

Adding value by delivering quality and insight into the South African Real Estate industry

Real Estate credentials



Our practice

At PwC, we focus on assurance, tax and advisory services. When you combine those services with our experience, market knowledge and the strength of our global industry programme, we become a strong partner, helping our real estate clients to succeed.

“At PwC we connect our knowledge and expertise in the real estate sector to bring the best of our global network to clients.”

Kees Hage
Global Leader, Real Estate
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What does the strength of our real estate network mean for our clients?

- Extensive, specialist resources in place in all your key locations
- Up-to-date knowledge of your business and regulatory environment in all locations
- Understanding of your business priorities, and the knowledge and experience to help you deal with them
- Forward-thinking research and commentary that help you interpret emerging issues
- Quick access to thought leadership and other industry knowledge.

PwC has the resources and experience to provide the high level of practical knowledge and quality expected by our clients. We can assist you wherever you operate today, and explore the new real estate markets of tomorrow with you. The PwC real estate global network guarantees the availability of the best real estate teams in every country you operate or wish to do business in.

In South Africa we have over 60 partners and staff country-wide who we can draw on specifically to service our real estate clients.

Experience only matters if we bring it to our clients for their benefit.

The recently commissioned Brand Health Index ranks PwC's global real estate brand recognition #1 of the Big Four firms.

Our expertise

Assurance services

PwC is the largest provider of assurance services globally and in South Africa.

Our assurance group provides audit and assurance services to clients on their financial performance and operations. We also help them improve their external financial reporting and adapt to new regulatory requirements such as the King Report of Governance for South Africa 2009, the New Companies Act and International Financial Reporting Standards (IFRS).

The true value of an audit lies in ensuring compliance with exacting rules, regulations and standards. It also lies in assisting our clients in managing the financial hurdles that they encounter on a daily basis, and assisting them to improve financial reporting and related internal controls processes.

Our audit approach can be tailored to meet the needs of any size organisation, as evidenced by our appointment as auditor to not only some of the largest companies, but also thousands of small- and mid-sized businesses. In every case, a PwC audit is underpinned by our deep industry knowledge, wide international experience, global network of skilled professionals and commitment to delivering quality services.

This deep industry knowledge is one of the foundations of our success. Our teams are aligned to the industry groupings in which they have the most expertise, enabling them to deliver tailored solutions to complex issues in these sectors. Our traditional core competency has been augmented over the years by the development of additional services that address our clients' requirements.

Our audit clients include many of the top-performing companies on the JSE Securities Exchange, as well as many small- and mid-sized businesses. In addition to audit services, we also provide accounting and regulatory advice and assurance-related services.

Audit and other assurance services

Our commitment to delivering high-quality assurance services is at the heart of what we do.

We provide comprehensive audit and assurance services, designed to deliver real value and underpin investor confidence.

- Financial statement audit
- Internal audit
- Corporate reporting
- IFRS reporting
- Regulatory compliance
- Risk assurance
- Third party assurance
- Integrated reporting and sustainability.

One of the big advantages of PwC is the strength of our real estate network. We are proud about our level of skills and in-depth understanding of your industry.

Our industry focus ensures that our partners and staff have a thorough understanding of your industry.

We have a dedicated asset management and real estate industry group with extensive experience in providing services to the asset management and real estate industries.

Our involvement in industry project groups assists us in keeping abreast of industry issues. This is further enhanced by regular asset management and real estate training and thought leadership initiatives that we undertake.

We put our extensive knowledge and practical experience to work for our clients where it matters, particularly when it comes to such pivotal issues as acquisitions and disposals, tax structuring, capital market transactions and strategic planning. Outside of the client relationship, we participate in real estate seminars to share knowledge and discuss evolving trends likely to impact you.

Our integrated approach is carried out by a global network of real estate accounting, tax and consulting professionals who can quickly mobilise to form the most qualified team to respond to your needs.

Our audit support team brings the expertise required in your complex environment to ensure value is added throughout the process.

The support team has a wealth of knowledge, including an understanding of the following challenges:

- Complex accounting and IFRS issues
- Real estate valuations
- Valuation of financial instruments
- Taxation, including the impact of REIT legislation
- Systems and process assurance
- Integrated reporting and sustainability.

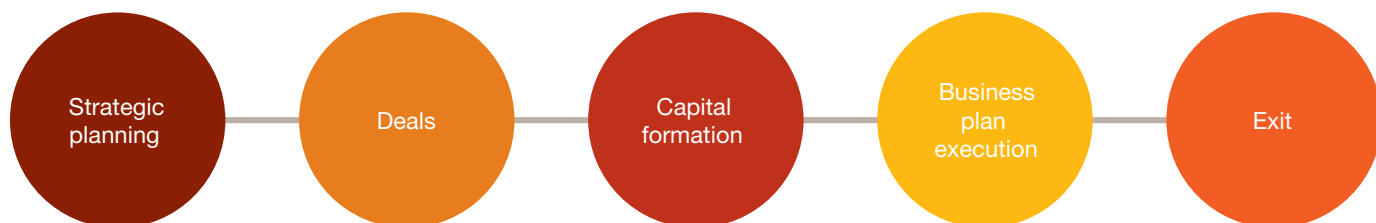
Delivering other assurance services

Our real estate team provides internal audit and other assurance services to some of the largest real estate investors and global funds. Across South Africa, PwC clients can access a team of over 250 internal audit specialists and over 1 200 people experienced in internal audit delivery, with a much wider pool of risk assurance staff and subject matter experts.

As well as internal and external audit, we have specialist resources across the full range of other assurance services, including investment track records, operational controls, corporate social responsibility including health, safety and environmental aspects of real estate management, modelling and regulatory reviews.

We know from experience what matters to you.





Advisory and Tax services

In addition to assurance services, we also provide advisory and tax services in real estate.

PwC advises on the valuation, development and the optimum utilisation of real estate and real estate portfolios and on national and international transactions.

Our goal is to achieve optimum use of existing real estate or effective facilitation of the investment or disinvestment process. In addition, we offer support in improving business processes, as well as conducting examinations from both a technical and economic perspective for all phases of the real estate life cycle.

Finance and tax	With a practice focused on serving real estate owners, advisors and investors, PwC offers unique insights and industry leading practices to address complex financial reporting and tax-related planning challenges, meet regulatory requirements and reduce the impact on company resources.
Operations	Improve primary revenue generating and expenditure streams through transaction support and continuous process improvement throughout the enterprise.
Technology	Align information technology and business strategies to integrate technological foundations, utilize the value of data, empower people, drive innovation and improve operating efficiencies.
Governance, risk and compliance	Implement a disciplined, holistic approach and response strategy for the totality of the risk and compliance environment that combines qualitative and quantitative risk assessment techniques specific to industry.

Finance	Tax
<ul style="list-style-type: none"> Financial Accounting and Reporting Accounting Advisory Initial Public Offerings – REITs Finance Function Effectiveness Global Investment Performance Standards (GIPS) 	<ul style="list-style-type: none"> Tax Compliance Tax Technology Solutions Fund and Investment Tax Advisory REIT Tax Advisory International Tax Transfer Pricing Tax Function Effectiveness Tax Planning Strategies
Technology	Operations
<ul style="list-style-type: none"> System Selection Assistance System Implementation Assurance Information Technology Effectiveness Security Data Privacy and Management Business Continuity Planning 	<ul style="list-style-type: none"> Valuation Transaction Due Diligence Loan Origination Transaction Support & Structuring Restructuring
	Governance, Risk & Compliance
	<ul style="list-style-type: none"> Regulatory Compliance Governance & Board Communications Risk Management Internal Audit Internal Controls & Audits Forensics & Investigations ISO certification Health, safety and environmental compliance



Creative solutions for complex business problems

Complex accounting and IFRS issues

Complex new standards are being promulgated at an unprecedented pace, investors have conveyed concerns that information provided by companies does not meet their needs, and analysts and regulators are fulfilling their responsibilities with additional rigour. These changes are placing significant pressure on organisations and their resources to keep up, creating strain that, if not managed, could be the difference between getting it right the first time and a restatement.

PwC has significant knowledge and experience working with real estate companies as they navigate the complexity associated with the accounting and reporting requirements under IFRS.

South Africa participates in our IFRS Global Real Estate Industry Accounting Group (RE IAG), which comprises 36 members who specialise in the real estate sector.

The RE IAG is responsible for identifying issues, promoting thought-leadership papers and communicating to the wider network.

The group's achievements include the provision of:

- Guidance in the form of solutions addressing complex issues faced by the real estate industry
- Input into PwC's comment letters on new accounting standards and interpretations
- The Illustrative IFRS consolidated financial statements – investment property.

Combining our members' wide range of views and experiences from around the world enables us to ensure a consistent application of IFRS on a global basis, and promote a thought-leadership process that puts PwC at the forefront of IFRS decision-making.

Real estate valuation services

Real estate valuations are key for financial reporting as well as for making critical business decisions. Our real estate valuations team provides support to our assurance teams on valuations and valuation benchmarking. Our professionals combine financial expertise with industry experience to provide our clients with the comprehensive valuation advisory services necessary to make these critical decisions.

Valuation of financial instruments

Our valuations experts in the Actuarial, Risk and Quants (ARQ) team specialise in the valuation of financial instruments. We understand the subjectivity around valuation models and the impact that these may have. We also assess the governance process that the entity has in place to monitor valuations. Our ARQ team has experience in:

- Valuation of complex financial derivatives
- Valuation of embedded derivatives
- Valuations with respect to share-based payments
- Valuations with respect to hedge effectiveness testing
- Validation of financial instrument models.

Real estate fund and REIT tax compliance services

These are new structures in the South African environment, and PwC assisted with the development of the legislation by providing National Treasury with comments and suggestions on the proposed legislation. The REIT structure is in line with international best practices – having a globally understood structure will make our listed property sector much more attractive to foreign investors. We provide training and advice on the implications of these structures. We also provide JSE sponsorship and assist with new listings and REIT conversions.

The tax advantages of the new structure will also make the listed property sector much more attractive to local investors.

We understand the current anomalies with regard to potential tax exposure where a REIT has entered into hedging arrangements; potential double taxation on dividends received from sources other than from other REITs; tax exposures on buy-back transactions; tax exposures if a joint venture partner becomes a REIT; and where dividends are declared in the year of conversion to a REIT.

Technology & Process Assurance

Our real estate professionals provide our clients with a number of real estate audit and consulting services, including process improvement, IT organisational effectiveness, system selection, systems pre-implementation reviews, operational improvement services, internal controls reviews and data security reviews. Our team's deep level of real estate technology and business operations experience gives us an advantage in identifying true functional and technical gaps in processes to determine the best possible solutions for our client organisations.

Integrated reporting and sustainability

Drawing on our proven capabilities in financial reporting and auditing and specialist advisory services, PwC has developed a comprehensive service to assist clients to report and assure non-financial information, including:

- Integrated report development and guidance, taking into account the Global Reporting Initiative framework, if requested
- Integrated report audit and assurance – in line with the King III principles on Combined Assurance, our team follows a 'one team' approach by aligning our sustainability assurance work to that of the financial audit as well as other assurance providers such as internal audit and ISO certification providers
- Sustainability and integrated report assurance, using a methodology based on a combination of ISAE3000 and AA 1000AS assurance standards as well as other specific standards (e.g. GRI and ICMM)
- Sustainability strategy and policy formulation
- Sustainability systems and process development
- Director and specialised management training in sustainable development
- Facilitation of stakeholder engagement processes
- Technical health, safety and environmental services
- Climate change strategy development, carbon footprints and life cycle assessments
- Health, safety and environmental compliance, ISO 9001 and 14001 certification, OHSAS 18001 certification.

Property operation reviews

PwC's property review approach is designed to add value by providing timely business advice, observations and control recommendations that are intended to reduce financial and operational risks of the property managers in the day-to-day management of your real estate investments. Our philosophy is to first understand your desired objectives of the work and then tailor a plan to address those needs. A customised plan is facilitated through a three-phase process of planning, execution and reporting. Key components of property reviews can include the evaluation of: lease administration and collections; completeness of turnover rentals and operating cost recoveries; vacancy management; cash and security deposits, and related-party transactions; purchasing and payables; inventory of fixed and other assets; property payroll; maintenance planning; property insurance and liability; and fraud mitigation controls.

Property due diligence services

A thorough due diligence analysis is critical to the transaction process. Escalation of key deal issues on a timely basis is imperative and can result in concessions or cancellation of deals. Companies' diligence requirements differ, as they may conduct a diverse array of due diligence analyses in advance of purchase or sale. That said, with large transactions, companies may look to outsource a portion of the tasks to or supplement their internal staff with capable third parties. PwC's transaction due diligence services are designed to assist owners and purchasers of real estate and real estate-related companies in all phases of the transaction. Our practice possesses a unique blend of professional experience that understands the timing and intricacies of the deal, with a focus on efficient execution. Our extended staff of professionals provide clients with additional resources to perform a wide array of due diligence services in a condensed time period.

We recently received the 2013 "Financial Due Diligence Provider of the Year – South Africa" and "Financial Consultancy of the Year – Africa" awards from Global 100.

Cash-flow modelling and model testing

Whether single asset or large portfolio, acquisitions present financial risk. In joint venture situations, a partner or seller may provide financial models or models prepared in-house which may contain errors. Modeling property or portfolio-level cash flows is an intensive process. PwC's Real Estate Advisory team includes financial, project management, risk management, operational and valuation professionals who specialise in providing commercial real estate users and investors with advisory services.

These services include the identification, assessment and mitigation of real estate investment risks. Our team is dedicated to the commercial real estate industry, and our professionals are intimately aware of the prevalent practices in the industry.

PwC is frequently called in to assist clients with cash-flow modeling and model testing in a wide range of transactions. We have a team of real estate specialists ready to assist with acquisitions of all property types. In addition to having capabilities to perform modeling, the team has substantial experience with model testing.

Enterprise risk management and internal audit

We provide enterprise risk management services to the real estate industry, including assisting with the design and implementation of an enterprise-wide risk management framework for the identification and management of financial, business and operational risks. We are also able to assist with risk management policy development, and conduct strategic risk assessment workshops.

PwC's Internal Audit Services practice provides a full range of services to our real estate clients. These range from outsourcing and co-sourcing to Sarbanes-Oxley services and Quality Assurance Reviews that go above traditional financial reporting to help internal audit realise its full strategic potential. All of these services encompass PwC's real estate experience and knowledge.

Human resource tax services

Our reward consulting team is well positioned to help develop an effective global total compensation programme. The transition to a global total compensation platform allows companies to be more competitive locally and globally, and to ensure internal parity in the way they reward their employees. Our services include:

- **Executive reward** – Benchmarking, base pay, short- and long-term incentives, total reward statement and benefits.
- **Design of long- and short-term incentive plans and broad-based employee plans** – Based on local and international best practice, including tax structuring, financial modelling, and statutory and IFRS 2 compliance and implementation.
- **Standing adviser to Remuneration Committee of real estate entities** – Advice on the roles and responsibilities of members, maintaining and assessing Remuneration Committee effectiveness and all aspects relating to non-executive and executive remuneration.
- **Taxation and legal advice** – Tax implications of share plans for participants, companies and trusts.
- **Financial modelling for clients** – Volatility, risk-free rates, dividend yields, IFRS 2 modelling, impact of performance measures and financial reporting.
- **Governance** – All aspects relating to reward governance, including a full gap analysis of the remuneration policy and disclosure requirements, and assistance with the preparation of remuneration reports compliant with King III and the Companies Act, 2008.
- **REMchannel®** - Provides benchmark data for more than 1 700 positions across a variety of disciplines and industries, including real estate.

Helping you to stay ahead

Our commitment to the real estate industry goes beyond our services. We share our widespread industry expertise through our established industry programme of regular thought leadership and events. We want to tell you things you don't know, as well as giving you new angles on headline industry trends.

Emerging Trends in Real Estate 2013®

Based on interviews with the most senior property professionals, The Emerging Trends in Real Estate © regional reports, produced annually by PwC in association with the Urban Land Institute, are a key indicator of sentiment in global real estate.



Emerging trends in Real Estate – A global view

In June 2013, PwC launched this global view of emerging trends in the real estate market, with key themes for the global commercial and residential real estate industry.



Compare and contrast: Worldwide Real Estate Investment Trust (REIT) Regimes

During the past year, Real Estate Investment Trusts (REITs) have come back from the financial crisis, showing an impressive upswing. The REIT regimes respond well to the ever-changing market environment and are continuously evolving.



This publication keeps you up to speed and lets you compare the key attributes of selected REIT regimes.

IFRS updates: Asset Management and Real Estate

Many accounting changes must be applied by IFRS reporters now. Asset managers and real estate companies need to clearly understand how these changes will impact multiple facets of their business. PwC offers insights through issue-specific material to help asset managers and real estate companies respond to reporting requirements currently and in the future.



Key Tax Issues at Year-End for Real Estate Investors 2012/13

International tax regimes are diverse, complex and variant, and they are usually full of fixed dates, terms and deadlines. These dates, terms and deadlines need to be observed carefully in order to avoid penalties and to receive certain tax reliefs or exemptions. At year-end these obligations become even more difficult to understand and fulfil, particularly for real estate investors with investments in numerous countries.



This publication gives investors and fund managers an overview of year-end to-do's and important issues in real estate taxation in 39 tax systems worldwide. Furthermore, it highlights what needs to be considered in international tax planning and the structuring of real estate investments.

Real Estate Tax Services NewsAlert

PwC distributes ad-hoc tax news alerts from all over the world.



The latest tax alert focused on implementing the AIFM Directive.

Real Estate Insights

This quarterly newsletter keeps practitioners in touch with the latest trends in real estate markets, spanning markets from Europe to the Americas.



Your SA real estate team



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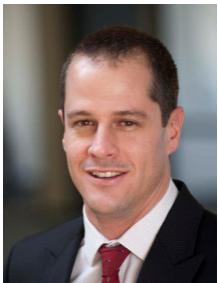


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