Redefine continues to deliver ahead of market expectations

Thursday, 08 May 2014 - Redefine Properties today reported continued growth in its financial results for the six months ended 28 February 2014, exceeding market guidance.

Redefine achieved a 13% increase in distributable income, which translates into an increase of 8% in distribution per linked unit for the period of 36.4 cents. The sustained expansion of Redefine was mainly attributable to enhanced portfolio fundamentals and operating efficiencies, significant Rand hedge gains and good results from international investments. Redefine unitholders have for the first time been given the option to reinvest their cash distribution in return for Redefine units.

"The Rand hedges in our portfolio made a strong contribution to results with our offshore assets comprising 14.7% of our total property base generating 19.3% of the total distribution," says Marc Wainer, CEO of Redefine. *"Currently, property investment potential in some international territories is looking attractive relative to many local opportunities."*

Despite a challenging domestic trading environment, with disproportionate increases in utility costs and ongoing financial market volatility, Wainer notes Redefine is well focused on managing the variables within its control. *"We are on track to deliver similar growth in distributable income per linked unit for the second half of 2014."*

Redefine is a JSE-listed SA REIT with a market capitalisation in excess of R30 billion and controls a diversified portfolio of property assets of R44.5 billion. The company's local investment assets comprise 253 diversified directly held properties valued at R25.4 billion, while Fountainhead Property Trust, in which Redefine has a 65.9% equity interest, has an R11.8 billion retail-focused property portfolio.

Redefine is geographically diversified with R6.6 billion invested offshore. The 32.9% stake in Redefine International P.L.C which is listed on both the London Stock Exchange and JSE, is valued at R3.4 billion. Redefine has a R3.2 billion presence in the Australian property market through a direct 50% interest in North Sydney's landmark tower, Northpoint, and holds 12.8% in Cromwell Property Group, which is listed on the ASX - and an indirect holding of a further 13.4% through RI PLC.

Benefiting from its internalisation of electricity recoveries, Redefine's operating costs were contained to 19% of total revenue, compared with 20% at the 2013 half year.

"*We made excellent progress in our strategy of repositioning and improving the quality of our portfolio. Redefine's average value per property is now close to the R100 million mark,"* says Wainer. *"Where possible, when we acquire properties, we aim to secure fully repairing leases with premium tenants."*

The continuing portfolio improvement was achieved with strategic acquisitions, prudent disposals and value-enhancing developments and redevelopments. The strategy also helped improve vacancies in lettable space to 4,9%. Redefine concluded property acquisitions totalling R2 billion during the period, the largest of which was it's stake in Maponya Mall which transferred subsequent to the half year.

"There are a limited number of suitable, attractively priced assets available for acquisition in the domestic market right now. So, development provides an important area for growth, especially given

that we own a number of existing well located properties" says Wainer. *"Redefine has adopted a renewed focus on redevelopment, with R700 million already in progress. We have also secured a new development pipeline covering 157,000sqm in gross lettable area, or R2.8 billion in development cost. This allows Redefine to grow its portfolio with high quality assets at investment yields that are earnings enhancing*."

With the structural change in listed property yields, Redefine has reconsidered its position on its Government-tenanted properties and put the sale of this portfolio on hold. *"In terms of Government policy, Redefine is having leases renewed for three-year periods whereas previously many of these properties were on monthly tenancies or one-year leases,"* explains Wainer.

Redefine identified attractive opportunities, in line with the increase in corporate activity in the REIT sector over recent months**.** Shortly after the period end, it reached an agreement to acquire the entire issued capital of Annuity Properties by way of a scheme of arrangement together with its asset and property management companies at a cost of R103 million. Annuity unitholders will receive 57,752 Redefine units for every 100 Annuity units held, which places a R2.1 billion value on the portfolio. The transaction is effective from 1 March 2014 and is subject to various conditions precedent.

During the period, Redefine increased its equity interest in Fountainhead to 65.9%. Redefine and Fountainhead are at an early stage of engagement about the possible terms of a potential merger. Redefine also disposed of its remaining holding in Hyprop during the review period. The company's credit rating by Moody's remained unchanged during the period.

Redefine's debt represented 37.6% of the value of its property assets and the average cost of funding is 7,8%, marginally lower than a year ago. Interest rates are fixed on 81% of its borrowings for an average period of four years.

To make investing in Redefine more accessible to international investors, it successfully launched an American Depositary Receipt Programme in September 2013.

Redefine is also in the process of converting its existing linked unit capital structure into an all share capital structure and should complete this process by the end of the company's financial year. "*This aligns Redefine's capital structure with the REIT standard in South Africa and complies with the JSE Listings Requirements for REITs,"* notes Wainer

"Redefine will continue to refine our strategic focus and deliver value to our stakeholders in an ever changing environment," says Wainer.

Ends.

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