

# New property indices expand investor choice

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The phasing out of the FTSE/JSE South African Listed Property Index (Sapy) and the creation of three indices have been welcomed by numerous fund managers, whose investment choice has been expanded.



Bid	Offer	Vol O		
1.49	1.50	91,700	1.49	7,772,000
2.42	2.44	664,300	2.38	220,200
2.98	3.00	48,200	2.94	12,913,100
8.90	8.95	43,700	8.90	1,084,000
2.58	2.60	74,800	2.56	2,821,000
8.70	8.75	1,000	8.75	8,200,200
3.00	3.02	7,300	3.06	3,842,400
4.14	4.18	176,300	4.20	104,383,000
5.25	5.30	312,700	5.20	8,378,200
4.36	4.38	605,800	4.40	
			Avg/Close	7.95
				7.95
			Ceil/Floor	10.30

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The proposed changes will see the launch of the South African Reit index, the All Property index and the Tradable Property index as Sapy is phased out.

The Sapy comprises the top 20 liquid property companies by market capitalisation with a primary listing on the JSE. They are now worth about R464bn. The sector itself has a market cap of about R750bn.

The Sapy is being changed because it is no longer considered an appropriate benchmark by which to measure the performance of portfolio managers and sub-sectors. Critics say the sector is too diverse to be represented by just one index.

Passive fund managers have been seeking better tailored indices, which separate incomepaying real estate groups from developers, to better suit the needs of retirement investment.

Investors object to a high concentration of large, local stocks that are not weighted appropriately, with Growthpoint

Properties and Redefine Properties standing out.

In addition, they say the existing index is unfocused because it includes real estate investment trusts (Reits) and development companies, and inward listings are excluded.

The South African Reit index will include every Reit that has a primary JSE listing, is domiciled in SA and is a constituent of the JSE's all share index.

By definition, a South African Reit must pay at least 75% of its distributable profit to its investors.

Chris Segar of Ivy Asset Management said the South African Reit index was especially attractive as it would allow investments in a low-cost and high-yield passive instrument.

The South African Reit Index excludes foreign companies, which means local yields are not diluted by lower foreign yields.

"We regularly use low-cost property index funds for our retired investors, who seek high income yields to live on," said Segar.

The All Property index will include all property companies on the bourse.

"This index will suit people looking for a broad performance benchmark and who are not concerned about where a property fund or its assets are based, as long as the shares are tradable in rand," said Mark Randall, the JSE's index and valuations manager.

The index would weight companies based on their South African shareholder base, preventing the index from being dominated by foreign counters.

The Tradable Property index, which is a variant of the All Property index, takes liquidity into account.

*Source: Business Day*

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