

News release

FAIRVEST MAINTAINS ABOVE-INFLATION GROWTH IN CHALLENGING MARKET

Highlights for the six months to 31 December 2019

- Distribution for the period increased by 5.1% to 11.155 cents per share
- Total property portfolio increased by 10.4% to R3.49 billion
- Net asset value up by 2.0% to 233.97 cents per share
- Vacancies reduced to 3.2% of total lettable area
- Arrears continue to remain low at 1.7% of revenue
- Conservative balance sheet with LTV of 34.0%
- 21.9 million treasury shares acquired at R1.86 per share
- Distribution growth of 4% to 6% expected for the 2020 financial year

Cape Town, 2 March 2020. Fairvest Property Holdings Limited (“Fairvest”) today again announced solid results for the six months to December 2019, with above market distribution growth of 5.1%, net property income growth of 2.2%, 5-year lows in vacancy rates and consistently low arrears. Chief Executive Officer, Darren Wilder said: *“Fairvest’s focus on a differentiated sector of the market and its persistent drive to get the property basics right have again demonstrated the defensiveness of its portfolio amid market conditions that have proven extremely challenging.*

Fairvest maintains a unique focus on retail assets weighted predominantly toward non-metropolitan and rural shopping centres, as well as convenience and community shopping centres servicing the lower income market in high growth nodes, close to commuter networks. The Fairvest property portfolio consists of 44 properties, with 261 431m² of lettable area valued at R3.49 billion and a sectoral split of 95.6% retail and 4.4% office properties.

Wilder said that Fairvest is fortunate to have a team of hands-on property professionals who have deep experience in both bull and bear markets. In tough times, this experience is brought to bear to continue to achieve healthy results and sustained value creation.

Fairvest’s investment philosophy is to differentiate the fund through performance not size, with acquisitions considered in its property niche exclusively and only at the right price, with a strong focus on value extraction.

Healthy distribution growth

Total property revenue increased by 11.9% to R267.7 million, due to income growth in the historic portfolio, as well as an acquisition and a completed development during the period. A strong focus on arrears management reduced arrears to 1.7%, on par with the lowest level achieved in the past seven

years. Cost containment and efficient recoveries of municipal charges remains a strategic focus, with the gross cost to income ratio increasing slightly from 36.7% to 37.1%, which is in line with the company's strategic objective of maintain a cost to income ratio of below 38%.

Continued portfolio growth

The value of the property portfolio increased by 10.4% from R3.16 billion at year-end, to R3.49 billion at 31 December 2019. This increase is mainly as a result of the Nonkqubela Mall acquisition to the value of R162.9 million, the Qumbu Plaza development to the value of R54.8 million, capital expenditure incurred of R45.3 million and a 3.1% increase in the historic portfolio.

The success of our asset management initiatives is best indicated by the improved asset quality ratios, with average value per property increasing to R79.3 million and average value per square metre increasing to R13 350.

Robust property fundamentals

The portfolio remains strongly diversified with a broad, geographically dispersed representation and the top ten tenants occupying only 52% of the portfolio. The low risk investment profile is further augmented by A- and B-grade tenants who occupy 80% of gross lettable area.

The weighted average contractual escalation for the portfolio decreased from 7.4% to 7.2% in the period. Gross rentals across the portfolio trended upwards, with in the weighted average retail rental increasing to R126.10/m². Vacancies were maintained at the lowest level achieved in the past five years. There is a strong focus on tenant retention and Fairvest successfully renewed 11 774 m² of leases, with an average escalation of 0.8%. The weighted average lease term increased from 35 to 38 months, which further negates the risk to its income stream. Letting of vacant space remained a focus area and during the period vacancies were reduced from 4.0% to 3.2%.

The company completed the installation of photovoltaic rooftop solar systems on ten of its properties at a cost during the period of R36.6 million. Solar installations on seven more properties commenced with a further R24.7 million committed. These installations will reduce Fairvest's environmental footprint and further increase the attractiveness of its shopping centres for tenants.

Disciplined, conservative financial management

Fairvest's loan to value remains conservative at 34.0%, in line with the board approved strategy. Of the debt, 67.1% was fixed through interest rate swaps as at 31 December 2019, with a weighted average expiry for the fixed debt of 42 months. The weighted average all-in cost of funding decreased to 8.92%. The weighted average maturity of debt was 22 months.

During the period the company repurchased 21 918 276 ordinary shares, or 2.2% of the issued share capital, in the open market at an average price of R1.86 per share, which represents a yield in excess of 12%. The shares are held in treasury in a wholly owned subsidiary.

Prospects

Fairvest said that while economic conditions are expected to remain challenging; the company is confident that the nature of its portfolio, its low-risk tenant base and letting expertise will continue

to be defensive in the face of current economic challenges. The company continues to target growth in distributions per share at the top end of the market, approximating or exceeding current inflation. Management remains confident that growth in distribution per share of between 4% and 6% for the full 2020 financial year is achievable, against the market expectation for the listed property sector which is to deliver negative to flat distribution growth.

Wilder said that Fairvest's philosophy has always been to maintain a simple property business with an income statement and balance sheet devoid of complex financial structuring. This approach has resonated with investors, allowing the company to deliver a 5-year cumulative total return of 94.03%, relative to a SAPY return of 6.18% over the same period. *"We are determined to continue to keep a simple traditional property business with no off-balance sheet structuring. We continue to seek out quality assets with strong property fundamentals and to provide hands-on property management, as we strive to continue to add value for our shareholders."*

-ends-

Contacts:

Darren Wilder
Chief Executive Officer – Fairvest Property Holdings Limited
021 276 0800

For more details or to set up a media interview, please contact:

Lydia du Plessis
Investorsense
Cell: 082 491 7583
e-mail lydia@investorsense.co.za