8 May 2017

Top investors see great strategy beyond the brick and mortar - they see it in our results

Redefine embarked on a strategy some six years ago to upgrade the quality and efficiency, as-well-as extend the lease maturity profile of our local portfolio and geographically diversify into real estate markets operating in hard currency markets. As we report our interim results today we can proudly say we are reaping the rewards of this strategy now, with quality investments and an investor-driven strategy shining through.

Despite a challenging macro-economic environment, we need to steer through these ebbs and tides in a manner that ensures we are risk resistant, as opposed to being risk averse. Opportunities for continued improvement and diversification lie on the horizon and we need to counteract risk and ensure continued growth in spite of these conditions.

We have delivered another solid performance after increasing our distribution by 7.5% to 44.82 cents per share for the six months to 28 February 2017. This shows how our agile approach to deployment of capital enables us to remain on course towards sustained growth, regardless of market volatility.

At 28 February 2017, our diversified local property portfolio was valued at R67.7 billion (FY2016: R54.7 billion) and the group's international real estate investments, were valued at R16.4 billion (FY2016: R18.0 billion) - growing in total by R11.4 billion over the period under review.

These results come against the backdrop of increased uncertainty, driven mainly by political issues playing out ahead of the ANC elective conference. We are concerned about the prospect of further ratings downgrades, which weigh heavily on consumer and business confidence and influence the scarcity and cost of capital going forward. We will continue to manage the variables that we can control through focussing on what matters most through communication and close collaboration.

Today's financial results predate all of the events set off by the recent cabinet reshuffle, but what they show is that we are fundamentally strongly positioned to weather the coming storm.

Our primary domestic portfolio focus during the period was on protecting, expanding and improving existing well-located properties. What really stands out are our solid property fundamentals.

During the period, tenant retention by gross leasable area increased to 86% from 83% a year earlier. The overall occupancy of the portfolio was 94.5% and a further 205 213 m^2 was let across the portfolio whereas 171 832 m^2 was let in the comparable interim period a year ago. Our lease maturity profile is the flattest it has been since we embarked upon repositioning our property portfolio.

Our diversified asset platform gives us an edge. While international investments contributed 22.7% to distributable income, international real estate investments made up 19.5% of property assets. Geographical diversification remains very important as we access stable revenue flows and broaden our funding sources - we expect to see the offshore asset contribution to earnings lift even further going forward to around 25%.

We acquired 32 Pivotal properties valued at R10.4 billion (including developments in progress and land holdings for future development) during the result period. The portfolio consists of 17 office, 10 retail and five industrial properties.

We also acquired a 90% equity investment of R337.9 million in Journal Student Accommodation Fund which is based in Australia and have received development approval for 804 beds at a prime site we own in Melbourne. The student market remains a very exciting niche to watch in the future.

What is very important is that we remain focused on investing in top quality properties and real estate opportunities across strategic geographic locations - both locally and internationally, no matter how challenging the political and economic backdrop may be.

Our people remain our most important strategic differentiator and we will continue to take the utmost care to shape, mould and empower each and every one of our team members to contribute to our collective strength. This is not by chance, but by strategic design.

Ultimately, property is our commodity, but people are our business - because we know that a good people strategy is the key to good business. And that, simply put, is the business Redefine Properties is good at.

Thank you

Andrew Konig, CEO