FAIRVEST
PROPERTY HOLDINGS

CONDENSED UNAUDITED CONSOLIDATED RESULTS AND DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

EXPERIENCE
THE DIFFERENCE

HIGHLIGHTS

Distribution for the six-month period of **10.590 cents per share**

Like-for-like property portfolio increased by **3.4%** valued at **R3.43 billion**

Loan-to-value ratio decreased to **32.2%**

Vacancies reduced to **3.8%** of total lettable area

Arrears reduced to **3.1%** of revenue

Interest cover high at **3.3** times

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Assets			
Non-current assets	**3 701 084**	3 825 243	3 621 615
Investment property	**3 337 725**	3 417 671	3 233 390
Right-of-use asset	**–**	273	137
Loans receivable	**284 898**	341 967	315 023
Investments	**4 545**	4 782	4 766
Office equipment	**223**	202	155
Operating lease and other receivables	**4 042**	–	5 739
Operating lease asset	**69 651**	60 348	62 405
Current assets	**142 466**	98 098	90 458
Loans receivables	**21 759**	–	–
Amounts owing by non-controlling interests	**12 552**	9 031	12 370
Operating lease and other receivables	**89 760**	71 579	64 331
Cash and cash equivalents	**18 395**	17 488	13 757
Non-current asset held for sale	**–**	–	179 300
Total assets	**3 843 550**	3 923 341	3 891 373
Equity and liabilities			
Equity attributable to owners of the company	**2 247 437**	2 330 779	2 168 158
Stated capital	**733 689**	761 751	734 046
Retained earnings	**1 513 748**	1 569 028	1 434 112
Non-controlling interest	**144 551**	131 688	135 916
Total equity	**2 391 988**	2 462 467	2 304 074
Non-current liabilities	**1 170 621**	1 055 249	1 432 407
Interest-bearing borrowings	**939 170**	870 206	1 190 494
Amounts owing to non-controlling interests	**129 001**	146 019	146 052
Lease liability	**15 808**	15 247	15 522
Derivative financial instrument	**71 247**	9 932	67 578
Deposits received	**13 914**	12 439	11 043
Deferred tax liability	**1 481**	1 406	1 718
Current liabilities	**280 941**	405 625	154 892
Interest-bearing borrowings	**167 729**	321 595	80 154
Lease liability	**620**	1 411	1 002
Amounts owing to non-controlling interests	**8 690**	–	–
Trade and other payables	**103 902**	82 619	73 736
Total equity and liabilities	**3 843 550**	3 923 341	3 891 373

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited six months to 31 December 2020 R'000	Unaudited six months to 31 December 2019 R'000	Audited 12 months to 30 June 2020 R'000
Property revenue	**274 208**	267 926	532 106
Rental income – contractual and tenant recoveries	**265 043**	263 215	518 061
– straight-line adjustment	**9 165**	4 711	14 045
Sundry income	**3 123**	3 471	5 696
Property expenses	**(100 877)**	(102 736)	(207 675)
Net property income	**176 454**	168 661	330 127
Corporate administrative expenses	**(15 123)**	(14 517)	(29 974)
Operating profit	**161 331**	154 144	300 153
Fair value adjustment to investment property	**75 583**	46 651	17 068
Fair value adjustment to derivative financial instruments	**(3 669)**	(1 969)	(59 615)
Fair value adjustment to investments	**(222)**	(34)	(25)
Finance costs	**(50 871)**	(52 916)	(108 559)
Finance and other investment income	**13 757**	20 627	40 810
Impairment of loan receivable	**–**	–	(44 004)
Profit before capital expenses	**195 909**	166 503	145 828
Capital expenses	**(23)**	(1 804)	(2 158)
Profit before tax	**195 886**	164 699	143 670
Income tax expense	**237**	(2)	(313)
Total comprehensive income for the period	**196 123**	164 697	143 357
Profit and total comprehensive income attributable to:			
– Owners of the parent	**174 846**	149 792	124 224
– Non-controlling interest	**21 277**	14 905	19 133
	196 123	164 697	143 357
Reconciliation between profit attributable to shareholders and headline earnings per share			
Comprehensive income attributable to owners of the parent	**174 846**	149 792	124 224
Fair value adjustment to investment property	**(75 583)**	(46 651)	(17 068)
Non-controlling interest portion of the fair value adjustment to investment property	**7 001**	6 460	1 931
Headline and diluted headline profit attributable to shareholders	**106 264**	109 601	109 087

	Unaudited six months to 31 December 2020 R'000	Unaudited six months to 31 December 2019 R'000	Audited 12 months to 30 June 2020 R'000
Distributable earnings calculation*			
Net property income	**176 454**	168 661	330 127
Straight-line rental income adjustment	**(9 165)**	(4 711)	(14 045)
Corporate administrative expenses	**(15 123)**	(14 517)	(29 974)
Finance costs	**(50 619)**	(52 089)	(107 994)
Finance and other investment income	**13 757**	20 627	40 810
IFRS 16 adjustments	**41**	(75)	(73)
Depreciation	**137**	137	272
Finance costs	**762**	542	1 310
Lease payments	**(858)**	(754)	(1 655)
Non-controlling interest share of distribution	**(11 561)**	(6 769)	(10 841)
Distributable earnings	**103 784**	111 127	208 010
Distribution	**103 784**	111 127	208 010
Dividend			
Interim dividend per share (cents)	**10.590**	11.155	11.155
Final dividend declaration per share (cents)	**–**	–	9.883
Total distribution per share (cents)	**10.590**	11.155	21.038
Earnings per share			
Basic and diluted earnings per share (cents)	**17.84**	14.87	12.46
Headline and diluted headline earnings per share (cents)	**10.84**	10.88	10.94
Net asset value per share (cents)	**229.32**	233.97	221.18
Share statistics			
Shares in issue	**1 018 125 441**	1 018 125 441	1 018 125 441
Treasury shares	**(38 086 599)**	(21 918 276)	(37 864 324)
Effective shares in issue	**980 038 842**	996 207 165	980 261 117
Weighted average number of shares	**980 210 543**	1 007 290 251	996 871 197

* *This is a voluntary non-IFRS disclosure and has been included to align the disclosure of the group with the REIT sector standards.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months to 31 December 2020 R'000	Unaudited six months to 31 December 2019 R'000	Audited 12 months to 30 June 2020 R'000
Cash generated from operations	**160 957**	152 499	290 270
Finance costs	**(46 741)**	(45 681)	(97 581)
Finance and other investment income	**472**	1 282	2 201
Dividends paid	**(107 426)**	(111 614)	(231 672)
Cash inflow/(outflow) from operating activities	**7 262**	(3 514)	(36 782)
Acquisitions of and improvements to investment property	**(26 654)**	(208 032)	(233 327)
Disposal of investment property held for sale	**103 045**	–	–
Development of investment property	**–**	(50 726)	(50 897)
Acquisition of office equipment	**(110)**	–	–
Disposal of investment	**–**	–	25
Cash inflow/(outflow) to investing activities	**76 281**	(258 758)	(284 199)
Net (repayments)/advances of interest-bearing borrowings	**(87 275)**	304 787	383 895
Net amounts owing to non-controlling interests (repaid)/raised	**(12 679)**	16 787	19 369
Net repayments/(advances) to loans receivable	**21 502**	(13 990)	(12 095)
Repayments of lease liability	**(96)**	(754)	(1 656)
Repurchase of treasury shares	**(357)**	(42 426)	(70 131)
Cash (outflow)/inflow from financing activities	**(78 905)**	264 404	319 382
Net increase/(decrease) in cash and cash equivalents	**4 638**	2 132	(1 599)
Cash and cash equivalents at beginning of period	**13 757**	15 356	15 356
Cash and cash equivalents at end of period	**18 395**	17 488	13 757

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Retained earnings R'000	Equity attributable to owners of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 July 2019	804 177	1 531 174	2 335 351	127 816	2 463 167
Acquisition of treasury shares	(42 426)	–	(42 426)	–	(42 426)
Dividends paid and declared	–	(111 938)	(111 938)	(11 033)	(122 971)
Total comprehensive income for the period	–	149 792	149 792	14 905	164 697
Balance at 31 December 2019	761 751	1 569 028	2 330 779	131 688	2 462 467
Acquisition of treasury shares	(27 705)	–	(27 705)	–	(27 705)
Dividends paid and declared	–	(109 348)	(109 348)	–	(109 348)
Total comprehensive income for the period	–	(25 568)	(25 568)	4 228	(21 340)
Balance at 30 June 2020	**734 046**	**1 434 112**	**2 168 158**	**135 916**	**2 304 074**
Acquisition of treasury shares	**(357)**	**–**	**(357)**	**–**	**(357)**
Dividends paid and declared	**–**	**(96 879)**	**(96 879)**	**(10 841)**	**(107 720)**
Total comprehensive income for the period	**–**	**174 846**	**174 846**	**21 277**	**196 123**
Acquisition of non-controlling interest	**–**	**1 669**	**1 669**	**(1 801)**	**(132)**
Balance at 31 December 2020	**733 689**	**1 513 748**	**2 247 437**	**144 551**	**2 391 988**

OTHER SEGMENTAL INFORMATION

	Unaudited 31 December 2020	Unaudited 31 December 2019	Audited 30 June 2020
Regional profile based on leasable area			
Gauteng	**24.7%**	23.7%	23.6%
KwaZulu-Natal	**20.9%**	21.7%	21.7%
Western Cape	**18.1%**	20.5%	20.4%
Free State	**12.1%**	11.0%	11.4%
Eastern Cape	**10.6%**	10.2%	10.1%
Northern Cape	**7.1%**	6.7%	6.6%
Limpopo	**4.6%**	4.4%	4.4%
Mpumalanga	**1.9%**	1.8%	1.8%
Vacancy profile based on gross lease area			
Gross lease area in metres squared as at end of period	**250 911**	261 431	262 702
Properties held	**43**	44	44
Vacancy area in metres squared	**9 590**	8 461	11 836
Vacancy area as % of gross lease area	**3.8%**	3.2%	4.5%
Regional vacancy profile (m^2) (regions where vacancies are located)			
Gauteng	**3 417**	2 742	3 538
KwaZulu-Natal	**2 288**	2 289	2 981
Western Cape	**1 343**	1 655	2 111
Free State	**821**	384	1 105
Northern Cape	**679**	435	617
Eastern Cape	**513**	367	680
Limpopo	**460**	419	754
Mpumalanga	**69**	170	50

CONDENSED CONSOLIDATED SEGMENT REPORT

	KwaZulu-Natal	Western Cape	Gauteng	Free State	Northern Cape	Limpopo	Eastern Cape	Mpumalanga	Reconciling items/ (eliminations)	Total
For the six months ended 31 December 2020										
Revenue – external customers	**57 153**	**50 889**	**61 094**	**31 490**	**23 065**	**12 752**	**22 334**	**6 266**	**–**	**265 043**
Operating profit	**42 162**	**34 893**	**38 604**	**21 607**	**11 108**	**7 843**	**16 611**	**3 626**	**(15 123)**	**161 331**
Total assets	**812 312**	**632 923**	**827 514**	**417 701**	**241 203**	**169 846**	**312 452**	**74 690**	**354 909**	**3 843 550**
For the six months ended 31 December 2019										
Revenue – external customers	58 094	54 338	61 206	30 981	22 486	12 268	18 986	6 634	(1 778)	263 215
Operating profit	40 549	33 584	37 695	19 892	11 737	8 555	13 574	3 265	(14 707)	154 144
Total assets	776 508	791 203	803 895	409 602	236 803	154 453	289 425	73 885	387 567	3 923 341
For the year ended 30 June 2020										
Revenue – external customers	112 425	106 779	118 745	59 265	44 376	24 390	39 429	12 652	–	518 061
Operating profit	76 964	67 544	74 792	36 073	22 511	17 252	28 145	6 846	(29 974)	300 153
Total assets	780 178	780 379	802 810	404 121	236 744	159 496	299 306	74 100	354 239	3 891 373

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The preparation of these condensed unaudited consolidated results was supervised by the Chief Financial Officer, BJ Kriel CA(SA).

The accounting policies applied in the preparation of these condensed unaudited consolidated results for the six months ended 31 December 2020, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards ("**IFRS**") and are consistent with those applied in the annual financial statements for the period ended 30 June 2020. Any new and amendments to IFRS and IFRIC interpretations did not impact the financial position or performance of the company but has resulted in additional disclosures.

These condensed unaudited consolidated results, as set out in this report, have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and containing the information required by IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Council, the Companies Act of South Africa, No. 71 of 2008, as amended ("**Companies Act**") and the Listings Requirements of JSE Limited.

These condensed unaudited consolidated results for the six months ended 31 December 2020 have been prepared in accordance with the historic cost basis, except for the measurement of investment properties and certain financial assets and financial liabilities which are stated at fair value.

The financial results are presented in rand, which is Fairvest's functional and presentation currency and have been prepared on the going concern basis.

ESTIMATES AND CRITICAL JUDGEMENTS

Except for the measurement of investment properties, expected credit loss allowance on operating lease and other receivables, and certain financial liabilities, the financial statements do not include any material estimates. A conservative approach was maintained on estimates as in previous periods, as estimates are subject to a degree of uncertainty enhanced through the current economic uncertainty due to the COVID-19 pandemic.

FAIR VALUE HIERARCHY

	Level 2 R'000	Level 3 R'000	Fair value R'000
31 December 2020 (unaudited)			
Assets			
Investment property	–	3 337 725	3 337 725
Investments	4 545	–	4 545
Total	4 545	3 337 725	3 342 270
Liabilities			
Derivative financial instruments	71 247	–	71 247
Total	71 247	–	71 247
31 December 2019 (unaudited)			
Assets			
Investment property	–	3 417 671	3 417 671
Investments	4 782	–	4 782
Total	4 782	3 417 671	3 422 453
Liabilities			
Derivative financial instruments	9 932	–	9 932
Total	9 932	–	9 932
30 June 2020 (audited)			
Assets			
Investment property	–	3 412 690	3 412 690
Investments	4 766	–	4 766
Total	4 766	3 412 690	3 417 456
Liabilities			
Derivative financial instruments	67 578	–	67 578
Total	67 578	–	67 578

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

In terms of IFRS 9 and IFRS 7, the group's interest rate derivatives are measured at fair value through profit or loss and are categorised as level 2 investments. Interest rate derivatives are valued using discounted cash flow techniques and observable market interest rates off the interest rate yield curve.

There were no transfers between levels 1, 2 and 3 during the period.

FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTY

The fair value measurement for the investment property of R3.425 billion (June 2020: R3.491 billion) has been categorised as a level 3 fair value hierarchy using inputs that are not based on observable market data (unobservable inputs).

In line with prior periods, for interim reporting periods, all income-producing investment properties were valued by management. The valuations were based on open market values for existing use for each individual investment property. The valuation of the properties were performed using the discounted cash flow method, which is unchanged from the method used in June 2020.

In determining the fair value of an investment property, the fair value is estimated on the basis of highest and best use, using an income approach which capitalises the estimated rental income, net of projected operating costs, using a discount rate derived from market yields. The estimated rental income takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings.

The most significant inputs, all of which are unobservable, are the:

- discount rate; and
- reversionary capitalisation rate.

Other unobservable inputs used were:

- estimated rental income; and
- assumptions regarding vacancy levels.

The estimated fair value increases if the estimated rental increases, vacancy levels decline or if the discount rate (market yields) and reversionary capitalisation rate decline. The overall valuations are sensitive to all four assumptions. As a result, the valuations are subject to a degree of uncertainty, particularly given the current economic uncertainty due to the COVID-19 pandemic. A conservative approach was maintained as in previous periods, with the weighted average capitalisation rate and discount rates unchanged compared to the previous year-end 30 June 2020.

The valuation inputs vary according to geographic location and sector. The most significant inputs used in the valuations were:

	Retail %	Office %	Portfolio %
For the six-months ended December 2020			
Range of exit capitalisation rates	**9.5 – 10.8**	**10.0 – 10.8**	
– Gauteng	**9.5 – 10.5**		
– KwaZulu-Natal	**10.0 – 10.8**		
– Western Cape	**10.0 – 10.5**		
– Free State	**10.0 – 10.5**		
– Other*	**10.0 – 10.5**		
Weighted average capitalisation rate			**10.3**
Range of discount rates	**14.0 – 16.0**	**14.5 – 15.5**	
– Gauteng	**14.0 – 16.0**		
– KwaZulu-Natal	**14.5 – 16.0**		
– Western Cape	**14.5 – 16.0**		
– Free State	**14.0 – 16.0**		
– Other*	**14.5 – 16.0**		
Weighted average discount rate			**14.8**
Weighted vacancy factor			**2.2**
Market rental growth			**5.0**
For the year ended June 2020			
Range of exit capitalisation rates	9.5 – 11.0	10.0 – 10.8	
– Gauteng	9.5 – 10.5		
– KwaZulu-Natal	10.0 – 11.0		
– Western Cape	10.0 – 10.5		
– Free State	10.0 – 10.5		
– Other*	10.0 – 10.5		
Weighted average capitalisation rate			10.3
Range of discount rates	13.8 – 16.0	14.5 – 15.5	
– Gauteng	13.8 – 16.0		
– KwaZulu-Natal	14.5 – 16.0		
– Western Cape	14.5 – 16.0		
– Free State	14.0 – 16.0		
– Other*	14.5 – 16.0		
Weighted average discount rate			14.8
Weighted vacancy factor			2.5
Market rental growth			5.0

* *Consists of properties located in the Eastern Cape, Limpopo, Northern Cape and Mpumalanga.*

Changes in discount and capitalisation rates attributable to changes in market conditions can have a significant impact on property valuations. A 25 basis points increase in the discount rate will decrease the value of the investment property by R30.2 million or 0.9% (June 2020: R29.9 million or 0.9%). A 25 basis points decrease in the capitalisation rate will increase the value of investment property by R51.0 million or 1.5% (June 2020: R49.4 million or 1.5%).

COVID-19 IMPACT ASSESSMENT

Despite the impact of the COVID-19 pandemic on the economy, the recovery of trade at Fairvest's low risk portfolio of mainly grocery anchored shopping centres, servicing non-metropolitan and lower-LSM markets, were more robust than anticipated following the easing of the lockdown restrictions in August and September 2020. The level 3 lockdown restrictions announced in December 2020 resulted in certain tenants again being unable to trade, with restaurants, bars and liquor stores affected. These tenants however represent less than 3.5% of monthly billings and the restrictions were lifted again in February 2021.

The majority of rent relief negotiations with tenants have been concluded during the reporting period. Additional rental remissions were conceded to, to the value of R9.7 million for the six months to 31 December 2020, of which R3.7 million were anticipated and recognised in the 30 June 2020 financial year. The majority of these additional remissions conceded to related to billings during the April 2020 to June 2020 periods, for tenants where rental deferments were provided previously. Additional relief was also conceded to tenants directly impacted by the latest trading restrictions.

During the period net arrears decreased by 26.7% to R16.7 million. This was achieved through a 13.8% reduction to total gross arrears (inclusive of deferrals) together with a R1.4 million increase in the provision for potential bad debts. For a number of tenants where charges were previously deferred, rental remissions were conceded to and deferrals previously recognised were reversed. This resulted in the reduction in operating lease deferrals, with an increase in the operating lease receivables. Collection of deferrals have been better than anticipated and we expect arrears to decrease further by the end of the financial year.

	31 December 2020 R'000	30 June 2020 R'000
Operating lease receivables	**17 583**	17 933
Less: Loss allowance	**(7 757)**	(4 349)
Net arrears	**9 826**	13 584
Operating lease deferrals	**11 841**	16 183
Less: Loss allowance	**(4 942)**	(6 955)
Net deferrals	**6 899**	9 228
Total net arrears including deferrals	**16 725**	22 812
Arrears as a percentage of revenue	**3.1%**	4.4%

The board continues to monitor the long-term impact of the pandemic on the economy and consumer spending, with focus areas for the remainder of the financial year being a reduction in arrears and reducing vacancies further.

INTRODUCTION

Fairvest is a Real Estate Investment Trust ("**REIT**"), with a unique focus on retail assets predominantly weighted toward non-metropolitan and rural shopping centres, as well as convenience and community shopping centres servicing the lower-LSM market, in high-growth nodes, close to commuter networks. The Fairvest property portfolio consists of 43 properties, with 250 911m^2 of lettable area and valued at R3.425 billion.

REVIEW OF RESULTS

Fairvest's board of directors are pleased to announce an interim dividend distribution of 10.59000 cents per share for the six months ended 31 December 2020, a 5.1% decrease compared to the six months to 31 December 2019. The comparable period was however pre-COVID and the distribution for the current period is a 7.2% increase from the distribution for the six months to 30 June 2020.

	Interim	Final	Total
June 2017	8.953	9.380	18.333
June 2018	9.806	10.344	20.150
June 2019	10.616	11.157	21.773
June 2020	11.155	9.883	21.038
December 2020	**10.590**	**–**	**–**

Total property revenue increased by 2.3% to R274.2 million, as a result of income growth in the historic portfolio and acquisitions at the latter half of the previous financial year offset by the disposal of Tokai Junction. Net profit from property operations increased by 4.6% to R176.5 million, while corporate administration expenses increased 4.2% to R15.1 million. Distributable earnings decreased by 6.6% to R103.8 million. Cost containment and efficient recoveries of municipal charges remain strong focus areas. The gross cost to income ratio decreased from 37.1% to 35.8%, excluding the effect of rental concessions provided to tenants, as well as the significant increase in the provision for expected credit losses on rental billed during the COVID-19 lockdown period. The decrease is due to significant solar savings at properties, reducing municipal costs and losses.

The weighted average contractual escalation for the portfolio decreased from 7.2% to 7.1%. Gross rentals across the portfolio trended upwards, with a 2.7% increase in the weighted average rental to R132.15/m^2 at 31 December 2020 compared to R128.61/m^2 at 30 June 2020. This was as a result of contractual escalations, increases in rental achieved on new leases, and a 1.6% weighted average rental increase achieved on renewals. The weighted average retail rental increased to R130.03/m^2.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The net asset value increased by 3.7% to R2.25 billion, and on a per share basis it increased to 229.32 cents per share from 30 June 2020, with the 3.4% increase in the property portfolio and the reduction in arrears being the largest contributors.

NET ASSET VALUE AND MARKET CAPITALISATION

	Market capitalisation R'million	Net asset value R'million	Net asset value per share (cents)
June 2017	1 540.2	1 723.2	218.18
June 2018	2 081.1	2 257.4	227.78
June 2019	2 015.9	2 335.4	229.38
June 2020	1 527.2	2 168.2	221.18
December 2020	**1 802.1**	**2 247.4**	**229.32**

PROPERTY PORTFOLIO

On a like-for-like basis the historic portfolio increased by 3.4% compared to the previous year, largely as a result of increases in contractual rental compared to the prior year valuation assumptions, and an increase in the valuation of the completed solar installations. During the period under review we disposed of Tokai Junction to the value of R180.0 million. Capital expenditure was incurred of R12.5 million and R14.9 million was spent on solar installations. This resulted in a 1.9% decrease in the value of the property portfolio from R3.49 billion at 30 June 2020 to R3.43 billion. Asset quality continues to improve, with the average value per property increasing by 0.4% to R79.7 million, and the average value per square meter increased by 2.7% to R13 650/m^2.

PORTFOLIO VALUATION HISTORY

	Valuation R'million	Number of properties	Average value per property R'million	Value per m^2 R
June 2017	2 204.4	38	58.0	11 345
June 2018	2 987.0	41	72.9	12 552
June 2019	3 160.0	42	75.2	13 002
June 2020	3 490.8	44	79.3	13 288
December 2020	**3 425.0**	**43**	**79.6**	**13 650**

As in previous interim reporting periods, the group's investment property portfolio has been valued by its directors. The properties are valued using a five-year discounted cash flow. Assumptions are made on the discount rates used to determine the present value of the cash flows and on the capitalisation rate on an assumed sale. Given the uncertainty in the current market, the conservative approach was maintained with the valuation of investment property. The weighted average exit capitalisation rate used remained at 10.3% as at 30 June 2020, while the weighted average discount rate also remained unchanged at 14.8%. These conservative metrics continue to show prudent but fair valuations.

SOLAR INITIATIVES

As part of our sustainability initiatives we continued with the installation of photovoltaic rooftop solar systems on our properties. We've completed 16 sites, all of which are generating within expectation, with R14.9 million spent during the period. The value of the solar installation, which is included in Investment Property, as at 31 December 2020, was R106.3 million, and savings to the value of R5.0 million was realised. Installations at eight further sites will commence during the fourth quarter of the financial year, with a further R14.2 million committed.

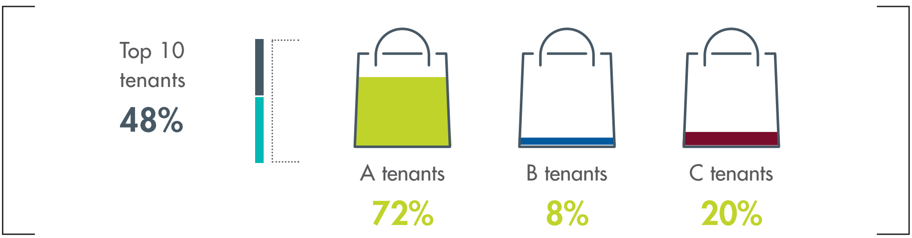
DISPOSALS AND TRANSFERS

Shareholders are referred to Fairvest's SENS announcement, regarding the disposal of Tokai Junction during the period. The property was disposed of for R180.0 million. The disposal price represents a 10.5% premium to the 30 June 2019 valuation of the property, underscoring Fairvest's conservative valuation of its portfolio. Registration of the transfer of the property to the purchaser's name occurred on 01 October 2020.

During the period, Fairvest exercised its option to acquire the remaining 49% shareholding in Parow Valley Spar Proprietary Limited, becoming a wholly-owned subsidiary, with the effective date being 03 November 2020.

PORTFOLIO COMPOSITION, LETTING AND VACANCIES

Tenant composition as a percentage of GLA



A Anchor and national tenants (47.7% are occupied by the top 10 largest tenant groups)

B Franchise, professional and large tenants

C Other

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The portfolio remains well diversified across South Africa, with the four largest provinces, KwaZulu-Natal, Western Cape, Free State and Gauteng contributing 75.8% of revenue. The high national tenant component of 72.3% of the portfolio provides shareholders with a low-risk investment profile with national food retailers occupying 35.3% of the portfolio in terms of GLA.

Vacancies decreased from 4.5% or 11 836m^2 to 3.8% or 9 590m^2 during the period. Positive letting of vacancies after period-end resulted in the vacancy percentage further decreasing to 3.0%.

Lease expiry profile

	Based on rentable area %	Based on gross rental %
Vacant	3.8	–
Monthly	3.4	3.3
June 2021	11.0	10.2
June 2022	20.2	21.6
June 2023	21.1	24.7
June 2024	9.9	10.8
After June 2025	30.6	29.4

During the period under review, 101 new leases were concluded with a total GLA of 19 081m^2. Fairvest successfully renewed 16 038m^2 of leases, with a positive reversion of 1.6% being achieved on these renewals. Tenant retention for the period remained high at 67.5%. The weighted average lease term decreased from 39 to 37 months.

BORROWINGS

The loan to value ("**LTV**") ratio decreased to 32.2% (June 2020: 36.3%) mainly due to the disposal of Tokai Junction during the period, offset by further investments in solar projects. Of the debt, 72.3% was fixed through interest rate swaps as at 31 December 2020, with a weighted average expiry for the fixed debt of 34 months.

The weighted average all-in cost of funding increased to 8.05% (June 2020: 7.57%). The increase is due to the reduction of floating rate debt with the proceeds of the Tokai Junction disposal. The weighted average maturity of debt decreased marginally from 23 months to 21 months.

Fairvest has no debt facilities expiring for the remainder of the 2021 financial year.

PROSPECTS

The lasting impact of the COVID-19 pandemic on the local economy remains uncertain. While the vaccine rollout in South Africa is slow to gain traction, we expect the infection waves to continue, with trading restrictions for certain tenants a possibility. Fairvest remains well positioned, with a clearly focused strategy of mainly investing in grocery anchored assets, servicing non-metropolitan and lower-LSM markets. These assets proved more resilient during the COVID-19 pandemic with the recovery being quicker than anticipated, without significant increases in vacancies.

The balance sheet remains conservative, with gearing levels at 32.2% with R222.2 million of undrawn debt facilities. The focus areas remain to maintain viable tenancies and letting of vacancies, with a strong focus to reduce arrears even further.

In September 2020 Fairvest's board communicated the expected distribution for the 2021 financial year to be at least 21.038 cents per share. This was based on very conservative assumptions at the time and very prudent forecasting. Even though we expect consumer spending to be under pressure with a level of uncertainty regarding the vaccine rollout, given the performance for the past six months the board expects the distribution per share for the full 2021 financial year to be between 0% and 2% higher than the previous year.

This forecast assumes no material deterioration in the macroeconomic environment relative to current levels, that no major corporate and tenant failures will occur, that tenants will be able to absorb increases in municipal and utility costs, that no further significant trading restrictions are implemented by government and no further pandemic outbreaks similar to COVID-19. Forecast rental income is based on contractual lease terms and anticipated market-related renewals. This forecast is the responsibility of the board of directors of Fairvest and has not been reviewed or reported on by the auditors.

The board has again resolved to maintain the current dividend pay-out ratio of 100% of distributable earnings as a dividend. The policy is reviewed on a bi-annual basis and any changes will be communicated to shareholders at least 12 months before any changes are implemented.

DIVIDEND WITH ELECTION TO REINVEST

The board has approved and declared an interim gross dividend of 10.59000 cents per share for the six-month period ended 31 December 2020, payable to shareholders registered as such at the close of business on Friday, 9 April 2021. Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend of 10.59000 cents per share, in return for new Fairvest ordinary shares ("**Reinvestment Alternative**"), failing which they will receive the cash dividend.

Further details regarding the dividend and Reinvestment Alternative, including the tax treatment and a detailed timetable, will be included in a separate SENS announcement, to be released today, 4 March 2021. In accordance with Fairvest's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962, as amended ("**Income Tax Act**"). The dividends on the shares will be deemed to be taxable dividends for South African tax purposes in terms of section 25BB of the Income Tax Act.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

SUBSEQUENT EVENTS

The directors of Fairvest are not aware of any material matters or circumstances arising between 31 December 2020 and the date of this report which may materially affect the financial position of the group or the results of its operation.

APPRECIATION

We extend our appreciation to our directors, management and staff for their valued efforts as well as our advisers and shareholders for their continuing belief in and support of Fairvest.

For and on behalf of the board

Fairvest Property Holdings Limited

Cape Town

4 March 2021

Fairvest Property Holdings Limited
(Incorporated in South Africa)
(Registration number 1998/005011/06)
("Fairvest" or "the company" or "the group")
Share code: FVT
ISIN: ZAE000203808
Granted REIT status by the JSE

Executive directors
DM Wilder (Chief executive officer)
BJ Kriel (Chief financial officer)
AJ Marcus (Chief operating officer)*
** Alternate to DM Wilder*

Non-executive directors
JF du Toit (Chairman)
LW Andrag (Lead independent director)#
N Mkhize#
JD Wiese#
TJ Cohen#
KR Nkuna#
 # Independent

Company Secretary
FluidRock Co Sec Proprietary Limited

Registered office
8th Floor
The Terraces
34 Bree Street
Cape Town
8001

Postnet Suite 30
Private Bag X3
Roggebaai
8012

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196

Private Bag X9000
Saxonwold
2312

Auditor
BDO South Africa Incorporated
Registered Auditors

Sponsor
PSG Capital Proprietary Limited

Announcement date
4 March 2021

www.fairvest.co.za