News release

23 September 2020

FAIRVEST'S PROPERTY PORTFOLIO PROVES ITS RESILIENCE

Features for the year to 30 June 2020

- Final distribution of 9.883 cents per share, taking the full distribution for the year to 21.038 cents per share, down 3.4%
- Like-for-like annualised net property income growth of 0.8%
- Tenant retention remaining high at 73.28%
- Average lease term up from 35 to 39 months
- Vacancies contained at 4.5% of total lettable area
- Arrears at 4.4% of revenue
- Interest cover high at 2.9 times
- Like-for-like property portfolio value increased by 1.0% to R3.49 billion
- Net asset value per share of 221.18 cents, down 3.6%
- 2021 guidance the distribution per share for the 2021 financial year to be at least in line with the current year's distribution per share

Cape Town, 23 September 2020. Fairvest Property Holdings Limited ("Fairvest") today announced results for the year to 30 June 2020, with total distribution for the year of 21.038 cents per share, down 3.4% decrease on the prior year. Chief Executive Officer, Darren Wilder said: *"We are pleased with the resilience that our portfolio has shown, in what can only be described as an exceptionally tough environment. Fairvest's continued satisfactory financial performance is attributable to its focus on a differentiated sector of the market. There is a perceptible shift in consumer preference towards convenience and neighbourhood shopping and this is borne out by trading density growth in the local market, which has favoured smaller retail formats. In challenging times like these, experienced management who has managed property portfolios through multiple economic cycles, also plays a central role in sustaining performance. This is reflected in our moderate vacancies and arrears, high tenant retention and solid growth in net property income.*"

The company said that Fairvest was well-positioned with strong cash flows and a prudent balance sheet with an LTV of below 36.6% and a well-diversified funding profile. The defensive nature of Fairvest's assets, together with the strategic focus on investing in grocery anchored shopping centres and the conservative historic assumptions used for the valuation of the property portfolio, resulted in asset values remaining stable compared to the prior period. On a like-for-like basis the property portfolio increased by 1.0%, despite the company's conservative stance on exit capitalisation rates and discount rates, both of which were increased in the period.

Fairvest maintains a distinctive focus on retail assets in underserviced, high growth sub sectors . The portfolio is weighted 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 262 702m^2 of lettable area and valued at R3.49 billion. The high national tenant component of 74.9% of the portfolio provides shareholders with a low-risk investment profile with national food retailers occupying 32.7% of the portfolio in terms of GLA.

In an industry that has been severely impacted by the COVID-19 pandemic, Fairvest continues to be one of the best performing property stocks in the South African market. In the latest report by the SAREIT Association, Fairvest features as a the top three-performer over 1, 3 and 5 years, underscoring its consistent performance over time.

Impact of COVID-19

Wilder said that during the nationwide lockdown, Fairvest's strategy was to focus on supporting its tenants, as well as on cash flow planning and liquidity management. Fairvest actively engaged with all tenants on the impact of COVID-19 on their businesses in order to find sustainable solutions. Concessions in the form of gross rental deferrals and rental credits were provided to tenants, dependant on their specific circumstances. Gross rental deferrals of April, May and June 2020 billings were provided to certain Small, Medium and Micro Enterprises ("SMME") tenants, with repayment terms ranging from 3 to 36 months, commencing from 1 July 2020. Of the gross billings in April to June 2020, credits of 10.5% of total gross billings were conceded for 364 tenants and deferrals were provided on 10.8% of total gross billings for 216 tenants. After taking into account the concessions provided, approximately 95.8% of collectable billings were collected for these periods. Fairvest remained cash flow positive throughout the lockdown period and continues to generate positive cash flows.

Arrears increased to 4.4% at year-end. Arrears decreased in June, compared to May and continued to decrease further in July and August 2020. Total credits provided, resulted in a 6.0% reduction in distributable earnings, while the increase in the provision for expected credit losses, resulted in a further 3.4% reduction in distributable earnings.

REVIEW OF RESULTS

Total property revenue increased by 8.7% to R532.1 million, as a result of income growth in the historic portfolio, as well as acquisitions during the period. Net profit from property operations increased by 4.6% to R330.1 million, while efforts to contain corporate administration expenses culminated in expenses decreasing by 0.7% to R30.0 million. Distributable earnings decreased by 5.6% to R208.0 million. Gross cost to income ratio increased from 36.7% to 38.9%, mainly due to rental concessions provided to tenants, as well as a significant increase in the provision for expected credit losses on rental billed during the COVID-19 lockdown period.

The weighted average contractual escalation for the portfolio remained within target of 7.1%. Gross rentals across the portfolio trended upwards, with an 5.7% increase in the weighted average rental to

R128.61/m^2 at 30 June 2020 (2019: R121.64/m^2). This was due to contractual escalations, increases in rental achieved on new leases, and a 3.0% weighted average rental increase achieved on renewals.

The net asset value decreased by 7.2% to R2.17 billion, mainly due to the treasury shares acquired during the period. On a per share basis, this equates to a net asset value per share of 221.18 cents per share, down 3.6% on the prior year.

PROPERTY PORTFOLIO

The Fairvest property portfolio consists of 44 properties, with 262 702m^2 of lettable area. The historic portfolio increased by 1.0% on a like-for-like basis. During the year, Fairvest acquired Nonkqubela Mall and Qumbu Plaza to the value of R162.8 million and R54.0 million, respectively. Capital expenditure was incurred of R17.7 million and R45.3 million was spent on solar installations and this resulted in a 10.5% increase in the value of the property portfolio to R3.49 billion. Asset quality continues to improve, with the average value per property increasing by 5.4% to R79.3 million, and the average value per square metre increased by 2.2% to R13 288/m^2.

As part of Fairvest's sustainability initiatives we commenced the installation of photovoltaic rooftop solar systems on 17 of our properties. Ten sites have been completed and are generating within expectation, with the installations at all other sites expected to be completed by the second quarter of the 2021. The estimated annual energy generation will be 10 964 117 kWh.

Fairvest utilises independent external valuers to value at least one third of the portfolio each year with the remainder being valued by the directors. Of the 44 properties in the portfolio, 15 properties equating to 37.8% by value, were valued by independent valuers, DDP Valuers, De Leeuw Valuers and Broll Valuers during the year. Fairvest manages its portfolio valuations particularly conservatively and, given the uncertainty in the current market, an even more prudent approach was taken by increasing the weighted average exit capitalisation rate used from 10.1% to 10.3%, and the weighted average discount rate from 14.6% in the prior year to 14.8%. During the year, Fairvest concluded the disposal of Tokai Junction for R180 million. The disposal price represents a 10.5% premium to the 30 June 2019 valuation of the property, again underscoring Fairvest's conservative portfolio valuation.

PORTFOLIO COMPOSITION, LETTING AND VACANCIES

The portfolio remains well diversified across South Africa, with the four largest provinces, KwaZulu-Natal, Western Cape, Free State and Gauteng contributing 76.6% of revenue.

Vacancies increased modestly from 4.0% to 4.5% or 11 836m^2 during the period, with positive letting of vacancies after year-end resulting in vacancies decreasing to 3.2%. Fairvest expects an increase in vacancies in the short-term, with some tenant groupings under pressure due to their inability to trade at full capacity under lockdown restrictions and have provided for a 4% vacancy factor (R16 million), up from 1% in the previous year.

CAPITAL AND BORROWINGS

Fairvest's positive cash flows and conservative balance sheet supported the conclusion of one new debt facility and the refinancing of two existing debt facilities during the lockdown period. After year-end, another debt facility was refinanced early and the group now has no expiring debt facilities in the next 12 months. The weighted average all-in cost of funding decreased to 7.57% (2019: 9.29%), due to the cumulative 3.00% interest rate decreases in recent months. The weighted average maturity of debt decreased marginally from 24 months to 23 months.

The loan to value (LTV) ratio increased to 36.2% (2019: 27.9%), due to the acquisitions and the treasury shares acquired during the period. After the settlement of the Tokai Junction disposal, the LTV is expected to decrease to 31.0%. Of the debt, 63.1% was fixed through interest rate swaps as at 30 June 2020, with a weighted average expiry for the fixed debt of 40 months.

PROSPECTS

Fairvest will continue to monitor the long-term impact of the pandemic on the economy and the operations of the group. Economic recovery is however expected to be protracted.

Fairvest is well positioned, with its niched assets proving more resilient during the COVID-19 pandemic The focus for the next 12 months will be on maintaining viable tenancies and letting of vacancies, as well as a strong focus on the collection of arrears. The balance sheet remains conservative, with R132.8 million of undrawn debt facilities available to consider opportunistic yield accretive acquisitions.

The lasting impact of the COVID-19 pandemic on the economy remain uncertain, making distribution forecasts exceedingly challenging. Given the uncertainty, the board expects the distribution per share for the 2021 financial year to be at least in line with the current year's distribution per share. Whilst it is broadly anticipated that industry pay-out ratios may be revised downwards over time, the Fairvest board has resolved to maintain the current dividend pay-out ratio of 100% of distributable earnings as a dividend.

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