FOUNTAINHEAD
PROPERTY TRUST

Fountainhead achieves 11% half year distribution growth

Thursday, 10 April 2014 - Fountainhead Property Trust today declared an interim distribution of 29 cents per unit for the six-month period to 28 February 2014, representing distribution growth of 11% from the first half last year.

The JSE-listed REIT has also revised prospects for the full-year upwards, anticipating distribution growth of between 7% and 8%, up from previous guidance of 6.25% to 7.25%.

Fountainhead is invested in a diversified portfolio of properties valued at R11.8 billion, comprising 64 properties of which 75% by value are well-established metropolitan shopping centres, 16% offices, 6% industrial and 3% specialised properties.

Len Van Niekerk Fountainhead's CEO comments, *"Fountainhead's core portfolio delivered net property income growth of 7.3% during the review period, despite challenging market conditions. Positive rental reversions on lease renewals of 4.5% were achieved. Total vacancies increased from 7.1% to 9.1% during the period, however vacancies in the retail portfolio remained stable at a low 3.8% and tenant retention remains robust with 86% of leases expiring during the year being renewed. Office and industrial vacancies increased during the period as a result of a few larger tenants vacating, but these premises are already under negotiation to be relet.*"

Fountainhead continues to make meaningful progress in improving the quality of the portfolio to enhance long-term sustainable income and capital growth prospects. Current approved capital projects amount to over R1 billion with the potential to increase further as other projects currently under consideration come to fruition. The majority of the approved projects kick-off this year from April onwards and are expected to be completed in the later part of 2015.

Major development projects currently underway include the extension of the Checkers store at Bryanston Shopping Centre by 2000m^2 to 4000m^2, construction of two new parking decks with direct access to the centre, and a continuing process of improving the tenant mix. Other developments include upgrading and expansion by 3,500m^2 at Centurion Mall, the addition of 4,600m^2 at Kenilworth Centre together with improvements to the parking deck. Boulders Shopping Centre will be by 7,200m^2 including a new 3,500m^2 food anchor. The Trust continues to investigate redevelopment proposals for Brightwater Commons in Randburg as well as the potential conversion of AMR Office Park in Bedfordview into a college campus.

Agreements were concluded to dispose of Fountainhead's minority interests in Westgate, Southgate and the Southgate Value Market for a total consideration of R944 million. The proceeds from the disposals will be used to fund capital projects and acquisitions.

"We are focusing the activities of the Trust on core assets that can enhance performance as a key strategy and to this end Fountainhead intends disposing of the majority of its smaller properties during the course of this calendar year," van Niekerk added.

Growing its portfolio during the period, Fountainhead acquired and took transfer of the strategically located CIB office complex in Bedfordview for a total consideration of R159 million at an initial yield of 8.15% with a long triple net lease in place. It also entered a sale and leaseback agreement with Robor Proprietary Limited to acquire the Robor Elandsfontein property for R570,7 million at an initial yield of 8.5% with an initial lease period of 10 years escalating at 8% pa.

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"These acquisitions are in line with Fountainhead's strategy to acquire large, quality assets with sustainable income growth and low risk profiles," says van Niekerk. *"While retail remains our core focus, we are also pursuing investments in other sectors which offer high-quality growing income streams, such as the Robor industrial property."*

Fountainhead ended the half year with a gearing level of 27%. During this period it significantly increased the amount of debt hedged against changes in interest rates through swap agreements and fixed rate loans from 47% at 31 August 2013, to 62% and again to 78% subsequent to the end of the interim period. Management is currently restructuring debt facilities totaling R2.3 billion due in 2015 and 2016 and expect a reduction in the weighted average margin.

During the period Redefine Properties Limited increased its unitholding in Fountainhead Trust to 65,9% of the units in issue. "*Fountainhead enjoys considerable alignment with and support from Redefine Properties,"* says van Niekerk.

van Niekerk concluded. *"I am pleased to report that we have made good progress in improving operations, debt funding and enhancing our portfolio and Fountainhead is well positioned to continue this new chapter of sustainable long-term growth in income for our investors."*

Simultaneous with the interim results, a cautionary announcement was issued whereby Redefine Properties Limited and Fountainhead have begun engaging in relation to the possible terms of a potential merger between Redefine and Fountainhead. The engagements are still at an early stage but an independent committee of the board of Fountainhead has been established to progress discussions and to represent the interests of all Fountainhead unitholders.

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