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Listed Property Report

2 August 2023

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 9

South African Listed Property

In August, the JSAPY demonstrated resilience, posting a modest 0.9% gain. This performance stands in contrast to global listed property counterparts, which experienced negative movements, with the US, UK and Western Europe declining by –3.1%, -4.4% and -1.1%, respectively. The Australia Listed Property outperformed with a 4% increase. Despite global headwinds, SA property exhibited relative stability.

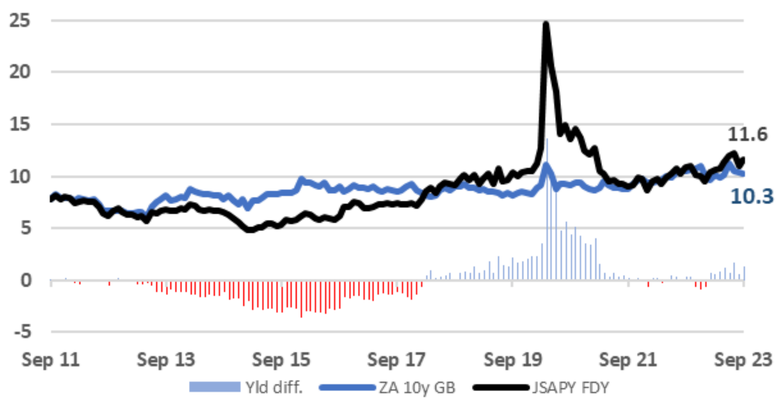
The SARB is expected to maintain its repo rate in September, given a significant drop in the CPI, which reached a two-year low of 4.7% in July. However, risks persist, including potential exchange rate fluctuations, rising global energy prices, interest rate hikes in developed markets, and ongoing power supply issues. The start of September has brought about additional challenges, such as intensified power cuts and petrol price hikes, along with mounting concerns over national debt, as evidenced by a fiscal deficit of R143.8 billion and a debt-to-GDP ratio of 73%.

August's earnings releases revealed a diverse landscape across SA REITs. Fortress exhibited strength with a solid 5.3% increase in distributable earnings, driving a 21% share price increase despite not declaring any dividends for the year. In contrast, Spear adjusted its earnings outlook downward, now expecting flat or

South African Listed Property

marginally negative growth. Nepi reported robust results, marked by a notable 24.9% growth in earnings. Nepi also revised their DEPS guidance upwards indicating confidence in continued growth. Resilient's sound operational performance did not translate into positive market sentiment, resulting in an -8.3% share price decline. Lighthouse's drop in earnings led to a -15% share price decline, while Hammerson reported a commendable 15% increase in adjusted earnings on the operational front.

JSAPY FDY



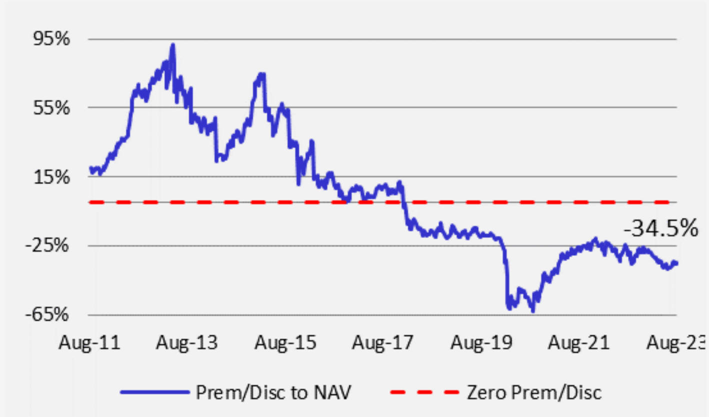
Source: Refinitiv, Afrifocus Securities

Asset Class

	Total Return (% change)			
	NTM Yield/	1 month	12 month	YTD
SA Listed Property	11.6%	0.9%	10.3%	-1.3%
SA All Bonds Index	11.9%	-0.3%	7.3%	3.8%
SA Cash	8.4%	0.0%	6.7%	4.5%
UK Listed Property	7.0%	-4.4%	-15.0%	-3.6%
US Listed Property	6.7%	-3.1%	-7.4%	0.8%
W. Europe (ex. UK) Listed Property	7.7%	-1.1%	3.7%	4.0%
Australia Listed Property	5.5%	4.0%	9.8%	14.8%

*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		302	301	369		3.1%	9.9%	22.2%	32.1%			
LTE	Lighthouse Properties	2.3%	5.39	5.14	7.38	0.57	-7.6%	11.1%	43.5%	54.6%	ACCUMULATE	21.8%	0.92
SAC	Sa Corporate Rl.Est.Fund	1.9%	1.85	1.75	2.39	0.25	-0.2%	14.4%	36.8%	51.2%		38.1%	0.45
GRT	Growthpoint Prop	17.4%	11.98	10.76	14.82	1.30	0.0%	12.1%	37.8%	49.9%		38.8%	0.57
IPF*	Investec Property	1.9%	7.48	7.30	9.71	1.04	3.4%	14.2%	32.9%	47.1%		42.0%	0.45
SRE	Sirius Real Estate Ld	2.7%	20.66	20.47	28.41	1.16	9.7%	5.7%	38.8%	44.5%		41.6%	1.08
HMN	Hammerson (JSE)	0.0%	5.66	5.52	7.50	0.34	15.7%	6.2%	35.8%	42.1%	ACCUMULATE	33.0%	0.50
HYP	Hyprop Investments	4.9%	32.36	28.81	36.58	3.99	4.2%	13.9%	27.0%	40.8%	ACCUMULATE	37.2%	0.53
CRP	Capital & Regional (JSE)	0.0%	13.35	12.79	16.40	1.36	5.3%	10.6%	28.2%	38.8%		41.0%	0.52
RDF	Redefine Properties	10.4%	3.62	3.31	4.14	0.43	3.0%	12.9%	25.1%	38.0%	BUY	42.3%	0.49
MSP	Mas	4.1%	20.77	19.17	24.35	1.98	18.6%	10.4%	27.0%	37.4%		28.5%	0.86
SHC	Shaftesbury Capital (JSE)	0.0%	27.50	27.23	36.50	0.68	16.9%	2.5%	34.0%	36.5%		31.7%	0.58
EMI	Emira Property Fund	0.8%	8.36	8.16	9.90	1.17	4.4%	14.3%	21.3%	35.6%		44.0%	0.49
RES	Resilient Pr.Inc.Fd.	5.0%	39.95	38.29	45.92	4.08	5.3%	10.7%	19.9%	30.6%	BUY	36.1%	0.67
NRP	Nepi Rockcastle	23.1%	111.90	107.54	125.83	10.60	4.7%	9.9%	17.0%	26.9%		33.4%	0.88
SSS	Stor Age	2.1%	12.33	12.12	14.00	1.23	n/a	10.2%	15.5%	25.7%		30.8%	0.83
ATT	Attacq Ord	2.5%	8.41	7.86	9.01	0.70	16.9%	8.9%	14.6%	23.5%	ACCUMULATE	38.1%	0.48
VKE*	Vukile Property REIT	5.5%	13.53	13.32	15.04	1.23	0.1%	9.3%	12.9%	22.2%		43.0%	0.68
FTA	Fairvest Limited A	0.0%	14.45	13.56	15.00	1.37	5.0%	10.1%	10.6%	20.7%		38.4%	0.71
EQU*	Equites	4.1%	12.54	12.19	12.55	1.37	-4.5%	11.2%	3.0%	14.2%		39.4%	0.71
L2D^	Liberty Two Degrees	0.8%	5.51	5.35	5.50	0.38	3.9%	7.1%	2.8%	9.8%		24.6%	0.73
FFA	Fortress Real Est Inv A	6.7%	13.16	13.16	14.36	0.00	0.0%	0.0%	9.1%	9.1%		35.9%	0.88
FFB	Fortress Real Est Inv B	2.0%	6.00	6.00	5.85	0.00	0.0%	0.0%	-2.5%	-2.5%		35.9%	0.40

Source: Refinitiv, Afrifocus Securities
*Note: *Estimates under revision , ^ Potential de-listing*

Past Month 52 Week Highs

Name	52 Week High
Capital & Regional (JSE)	12.87
Fortress Real Est Inv A	13.38
Fortress Real Est Inv B	6.37
Nepi Rockcastle	119.57

Source: Refinitiv, Afrifocus Securities

Past Month 52 Week Lows

Name	52 Week Low
Delta Property Fund	0.09
Fairvest Limited A	11.60
Lighthouse Properties	3.83
Resilient Pr.Inc.Fd.	38.81

Source: Refinitiv, Afrifocus Securities

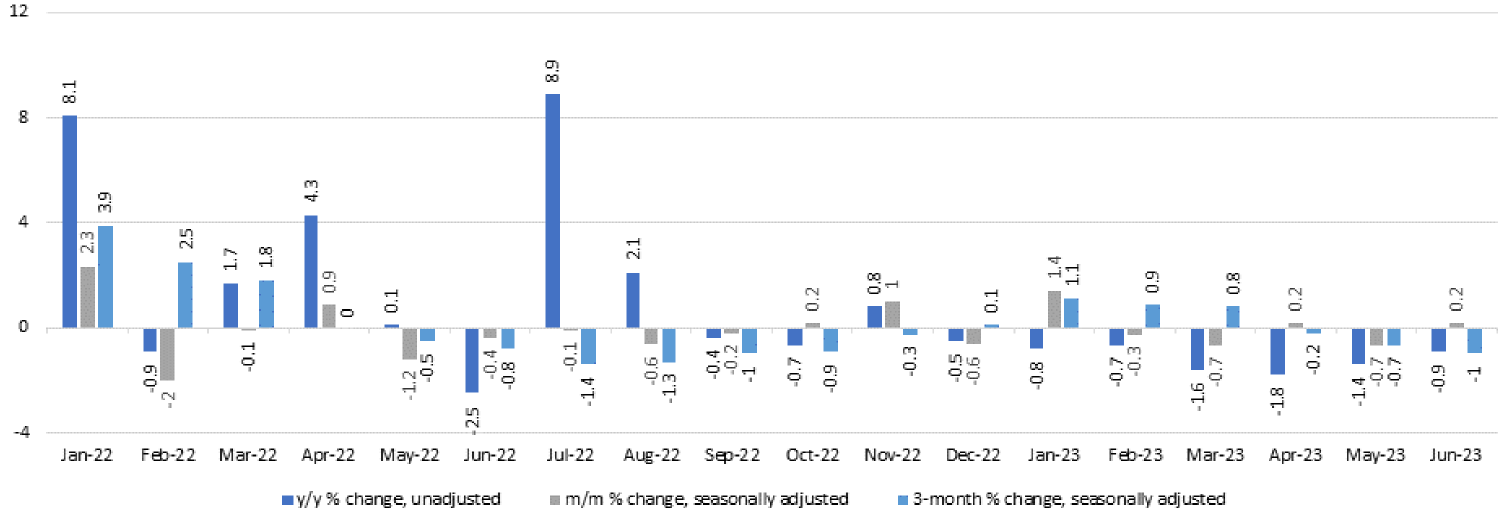
Overview of the Retail Property Sector - Local & International

The smaller centres like community and neighbourhood centres have displayed strong resilience despite the rise in interest rates, which has led to reduced discretionary spending in the lower and mid-LSM categories. These categories represent a substantial portion of the customer base for larger retail centres, making them heavily reliant on their spending patterns. This was evident in the Resilient Reit results, as they reported a growth in comparable sales of 6.4% on a rolling 12-month basis. The group also reported an increase in footfall of 6.3% during the interim period. Leasing activity has been evident as REITS report lower vacancies and a shift towards positive reversions, with renewal reversions in some retail REITS being positive.

In July, annual consumer inflation dropped to 4.7% from 5.4% in June, marking the lowest reading since July 2021 when it was 4.6%. Consumer prices, on average, increased by 0.9% between June 2023 and July 2023, up from the monthly rise of 0.2% recorded in both May and June. Currently, several factors contribute to negative consumer sentiment, including declining real household income and frequent electricity load-shedding.

South Africa's retail trade declined by 0.9% compared to the previous year in June 2023, following a revised 1.6% drop in the prior month, contrary to market expectations of a 0.2% decrease. This marks the seventh consecutive month of poor performance in the retail sector, reflecting persistently challenging economic conditions due to elevated interest rates. The main contributors to this decline were general dealers (-2.7% vs. -3.9% in May) and retailers in hardware, paint, and glass (-4.4% vs. -9.1%). Reduced sales were also observed in other retail categories, including household furniture, appliances, and equipment (-1.5% vs. -5.5%) and pharmaceuticals, medical goods, cosmetics, and toiletries (-1.4% vs. -3.8%). On a monthly basis, retail sales increased by 0.2% in June, recovering from a revised 0.9% decline in the previous month. This suggests significant financial pressure on retail property tenants, compounded by higher interest rates.

Key growth rates in retail trade sales at constant 2019 prices



Source: Stats SA

Overview of the Office Property Sector - Local & International

While leasing activity has shown improvement within the office sector, it remains slower compared to other sectors within the commercial property industry. This is due to certain businesses consolidating their space. In general, the consistently diminished state of the office sector has an ongoing unfavourable effect on property values. There is a more proactive approach to managing assets, involving careful evaluation when considering buying, selling, and development prospects. With regards to acquisitions, both REITs and institutional investors are showing restrained interest due to the persistent lack of demand from occupiers. Typically, buyers consist of property users or smaller investors who are gathering property collections. In specific instances, seller-provided financing is necessary, but this option is not appealing to a majority of sellers. REITs are still recording negative reversions, however these negative reversions are shifting towards positive.

The active leasing activity has resulted in decreased vacancy rates, with the majority of the vacancies being attributable to the low-quality buildings. Aspects like increasing expenses for construction and financing had an adverse influence on the viability of transforming older properties for different purposes. This also restricted any potential rebound in the lower-grade section of the market. Moreover, occupants are increasingly reluctant to engage in extending to 10-year leases as was the norm previously. It has become uncommon for new leases to extend beyond a five-year span, creating challenges for investors in securing finances. This, in turn, intensifies the strain on yields. The availability of funds is still restricted, and there is a scarcity of purchasers in this market.

Due to the substantial gap between the prices of listed properties and the actual values of physical properties, there is a possibility of observing additional efforts towards consolidation and the removal of listings from the market. Real estate investment remains a strategy that pays off over the long term. Benefits will be realised when the interest rate situation becomes more favourable.

Overview of the Industrial Property Sector - Local & International

South Africa's recent plunge in Producer Price Inflation (PPI) to a nearly three-year low of 2.7% signals an era of economic stability and cost control, particularly advantageous for the industrial property sector. This low PPI level promises stable operating expenses and competitive rental rates for industrial tenants, offering them greater control over their budgets. Furthermore, this environment is likely to captivate investor interest, as it signifies reduced inflationary pressure and a dependable income stream from industrial properties. Additionally, it could encourage longer lease agreements, instilling stability for property owners.

In contrast, the escalating power cuts in South Africa during August 2023, propelled by persistent issues at Eskom, have cast a looming shadow over the industrial property sector. Eskom's announcement of an increase in load shedding to stage 4 due to unit failures and the necessity to replenish emergency power generation has disrupted industrial properties, leading to possible production setbacks, heightened operational expenses due to backup power reliance, and deep concerns regarding the long-term viability of businesses in the sector. This underscores the imperative nature of resolving South Africa's power crisis to shield the industrial property sector and ensure overall economic stability.

Moreover, the consistent development of new industrial and logistics properties across SA, epitomized by projects such as Attacq Limited's warehouses in Waterfall City and the R1.9 billion Giba Business Estate in Durban, holds substantial implications for the industrial property sector. South Africa's logistics sector has been on a steady ascent, with the nation's logistics market size growing remarkably. The sector has encountered robust demand, characterized by industrial vacancy rates in major cities like Johannesburg remaining at approximately 5% in recent years, indicative of a pronounced demand for contemporary facilities.

In Cape Town, Redefine's expansion within the Brackengate 2 precinct, encompassing 4,927m² of warehousing and 820m² of office space, addresses this demand effectively. Furthermore, Redefine's engagement in the solar wheeling project, expected to channel 8.8 million KWh annually and reduce carbon emissions by 9.394 tonnes, mirrors South Africa's dedication to sustainability within the industrial sector.

These developments harmonize with the broader economic context as South Africa endeavors to invigorate its industrial and logistics sectors. They are anticipated to yield enticing prospects for businesses, investors, and the overarching economy, concurrently propelling job creation and regional economic growth.

Dividend Revisions of DPS NTM & TP Revisions

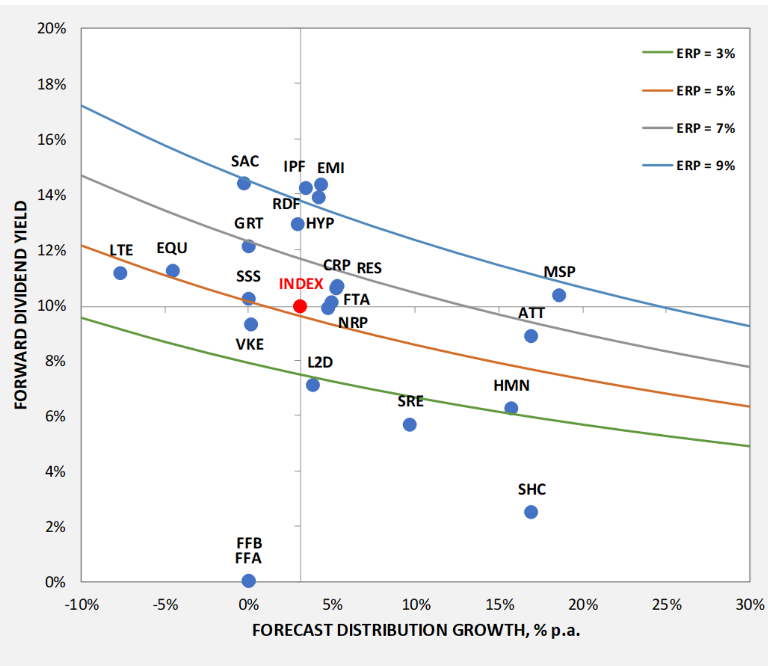
Upgrade	3m DPS Rev	3m TP Rev
Shaftesbury Capital (JSE)	14.8%	0.0%
Mas	4.6%	2.6%
Attacq Ord	4.0%	0.0%
Investec Property	1.1%	-9.0%
Lighthouse Properties	1.0%	10.5%
Sa Corporate Rl.Est.Fund	0.9%	0.0%
Liberty Two Degrees	0.6%	8.1%

Source: Refinitiv, Afrifocus Securities

Downgrade	3m DPS Rev	3m TP Rev
Equites	-14.6%	-27.5%
Hyprop Investments	-11.5%	-4.1%
Vukile Property REIT	-7.4%	0.5%
Nepi Rockcastle	-5.8%	5.0%
Resilient Pr.Inc.Fd.	-2.7%	-3.0%
Redefine Properties	-2.5%	-11.0%
Growthpoint Prop	-2.2%	-1.9%
Capital & Regional (JSE)	-0.8%	0.7%

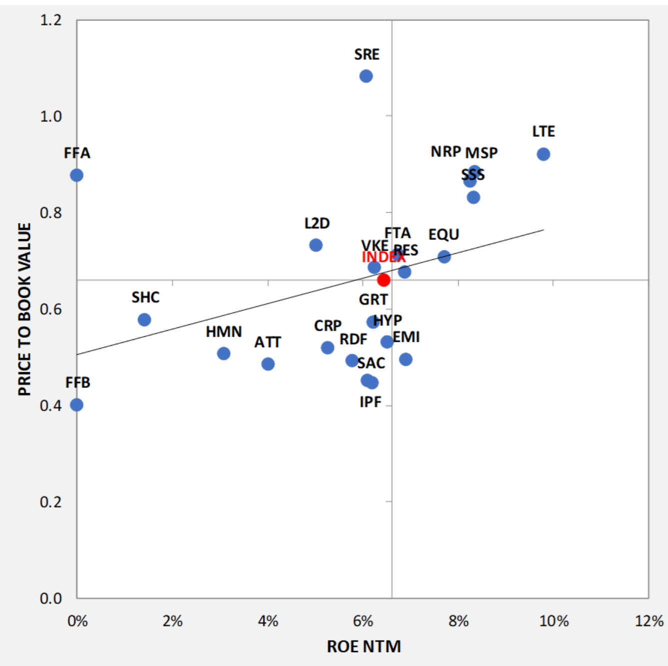
Source: Refinitiv, Afrifocus Securities

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
Mas Real Estate	The Group mentioned in its results that it performed well during the second half of the financial year ended 30 June 2023, achieving adjusted distributable earnings for the year of 8.93 eurocents per share, which is a 30.7% increase from adjusted distributable earnings per share for the previous financial year. Overall LFL footfall for the six months to 30 June 2023 was 9% above the same period in 2019, and tenants' turnovers per m^2 significantly exceeded pre-pandemic levels by 28%. Passing NRI on a LFL basis increased by 6.4% compared to 31 December 2022 and by 12.4% compared to 30 June 2022. Occupancy of Central and Eastern European assets increased to 97.3% on 30 June 2023 (96.3% on 31 December 2022). The Group's LTV ratio on 30 June 2023 was 28.1% on a proportionate consolidation basis and 28.8% on an IFRS consolidation basis. The weighted average cost of debt was 4.42%. The income property fair value uplift of €14.2million reflects positive fair value adjustments to income property in CEE of €15.5million (an improvement of 1.5% compared to the valuations on 31 December 2022 and 4.6% compared to 30 June 2022). Following the strategic review, where the board considered at length the macroeconomic challenges with respect to the debt markets, it has resolved a more conservative and proactive approach is required at this stage. For this reason, the board deems it prudent to pause distributions and accumulate liquidity to provide for a more robust capital structure that can meet the operating requirements of the business in a more challenging funding environment.
Equites	The group mentioned in its pre-close update that the DPS guidance of 130 and 140 cents per share for this financial year (FY24) is unchanged. The group anticipates the LTV ratio to be approximately 40% by 1H24 and 35% by FY24. The group is currently controlling ten sites across the UK, predominantly through land options. As communicated in May 2023, Equites no longer allocates significant capital to the ENGL platform, and it continues to engage with potential buyers to dispose of the platform.
Redefine Properties	Redefine mentioned in its pre-close update that there is cause for optimism that the property cycle has bottomed and that 2024 will be the turning point. Furthermore, the group reported improved operating metrics, which will position the company to generate organic growth. The overall occupancy rates were at 92.9% for Q3FY23, with renewal reversions improving to -7.5%. The group plans on expanding access to renewable energy sources. Two of the retail malls will be off takers of the Brackengate wheeling pilot. Retail vacancy increased due to office space and motor dealerships of which the focus is to reduce exposure to these assets. The demand for P & A grade office space in sought-after locations strengthens. The large office vacancy sits in the B & C- grade buildings. Recovery of the EPP shopping centres is on track on the back of inflation and high interest rates. Like-for-like footfall in EPP for the period January - May 2023 increased by 6%, whereas turnover increased by 9%. ZAR weighted average cost of debt increased by 90bps to 9.6% (FY22: 8.7%) and EPP weighted average cost of debt increased by 90bps to 3.5% (FY22: 2.6%). Interest rates hedged on 79.4% (FY22: 82.9%) of debt for 1.5 years. The LTV is marginally outside the medium-term target range due to Rand weakness. The FY23 DIPS to be in line with the guidance of between 48 cents and 52 cents.
Accelerate Property Fund	The company has entered into an expression of interest with Sasol Pension Fund , to dispose of Eden Meander Shopping Centre together with the vacant land, in George Township measuring 107,2502m^2 and 7,094m^2 respectively. As at 31 March 2023, the property was valued at R 521.6m and is being sold for a consideration equal to 7.5% of the net income yield capitalised for 12 months from 1 December 2023, which is expected to be a minimum consideration of c.R521.0m.

Source: Company Websites

SA Listed Property Corporate News (Continued...)

Company	News
Nepi Rockcastle	The board has declared a dividend of 25.67 euro cents per share for H1FY23, corresponding to a 90% dividend pay-out ratio, to be settled as capital repayment. Alternatively, shareholders may elect to receive an amount of 27.10 euro cents per share, corresponding to a 95% pay-out ratio, as a return of capital by way of an issue of new shares. Furthermore, NOI increased by 23% to €241min H1 2023 (H1 2022: €196m). On a like for like basis NOI was 15% higher in H1FY23 compared to H1FY22, excluding the contribution of the acquisitions completed in 2022. The group reported fair value gain in relation to investment property of €103.7 million (+1.6% compared to 31 December 2022). The valuation result is once again confirmation of portfolio quality and improving operational performance of the shopping centres. LTV was at 33.4% on 30 June 2023, below the 35% strategic threshold.
Octodec investments	The group announced in its pre-close that it has achieved improved occupancy underpinned by the continued strong demand for its space. Vacancies excluding The Fields at the end of July were at 3%. The company is actively engaging NSFAS, together with industry peers, to revise accommodation cap allowances. The group refinanced R2.9bn worth in facilities completed with tenors up to five years and it anticipates the refinance of an unsecured note of R50 million maturing in October 2023. LTV levels are expected to be maintained at below 40% in the short term. The gas explosion which occurred on Lilian Ngoyi Street in the Johannesburg CBD, causing damage from Von Brandis Street in the east to Loveday Street in the west, was close to eight of the Octodec buildings. While essential services were disrupted, the company ensured uninterrupted power and water supply to all the buildings through backup generators. By 31 July, water and power services to the affected building had been successfully restored.
Resilient	The board has declared a dividend of 203.22 cents per share for the six months ended June 2023. This interim dividend is in line with the dividend of 203.98 cents per share for 2H2022 but below the 234.05 cents per share for 1H2022. The main reasons for the decline in distributable earnings are higher interest rates as well as lower distributions from the investee companies. The South African property portfolio recorded comparable NPI growth of 5.8% for the reporting period. Resilient's pro rata share of the vacancy in the portfolio was 1.9% at June 2023. Resilient's full property portfolio is subject to an independent external valuation annually at year-end. Resilient's share of the positive revaluation of these malls was R49.4m (+2.1%). To date, Resilient has invested R564m in solar and battery installations with a further R463m approved and included in capital commitments. Taking into account the proceeds of R626 million from the disposal of Hammerson shares since the reporting date, the LTV ratio was 34.9%.
Equites Property Fund	Shareholders are advised that Equites Newlands has concluded the sale of land agreement, in terms of which ENLL will sell undeveloped, vacant land at Caldecote Farm, Willen Road, Newport Pagnell to CP Logistics UK Milton Keynes Propco Limited, and the development agreement, in terms of which ENLL is appointed by the purchaser, as developer, to develop two distribution centres for the purchaser on the property. The developments will be owned and funded by the purchaser, for a consideration of £59.8m (R 1 435m).

Source: Company Websites

Key Corporate Events

Date	Company Name	Events	Last Reported DPS	Declare Date
14-Sep-23	Growthpoint	Annual Results	64.3 ZAR cents	15-Mar-23
15-Sep-23	SA Corp	Interim Results	11.18 ZAR cents	17-Mar-23
19-Sep-23	Fairvest	Annual Pre-Close	64.60 ZAR cents	31-May-23
19-Sep-23	Fairvest B	Annual Pre-Close	20.97 ZAR cents	31-May-23
21-Sep-23	Hyprop	Annual Results	293.64 ZAR cents	29-Sep-23
26-Sep-23	Vukile	Interim Pre-Close	65.11 ZAR cents	12-Jun-23
28-Sep-23	Emira	Interim Pre-Close	30.35 ZAR cents	07-Jun-23
28-Sep-23	Attacq	Annual Results	29 ZAR cents	14-Mar-23

Source: Sharenet, Company Website

Research Disclosure

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