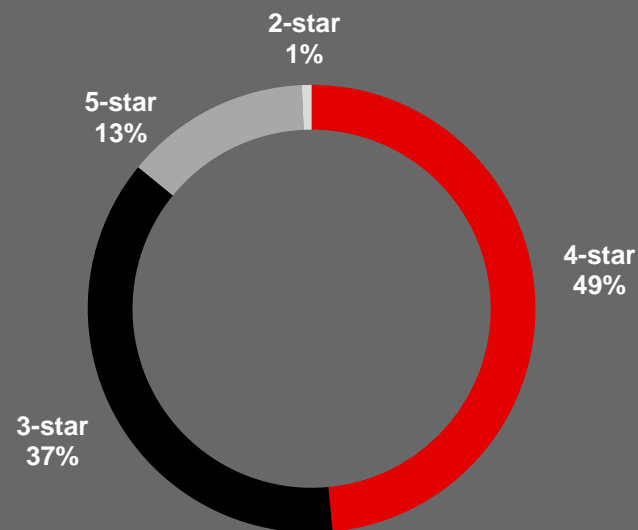
# THE YEAR IN REVIEW

## Star grading by gross rental income

Year Ending 30 June 2009



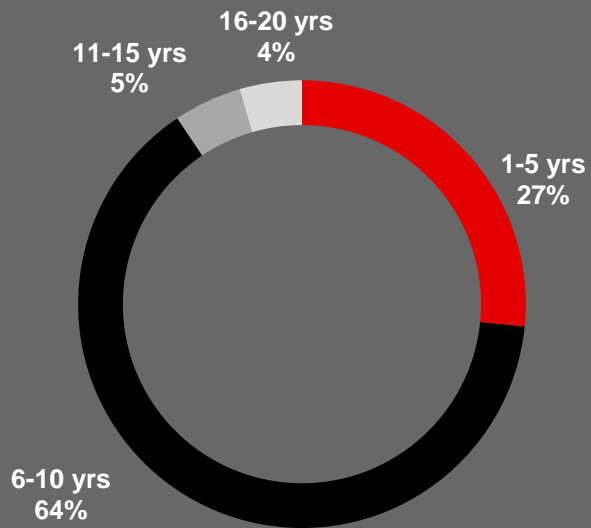
Year Ending 30 June 2010



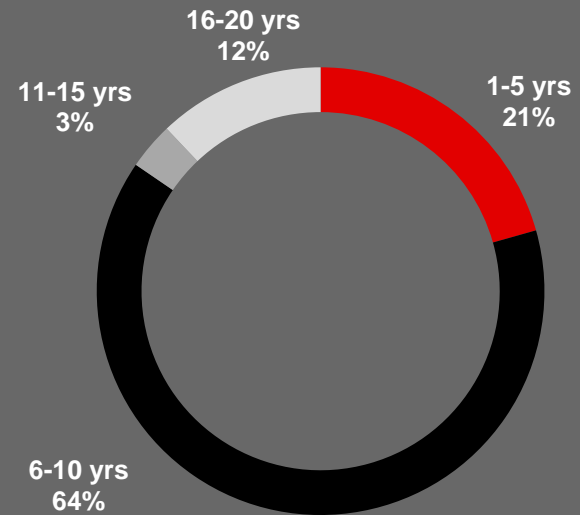
# THE YEAR IN REVIEW

## Lease expiry period by gross rental income

Year Ending 30 June 2009



Year Ending 30 June 2010



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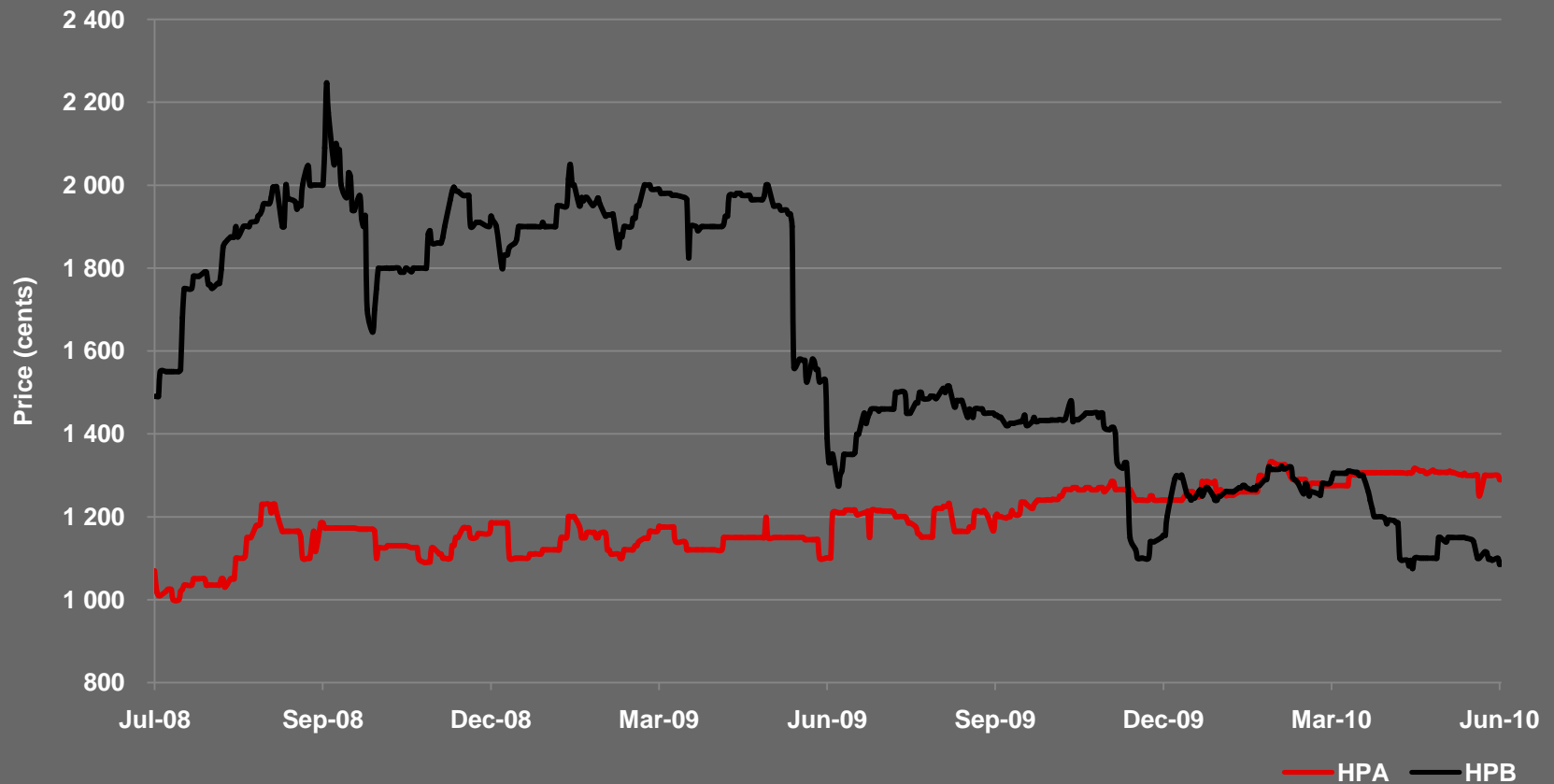


PH The Winkler Conference Centre

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# LINKED UNIT PERFORMANCE

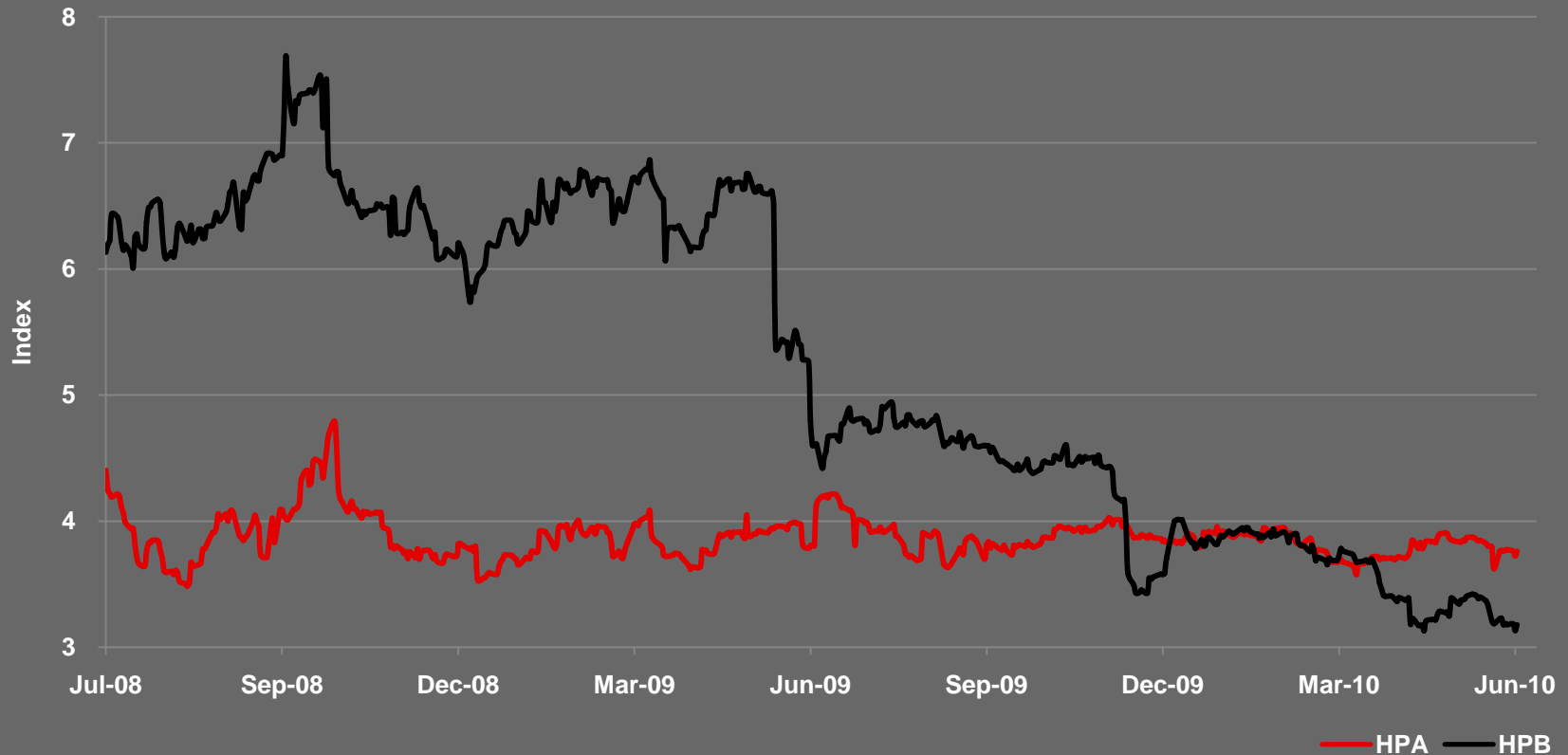
## Linked unit price performance



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# LINKED UNIT PERFORMANCE

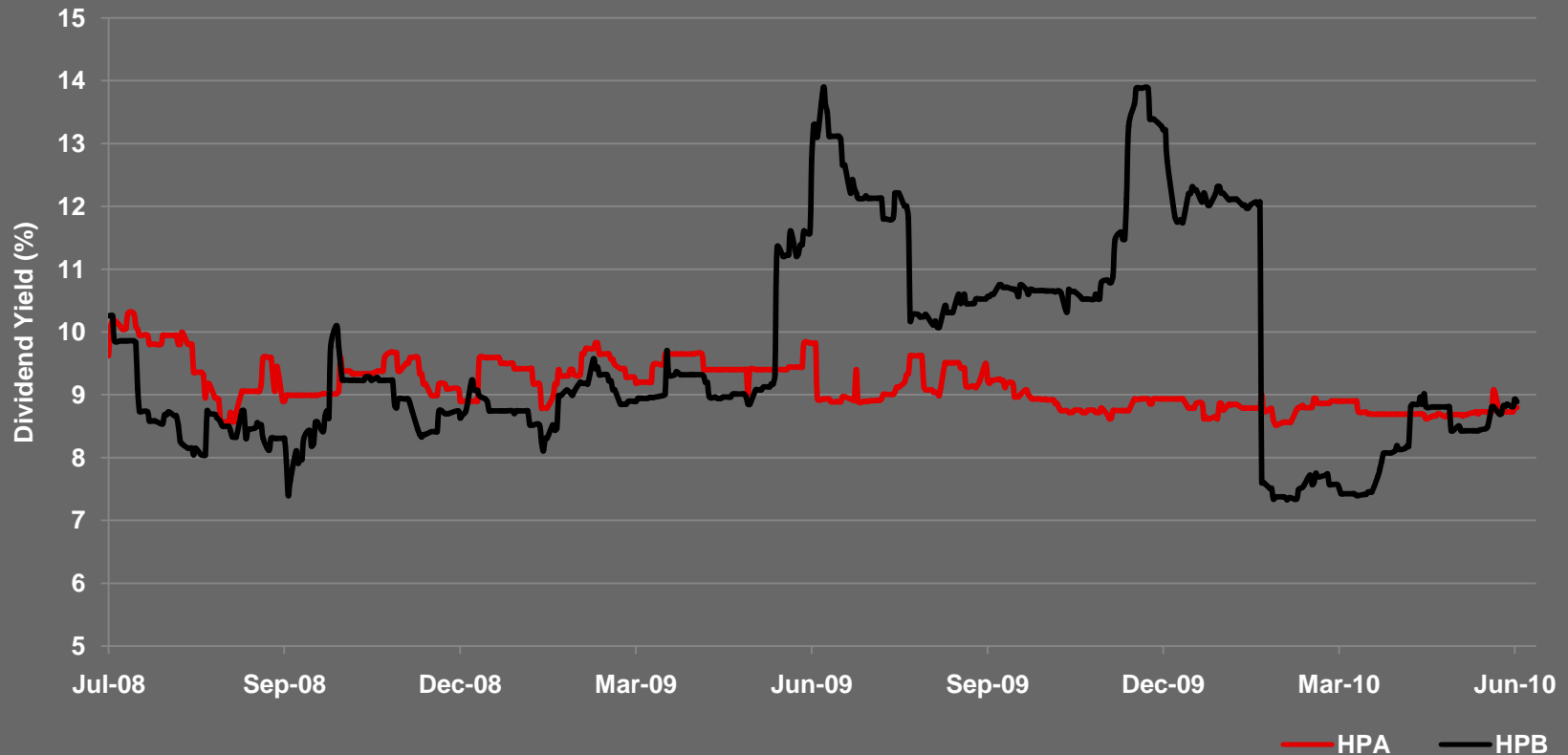
Linked unit performance relative to Listed Property Sector



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# LINKED UNIT PERFORMANCE

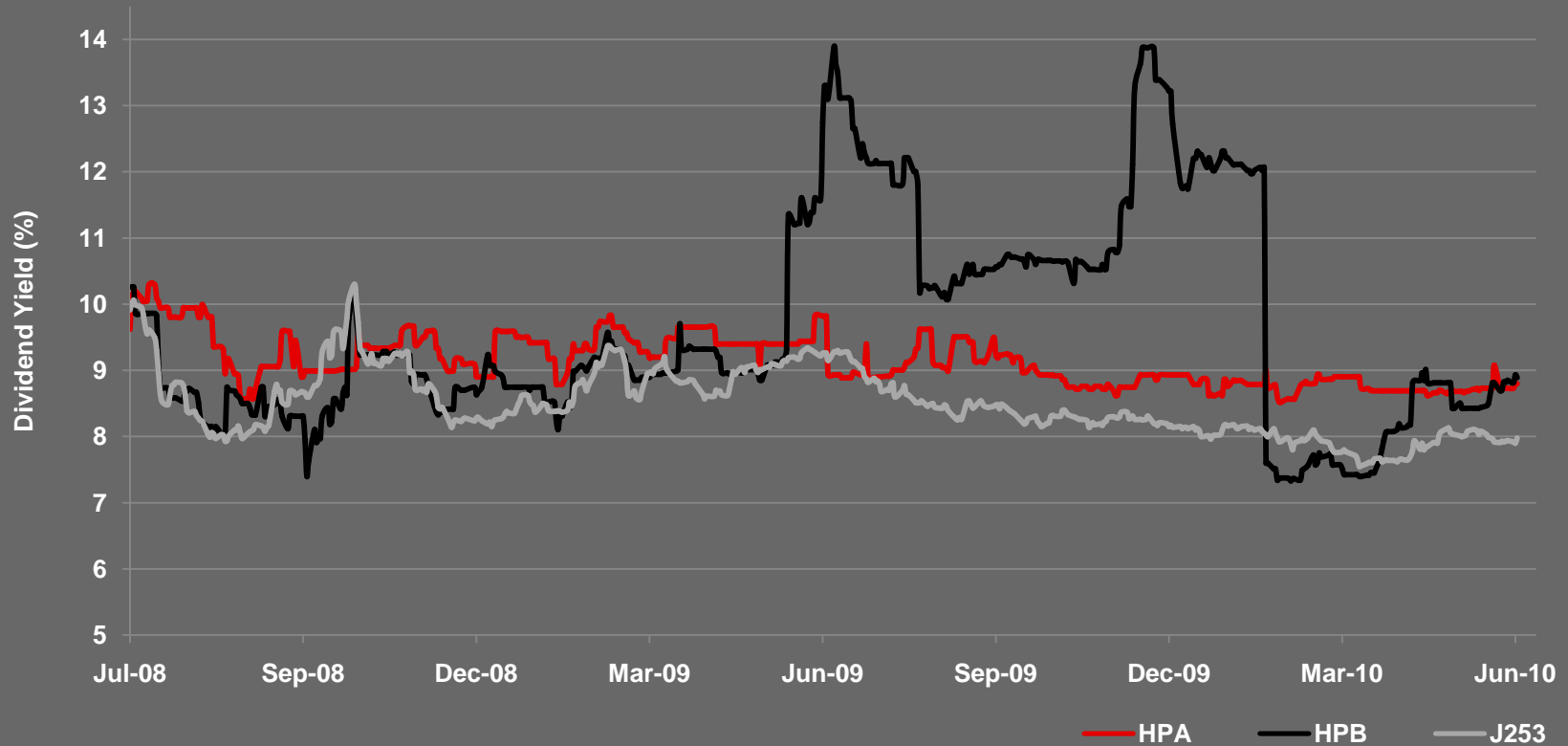
## Dividend yields



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# LINKED UNIT PERFORMANCE

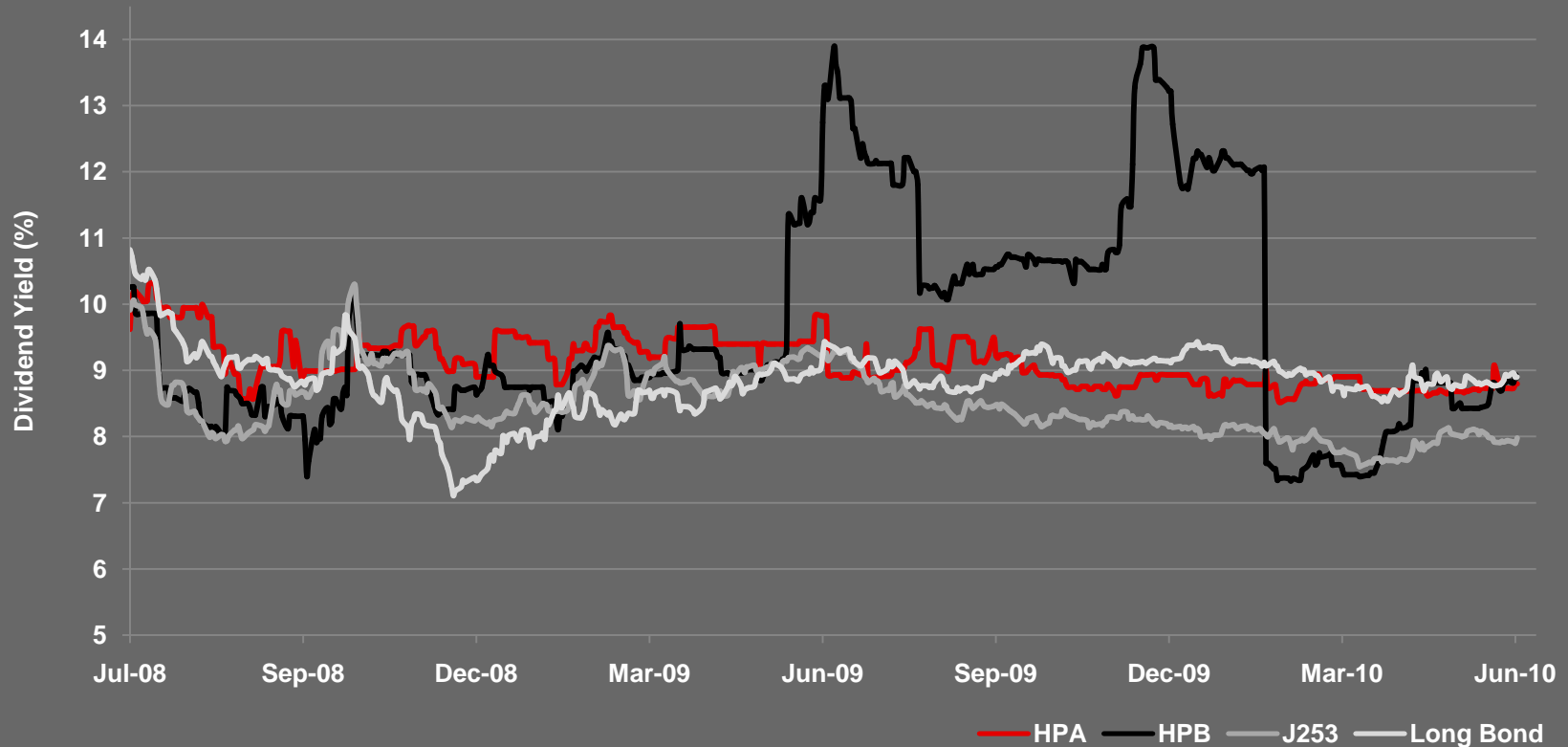
## Dividend yields vs. J253



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# LINKED UNIT PERFORMANCE

## Dividend yields vs. J253 and long bond



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The Bayshore Inn

# INDUSTRY TRENDS

## South African tourism market



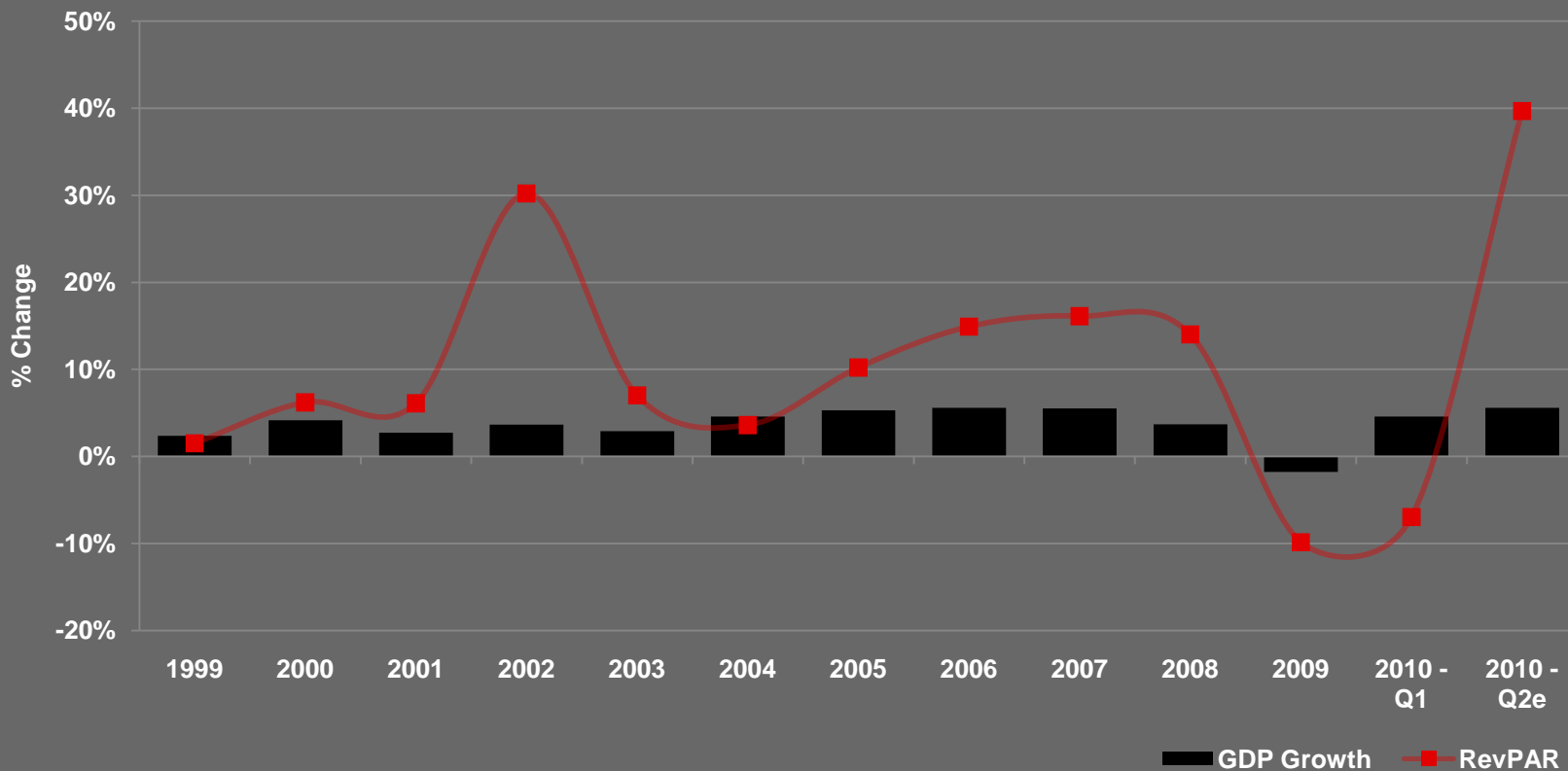
Source: STATS SA & UNWTO

\* 2008 Dollars

\*\* Hospitality estimate

# INDUSTRY TRENDS

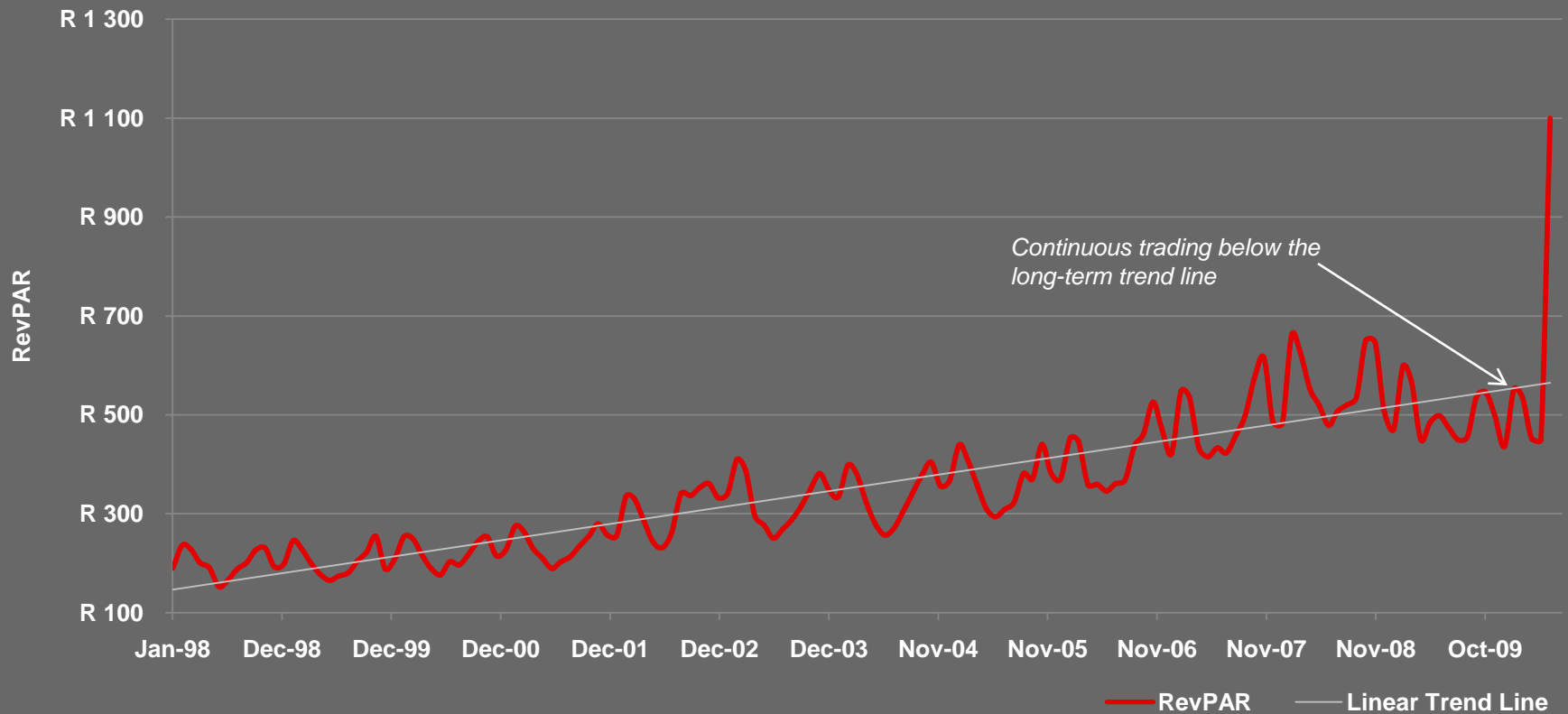
## Real GDP and South Africa RevPAR growth rates



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# INDUSTRY TRENDS

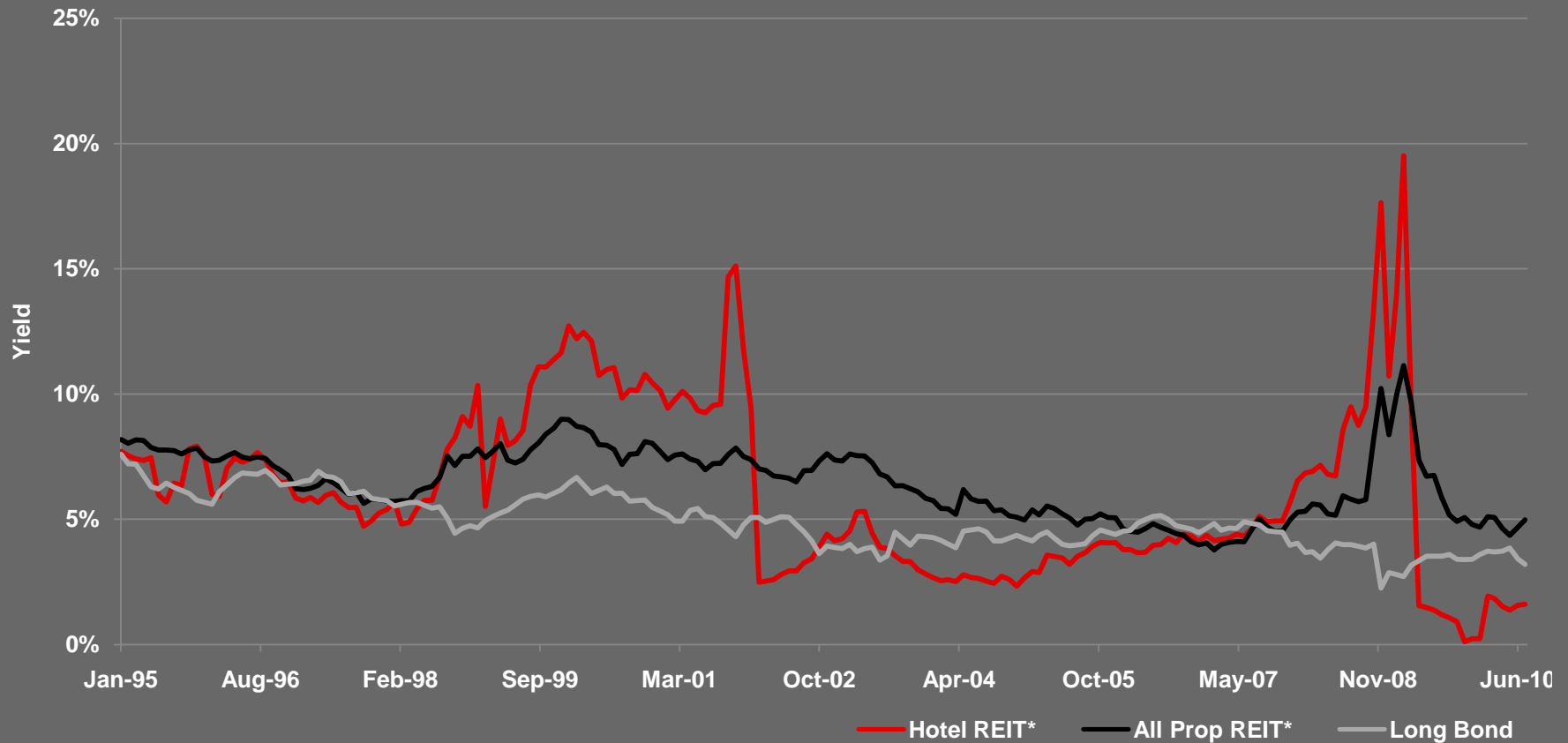
## Reversal in national RevPAR drop



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# INDUSTRY TRENDS

## United States - comparative dividend yields



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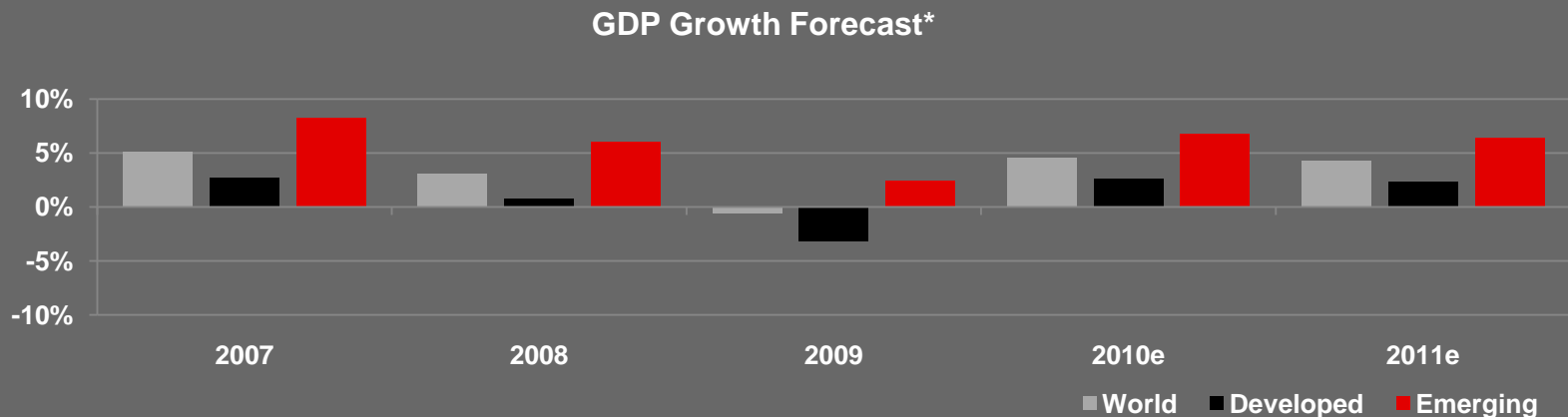


Holiday Inn Sandton - Rivonia Road

# MARKET OUTLOOK

## Uncertain global economic outlook

- Fiscal and monetary policy response planted the seeds for sustainable recovery
- Leading indicators appear to indicate improving economies
- Marked improvement in Asian economic conditions
- Green shoots in US and some EU economies
- Pace and extent of recovery remains unclear



\* IMF Forecasts

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# MARKET OUTLOOK

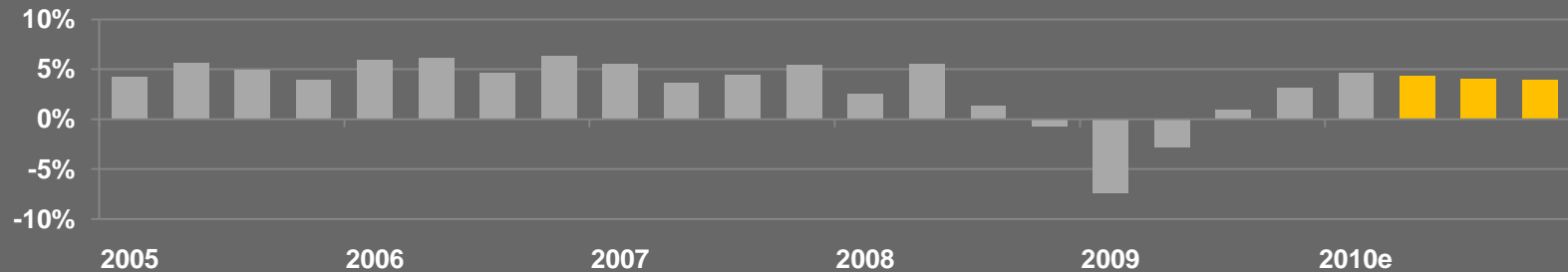
## Domestic economic conditions

- SARB - strong monetary policy response, total effects yet to be felt
- Business confidence is improving yet still comparatively low and slow
- CPI and PPI comfortably within target band
- Impact of slowdown reduced by large scale public spending programs and FIFA World Cup, yet potential “hangover” effect could be experienced
- Consumer confidence starting recover albeit slow and unpredictable
- Local economy recovery stimulated by FIFA World Cup and improved conditions

# MARKET OUTLOOK

## Domestic economic projections

### Quarterly GDP Forecasts



### SA Economic Forecast



Sources: Stats SA & RMB Forecasts (7 Aug 09)

# MARKET OUTLOOK

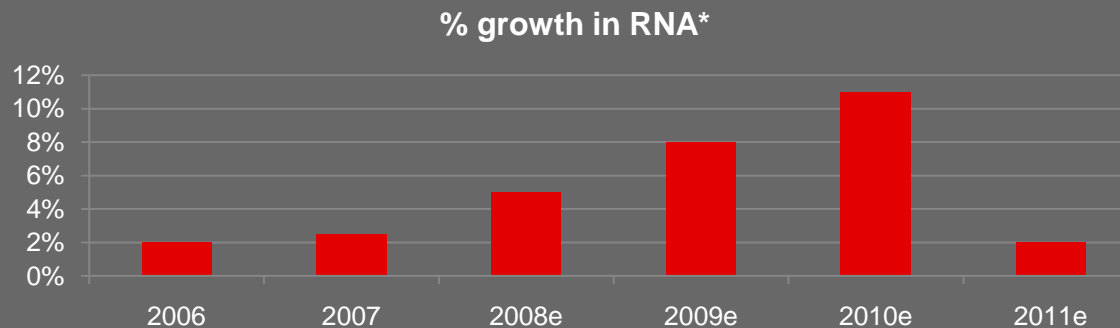
## SA tourism outlook

- SA demonstrated its ability to host major global events
- World Cup 2010 infrastructure development by and large on schedule
- Government conference demand still remains under pressure
- Improving economic outlook bodes well for corporate and conferencing market
- Spending habits amongst travellers remains conservative
- Improving consumer confidence should lead to increased leisure travel

# MARKET OUTLOOK

## Hotel market

- Significant growth in supply in certain key demand nodes
- Economic conditions have limited the potential for further supply growth
- Continued downward pressure on occupancies and room rates
- Mid-market hotels likely to benefit from expenditure rationalisation
- Pressure on developers/owners should result in attractive acquisition opportunities



\* Hospitality estimates

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PH The Richards

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# FUND STRATEGY

## Short Term

- Potential refurbishments to maintain/improve market share
- Focus on essential capital expenditure
- Drive competitive advantage from unique hotels
- Better alignment of the interest of key management with that of unitholders
- Acquire yield enhancing properties

# FUND STRATEGY

## C-Corp restructuring

- C-Corp not to contract with any third parties
- Other alternatives in respect of C-Corp being explored
  - Possibly new internal C-Corp to be established
  - National treasury to be lobbied in respect of taxable REIT subsidiary
  - Option secured by the Fund to purchase C-Corp at NAV

# FUND STRATEGY

- Optimising existing portfolio through asset management
- Prudent capital management
  - Focus on essential capital expenditure
  - Restructuring of debt facilities to improve flexibility
- Property portfolio with a balanced exposure to distinct market segments
- Fixed and variable lease structure to benefit from economic upswing
- Acquisition of yield enhancing properties in high growth areas

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Mount Grace Country House and Spa

# DISTRIBUTION TIME FRAME

## September

M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

## October

M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Last day to trade *cum* interest

4 September



Linked units trade ex-interest

7 September



Record date

11 September



Payment date

14 September



Annual general meeting

30 October





**2010 Annual Results Presentation**

August 2010

