

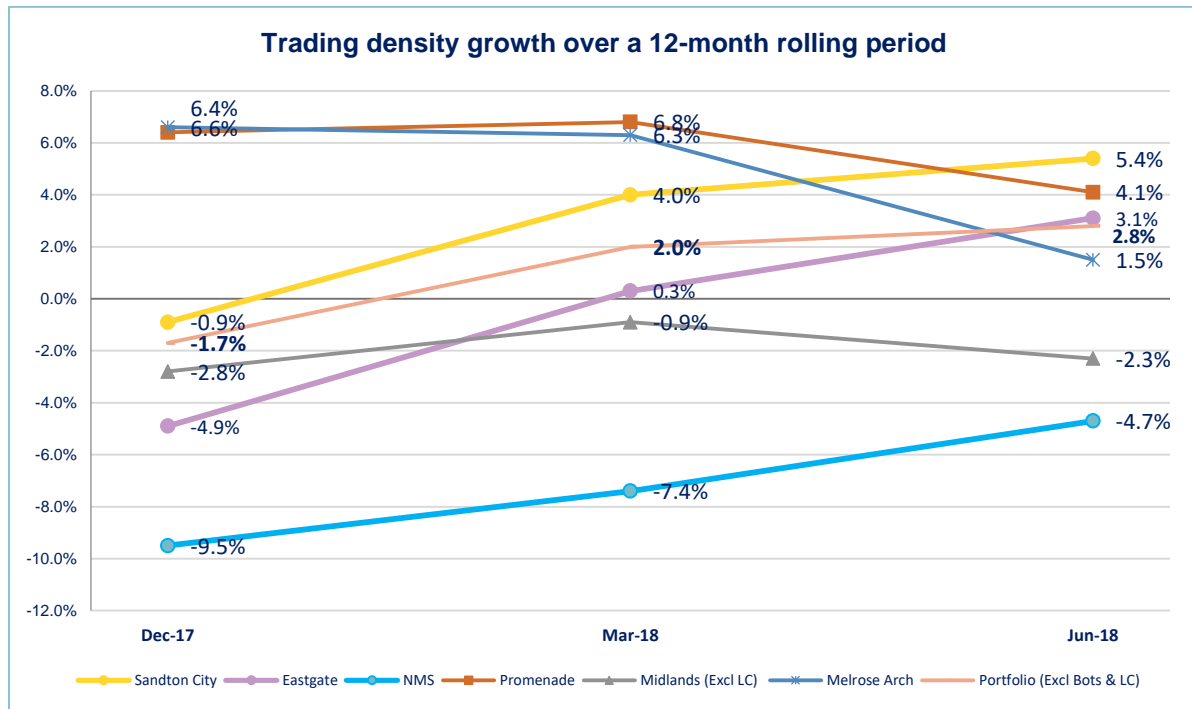
Liberty Two Degrees Retail Update

25 September 2018

This voluntary report provides an update on the trading performance of the portfolio as reported in the Liberty Two Degrees (L2D) interim results announcement released on 23 July 2018. Trading density information for June 2018 is provided as well as vacancy rates as at August 2018. In addition there is commentary on the latest leasing initiatives. The information has not been reviewed or reported on by L2D’s external auditors.

The trading performance of the portfolio has seen a general upward trend, with Sandton City and Eastgate Shopping Centre reporting good growth. Vacancies have reduced for August, largely driven by pre-let vacancies at Eastgate taking beneficial occupation during the month of August. Lastly, there are some exciting store openings across the portfolio during the remainder of 2018 which we believe will further improve the tenant mix and optimise trade of our centres.

Retail Trading Update as at 30 June 2018



- 2017 was undoubtedly one of the toughest retail environments for L2D with the downturn in the economic environment which resulted in consumer spending coming under pressure. The closure of Stuttafords as well as the major increase in assessment rates at Eastgate shopping centre were contributing factors.
- Towards the end of 2017 the L2D portfolio began to recover which was evident in the slowdown in the rate of decline in trading densities.
- For the 12 months to June 2018, the portfolio reported a positive trading density growth of **2.8%**. This excluded Botshabelo Mall and Midlands Lifestyle Centre.
- Trading densities across most centres have shown considerable improvement with Sandton City and Eastgate Shopping Centre reporting growth of 5.4% and 3.1% respectively. Nelson Mandela Square is slowly recovering from a -9.5% trading density decline in December 2017 to a -4.7% at June 2018.
- The Midlands Mall Lifestyle Centre (Lifestyle Centre) opened in March 2018. The Lifestyle Centre has a lower trading density than the existing mall as it has larger box tenants. Midlands Mall's trading density has declined by 2.3% as a result of the development activities and the enlargement of some key retail stores and is expected to recover upon completion of the development.
- Botshabelo has been included in the reporting for the portfolio from May 2018. Accordingly the high growth of 14.1% is attributable to 8 months trading in the base data vs 12 months data in the current period. Additionally, certain categories particularly grocery/supermarket and unisex wear have contributed positively to growth.
- Luxury brands remain a driver of consumer spend at Sandton City and have generated exceptional trading density growth of 18.7% for the 12 months to June 2018.

CENTRE	Annualised Trading Density June 2017	Annualised Trading Density June 2018 ¹	Growth %	IPD ² Q2 ATD Benchmark	Centre vs. IPD Variance %
Sandton City	50 645	53 369	5.4%	37 517	42.3%
Eastgate	35 801	36 919	3.1%	37 517	-1.6%
Nelson Mandela Square	56 932	54 262	-4.7%	33 057	64.1%
Liberty Midlands Mall (Excl. LC)	38 701	37 797	-2.3%	33 057	14.3%
Liberty Promenade Mall	38 369	39 928	4.1%	33 057	20.8%
Melrose Arch	26 927	27 334	1.5%	29 671	-7.9%
Botshabelo	24 878	28 382	14.1%	-	-

¹ Annualised Trading Densities are extracted from the Clur Research Report

² Botshabelo is not included in the IPD Quarterly Retail Analysis.

- The L2D retail portfolio continues to outperform the IPD benchmark in terms of annualised trading density with Sandton City and Nelson Mandela Square posting a significant positive variance to the benchmark.
- While Eastgate shopping centre may appear marginally below the benchmark, it must be noted that the significantly higher trading density of Sandton City does skew the benchmark. When Sandton City is excluded from the super-regional benchmark, Eastgate's annualised trading density of R36,919m² is higher than the adjusted benchmark for the annual trading density of the super-regionals of R35,096/m².
- This report provides an update on the June 2018 trading data however, it is pleasing to note that the overall performance for July 2018 has improved further with annualised trading density growth for the portfolio of 3.5%. At an asset level, Sandton City grew by 5.8% and Eastgate by 4.6% for July 2018.

Vacancy update

- There has been good leasing activity within the portfolio, as seen in the decrease in vacancies from June to August 2018. The overall vacancy rates as well as the vacancy rates including pre-let deals are presented in the table below.

August 2018	Portfolio	Retail	Office	Specialised
Overall vacancy rate	5.1%	2.9%	9.2%	0.0%
Pre-let vacancy rate	4.1%	1.4%	8.8%	0.0%

Further leasing initiatives

L2D's retail centres continue to attract a wide range of exciting new brands. The following are some of the new tenancies over the next quarter. These new brands enhance the tenant mix of the respective centres and cater to the demand of their customers.

- Sandton City – Coach, Sportsmans Warehouse, Armani Exchange, LC Waikiki and Burger Rack.
- Nelson Mandela Square – True Story (a Nelson Mandela Foundation retail initiative), JM Legazel and Wolf & Maiden.
- Midlands Mall – LTD Kids, Chateau Gateaux, Krispy Kreme and Toy Kingdom
- Promenade – Crosstrainer and JAM Clothing
- Botshabelo – Shoe City
- Eastgate – H&M, Dischem and Lindt

Edcon update

As at 31 July 2018, the portfolio exposure to Edcon in terms of GLA is as follows:

	July 2018	July 2017	Exposure Reduction
Edcon Exposure - Portfolio	5.75%	6.21%	- 0.46%

The management of L2D continues to engage with Edcon on both a strategic and operational level, specifically regarding the space rationalisation plans. As indicated in the above table, exposure to Edcon has been reduced where possible, an example being the closure of Top Shop in Sandton and the subsequent re-tenanting of that space to Sportmans Warehouse. At Sandton City, the trading performance of Edcon grew by 4.48% and in the overall portfolio by 1%.

Conclusion

Management is pleased with the recent performance of the portfolio and specifically the growth in trading densities in the current retail environment. A continued focus is placed on ensuring the centres are positioned as the place of choice for both tenants and shoppers alike, as a result of the quality of the environments L2D manages.