Listed Property Report

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South African Listed Property

In June, the JSE listed property experienced a modest recovery, in line with the overall market, as improved market sentiment was driven by positive developments in the US debt ceiling and employment figures. This resulted in a month-on-month advancement of 0.9%. Conversely, concerns about slowing global growth and hawkish central bank comments have been temporarily overshadowed or downplayed.

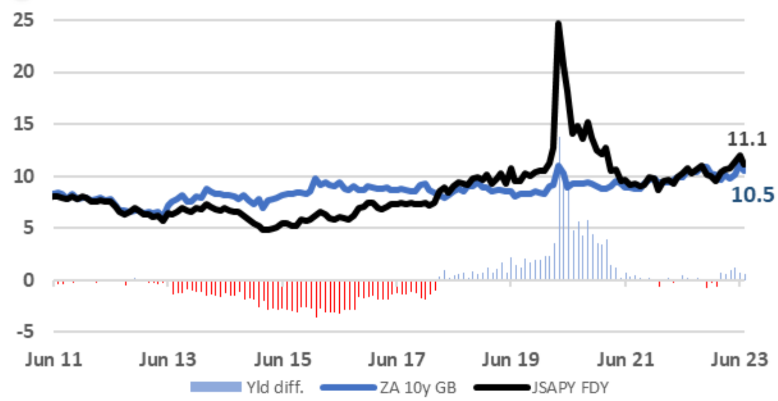
In the first quarter, the South African economy narrowly avoided a technical recession with a quarter-on-quarter GDP growth rate of 0.4%. The manufacturing sector showed resilience, as local production increased by 0.5% in April, following a revised 3.4% growth in March. Despite the challenges of load shedding, the manufacturing sector remained robust, this bodes well for the already outperforming industrial property sector. However, the retail sector faced difficulties, with a contraction of 1.6% in April, marking the fifth consecutive decline. Factors such as load shedding, inflation, and higher interest rates

South African Listed Property

negatively impacted retail sales. In terms of inflation, both annual headline and core CPI decreased to 6.3% and 5.2% respectively in May.

The May rate hike officially placed SA's monetary policy in a restrictive stance. The local currency strengthened due to a weaker US dollar and reduced concerns about power outages. the rand.

JSAPY FDY



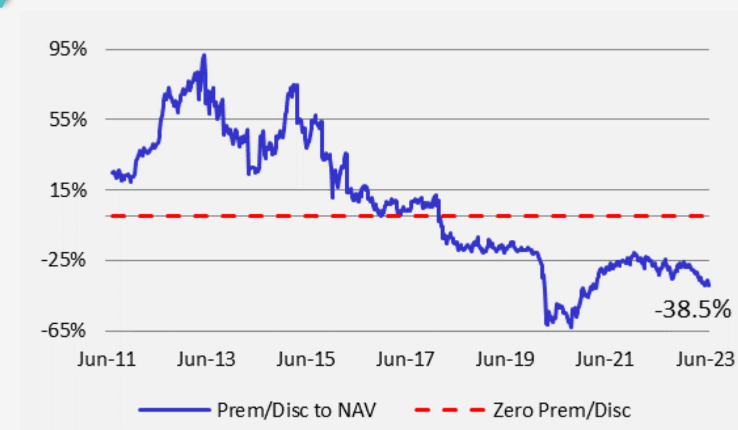
Source: Refinitiv, Afrifocus Securities

Asset Class

		Total Return (% change)		
	NTM Yield/ YTM	1 month	12 month	YTD
SA Listed Property	11.1%	0.9%	10%	-4.4%
SA All Bonds Index	11.9%	4.5%	8%	1.8%
SA Cash	8.5%	0.0%	4.8%	1.8%
UK Listed Property	6.7%	-6.9%	-20.7%	-7.4%
US Listed Property	6.4%	3.8%	-4.7%	1.6%
W. Europe (ex. UK) Listed Property	7.4%	3.1%	2.0%	-2.1%
Australia Listed Property	5.5%	0.2%	9.7%	5.8%

*Note: *Historic; Source: Refinitiv, Afrifocus Securities*

Sector Premium/Discount to NAV



Source: Bloomberg, Afrifocus Securities

Ranking Table

		INDEX	PRICE				FORECAST 3- YEAR	TOTAL RETURN ESTIMATE					
	NAME	WEIGHT	MARKET	CLEAN	TARGET	DPS NTM	DPS CAGR	YIELD	CAPITAL	TOTAL	AFFSEC	LTV	P/B
INDEX	JSE SAPY		294	293	369		3.5%	10.2%	25.4%	35.6%			
GRT	Growthpoint Prop	17.4%	11.66	10.63	15.22	1.35	2.3%	12.7%	43.1%	55.9%		38.8%	0.56
HYP	Hyprop Investments	4.8%	30.71	27.82	38.83	3.97	5.3%	14.3%	39.6%	53.9%	BUY	37.5%	0.50
RDF	Redefine Properties	9.7%	3.29	3.05	4.14	0.42	2.4%	13.9%	35.8%	49.7%	BUY	40.0%	0.45
CRP	Capital & Regional (Jse)	0.0%	12.80	12.46	16.99	1.38	8.3%	11.1%	36.4%	47.5%		40.8%	0.56
SSS	Stor Age	2.1%	12.40	12.40	16.95	1.26	n/a	10.2%	36.7%	46.9%		30.8%	0.83
IPF	Investec Property	1.9%	7.43	7.43	9.71	1.03	2.9%	13.9%	30.7%	44.6%		42.0%	0.44
SAC	Sa Corporate Rl.Est.Fund	2.0%	1.89	1.83	2.39	0.25	0.1%	13.6%	30.7%	44.3%		38.1%	0.46
ATT	Attacq Ord	0.0%	8.46	8.01	10.57	0.68	18.7%	8.5%	31.9%	40.4%	BUY	38.1%	0.49
RES	Resilient Pr.Inc.Fd.	5.5%	42.31	41.24	53.46	4.33	-1.2%	10.5%	29.6%	40.1%		34.7%	0.73
EMI	Emira Property Fund	0.8%	8.78	8.00	9.90	1.15	4.5%	14.3%	23.8%	38.1%		44.0%	0.53
SHC	Shaftesbury Capital(Jse)	0.0%	27.50	27.34	36.99	0.65	15.5%	2.4%	35.3%	37.7%		31.0%	0.70
SRE	Sirius Real Estate Ld	2.8%	20.41	20.41	26.79	1.19	11.5%	5.8%	31.3%	37.1%		41.6%	1.07
MSP	Mas	4.3%	21.20	19.90	24.73	1.94	19.2%	9.8%	24.3%	34.1%		28.5%	0.88
EQU	Equites	3.9%	11.54	11.41	13.68	1.44	-6.6%	12.7%	19.9%	32.6%		39.7%	0.65
VKE	Vukile Property Reit	5.2%	12.54	12.54	15.16	1.22	-0.2%	9.7%	20.9%	30.6%		42.6%	0.72
HMN	Hammerson (Jse)	0.0%	5.99	5.91	7.32	0.34	19.6%	5.7%	23.9%	29.6%	BUY	39.0%	0.54
L2D	Liberty Two Degrees	0.6%	3.75	3.66	4.32	0.37	3.6%	10.2%	18.1%	28.3%		24.4%	0.50
NRP	Nepi Rockcastle	23.4%	110.47	107.72	123.66	11.14	6.1%	10.3%	14.8%	25.1%		34.7%	0.99
FTA	Fairvest Limited A	0.0%	13.89	13.23	15.00	1.36	5.0%	10.3%	13.4%	23.7%		38.4%	0.71
LTE	Lighthouse Properties	2.9%	6.54	6.39	7.16	0.58	-8.0%	9.1%	12.0%	21.1%	ACCUMULATE	23.8%	0.92
FFB	Fortress Real Est Inv B	1.8%	5.06	5.03	5.31	0.01	0.0%	0.2%	5.6%	5.8%		36.9%	0.38

Source: Refinitiv, Afrifocus Securities
*Note: *Estimates under revision*

Past Month 52 Week Highs

Name	52 Week High
Attacq	9.25
MAS	22.91
Schroder European REIT	22.5
Sirius Real Estate	22.73

Source: Refinitiv, Afrifocus Securities

Past Month 52 Week Lows

Name	52 Week Low
Delta Property Fund	0.10
Emira Property Fund	8.00
Equites	10.36
Growthpoint Properties	11.29
Investec Property	6.81
Liberty Two Degrees	3.6
Resilient	39.8
SA Corporate	1.74
Accelerate Property	0.64

Source: Refinitiv, Afrifocus Securities

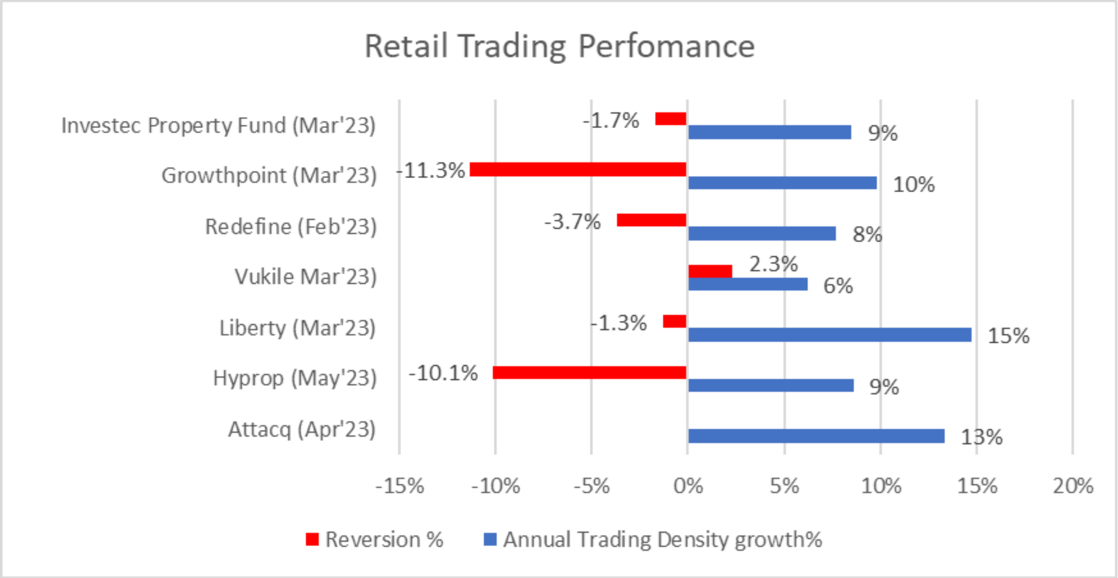
Overview of the Retail Property Sector - Local & International

Stats SA's recent retail sales data for April indicates a worrisome decline in consumer purchasing power, which is impacting the retail property market. Despite a 6.5% year-on-year increase in actual retail sales value, adjusting for high retail price inflation reveals a -1.6% year-on-year decline in real terms, marking the fifth consecutive month of declining real retail sales. The surge in retail price inflation, along with factors like a global economic slowdown, rising interest rates, and electricity load shedding disruptions, has contributed to the weak state of the economy. Consequently, FNB's Property Broker Survey suggests a weakening retail property market, with rising vacancy rates, slower rental growth, and reduced net operating income growth anticipated for 2023. Growthpoint also alluded to more pressure to be expected within the retail property sector where they stated that some retailers Growthpoint acknowledged that retailers encountered additional difficulties in Q12023 which resulted in slower trading density growth.

The Clur Shopping Centre Index, based on The Clur Report, provides insights into the performance of retail spaces in South Africa and Namibia. In Q12023, there was sustained strong growth, although slightly contracted compared to previous periods. Larger centers have maintained high trading density levels, surpassing those seen since the introduction of the Clur Indices in mid-2018. According to the index, super regional centers experienced annualized trading density growth of 14.1% compared to 2022 and 22.1% compared to 2019. These larger centers, which were heavily affected by the downturn in 2020/21, continue to perform well. On the other hand, smaller centers, which exhibited stronger growth during the downturn, have maintained their growth position from 2022. Overall, the Clur All Centres Index in Q12023 outperformed the Consumer Price Index (CPI).

According to the latest results published by shopping center owners, larger malls have demonstrated superior trading density growth year-to-date. However, these malls are still experiencing negative rent reversions, except for Vukile, which reported a positive reversion of 2.3% for their South African retail portfolio. On the other hand, Growthpoint and Hyprop recorded negative reversions of -11.3% and 10.1% respectively. The graph below illustrates the most recent reversion percentages and annual trading density growth figures for the retail portfolios of each respective fund.

Negative reversions persist despite positive trading density growth



Source: Company websites

Overview of the Office Property Sector - Local & International

During Q2 2023, South Africa's office vacancy rate showed improvement compared to its peak in Q2 2022, which reached a record high of 16.7%. According to the SAPOA Office Vacancy Survey, the overall vacancy rate by the end of the quarter stood at 15.6%, representing a decrease of 20 basis points compared to the previous quarter. While the office vacancy rate has declined from its peak in 2022, the amount of available office space remains above 3 million square meters. SAPOA also reported positive net absorption of space, with the sector absorbing 38,500 square meters by June 2023.

In line with the flight to quality phenomena that office property owners have been reporting on, the second quarter of 2023 showed improved vacancy rates for A and B-grade offices, while C-grade offices experienced a 130 basis point deterioration. The slight drop in P-grade office take-up which has been doing well indicates some pressure starting to show on the higher quality office market as vacancy rates drop from 9.2% to 9.5% in Q22023. This comes despite the original expectation that loadshedding may drive staff back to the office and thus increase the demand of space. Tenants continue to assess their space requirements and footprint.

Among the largest metropolitan municipalities in South Africa, the City of Johannesburg had the highest office vacancy rate at 18.7% in Q2 2023. Although this was an improvement from the 19.5% recorded in Q2 2022, it remained significantly higher than the 12.5% vacancy rate at the end of 2019. Conversely, the City of Cape Town had the lowest overall office vacancy rate of 8.7% in June 2023, reaching its lowest level since the beginning of 2020 after significant improvement during the latest quarter.

Despite the excess supply in the market, there are still opportunities as occupiers adjust their real estate needs. The downward pressure on high-end rentals may lead to continued demand for quality spaces. However, residential conversions appear to be declining due to valuations that make projects unfeasible, coupled with rising funding costs and lower consumer confidence.

Overview of the Industrial Property Sector - Local & International

In April 2023, Stats SA revealed that manufacturing production in South Africa increased by 3.4% compared to the previous year, marking the first annual gain in six months. This growth surpassed market expectations of 2.5% and indicates that industrial firms are reducing their dependence on the power utility Eskom by implementing self-generation initiatives. However, according to the Absa Manufacturing Survey for the second quarter, confidence levels in the manufacturing sector remain low, similar to previous business cycles. The disruptions in electricity supply not only directly impact production, capacity, and profitability due to load shedding mitigation costs like diesel generators but also have a negative effect on overall sentiment.

The demand-supply balance in the Industrial Property Market remains the strongest compared to the Retail and Office Markets. However, the Manufacturing Sector continues to face challenges, and overall inventory accumulation is expected to remain weak in a recessionary economy in 2023. Despite benefiting from the shift towards increased online retail and the corresponding warehousing and logistics needs, the Industrial Property Market also experiences its own set of pressures.

The manufacturing sector continues to play a crucial role in the growth of the domestic economy, as highlighted by the recent first-quarter GDP. However, due to the ongoing energy crisis in the country, manufacturers are primarily prioritizing their operational sustainability rather than investing in expansions or new ventures. As a result, the growth in both the manufacturing and industrial property sectors may face potential stagnation.

Dividend Revisions of DPS NTM & TP Revisions

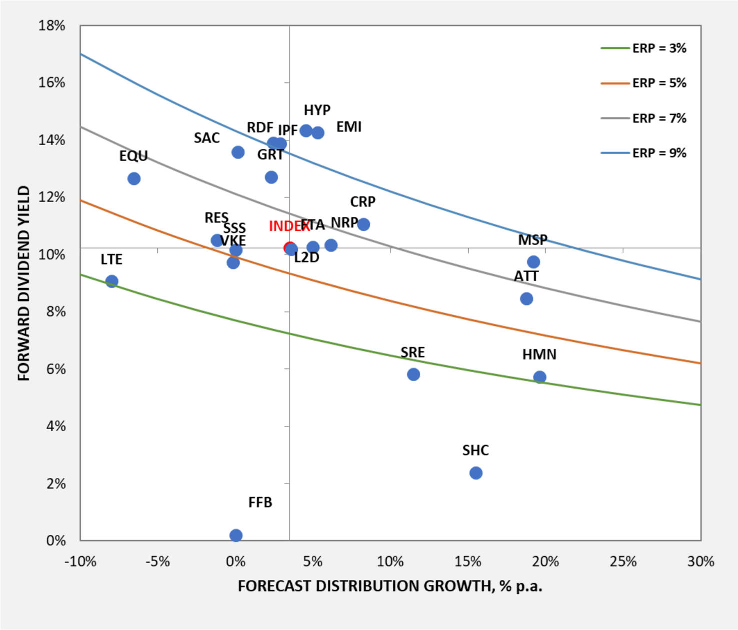
Upgrade	3m DPS Rev	3m TP Rev
Shaftesbury Capital (Jse)	14.4%	0.0%
Nepi Rockcastle	8.8%	-2.5%
Attacq Ord	7.9%	1.5%
Capital & Regional (Jse)	7.0%	1.7%
Hammerson (Jse)	4.7%	7.3%

Source: Refinitiv, Afrifocus Securities

Downgrade	3m DPS Rev	3m TP Rev
Equites	-10.8%	-21.8%
Redefine Properties	-10.4%	-5.6%
Vukile Property Reit	-7.8%	0.9%
Resilient Pr.Inc.Fd.	-6.3%	-6.4%
Sa Corporate Rl.Est.Fund	-3.1%	-7.5%
Mas	-2.7%	0.0%
Lighthouse Properties	-2.4%	-1.2%
Liberty Two Degrees	-1.3%	-5.1%

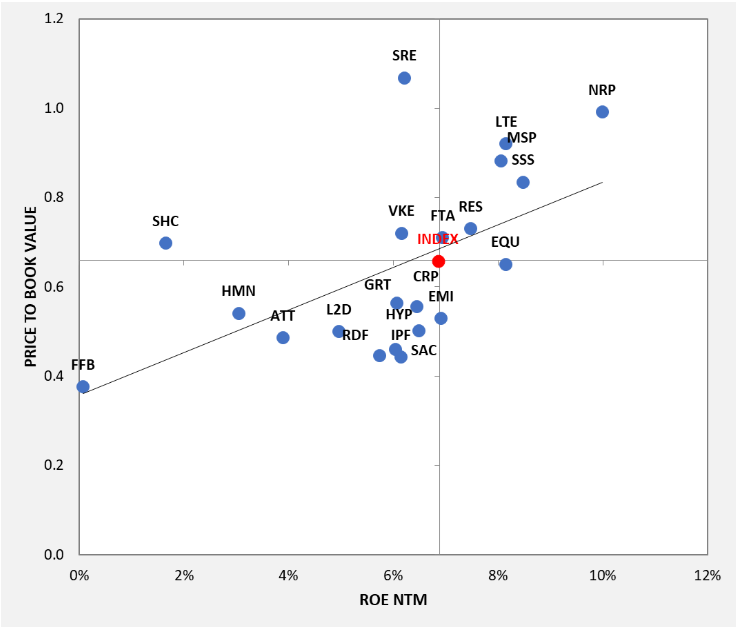
Source: Refinitiv, Afrifocus Securities

REIT Forward DY vs Forecast Distribution Growth & Implied Equity Risk Premium (ERP)



Source: Refinitiv, Afrifocus Securities

Price to Book vs. ROE NTM



Source: Refinitiv, Afrifocus Securities

SA Listed Property Corporate News

Company	News
Vukile Property Fund	Vukile Property Fund (JSE: VKE) reported positive annual financial results, with a 6.2% increase in cash dividend to 112.4 cps and a 6.0% growth in funds from operations (FFO) to 144.5 cps for the fiscal year ending March 31, 2023. These results demonstrate resilience and growth potential despite market challenges. Vukile's domestic portfolio of shopping centers saw increases in net operating income, retail valuations, and trading densities, while its Spanish portfolio experienced impressive growth in net operating income and positive rental reversions. Looking ahead, Vukile anticipates continued expansion, with expected FFO and dividend per share growth for the next fiscal year. The company maintains a strong financial position, including a favorable interest cover ratio, reduced loan-to-value ratio, and hedged interest-bearing debt.
Attacq	Attacq's pre-close trading update indicates positive performance in terms of trading metrics and progress towards achieving their FY23 guidance. However, the reduction in interest rate hedging and the increase in the weighted average cost of debt may pose challenges for the company's earnings, particularly if interest rates continue to rise. The fund reported positive trading metrics with a significant increase of 13.3% in year-on-year rolling 12-months trading density. The company is on track to meet their FY23 guidance for DIPS growth of 8.0% to 10.0%. However, there are concerns regarding capital management, as the interest rate hedging has decreased from 83% to 56%, potentially affecting earnings if interest rates continue to rise. Attacq's stable Loan-to-Value ratio of 38.1% shows a healthy balance between assets and outstanding loans. Nonetheless, the company's weighted average cost of debt has already increased from 9.4% to 10%.
Growthpoint	In the investor update, the company successfully refinanced its USD425m Eurobond despite unfavorable debt market conditions. However, rising interest rates have negatively affected the company and the global real estate sector. In South Africa, challenging economic conditions, exacerbated by power outages and political uncertainty, led to slightly increased vacancy rates and negative rental reversions of -19% in the office sector. The retail sector struggled with low diesel recovery and higher occupancy costs across all sectors. Despite economic challenges, the company's domestic retail and industrial portfolios are gradually recovering, and the office sector's performance remains stable. The underlying funds within GIP are expected to yield mixed results, with GSAH and GHPH meeting expectations while Lango underperforms. The V&A is experiencing a faster-than-anticipated recovery due to international tourism, and international investments are performing as expected. The company anticipates muted growth in Distributable Income per share (DIPS) for FY23 due to higher interest rates, and expects DIPS for FY24 to be lower due to the full-year impact of these rates.
Emira Property Fund	While not comparable to the previous financial year due to change in the financial year end date, Emira reported strong operational results, with a final dividend of 30.35 cents per share, bringing the total dividend for the nine months ending in March to 96.78 cents. The fund reported a 4.2% increase in asset value per share to 1696.60 cents. Emira's portfolio composition changed significantly, with the acquisition of Transcend Property Fund and increased exposure to the residential property sector. In terms of specific portfolio performance, Emira's directly held portfolio saw improvements in vacancies and rental collections. The retail portfolio, consisting of grocery-anchored neighborhood centers, performed well despite challenges faced by retailers and shoppers. The industrial portfolio demonstrated stable performance, with reduced vacancies. Office vacancies also decreased, benefiting from upgrades focused on energy efficiency and backup power installations. Emira's US portfolio experienced reduced vacancies and benefited from a growing economy and low unemployment. Overall, Emira Property Fund continues to deliver reliable performance, and the company anticipates consistent revenue contribution from its residential portfolio. However, factors such as high interest rates, load shedding, the disposal of certain assets, and changes in income accrual from Inani Property Holdings will impact future performance.

Source: Company Websites

SA Listed Property Corporate News (Continued…)

Company	News
SA Corporate	SA Corporate Real Estate, reported a 2.2% like-for-like net profit income (NPI) for its industrial property portfolio in the six months ending in June. The industrial property portfolio accounted for over 23% of the company's South African portfolio, with a fully let status and a tenant retention rate of more than 77%. Renewal rental reversions are expected to turn positive by the end of June 2023. The convenience-oriented retail portfolio experienced a lower like-for-like net property income growth of 1.2%, attributed to developments at Coachmans Crossing, Montana, and Musgrave malls. The company is progressing well with its R1.1 billion 2023 disposal program, having completed approximately R261 million in disposals, including motor dealerships, an office and industrial property, and non-core residential apartments.
Hyprop	Hyprop, has provided an operational update for the five months ending on May 31, 2023. The company's operational performance showed steady improvement during this period. In South Africa, tenant turnover in the portfolio increased by 9.8%, surpassing 2019 levels. Likewise, tenant turnover in the Hystead portfolio also experienced a year-on-year increase of 17.64%. In Ghana, tenant turnover in local currency terms was up 26.11% for the four months ending in April. These positive trading metrics can be attributed to the repositioning strategy in South Africa, post-Covid-19 recovery in the Eastern Europe portfolio, and improved asset management in the sub-Saharan Africa portfolio. Loadshedding, remains a major concern in South Africa. However, all of Hyprop's centers continue to operate during loadshedding. The portfolio has backup generator capacity, with 81 generators in place. The total cost of loadshedding during the period was R55.3 million, with 86% of it (R47.7 million) being recovered.
Heriot Properties	Towards the end of 2022, Heriot Properties increased their stake in Safari to a majority stake of 56.8%. Recently Heriot Properties announced that they will sell 1.6 million Safari shares to Heriot Investments at a price of R5.60 per share, totaling R8.8 million. This sale will take place on the market on June 30, 2023. The funds obtained from selling the Safari shares will be used to pay off Heriot's debts. Additionally, Heriot REIT Limited intends to sell its subsidiary, Hagley 3865 Proprietary Limited, to Heriot Investments. This move aims to minimize the risks associated with a property development in Cape Town. The agreement also grants Heriot the option to repurchase all of Hagley's equity at cost within the next five years.

Source: Company Websites

Key Corporate Events

Date	Company Name	Events	Last Reported DPS	Declare Date
31-Jul-23	Liberty Two Degrees	Interim Results	18.99 ZAR cents	27-Feb-23
15-Aug-23	Resilient	Interim Results	203.98 ZAR cents	23-Mar-23
17-Aug-23	Emira	Interim Results	30.35 ZAR cents	07-Jun-23

Source: Sharenet, Company Website

Research Disclosure

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