News release

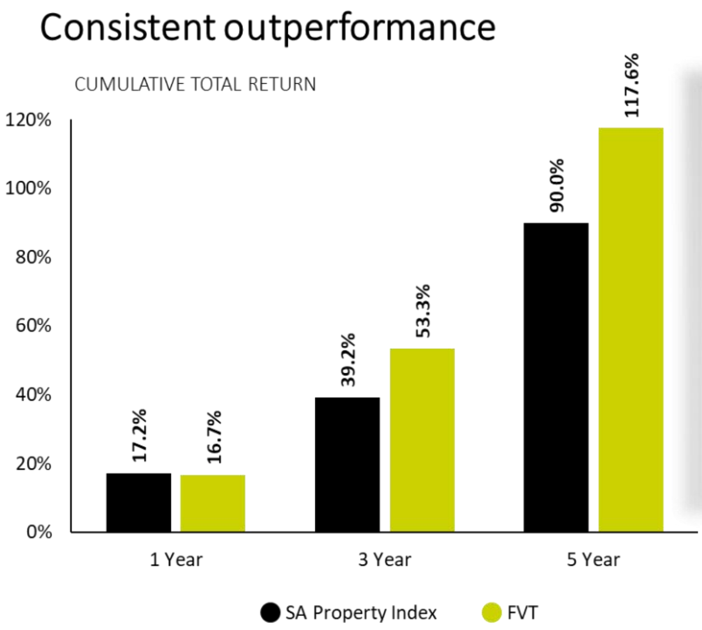
1 March 2018

FAIRVEST CONTINUES TO DELIVER SECTOR BEATING RETURNS

CONFIRMS COMMUNICATED GROWTH OF BETWEEN 9% TO 10% FOR THE FULL YEAR

Cape Town, 1 March 2018. Fairvest Property Holdings Limited (“Fairvest”) today announced solid results for the six months to 31 December 2017, with interim distributions increasing by 9.53% to 9.806 cents per share. Chief Executive Officer, Darren Wilder said: “*The Fairvest portfolio’s ability to achieve robust results despite tough operating conditions has been particularly evident during this prolonged economic downturn. “Our determination to keep the business uncomplicated, while focussing on the basics, maintaining strong property fundamentals and maximising value extraction, have enabled us to continue to successfully deliver quality performance over a number of years.”*

Fairvest has maintained its performance track record over the period, with the latest comparisons indicating that Fairvest has remained amongst the top REITs in terms of total return to shareholders, over a one, three, five and ten-year period. Fairvest has over the past year produced an annual return to shareholders of 16.7%, consistent with its compound annual returns of 15.3%, 16.8% and 17.7% over three, five and ten years, respectively.



CEO: Darren Wilder

HIGHLIGHTS FOR THE SIX MONTHS

- Distribution for the period increased by 9.53% to 9.806 cents per share
- Like-for-like annualised net property income increased by 11.8%
- Total property portfolio increased by 27.1% to R2.8 billion
- R138.4 million of new equity raised during the period
- Net asset value increased by 2.8% to 224.19 cents per share
- Vacancies reduced to 3.2% of total lettable area
- Arrears maintained at 2.4% of revenue
- Tenant retention remained high at 88.5%

Fairvest maintains a unique focus on retail assets weighted toward non-metropolitan and rural shopping centres, as well as convenience and community shopping centres servicing the lower income market, in high-growth nodes, close to commuter networks. The Fairvest property portfolio consists of 43 properties, with 229 175m² of lettable area and valued at R2.80 billion. Wilder said that the company has persisted with its strategic proposition of investing in quality rural community centres, despite numerous opportunities to increase the size of the portfolio by drifting towards a more generalized property portfolio. Fairvest is also one of the few remaining REITs with a pure exposure to the South African market. "We believe that investors prefer to make their own sectoral and geographical investment decisions and consequently favour unique and pure portfolios. Our differentiation has consistently delivered healthy returns over time."

Portfolio growth

Fairvest raised R138.4 million of new equity during the period, which, together with existing debt facilities, was utilised to acquire properties to the value of R494.9 million. These include Shoprite Empangeni in KwaZulu-Natal and a 50.17% stake in Bara Precinct in Soweto, Gauteng, anchored by Cambridge Food and Pick 'n Pay. The company also entered into a strategic relationship with Abland to develop South View Shopping Centre in Soshanguve, Gauteng, anchored by Shoprite. The shopping centre is expected to open its doors in June 2018. R28.8 million was spent on capital enhancement projects at St George's Square (renamed Paddagat), Middestad Mall and Macassar Shoprite, which has attracted new tenants and has resulted in improved letting.

The total property portfolio increased by 27.1% from R2.20 billion at 30 June 2017 to R2.80 billion. The historic portfolio increased by 4.0% over the same period. Asset quality continued to improve, with the average value per property increasing by 21.1% to R65.1 million, and the average value per square meter increasing by 7.7% to R12 223/m².

Distribution growth

During the period, revenue increased by 15.2% to R186.9 million, due to income growth in the historic portfolio as well as acquisitions. Gross rentals across the portfolio trended upwards, with a 6.2% increase in the weighted average rental and a weighted average contractual escalation of 7.5%.

A continued strong focus on cost containment and efficient recoveries of municipal charges, improved the net property expense ratio (expenses net of utility recoveries) to 13.7% compared to 15.5% for the previous financial year. The gross cost to income ratio reduced from 37.6% to 36.2%.

Distributable earnings increased by 20.9% to R84.4 million. Wilder attributed Fairvest's ability to deliver an industry leading 9.53% growth in distributions to strong leadership, an entrepreneurial approach to deal-making and a disciplined acquisitions team, as well as a keen focus on operations and conservative financial management.

Property fundamentals

The portfolio remains well diversified across South Africa, with the four largest provinces, KwaZulu-Natal, Western Cape, Free State and Gauteng contributing 74.3% of revenue. The high national tenant component of 74.1% of the portfolio provides shareholders with a low risk investment profile, with national grocer retailers occupying 33.8% of the portfolio.

During the period under review, 62 new leases were concluded with a total GLA of 6 996m². Fairvest successfully renewed 15 842m² of leases with a positive reversion achieved of 6.1%. Vacancies decreased from 4.7% to 3.2% or to 7 245m² during the period, due to increased letting at Middestad Mall, Paddagat (previously St Georges Square), Richmond Shopping Centre and Clubview Corner. This improvement was partly offset by new vacancies at Bara Precinct.

Tenant retention for the period increased to 88.5%, from 72.8% for the previous financial year. The weighted average lease term decreased from 38 to 36 months.

Borrowings

Fairvest's loan to value (LTV) ratio increased to 32.6% at period end, due to acquisitions during the period which was partially funded with additional debt. Debt was 46.5% fixed through swaps and fixed rate loans, with a weighted average expiry for the fixed debt of 12 months. During February 2018, various swaps were extended at improved rates, which improved the weighted average maturity to 23 months.

Steady progress was made of Fairvest's funding profile, with the weighted average all-in cost of funding decreasing to 9.24%, compared to 9.46% at 30 June 2017 and the weighted average maturity of debt increasing from 15 months to 21 months. Discussions on the renewal of various expiring facilities are in progress with funders and the maturity profile of debt is expected to improve further and available facilities to increase by 30 June 2018.

Prospects

The company said that it expected to see enhanced trading performance from tenants as the outlook for South Africa improved. With a low-risk tenant base and low vacancies, the portfolio remains well positioned to continue to achieve strong property growth.

Wilder said: *"Fairvest has again delivered sustained value creation in the portfolio, which has translated into a significant return to shareholders as investors rewarded the consistent performance. We are optimistic that recent political developments in South Africa will positively impact business sentiment and trading conditions. Lower inflation, as well as an expectation of lower interest rates should contribute to increased consumer spending and should assist domestically focused funds to outperform. We believe our portfolio is well-positioned and we remain confident that Fairvest should be able to achieve distribution growth of between 9% and 10% for the 2018 financial year. With such strong distribution growth and a current share price of 210 cents, relative to a net asset value of 224.19 cents per share, we believe that Fairvest continues to offer attractive value to investors."*

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