REBOSIS PROPERTY FUND LIMITED
Incorporated in the Republic of South Africa
(Registration number: 2010/003468/06)
JSE share code: REA ISIN: ZAE000240552
JSE share code: REB ISIN: ZAE000201687
Alpha code: REBI
(Approved as a REIT by the JSE)
("Rebosis" or the "Group" or the "Company" or the "Fund"))

VOLUNTARY PRE-CLOSE INVESTOR UPDATE FOR THE FINANCIAL YEAR ENDING 31 AUGUST 2020

MARKET OVERVIEW

A global recessionary environment prevailed during the reporting period, with most of the world's leading economies contracting as a result of measures to curb the spread of COVID-19. A number of countries have experienced second waves of the pandemic, leading to the reintroduction of more stringent lockdown measures.

The South African economy has been severely impacted by the lock down measures. The South African Reserve Bank ("SARB") expects the country's gross domestic product to contract by 7.3% in 2020, following an initial shut-down of all but essential services. In response, SARB reduced its prime lending rate by 350 basis points to a record low of 3.50% in an attempt to stimulate growth.

Consumer confidence and expenditure remains weak despite the economic stimulus, with the national treasury estimating a total of 1.8 million jobs that could be lost as a result of the coronavirus pandemic.

COVID-19 further impacted an already constrained retail environment. Listed real estate experienced significant rental declines during the reporting period, as a result of the lockdown of shopping centres. To ensure tenant sustainability, most listed landlords engaged with tenants on an individual basis to assist with rental relief or deferred rental payments within the ambit of voluntary guidelines set out by the Property Industry Group.

Notwithstanding these measures, landlords remain under pressure as retailers continue to close, the most significant being Edcon seeking business rescue in April 2020.

COVID-19 UPDATE

With the implementation of level five lockdown restrictions on 26 March 2020, the portfolio experienced disruptions to trading for the months to June 2020. The retail sector had been subdued in the months leading to the lockdown period. The implemented lockdown and the unfavourable timing over the seasonally strongest trading months of the Easter holidays has led this sector onto the path of a severe downturn. The most affected retail categories have been Fast Foods & Restaurants, Entertainment & Leisure and smaller independent stores. As restrictions are being eased and the gradual opening of the economy, retail trading performance has been slow in drawing close to prior year levels. At present over 92% of GLA has resumed full trading activity, with the remaining non-trading tenants such as cinemas, gyms and entertainment operators re-opening once they have implemented safety protocols.

Remarkably the month of May 2020 had an increase of 1% on the portfolio trading density when compared to prior year, this is largely attributable to the move to lockdown level four.

We had initiated a proactive strategy to respond to the challenges the COVID-19 pandemic would bring to us, our tenants and the communities we serve. Commencing March 2020, all our malls had implemented elevated cleaning and hygiene protocols together with signage detailing safety guidelines and requiring social distancing and wearing of face masks. In service to our communities we had partnered with government to open COVID-19 testing stations at our Gauteng malls. This initiative was overwhelmingly well received by the communities. With almost 30 000 screenings and approximately 7 450 tests performed collectively at Forest Hill City and Sunnypark Shopping Centre. Testing at our Bloed Street Mall is ongoing with a target of 3 000 tests by 7 September 2020. Rebosis was a participant in the established Property Industry Group to engage tenants and establish guidelines and proposals to assist retailers overall. We have since concluded several rental relief terms based on merit to tenants that are sustainable, particularity in the worst affected categories.

CAPITAL MANAGEMENT

Rebosis continues to enjoy the support of its funders and has been working closely with funders in its strategy to deleverage the Fund. There has been no material change to the Company’s balance sheet. All expiring facilities have been successfully renewed. R2.7bn of Group debt is hedged at a higher rate and expires in October 2021.

Liquidity

Despite the negative impact of the COVID-19 pandemic and the hard lockdown on the retail sector, we have met all financial obligations over the period. Lower interest rates have assisted the Fund to generate additional surplus cash reserves, notwithstanding the negative impact on cash to accommodate tenants in distress.

Disposals

During the period under review, Rebosis successfully entered into negotiations to dispose of its Medscheme building for a purchase consideration of R89.1 million excluding VAT against a value of R92.9 million as determined by CBRE and reflected in the Company’s interim financial statements. Proof of funding has been obtained from the buyers and the transaction is proceeding on schedule.

Various other disposals are being pursued and will be announced in due course. Proceeds from the disposals will be used to redeem debt.

Distribution

The Fund did not declare an interim distribution in the interest of conserving capital in light of the negative impact of the COVID-19 pandemic.

SECTOR UPDATE

Office

The office sector has performed consistently over the reporting period. The Fund continues to benefit from its tenant exposure largely underpinned by sovereign leases, proving its defensive nature during economic downturns for the fund and has assisted to minimise the negative impact the hard lockdown has brought. All office properties remained fully operational during the lockdown period with increased hygiene and safety protocols. Whilst the private tenants have come under pressure in the past few months, the team has been successful in retaining majority of these tenants albeit at market adjusted rentals.

The office rental collections remained robust over the reporting. Progress on lease renewals continues with 70% of expired office leases over the period successfully renewed with contracted escalation of 6.2% and an overall negative impact of 5.3% on office rental income. The outstanding renewals is largely attributable to a lease of 18 000m² with the Department of Public Works which is anticipated to be concluded in the coming months.

Over the period office vacancies have increase to 9.1%. The increased vacancy is predominantly attributable to a single tenanted property of 13 340m² with negotiation underway to secure new tenant.

- Letting activity
  - Total GLA renewed: 71 304m²
  - New leases: 6 861m²
  - Vacancy: 46 924m²

Expired m²	Renewed m²	Under negotiation m²	Non-renewal m²
104 029	71 304	31 055	1 670

Retail

Lease renewals in the retail sector has slowed, as retailers assess the future impact of the lockdown on their business. We have successfully renewed 50% of expired retail leases over period with contracted escalation of 6.0% and an overall negative impact of 2.6% on retail rental income.

Rental collection for the months of April 2020 and May 2020 had been the lowest over the period. Positively, the months from June 2020 collections have improved significantly albeit on the nett of rental relief, we remain encouraged by the commitment tenants have shown. We have a majority national retailer presence across our malls and expect collections to remain consistent in the months ahead. While continually monitor their performances and corporate activity, we have focused our support to our smaller and independent tenants.

Edcon announced the commencement of voluntary business rescue proceedings, we have identified the Edgars stores as the highest risk, all other stores under the Edcon group have either been sold or are in the process of being sold. The rationalisation of the Edgars stores had resulted in the closure of the Forest Hill City store. The exposure to the Edcon stores has been reduced over time and is currently 2.3% of our total portfolio by GLA.

Tenant trading activity *(adjusted annualised excluding April and May 2020)*

Trading density – R/m²
- Eastern Cape 3.3%
- Gauteng -0.1%
- Portfolio 2.0%

	Bloed Street	Hemingways	Sunnypark	Baywest	Forest Hill City
m²	41 280	36 601	30 655	32 251	27 977
%	-1.2	3.6	-8.5	2.9	4.6

Rent to sales
- Eastern Cape 7.4%
- Gauteng 6.9%
- Portfolio 7.2%

	Bloed Street	Hemingways	Sunnypark	Baywest	Forest Hill City
%	5.7	6.7	8.2	8.2	7.2

Vacancies

- Eastern Cape 7.1%
- Gauteng 10.2%
- Portfolio 8.4%

	Bloed Street	Hemingways	Sunnypark	Baywest*	Forest Hill City**
m^2	1 265	4 391	1 225	7 077	10 609
%	4.8	6.0%	4.2	8.0	14.5

* increase attributable to Dion Wired store closure
** increase attributable to Edgars store closure

Letting activity

Vacancy fill ups

Mall	GLA m^2
Bloed Street	844
Hemingways	4 496
Sunnypark	638
Baywest	2 026
Forest Hill City	14 460

Negotiating

Mall	GLA m^2	Vacancy % - post conclusion
Bloed Street	985	1.1
Hemingways	3 151	1.7
Sunnypark	267	3.3
Forest Hill City	304	14.1

Renewal activity

Mall	Expired m^2	Renewed m^2	Outstanding m^2	Non-Renewal m^2
Bloed Street	3 499	1 854	220	1 425
Hemingways	22 944	12 881	6 086	3 977
Sunnypark	2 431	1 794	396	241
Baywest	25 339	10 347	10 732	4 260
Forest Hill City	9 366	4 301	1 783	3 282

Conclusion

Property sector short-term outlook

The immediate outlook for listed property remains uncertain as the full extent of the economic shut-down is expected to manifest over the coming months. Based on global events, there is a possibility of Government re-introducing stricter lockdown measures, should COVID-19 infection rates increase.

Macro economy prospects

Notwithstanding low interest rates, consumer confidence is expected to remain weak, considering ongoing job losses and an uncertain economic environment. Government stimulus packages, once implemented, will take time to impact consumer spending patterns.

Company strategy
The Company continues with its disposal programme, albeit at a slower rate due to the current market conditions.

The Board is actively exploring alternative options to unlock shareholder value through a capital restructure.

We continue to the enjoy the benefits of our strong asset base that has proven resilient over the period. Our office portfolio holds its defensive nature and has supported the business with retail being most affected.

Rebosis enters its closed period as of 01 September 2020. The Company's results for the financial year ending 31 August 2020 will be released on SENS on or about 30 November 2020.

The information presented in this update has not been reviewed or reported on by the Company's external auditors.

31 August 2020

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