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Redefine delivers sustained value through operational efficiencies and executing its strategy to protect and expand its property portfolio

Operating conditions may remain challenging but JSE-listed diversified Real Estate Investment Trust (REIT) Redefine Properties (JSE: RDF) continues to execute long-term strategic thinking and efficient management of its property portfolio to deliver sustained returns and value.

Redefine, which recorded a 5.5% increase in its distribution to 47.30 cents per share for the interim period to 28 February 2018, remains firmly on track to harness the resources at its disposal and expects to maintain this growth rate for the full 2018 financial year.

With local developments in progress to the tune of R5.9 billion, ongoing and value-enhancing redevelopment of existing properties, disposals and international acquisitions Redefine has the ammunition to advance its strategy of diversifying, growing and improving the quality of its property portfolio.

During the reporting period Redefine acquired a strategic 25% stake in Chariot Top Group for R907.9 million, giving it direct access to a retail portfolio of 28 quality, established and well-located assets across Poland. On the local front, the highlight was the ongoing development activity to protect and expand the property portfolio with the completion of redevelopment projects amounting to R212.7 million and redevelopment projects in progress at R743.4 million. The property platform remains biased towards retail at 41% of its sectoral spread by value, while its offshore footprint contributed 25% to distributable income.

Subsequent to the reporting period, Redefine entered into agreements to sell 19.5% of its interest in Cromwell for R3.7 billion and its equity interest in directly held Northpoint for R1.6 billion with the proceeds expected to be received this month subject to the approval of the Australian Foreign Investment Review Board. On the local front, the remaining 50% of 115 West Street (Alexander Forbes) was acquired for R750 million.

"Our strategy is appropriate for the environment we are operating in. A strong feature of our approach has been to recycle capital and during this reporting period we raised R2.6 billion in terms of selling non-core assets, which bolsters liquidity," says Redefine CEO, Andrew Konig.

The new dawn brought about since Cyril Ramaphosa became President, together with support from global growth and commodity prices, are expected to lead to higher investment and economic growth opportunities going forward.

While Konig says South Africa's economic activity needs to double to make any significant inroads into property fundamentals - which are soft at present - he is excited about a new mood for the economy, which is evidenced by rising confidence levels.

"Rising confidence levels are palpable and we welcome and are supportive of interventions introduced by President Ramaphosa to propel the economy forward. While we are noting some signs of this shift in sentiment in terms of leasing interest, sentiment must translate into economic growth at double the current rate to alleviate soft property fundamentals," he says.

For Redefine it is about remaining focused on what matters most - operating efficiently, investing strategically, optimising capital, engaging talent and growing reputation.

Redefine's Financial Director, Leon Kok, reports a healthy operating margin of 82.7% for the interim period, with the property cost ratio remaining stable at 33.9%. The overall occupancy rate improved to 95.8% and tenant retention measured 94.7% from 86% in the comparable half year in 2017.

"I am happy to report very sound credit metrics, with our loan to value ratio dipping to 40.1%. We will look to reduce this even further to trend to below 40% over time. Our cost of debt funding reduced to 6.9%," he says.

Redefine's total assets are valued at R93.4 billion - an increase of R1.9 billion since the year end in August 2017.

Other highlights include gaining a level 4 BBBEE rating, a gold SAFMA award for solar PV implementation - total installed solar PV capacity is now 11,697kWp and Redefine has 43 Green Star certifications - and 47 learners being enrolled for its 2018 training intake.

As part of strengthening Redefine's Board governance role, Marc Wainer will be relinquishing the Chairman role during November, to allow for a smooth transition to an independent non-executive Chairman. Marc will continue to be an executive director of Redefine.

"We are relentlessly focusing on what matters most to deliver sustained value and truly believe that to prosper over time all stakeholders in our company must benefit," concludes Konig.

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