



SA Corporate June 2021 Interim Results Presentation

17 September 2021

INDUSTRIAL | RETAIL | OFFICE | RESIDENTIAL | REST OF AFRICA



AGENDA

- 01 Introduction & Overview**
Rory Mackey
- 02 Strategy Update**
Rory Mackey
- 03 Portfolio Performance**
Rory Mackey
- 04 Financial Performance**
Antoinette Basson
- 05 Outlook**
Rory Mackey



INTRODUCTION & OVERVIEW

RORY MACKEY

Overview



Interim distribution

Interim distributable income of
R344.5 million or **13.70 cps**
(June 2020: R311.1 million or 12.37cps)

Distribution declared of **10.27 cps**
based on a **75%** payout ratio
(June 2020: In the interest of capital preservation, no interim distribution was made)

Portfolio performance

Total net property income of
R589.8 million
(June 2020: R542.4 million)

Total like-for-like net property income of
R545.4 million
(June 2020: R500.7 million)

Traditional portfolio vacancies of
3.6% of GLA
(June 2020: 5.0%)

Overview



Property activity

Contracted and executed disposals

R1 849.3 million

(H1 2021 transferred: R545.7 million;
2021 contracted: R1 303.6 million;
of which R210.7 million transferred post June 2021)

Assets under management of

R16.4 billion

(December 2020: R17.1 billion)

Capital structure

Loan-to-value ratio of **38.4%***
(December 2020: 38.6%)

Weighted average cost of funding
of **5.4%** (December 2020: 5.2%) exclusive
of swaps and
7.8% (December 2020: 7.7%) inclusive

Effective fixed debt of **72.2%**
with a weighted average tenor of
2.5 years

** Net debt LTV excluding derivatives, which if
included would be 40.0% (December 2020:
41.2%).*



STRATEGY UPDATE RORY MACKEY

ENABLERS

Financial Sustainability
Human Capital Development
Operational Optimisation
Execution Discipline



PORTFOLIO FOCUS

Convenience Oriented Retail Portfolio
Quality Industrial Property Portfolio
Quality Residential Rental Portfolio
Divesting from Commercial



SUSTAINABLE DISTRIBUTION

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SUSTAINABLE DISTRIBUTION

ACTIONS

• **DIVESTMENTS SINCE 1 JAN 2021 TO DATE - R1.849 bn:**

- Transferred in 2021 – R756.4m (R210.7m post 30 June 2021)
- Contracted R1 092.9m
- Includes 20m SAR shares sold @ R6/share = 22.7% premium to 15 September 2021 closing

• **DEBT SETTLEMENT:**

- CCIRS of R10m extinguished May
- AFD amortising debt of R59.6m settled April
- Term debt of R300m settled July
- USD 13.6 m Zambian JV debt in Mauritius secured by SAC converted to Kwacha with no recourse to SAC in August
- Term debt of R200m anticipated to be settled in September

• **IMPROVED METRICS**

- Net debt LTV excl. gtees & derivatives = 38.4% & targeted = 37.5% by YE
- Net ICR = 2.5

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SUSTAINABLE DISTRIBUTION

ACTIONS

- ASSET MANAGEMENT TEAM ESTABLISHED & FOCUSSED
- PERFORMANCE MEASURED AGAINST BUSINESS PLAN ANNUAL TARGETS

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SUSTAINABLE DISTRIBUTION

ACTIONS

- **LEASING:**

- 2021 H1 Afhco leasing averaged 468 units per month
- 2021 H1 retail leasing 44 646 m² with almost 60% of renewals completed with less than 10% of all expiring leases anticipated not to renew.

- **COLLECTIONS:**

- 2021 Q2 SA portfolio collections 104%

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SUSTAINABLE DISTRIBUTION

ACTIONS

- **BUSINESS PLANS FOR EVERY PROPERTY UPDATED MONTHLY**
- **JULY RIOTS DAMAGE REINSTATEMENT:**
 - 4 shopping centres significantly damaged
 - SASRIA insurance sufficient to cover damage & loss of income
 - Claim lodged 7 August
 - Initial claim release on 13 September
 - Davenport fully trading
 - Pine Walk fully trading except for 1 store
 - Umlazi Mega City trading except for 5 stores that suffered extensive fire damage which will be trading by end November
 - Springfield restoration to be phased with Pick n Pay trading, another 5 stores trading by end November and the last phase requiring a complete rebuild to be completed by August 2022

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SUSTAINABLE DISTRIBUTION

ACTIONS

- **IMPROVING PORTFOLIO THROUGH REDEVELOPMENT**
 - **Morning Glen**
 - New access off Kelvin Road to be completed by end September 2021
 - Improvements to existing Kelvin Road access to be completed by end December 2021
 - New parking deck to serve new western mall entrance to be completed by December 2021
 - Fresh Earth specialist food to commence trading Q1 2022
 - Advanced negotiations with lifestyle restaurants to commence trading H1 2022
- CONTINUE TO STRENGTHEN TENANT COVENANT

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SUSTAINABLE DISTRIBUTION

ACTIONS

- **IMPROVING PORTFOLIO THROUGH REDEVELOPMENT**
 - Morning Glen
 - **Montana Crossing**
 - Planning of access improvements progressing positively with favourable negotiations with affected tenant
 - Storage developed in mothballed space
 - Expanded home & decor offer
- CONTINUE TO STRENGTHEN TENANT COVENANT

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SUSTAINABLE DISTRIBUTION

ACTIONS

- **IMPROVING PORTFOLIO THROUGH REDEVELOPMENT**

- Morning Glen
- Montana Crossing
- **Northpark Mall**
 - Grocer (OBC) 7-year lease with improved parking to trade Q1 2022
 - Medical services introduced
 - Office to residential conversion:
SHRA accreditation received for 133 units & FLISP sales advanced on other 123 units

- CONTINUE TO STRENGTHEN TENANT COVENANT

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SUSTAINABLE DISTRIBUTION

ACTIONS

- IMPROVING PORTFOLIO THROUGH REDEVELOPMENT
- **CONTINUE TO STRENGTHEN TENANT COVENANT:**
 - **Musgrave Centre**
 - Food Lovers Market new 10-year lease to commence November 2021 (delayed by riots)
 - Pick n Pay renewed 10-year lease with total store upgrade at tenant's cost
 - Dischem new 5-year lease commenced trading in June
 - Medical services introduced
 - Increased convenience offering
 - Exciting new apparel

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SUSTAINABLE DISTRIBUTION

ACTIONS

- IMPROVING PORTFOLIO THROUGH REDEVELOPMENT
- **CONTINUE TO STRENGTHEN TENANT COVENANT:**
 - Musgrave Centre
 - **Bluff Towers**
 - Clicks replacing Edgars to commence September
 - Long standing vacancy > 1 000 m² in stand-alone building leased to China Hyper to commence trading December 2021

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SUSTAINABLE DISTRIBUTION

ACTIONS

- IMPROVING PORTFOLIO THROUGH REDEVELOPMENT
- **CONTINUE TO STRENGTHEN TENANT COVENANT:**
 - Musgrave Centre
 - Bluff Towers
 - **EastPoint**
 - Dischem repositioning to strengthen eastern entrance in November
 - Dealz to commence trading in 420 m² in November
 - Food market to commence trading in 575 m² in October
 - Increased convenience offering

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SUSTAINABLE DISTRIBUTION

ACTIONS

- IMPROVING PORTFOLIO THROUGH REDEVELOPMENT
- **CONTINUE TO STRENGTHEN TENANT COVENANT:**
 - Musgrave Centre
 - Bluff Towers
 - EastPoint
 - **51 Pritchard Street**
 - Woolworths 2 428 m² lease to commence trading May 2022
 - Clicks to simultaneously occupy 640m²

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ACTIONS

- IMPROVING PORTFOLIO THROUGH REDEVELOPMENT
- **CONTINUE TO STRENGTHEN TENANT COVENANT:**
 - Musgrave Centre
 - Bluff Towers
 - EastPoint
 - 51 Pritchard Street
 - **Umlazi Mega City**
 - Meat & Chicken trading since May
 - Build-It 2 800 m² lease concluded
 - Wimpy to take occupation with restoration works

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SUSTAINABLE DISTRIBUTION

ACTIONS

- IMPROVING PORTFOLIO THROUGH REDEVELOPMENT
- **CONTINUE TO STRENGTHEN TENANT COVENANT:**
 - Musgrave Centre
 - Bluff Towers
 - EastPoint
 - 51 Pritchard Street
 - Umlazi Mega City
- **Important renewals**
 - The Oaks – Checkers
 - Celtis Ridge – Spar
 - Musgrave Centre – Engen, Woolworths & Truworths

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SUSTAINABLE DISTRIBUTION

ACTIONS

- IMPROVING PORTFOLIO THROUGH REDEVELOPMENT
- **CONTINUE TO STRENGTHEN TENANT COVENANT:**
 - Musgrave Centre
 - Bluff Towers
 - EastPoint
 - 51 Pritchard Street
 - Umlazi Mega City
 - Important renewals
- **Increased convenience offer**
 - Celtis Ridge, Town Square, Hayfields, Midway Mews, & Coachmans Crossing

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SUSTAINABLE DISTRIBUTION

ACTIONS

- **QUALITY REFINEMENT THROUGH DISPOSALS:**
 - Divested from all leasehold properties & remaining portfolio comprises 54 properties being 74% logistics & 85% > 4 000 m²
- **CONTINUE TO STRENGTHEN TENANT COVENANT:**
 - 5-year renewal of Twinsaver i.r.o. 28 500 m² facility at cnr Staal & Stephenson Road, Pretoria, at - 14.2% reversion
 - Concluded negotiations with Tiger Brands for them to relocate 1 300 m² of their offices to the 70 000 m² Jet Park precinct
 - 85% of 2021 expiries have been addressed through renewals, re-lets and disposals
 - For the 15% remaining 2021 expiries negotiations are advanced and renewals of most if not all are anticipated

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SUSTAINABLE DISTRIBUTION

ACTIONS

- **QUALITY REFINEMENT THROUGH DISPOSALS & INCREASED SUBURBAN EXPOSURE:**
 - Strategy to be invested in Johannesburg inner-city precincts in which Afhco can ensure accessibility, security & lifestyle and attractive suburban nodes
 - Divested from non-core 290 apartments for R126.8m (transferred R28.1m; contracted R98.7m) at average exit yield of 8.4%
 - Transferred 1 & contracted the sale of 10 inner city properties not in precincts totalling R610.8m at average exit yield of 8.7%
 - 200 apartments at The Falls Lifestyle Estate (80% interest) transferred with remaining 280 to transfer in 2021 H2 and 2022 H1
- REINSTATING STABLE TENANT BASE

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SUSTAINABLE DISTRIBUTION

ACTIONS

- QUALITY REFINEMENT THROUGH DISPOSALS & INCREASED SUBURBAN EXPOSURE
- **REINSTATING STABLE TENANT BASE:**
 - Occupancy in 2021 H1 increased to 91.6% with collections exceeding 100% in Q2 (excluding students).
 - Executed comprehensive marketing campaign

Afhco Marketing - Traditional



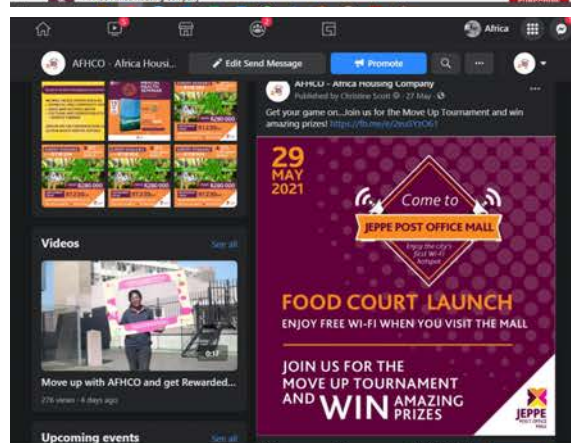
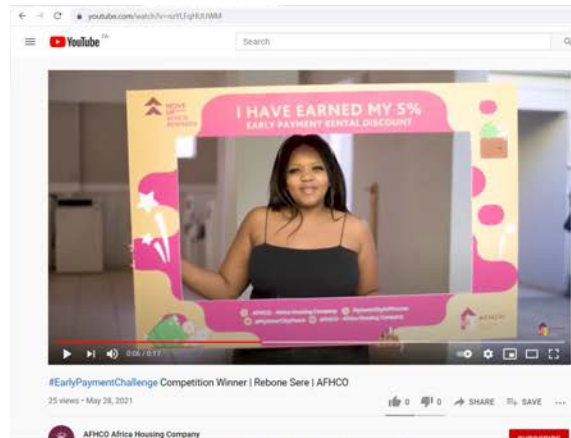
Whilst we continue to deploy traditional marketing interventions of billboards, flyer distribution, activations & radio advertising ...



Afhco Marketing - Digital



... we are increasing our use of digital targeted campaigns



BUSINESS INSIDER SOUTH AFRICA

businessinsider.co.za/business/nedbank-now-allows-homebuyers-to-calculate-home-loans-via-a-usdd-code-heres-how-2020-12

TRENDING BUSINESS MONEY & MARKETS TECH

Learn more

Replay

According to Nedbank's Bruno Ching'andu, home loans head of consumer strategy, most consumers in the LSM groups from 1 to 5 do not believe owning a home is within their reach.

What we found is that they are either inadequately informed, or uncomfortable to use mobile apps which require data, where affordability tools usually reside," Ching'andu said.

ie said many entry level consumers find that the bond they qualify for is cheaper compared to what they would pay in rent for the same property.

"Over time the money they put into their property whether it's

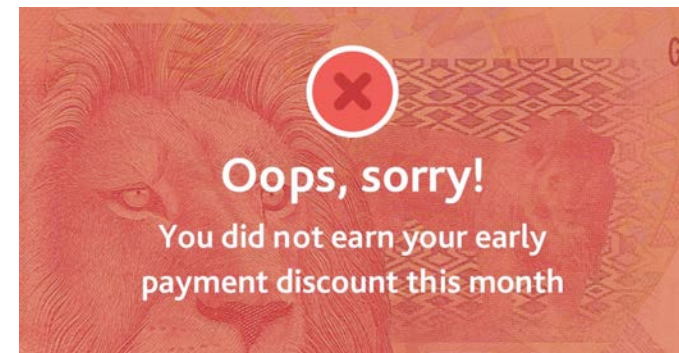
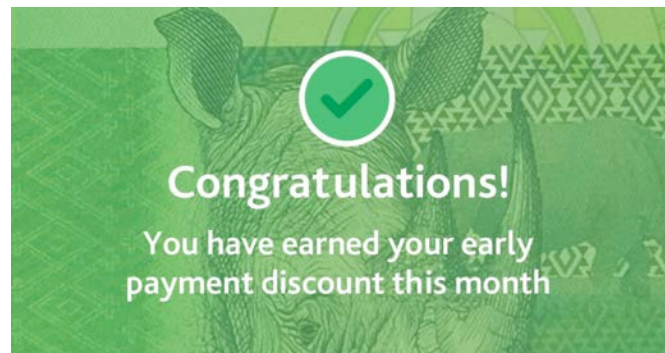
- On-Facebook Leads: 1,087
- Website Leads: 141
- Impressions: 124,995
- People Reached: 536,422
- Landing Page Views: 604
- Post Engagements: 35,705
- ThruPlays of the slideshow: 17,731
- Post Reactions: 423
- Cost Per Lead: R12.34

91% of leasing & sales leads are from digital marketing interventions (e.g. website, social media, search engine advertisements)

Afhco Marketing – On Time Payment Discount



- Monthly on time payment discount – 5%
- Consecutive 6 months on time payment discount – additional 5%



Examples of statement stickers subsequent to tenant letters marketing on time payment discount programme

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SUSTAINABLE DISTRIBUTION

ACTIONS

- **DIVESTMENT**

- 3 The Terrace transferred, 12 Sookhai Place & 21 Fricker Road anticipated to transfer by end October 2021 totalling R54.2m

- **LEASING:**

- 102 Essenwood 100% occupied
- Greenpark Corner 75% occupied with 1 874 m² new lets YTD
- Storage of 4 900 m² being investigated at Nobel Street, Bloemfontein & Allen Drive, Bellville



PORTFOLIO PERFORMANCE

RORY MACKEY

SA Portfolio: Retail

Value of South African
portfolio

44.6%

(2020 H1: 44.5%; 2020 FY: 43.7%)



Like-for-like NPI growth

19.7%

(2020 H1: -14.2%;
2020 FY : -18.8%)

Trading density growth

7.5%

(2020 H1: -7.8%;
2020 FY : 3.2%)

WALE

3.6 Years

(2020 H1: 3.6 years;
2020 FY : 3.6 years)

Vacancy¹

4.5%

(2020 H1: 5.1%;
2020 FY : 4.6%)

ECL and rent relief

-82.2%

2021 H1: R9.7 m; 2020 H1:
R54.3 m; 2020 FY : R98.0 m)

Rental escalation

7.0%

(2020 H1: 7.3%;
2020 FY : 7.2%)

Collections

97.3%

(2020 H1: 71.7%;
2020 FY : 90.7%)

Rental reversion

-8.8%

(2020 H1: -0.2%;
2020 FY : -7.0%)

Arrears

8.4%

(2020 H1: 11.9%;
2020 FY: 8.9%)



EAST POINT
SHOPPING CENTRE



MORNING GLEN MALL



SA Portfolio: Industrial

Value of South African
portfolio

22.8%

(2020 H1: 25.0%; 2020 FY : 24.6%)



Like-for-like NPI growth

8.3%

(2020 H1: -19.5%;
2020 FY: -7.9%)

ECL and rent relief

-138.3%

(2021 H1: -R6.6 m; 2020 H1:
R17.1 m; 2020 FY: R12.4 m)

Vacancy

0.6%

(2020 H1: 3.9%;
2020 FY: 1.5%)

Collections

103.4%

(2020 H1: 86.5%;
2020 FY: 100.9%)

Rental escalation

6.8%

(2020 H1: 7.2%;
2020 FY: 7.1%)

Arrears

2.6%

(2020 H1: 7.9%;
2020 FY: 7.3%)

Rental reversion

-2.9%

(2020 H1: -1.1%;
2020 FY: -12.7%)

WALE

3.2 Years

(2020 H1: 3.1 years
2020 FY: 3.0 years)

Logistics

73.9%

(2020 H1: 68.9%;
2020 FY: 71.5%)

SA Portfolio: Commercial

Value of South African
portfolio

2.6%

(2020 H1: 3.0%; 2020 FY : 2.9%)



Like-for-like NPI decline

-7.8%

(2020 H1: -35.6%;
2020 FY: -15.9%)

ECL and rent relief

-12.8%

(2021 H1: R3.2 m; 2020 H1:
R3.7 m; 2020 FY : R5.3 m)

Vacancy

25.1%

(2020 H1: 16.5%;
2020 FY: 16.9%)

Collections

90.5%

(2020 H1: 82.3%;
2020 FY : 92.6%)

Rental escalation

7.8%

(2020 H1: 7.8%;
2020 FY: 7.9%)

Arrears

19.3%

(2020 H1: 11.1%;
2020 FY : 21.2%)

Rental reversion

-26.6%

(2020 H1: -7.9%;
2020 FY : -9.1%)

WALE

1.3 Years

(2020 H1: 1.2.years;
2020 FY: 1.1 years)

Tenant retention success rate

64.0%

(2020 H1: 79.4%;
2020 FY: 66.2%)

Buildings Sold

**1 property transferred & 3
contracted & still to transfer in 2021**

(2020: 1 Building sold)

SA Portfolio: Afhco

Value of South African portfolio

30.0%

(2020 H1: 27.5%; 2020 FY : 28.8%)



TOTAL

Like-for-like NPI decline

-6.1%

-3.1% excl. management, IT & marketing costs

(2020 H1: -25.6%;
2020 FY: -24.8%)

ECL and rent relief

-50.0%

(2021 H1: R20.6 m; 2020 H1:
R41.1 m; 2020 FY : R88.0 m)

Collections (excl. students)

92.6%

(2020 H1: 68.4%;
2020 FY : 88.4%)

RESIDENTIAL (83.9% of portfolio)

Vacancy – Residential ¹

8.4%

(2020 H1: 12.7%;
2020 FY: 15.4%)

Rental increase on expiring leases

0.0%

(2020 H1: 3.3%;
2020 FY: 1.8%)

New lease discounting

-8.0%

RETAIL (16.1% of portfolio)

Vacancy - Retail

5.5%

(2020 H1: 4.9%;
2020 FY: 5.7%)

Rental escalation

7.4%

(2020 H1: 8.5%;
2020 FY: 7.7%)

Rental reversion

-4.0%

(2020 H1: -12.1%;
2020 FY: -10.7%)

Tenant retention

23.7%

(2020 H1: 81.6%;
2020 FY: 87.0%)

Zambian Portfolio: Zambian JV

50% Property value:

R789.4m

(2020 H1: R1 104.4m; 2020 FY: R879.6m)



50% NPI Growth -18.8% (USD) -29.1%(ZAR)

2020 H1: -21.6% (USD) -8.2% (ZAR)

2020 FY: -29.0% (USD) -19.1% (ZAR)

East Park Mall

Vacancy

19.7%

(2020 H1: 18.3%;
2020 FY: 16.4%)

Rental escalation (USD)

2.7%

(2020 H1: 2.7%;
2020 FY: 2.7%)

Retention rate

100%

(2020 H1: 100%;
2020 FY: 100%)

Rental reversion (USD)

0.1%

(2020 H1: -14.8%;
2020 FY: -16.3%)

Acacia Office Park

Vacancy

14.8%

(2020 H1: 5.6%;
2020 FY: 5.6%)

Rental escalation (USD)

2.0%

(2020 H1: 1.8%;
2020 FY: 1.8%)

Retention rate

100%

(2020 H1: 100%;
2020 FY: 100%)

Rental reversion (USD)

0.0%

(2020 H1: -20.0%;
2020 FY: -20.0%)

Jacaranda Mall

Vacancy

29.3%

(2020 H1: 17.7%;
2020 FY: 19.4%)

Rental escalation (USD)

3.0%

(2020 H1: 3.0%;
2020 FY: 3.0%)

Retention rate

100%

(2020 H1: 100%;
2020 FY: 100%)

Rental reversion (USD)

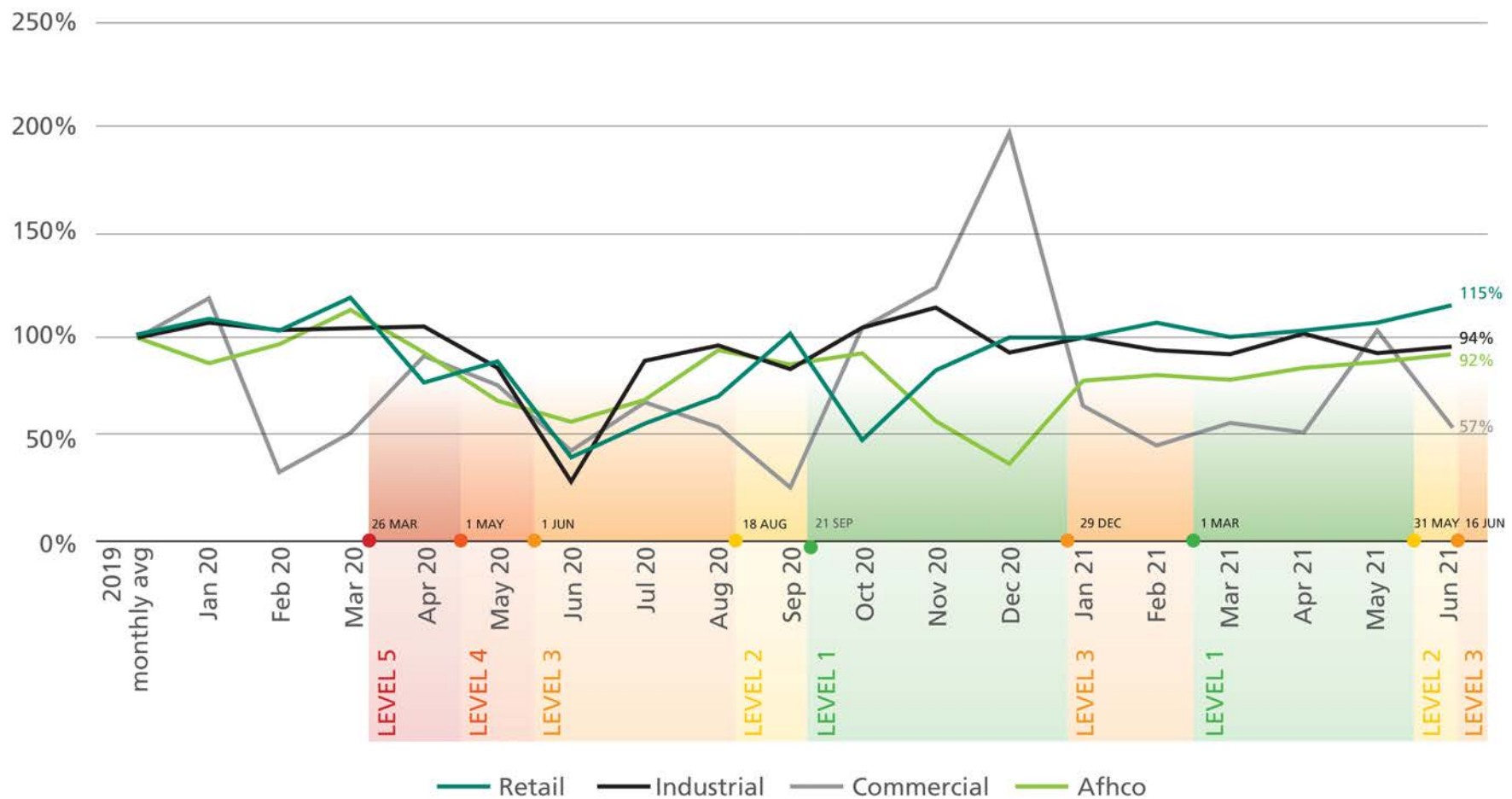
-12.3%

(2020 H1: -17.6%;
2020 FY: -15.6%)

SA Portfolio LFL NPI Indexed



Like-for-like NPI Indexed
(100% = 2019 NPI/12)

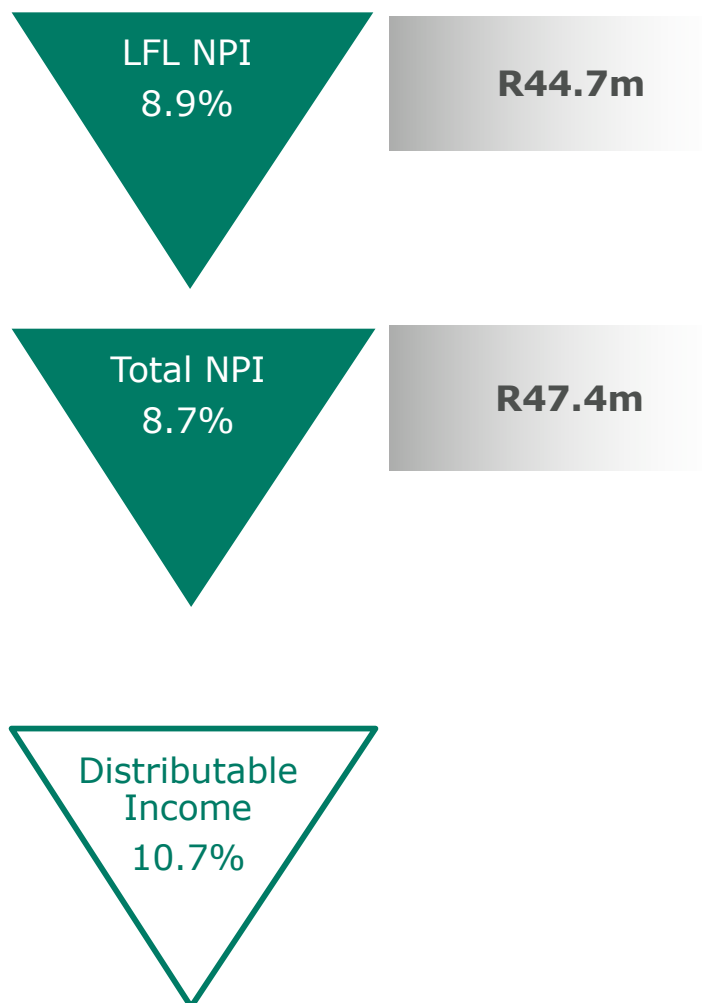




FINANCIAL PERFORMANCE

ANTOINETTE BASSON

H1 2021 Distribution analysis



Like-for-Like

- Reduced rental relief and deferment – R56.0m
- Reduced ECL – R21.5m
- Vacancies & expenses – (R32.0m)
- Negative reversions – (R0.8m)

Developments, Disposals & Acquisitions

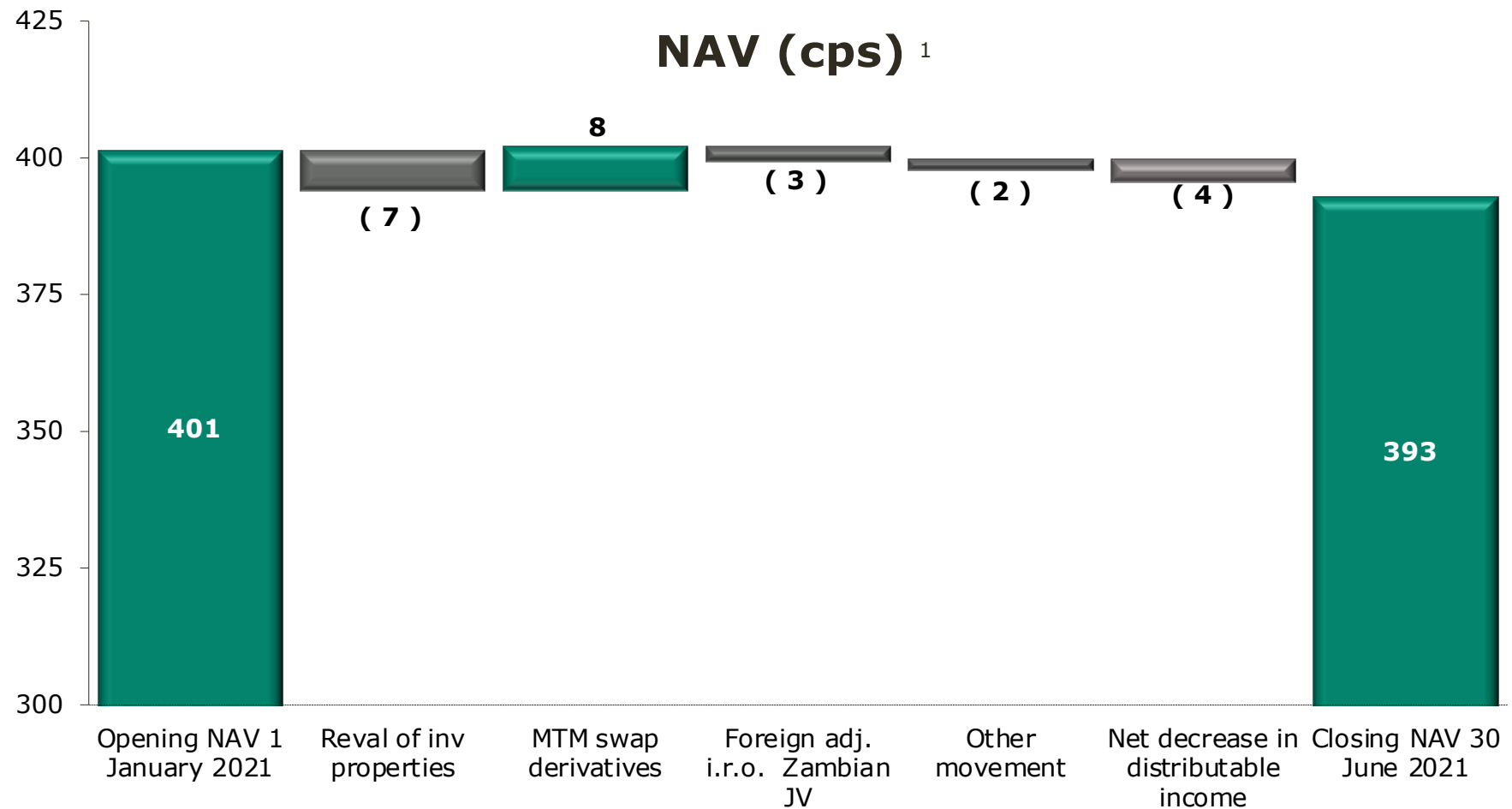
- Reduced rental relief – R3.5m
- Reduced ECL – R9.6m
- Increased rental – R0.5m
- Municipal & other expenses – (R7.6m)
- Afhco residential units – (R3.3m)

- Tax – R5.0m
- Investments (Listed, Unlisted) & JV Income – (R3.0m)

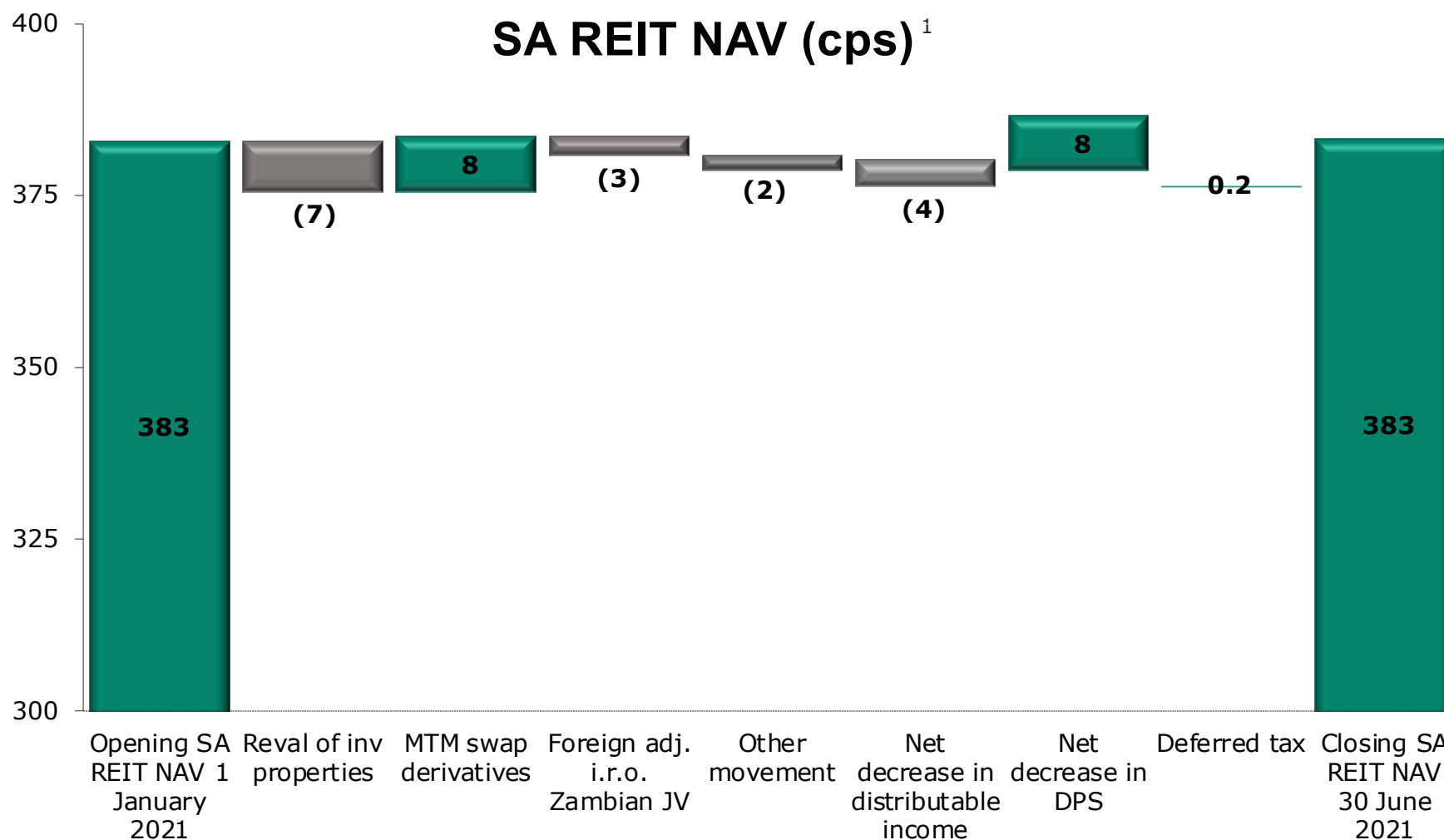
GEARING IMPACT

- Distributable income 13.70cps (2020: 12.37cps)

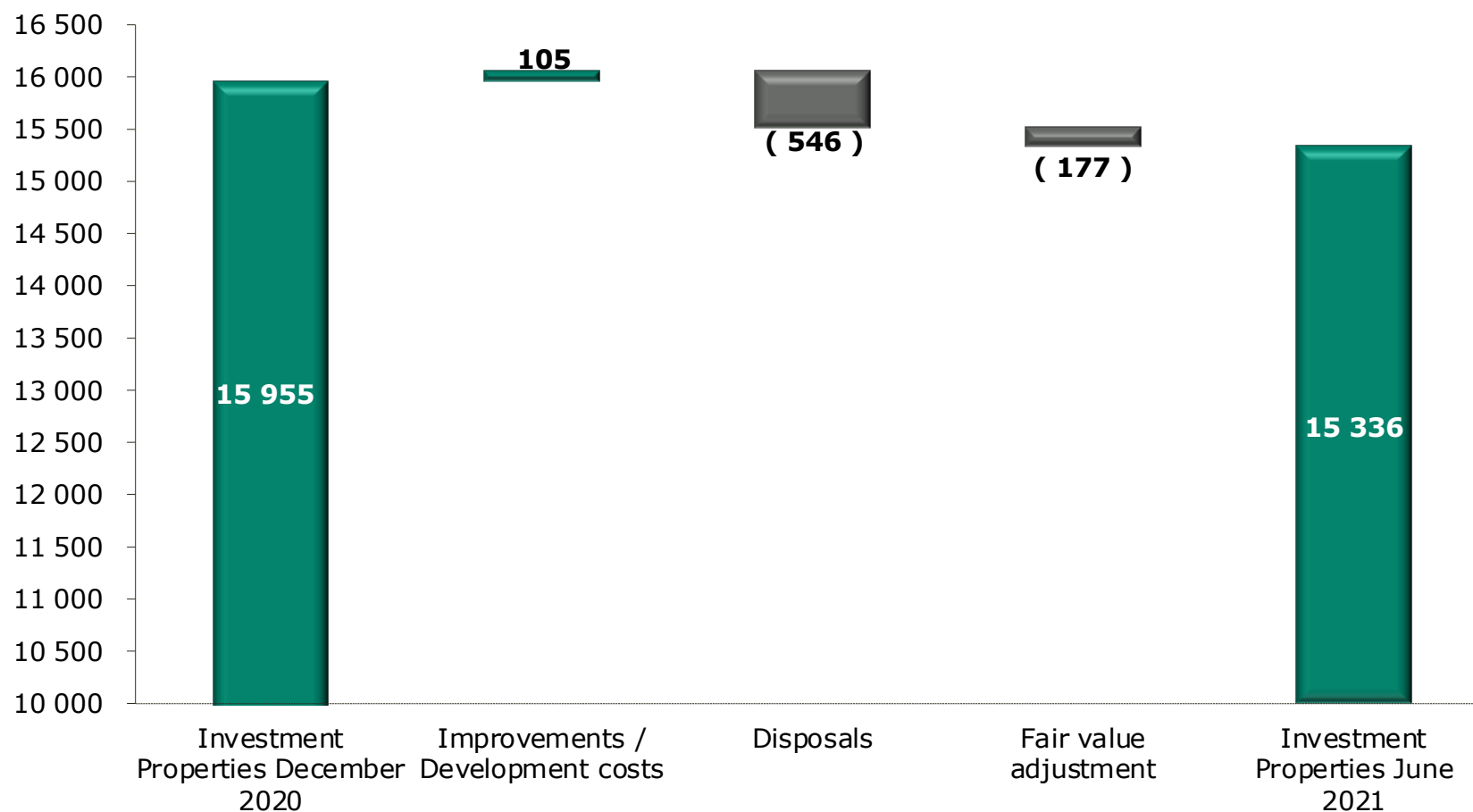
Net Asset Value (cps)



SA REIT NAV (cps)



Investment properties analysis



Debt & interest rate swap facilities



Debt facilities

Term debt

R7.3bn

(2020 FY: R7.4bn)

Unutilised RCF facilities

R700.0m

(2020 FY: R700.0m)

Average tenor

1.9 years

(2020 FY: 2.4 years)

WAR excluding swaps

5.4%

(2020 FY: 5.2%)

Swap profile

Hedged %

71.5%

(2020 FY: 73.1%)

Swap margin

2.4%

(2020 FY: 2.5%)

Average tenor

2.5 years

(2020 FY: 3.0 years)

WAR including swaps

7.8%

(2020 FY: 7.7%)

Debt metrics

LTV

38.4%

(2020 FY: 38.6%)

ICR (Net Interest)

2.5 x

(2020 FY: 2.3 x)

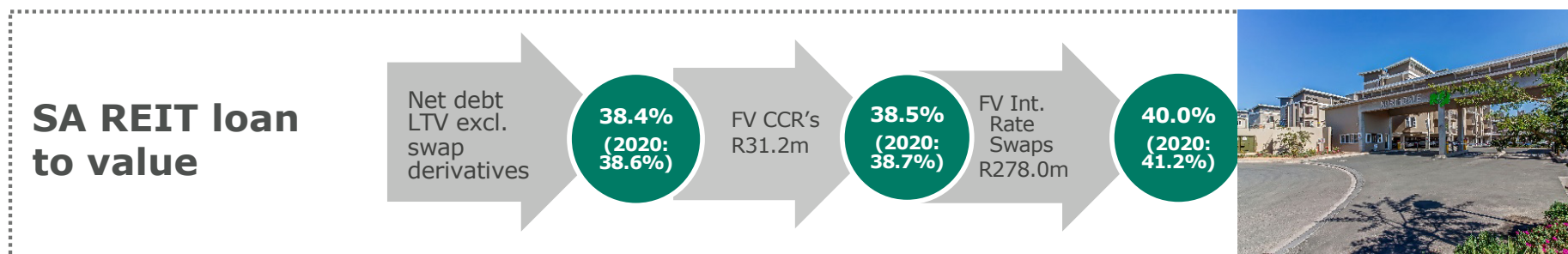
Debt maturity profile

2021	16%
2022	29%
2023	18%
2024	23%
2025	14%

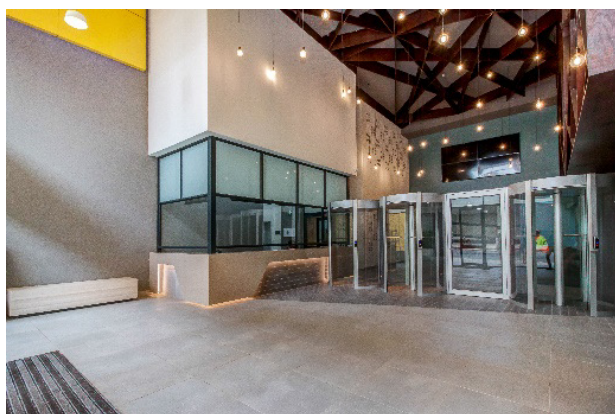
Swap maturity profile

2022	13%
2023	28%
2024	43%
2025	16%

SA REIT loan to value and net interest cover



Net interest cover



	June 2021	June 2020	Variance
Distributable income before interest (R'000)	576 061	554 429	21 632
Net Finance cost (R'000)	231 587	243 310	-11 723
Net Interest cover	2.5	2.3	0.2



OUTLOOK



Our plan to return from the pandemic to robust performance is in place

- Past weather patterns don't predict the future - well-positioned for rapidly changing real estate sector
 - Convenience oriented retail portfolio
 - Logistics focussed industrial portfolio
 - Residential portfolio in accessible, safe and secure precincts with lifestyle amenities and in attractive suburban nodes
 - Limited exposure to offices
- Our return from the pandemic is secured with an improving capital base within easy reach
- Agile with local knowledge



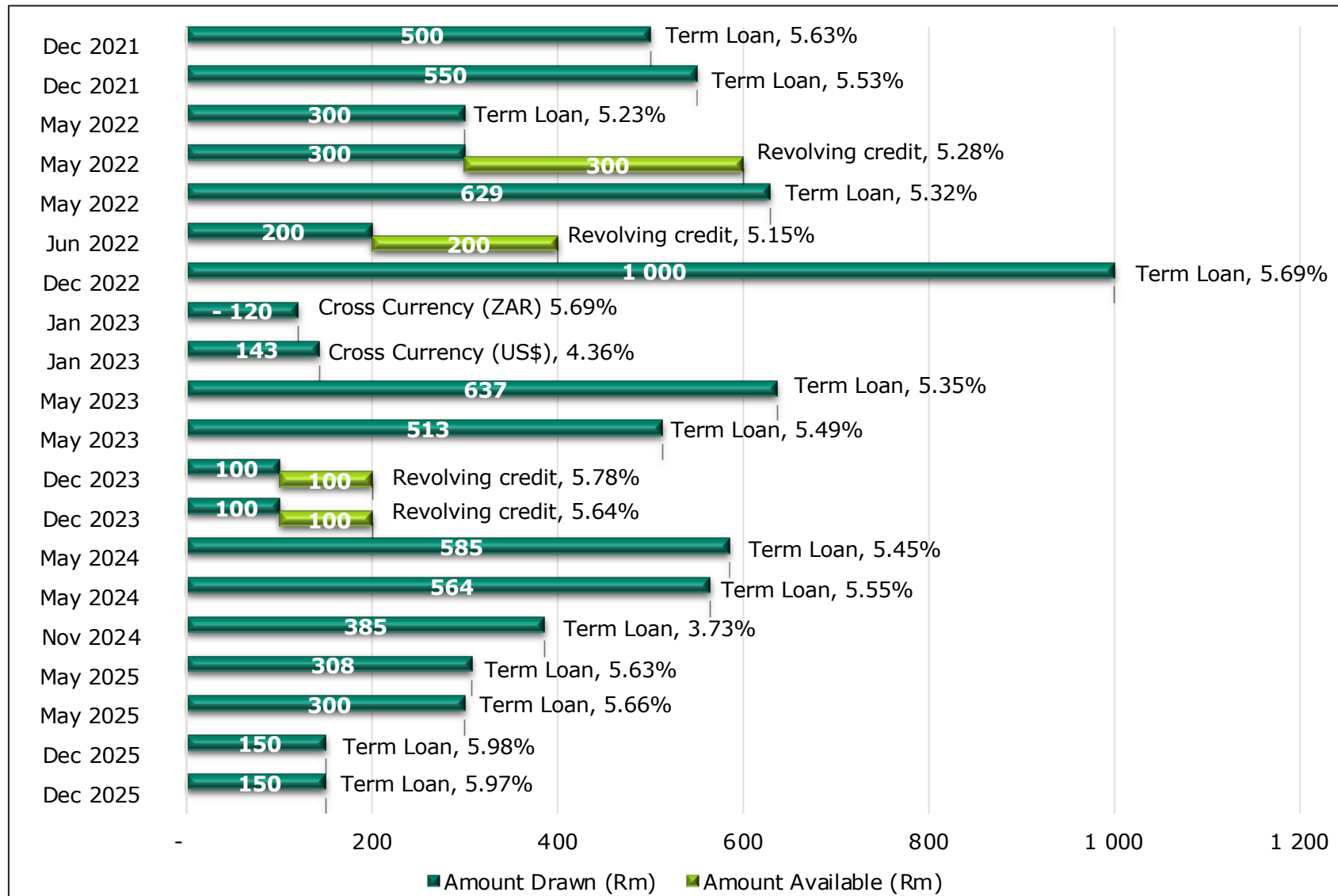
APPENDICES

Distributable income at a glance for the period ended 30 June 2021

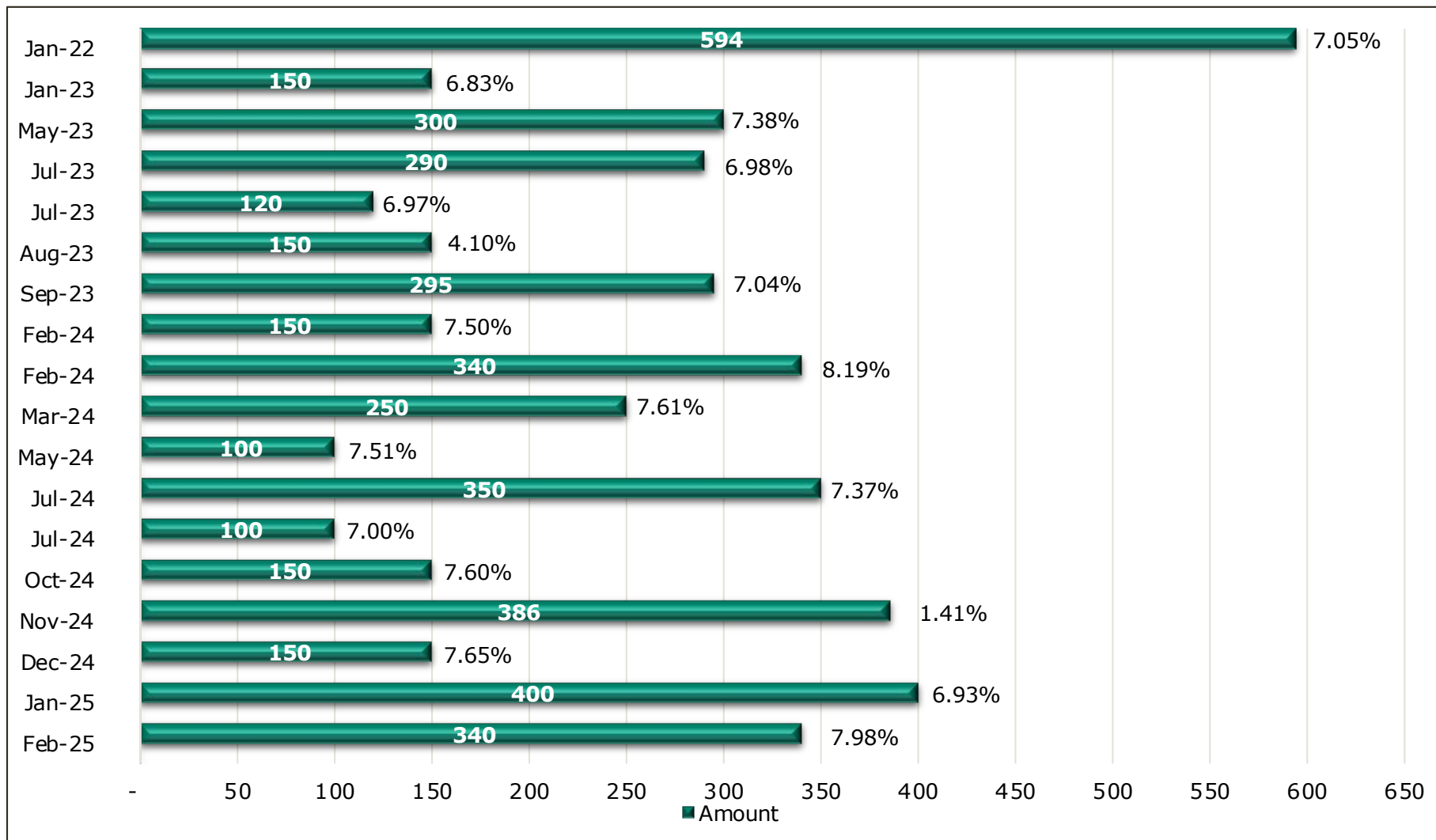


	Jun 2021 Rm	Jun 2020 Rm	% Variance
Net property income - Like for Like	545.367	500.706	8.9
Net property income - Developments	25.474	17.228	47.9
Net property income - Acquisitions	9.607	5.505	74.5
Net property income - Buildings sold	9.357	18.954	(50.6)
Net property income	589.805	542.393	8.7
Taxation on distributable income	–	(4.725)	100.0
Income from investment in joint ventures	23.392	32.457	(27.9)
Net finance costs	(238.167)	(243.310)	2.1
Net income from investments	9.205	3.113	195.7
- Dividends from listed investments	9.205	4.449	106.9
- Impairment of unlisted investment	–	(1.336)	100.0
Distribution related expenses	(39.761)	(18.809)	(111.4)
Distributable income	344.474	311.119	10.7
Distributable income per share (cents)	13.70	12.37	10.7

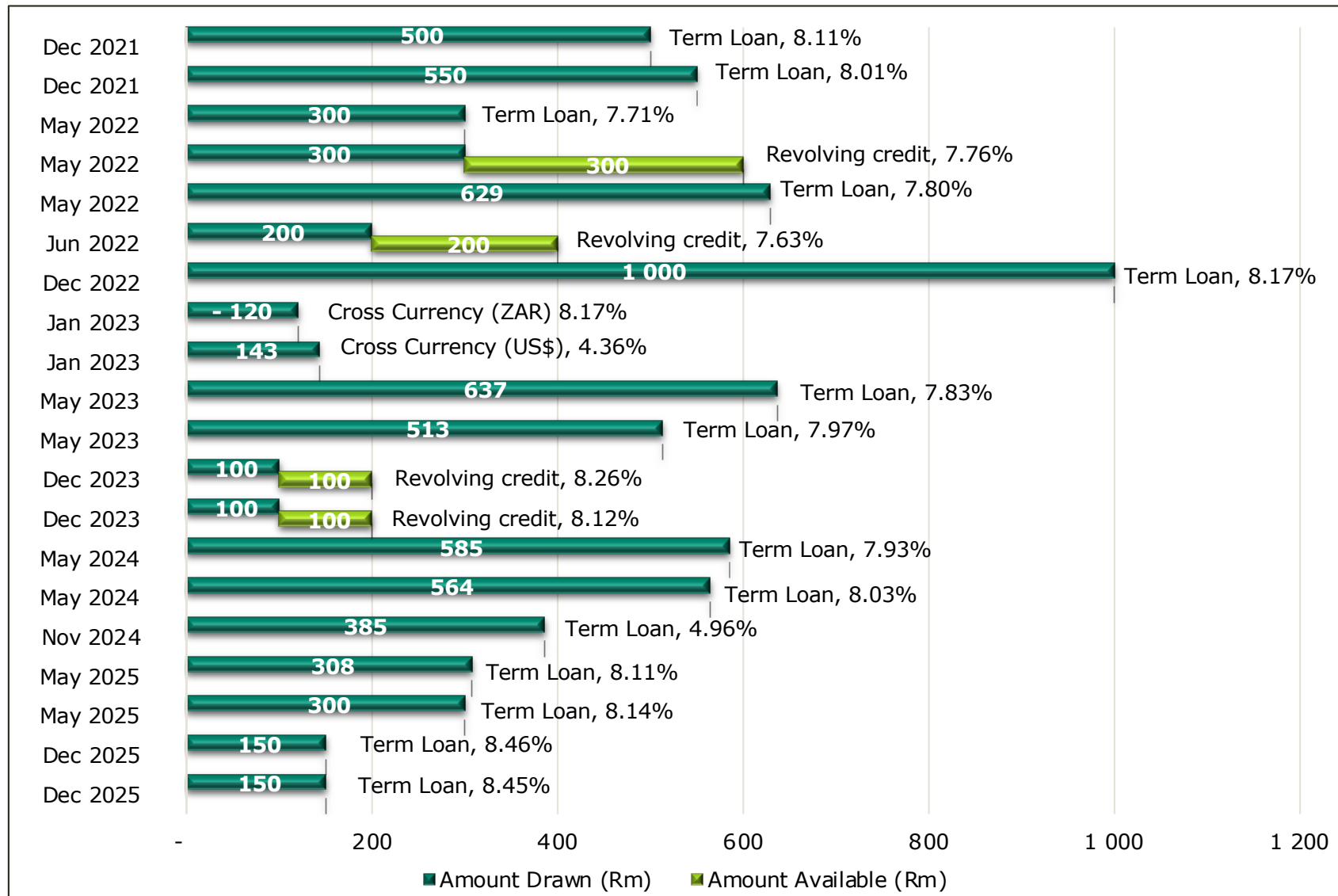
Group debt structure – at 30 June 2021 (excl. fixes)



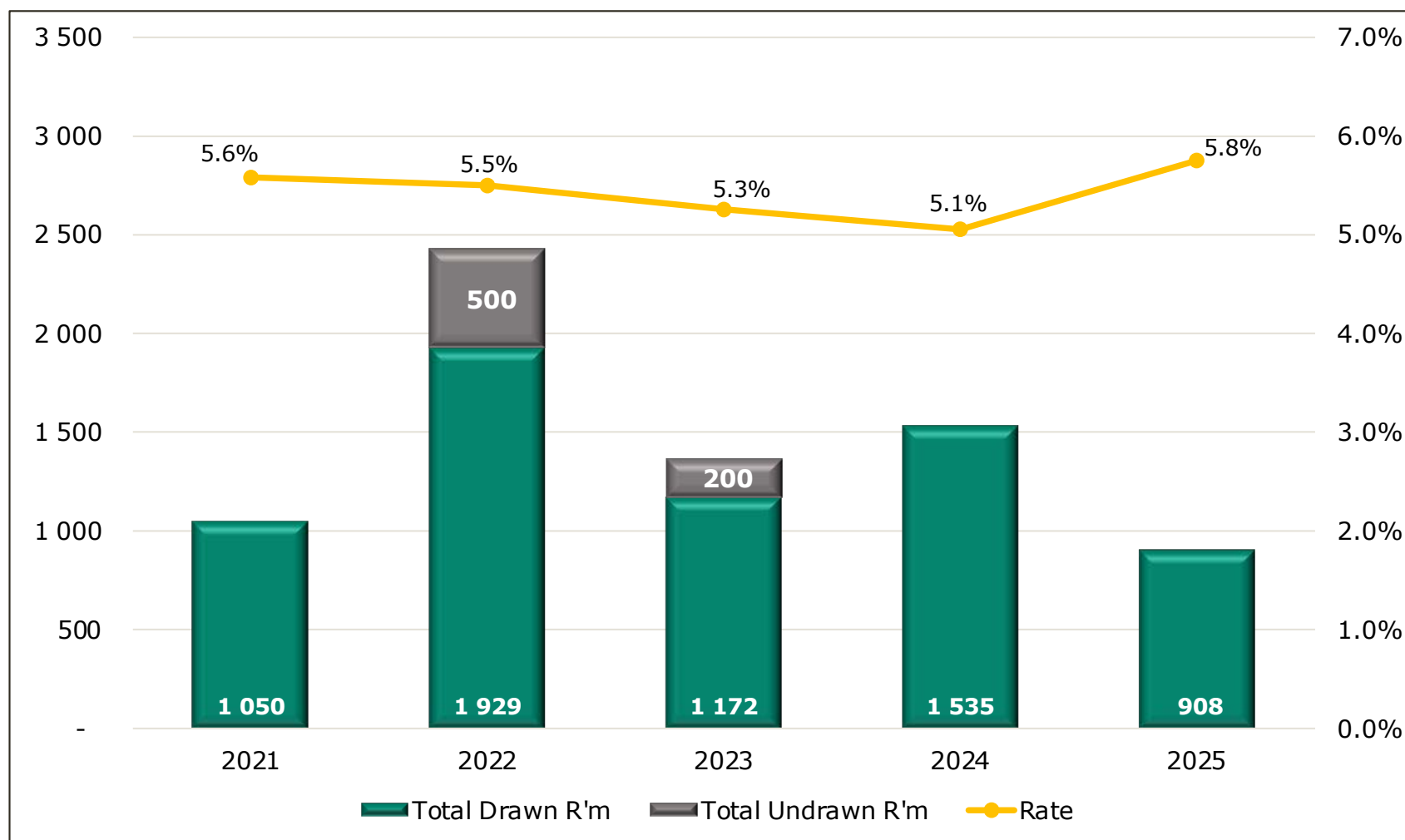
Group debt structure – SWAPS at 30 June 2021



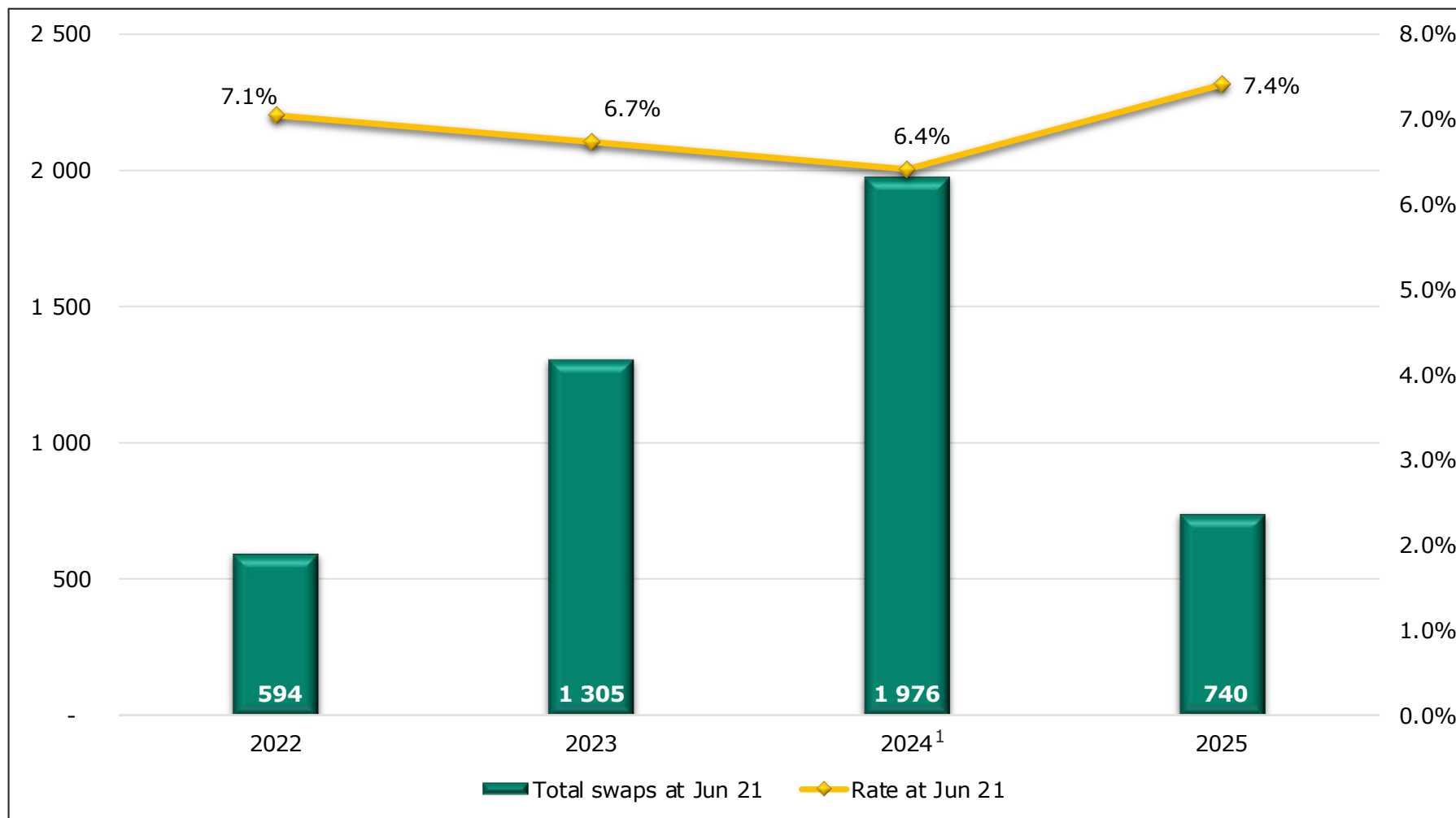
Group debt structure – at 30 June 2021 (incl. fixes)



Debt repayment profile – at 30 June 2021



Interest rate swap expiry – 30 June 2021



Retail portfolio overview



Portfolio^{1,2}

Portfolio value R6.8bn 42 Properties

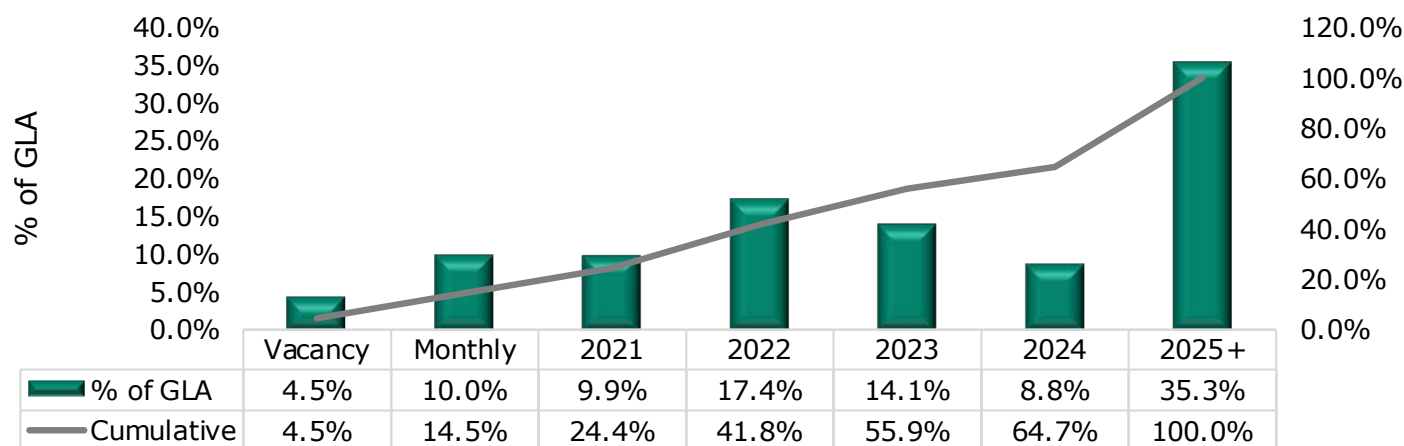
GLA 381 432m² 20.2% Grocer GLA of total

Cost to revenue (Like-for-like) 40.2%
(H1 2020: 47.1%)

Top 10 tenants National exposure
GLA 34.8% 56.6%
Rental 27.1% 53.9%

Tenant retention success rate 81.0%

Lease Expiries



Industrial portfolio overview



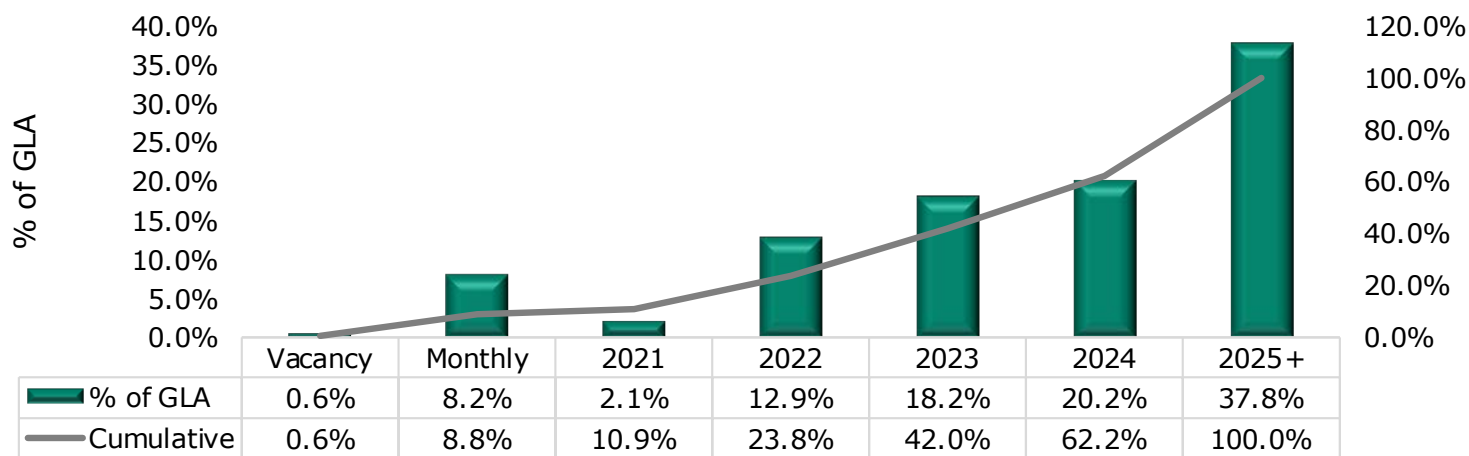
Portfolio

Portfolio value R3.5bn 57 Properties

GLA 457 822m² 34.9% GLA of total portfolio

Cost to revenue (Like-for-like) 25.0% (H1 2020: 25.9%)

Lease Expiries



Commercial portfolio overview



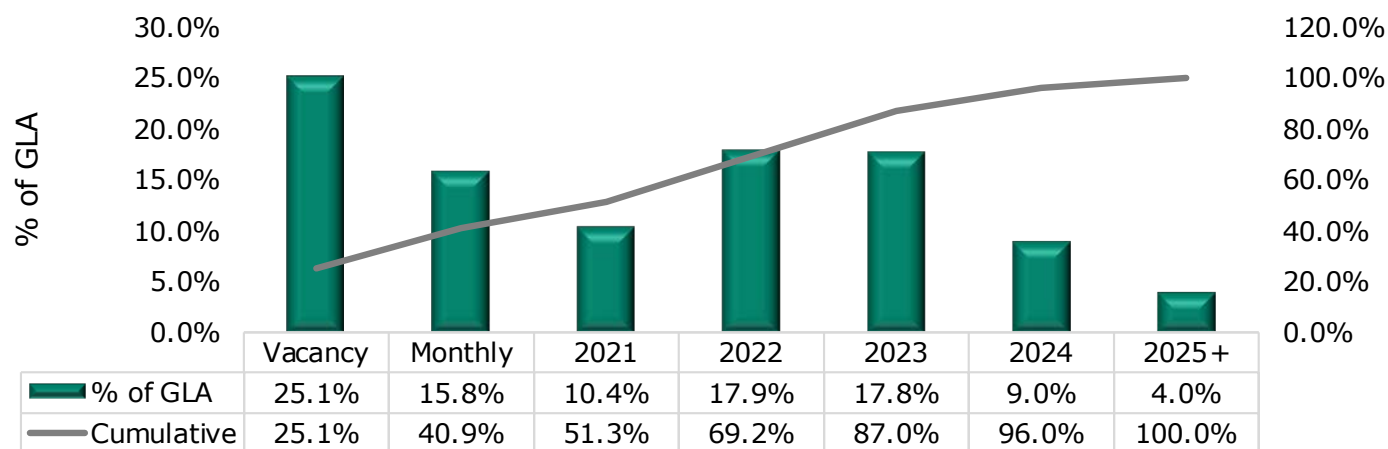
Portfolio

Portfolio value R0.4bn 7 Properties

GLA 37 890m² 2.9% GLA of total portfolio

Cost to revenue (Like-for-like) 61.8% (H1 2020: 60.6%)

Lease Expiries



Afhco portfolio overview



Portfolio¹

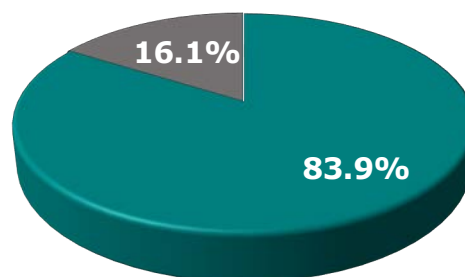
Portfolio value R4.5bn 64 Properties

GLA

Apartments 363 657m² Retail 69 833m²

Cost to revenue (Like-for-like) 48.6% (H1 2020: 46.5%)

By GLA



 Residential  Retail / Commercial