

Lidlelantfongeni Property Section

Overview of Operations

The year under review was highlighted by the strategic re-engineering exercise which began with the exit of some staff at the end of June 2006 and culminated with the transfer of some of our core staff to other departments within SNPF in December 2006.

The department has been able to recruit new personnel in line with the new structure and this has had immediate benefits on the effectiveness and efficiency of the Property Agency. Key changes include;

- i. Redesignation of the maintenance section to Facilities management, accompanied by the recruitment of an experienced maintenance foreman to assume overall responsibility for this key section.
- ii. Recruitment of an accounts officer to co-ordinate the department's procurement and financial reporting activities.
- iii. Strengthening the leasing and credit management functions by recruiting new staff to replace staff who were transferred to SNPF head office.

It is planned that a comprehensive training and development programme will be developed in the 2007/08 fiscal year to ensure that the new team members enhance the department's productivity and service levels.



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Performance of SNPF Investment Properties

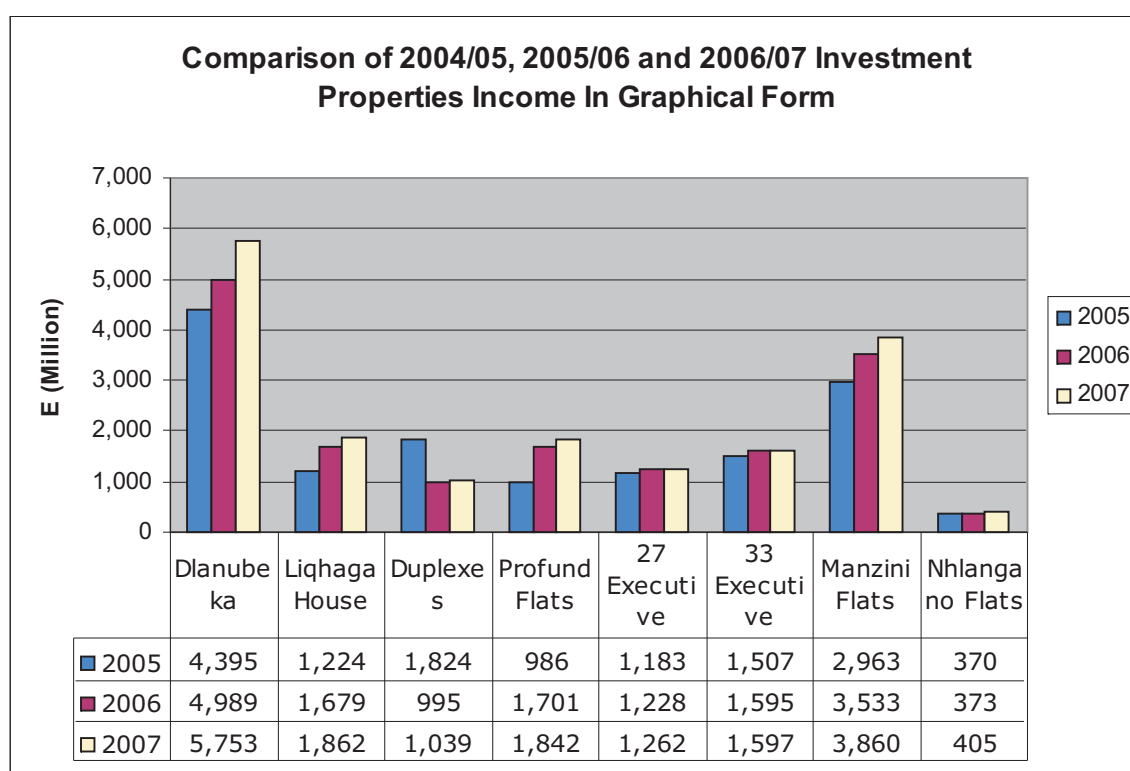
Our investment portfolio is worth E 158 million compared to 2005/06's E 145 million and during the financial year, this portfolio earned a gross income of E 17 million compared to the previous financial year's E 16 million. The table below shows the value and distribution of income from our various investment properties:

Property	Location	Date Comp.	Value (E Million)	Income (E Million)
<u>Commercial Properties:</u>				
Dlanubeka House	Mbabane	1985	E 46, 202	E 5, 753
Liqhaga House	Manzini	1987	E 10, 750	E 1, 862

Residential Properties:

26 Duplexes	Mbabane	1991	E 9, 734	E 1, 039
48 Profund Flats	Mbabane	1992	E 16, 641	E 1, 842
27 Executive Houses	Manzini	1989	E 19, 656	E 1, 262
33 Executive Houses	Manzini	1992	E 19, 040	E 1, 597
Manzini Flats	Manzini	1990	E 32, 250	E 3, 860
Nhlangano Flats	Nhlangano	1990	E 4, 038	E 405
	Total		E 158, 311	E 17, 620

Our investment properties overall performed well and we were able to generate additional income for the Fund as the graph below shows:



Property Management

The primary focus for the year under review was to consolidate the department's established occupancy by renegotiating key leases for the main properties in the portfolio. The real estate industry continues to come under pressure from declining economic activity, increasing inflation and rising interest rates.

Consequently, the number of lease terminations increased as did the rate of rent default especially among residential tenants. Significant work has been done by the property department to prepare development proposals which will provide additional parking for these two buildings.

Mbabane Municipal Council has given approval in principle for the SNPF to purchase land adjacent to Dlanubeka which will be developed to provide an additional 650 parking bays. The proposal for a similar structure for Liqhaga House in Manzini is at final design stage and will be presented to the Investment Committee for approval.

Rental escalations have been between 7% - 9% due to inflation. Below is a breakdown of occupancy by investment as at 30 June 2007.

Commercial	Available	Leased	Vacant	Occupancy (%)
Property				
Liqhaga House	3, 133.00 sqm	3, 066.80	66.20 sqm	98
Dlanubeka House	9, 380.00 sqm	8, 826.00	554.00 sqm	94
26 Duplexes	26	25	1	96
27 Executive Houses	27	27	0	100
33 Executive Houses	33	33	0	100
25 Units Nhlango	25	25	0	100
48 Profund Flats	48	45	3	94
126 Manzini Flats	126	121	5	96

The vacancy remained at 97% on average for this financial period while commercial buildings are greatly affected by the lack of parking space, especially Dlanubeka House. Our residential properties especially Manzini flats and Duplex flats also affected by the lack of parking.

Challenges for 2007/08

The major challenge for 2007/08 will be to improve rental collections as the deteriorating economic climate has seen a sharp increase in the number of rent defaulters especially among the low and middle income earners. In addition, the situation is exacerbated by the fact that government, which leases a significant component of our residential and office portfolio, is facing some challenges in honouring some of its obligations timeously and in full. However talks are ongoing to identify the bottle necks and indications are that a lasting solution will be found soon.

Proposed Establishment of A Property Unit Trust

The Investment committee has previously discussed the opportunity to set up the investment portfolio as a listed entity for two immediate benefits:

- (i) To unlock value currently locked up in the property portfolio and return this to the Fund for use in other activities.
- (ii) To provide a vehicle for members of the Fund and other Swazis to own a stake in a good property portfolio thereby participating in the returns generated.

Projects carried out in 2006/07

Projects carried out as part of LIPS's capital expenditure programme include:

Internal Painting and Tiling	27 Executive	E 160 130
Exterior Painting	Nhlangano Flats	E 160 027
Interior Flooring	Duplex	E 137 945
Interior and Exterior Painting	Piggs Peak	E 104 418
Car Port Refurbishment	Dlanubeka	E 60 602
Workshop Construction	Liqhaga House	E 32 498
	Total	E 655 620

Projects Planned for 2007/08

Dlanubeka House in Mbabane and Liqhaga House in Manzini are scheduled for the first phase (1st) in refurbishment and modernization in order to retain their premier status in a struggling economy and an increasingly competitive office rental market.

Phase one (1) of a major re-routing project of water pipes at Manzini Flats is planned for implementation in the 2007/08 financial year following Board approval. To further increase security at our properties at Moneni, electric fencing and installation of intercoms are to be carried out at 27 Executive Houses and 33 Executive Houses in the 2007/08 financial year.

Our commercial properties, Dlanubeka and Liqhaga House require standby generators and this will be implemented following approval from the Board.

The SNPF will continue to explore opportunities to participate in new property development ventures. This will not only extend the Fund's mandate of contributing to Swaziland's socio-economic development but will also enhance returns on member's funds.