BREAKING NEWS

REDEFINE PROPERTIES

Redefine expands offshore presence with strategic stake in EUR1 billion, 28 property Polish retail portfolio

Johannesburg - 6 December 2017 - JSE-listed diversified Real Estate Investment Trust (REIT) Redefine Properties (JSE: RDF) continues to advance its geographic diversification strategy with a strategic 25% stake in a EUR1 billion retail portfolio of 28 quality, established and well located assets across Poland.

Key locations in the portfolio stretch from Warsaw to growing regions across the country like Krakow and Zabrze. The 28 retail properties are comprised of 9 leading mid-market shopping centres anchored by Auchan Group hypermarkets, 4 smaller hypermarket anchored big-box retail centres, 12 standalone hypermarkets with small line-shop retail components and 3 standalone DIY stores. France's Auchan is one of the world's principal distribution groups with a popular presence in a growth market like Poland. A variety of international and domestic brands like MediaMarkt, TK Maxx and H&M count among the other blue chip tenants in the portfolio.

Pimco and Oaktree Capital Management, each holding 37.5% of the consortium, have teamed up with Redefine to purchase the prime properties from a partnership of investors managed by Apollo-Rida, a pioneer of the real estate market in Poland.

Redefine's executive chairman, Marc Wainer says the deal presents Redefine with an opportunity for above-market returns and value-add opportunities. Redefine anticipates a pre-tax return on equity in the region of 15%.

"I am excited about the growth potential beyond the initial investment horizon. While this asset deal transaction is accretive to our earnings over 3-5 years from both an income and trading point of view, it also ushers in long-term growth and value-add potential," he says.

Value-add opportunities include the redevelopment/extension of around 56,000sqm of the portfolio. The 25 Auchan leases represent approximately 35% of their total number of stores in Poland and provides a strong negotiation position for the ultimate renewal of the leases. Initially the portfolio was developed by affiliates of Metro AG and sold to a JV between Rida and Ares in 2003. Metro AG and the then purchasers concluded a triple net 'master lease' over the portfolio, which expires in April 2024, which provides a secure income stream.

"This is a great income play, with triple net blue chip anchor tenants, Auchan and OBI, comprising over 65% of the gross lettable area, while the rent review of the head lease is estimated at 6% in 2019," says Wainer.

Redefine's equity contribution of EUR58 million will be funded from completed local asset sales, so it will not need to raise additional capital.

A key feature of the deal is the onward sale of 12 earmarked properties to Echo Polska Properties in three annual tranches (once income generation is stabilised) with the first tranche to be acquired by them as part of the initial acquisition. EPP is dual listed on the Luxembourg Stock Exchange and the JSE and of which Redefine owns 39.6%.

Redefine remains confident in the outlook for Poland's retail sector, which continues to be buoyed by stellar sales.

"There are solid fundamentals in place in this market, driven by very strong retail sales growth of 8% and inflation of about 1%. So the macro environment is very solid as employment levels are high and consumers have low levels of household debt," says Redefine CEO Andrew Konig.

Redefine lifted its full year distribution 7% to 92 cents per share for the full year to end August 2017, despite challenging local conditions.

"Our diversified asset platform has been structured to cope in an environment of prolonged uncertainty and low growth. Quality offshore acquisitions and an astute, investor-driven strategy continue to assist us to sustain value and drive growth for all our stakeholders," concludes Konig.

Portfolio Breakdown:

The 28 retail properties comprise the M1 portfolio of nine leading mid-market shopping centres anchored by an Auchan hypermarket across Poland with an approximate total gross leasable area (GLA) of 383,000sqm and net operating income (NOI) of around EUR43.6 million a year; four smaller hypermarket anchored big-box retail centres with 114,000sqm and NOI of EUR11.6 million a year - the Power Park Portfolio; the Hypermarket Portfolio of 12 hypermarket-anchored centres with small line-shop retail components comprising 182,000sqm and total NOI of around EUR22.2 million; and the DIY portfolio of three standalone DIY stores of 26,000sqm and NOI of about EUR2.6 million per annum.