SA CORPORATE
REAL ESTATE

INDUSTRIAL | RETAIL | RESIDENTIAL | REST OF AFRICA

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2024

OVERVIEW

DISTRIBUTION

DISTRIBUTABLE INCOME

↑ **6.3%** vs six months to 30 June 2023

R338.4 million or **13.46 cps**

(2023 H1: R318.2 million or 12.65 cps)

DISTRIBUTION

Declared 12.11 cps at **90%** payout ratio

(2023 H1: 11.39 cps at 90% payout ratio)

PROPERTY ACTIVITY

Disposal pipeline contracted and still to transfer, and divestments transferred since 1 January 2024 to 30 June 2024

R224.7 million

(Transferred to 30 June 2024: R52.0 million; Contracted not yet transferred: R172.7 million, of which R12.4 million has transferred after 30 June 2024)

Contracted for sale subsequent to 30 June 2024

R530.0 million

ASSETS UNDER MANAGEMENT OF

R19.3 billion

(31 December 2023: R19.0 billion)

PORTFOLIO PERFORMANCE

TOTAL NET PROPERTY INCOME ("NPI") of

R734.5 million

(2023 H1: R592.6 million)

TOTAL LIKE-FOR-LIKE NPI increased by

4.8% to **R543.7 million**

(2023 H1: R518.7 million)

TRADITIONAL PORTFOLIO VACANCIES

% of gross lettable area ("GLA")

1.6% (31 December 2023: 2.0%)

RESIDENTIAL PORTFOLIO VACANCIES

% of total units

Afhco **3.4%** (31 December 2023: 4.2%)

Indluplace **4.5%** (31 December 2023: 4.5%)

Total **4.0%** (31 December 2023: 4.4%)

CAPITAL STRUCTURE

LOAN TO VALUE (LTV) ratio of **41.9%***

(31 December 2023: 41.9%)

* *Net debt LTV excluding derivatives, which if included would be 41.7% (31 December 2023: 41.6%)*

WEIGHTED AVERAGE COST of funding of **9.4%** (31 December 2023: 9.4%) inclusive of swaps and imputed transaction costs; **10.2%** (31 December 2023: 10.2%) exclusive of swaps

EFFECTIVE FIXED DEBT of **74.9%**

(31 December 2023: 70.1%)

WEIGHTED AVERAGE SWAP TENOR of

1.1 years (31 December 2023: 1.5 years)

COMMENTARY

INTRODUCTION

SA Corporate Real Estate Limited ("SA Corporate" or "the Company") is a JSE-listed Real Estate Investment Trust ("REIT") and together with all its subsidiaries ("the Group") owns a focussed portfolio of quality industrial, retail and residential buildings located primarily in the major metropolitan areas of South Africa with a secondary node in Zambia. As at 30 June 2024, the property portfolio consisted of 270 properties, with 1 703 049m^2 of GLA, valued at R17.9 billion, and a 50.0% joint venture ("JV") interest in three Zambian entities, including a minority shareholding in Zambia's only listed property company, with the Group's share of properties valued at R1.8 billion.

STRATEGY PERFORMANCE UPDATE

For the six-months ended 30 June 2024, the Group delivered like-for-like NPI growth of 4.8% over the prior period. Vacancies for the Group were 4.2%, compared to 4.7% recorded at 30 June 2023. SA Corporate has predominantly South African exposure more so than most other REITs listed on the JSE. Consequently, the Group is encouraged by recent renewed optimism and a positive sentiment amongst the South African business and investment community. Additionally, the probability of the South African Reserve Bank ("SARB") introducing an interest rate cut in the second half of 2024, the first since the repo rate peaked at 8.25% in 2023, has generated positive tailwinds for the property sector. The positive sentiment should further strengthen the sector as an asset class with SA listed property already the best-performing South African asset class this year as at 30 June 2024.

In SA Corporate's retail portfolio, overall trading densities are up over 4% year-on-year, with retail sales at our properties anticipated to continue to improve as inflation moderates. Community and neighbourhood centres in urban, peri-urban and rural areas continue to outperform super-regional and regional centres. The outperformance of community and neighbourhood retail properties corroborates SA Corporate's view and strategy to focus on convenience-orientated shopping centres which dominate their catchment areas. In the Group's retail portfolio, like-for-like revenue and NPI grew by 7.1% and 2.9% respectively over the prior period, whilst vacancies increased marginally by 244m^2 from 31 December 2023 to 2.8% for the period ended 30 June 2024. The Group's convenience-orientated retail offering has been enhanced by recently completed redevelopments at Coachman's Crossing, Musgrave Centre and Montana Crossing. At Montana Crossing, the Group has enhanced the access into the centre by constructing an entrance roadway from Sefako Makgatho Drive, thus creating direct access to retail off the major arterial road. The redevelopment has also significantly improved access to the Engen service station whilst the light aesthetic upgrade to refresh the look and feel of the centre complements the enablement work being undertaken in anticipation of the anchor grocer expanding its GLA. Additionally, Build it is expected to commence trade in the second half of 2024, complementing the existing home DIY outlet offerings of the centre.

At Musgrave Centre, the convenience offering has been reinforced by the introduction of a Checkers FreshX grocer, Checkers Liquor and a Checkers Petshop Science on the fourth level, whilst a new FNB branch on the same level strengthens the banking offering with four of the major banks now being represented. A Dis-Chem and a Clicks complete the convenience-orientated offering at the centre. At Coachman's Crossing, the Spur restaurant commenced trading in April of the current year following the redevelopment of the centre introducing Woolworths. The Group intends to limit its Pick n Pay's tenancy to be less than 2% of its total South African portfolio GLA and is in negotiations with Pick n Pay to achieve this.

COMMENTARY *CONTINUED*

The industrial sector continues to be resilient with vacancies remaining negligible, boosted by the increase in logistics supported by the expansion of online shopping. As a result of the pivot of consumers to lean more towards online shopping purchases, demand for warehouse and distribution centre space is increasing. As a consequence of this, the Group has been refining its industrial portfolio over the years to be focussed on a quality logistics portfolio that offers competitive rentals and invests in established logistics precincts and properties optimised to meet tenant needs. The refinement has resulted in logistics warehousing now comprising 82.2% of SA Corporate's total industrial portfolio. For the period ended 30 June 2024, vacancies reduced to nil whilst like-for-like revenue and NPI grew by 5.9% and 6.3% respectively over the prior period. Management is exploring re-development opportunities within the industrial portfolio and has identified potential opportunities at three properties that are in close proximity to the N3 highway which is a primary logistics route.

Despite the government having delivered 300 000 houses in the past five years, the country's housing backlog remains a massive challenge, with over 2.4 million households registered on the National Housing Needs Register in 2023. South Africa's nascent residential rental sector therefore represents a unique opportunity for growth as an investable asset class, whilst contributing to the country's urgent social needs. Afhco outperformed with like-for-like NPI growth of 7.0% supported by robust rental growth and low vacancies, evidencing Afhco's "best in class" residential property management expertise, leveraging off effective promotional interventions and superior online leasing capability. The Group's residential portfolio now comprises 41% of its assets, bolstered by the acquisition of the previously listed Indluplace Limited ("Indluplace") in 2023. The Indluplace acquisition was a further step towards delivering on the strategy to develop a quality residential rental portfolio of scale. Good progress has already been made in disposing of certain residential properties not meeting the Group's strategy of investing in inner city precincts and suburban estates. The establishment of an Unlisted Residential Fund is almost complete, with equity commitments of R1.5 billion from investors expected to be completed in the second half of the year.

The Zambian JV delivered like-for-like NPI growth of 1.8% over the prior period in US Dollar ("USD") terms with vacancies increasing to 4.2% for the portfolio compared to 2.6% in the prior period largely due to certain evicted restaurant tenants at East Park Mall. However, part of this space has subsequently been let to pharmaceutical and furniture tenants. Real Estate Investments Zambia ("REIZ") officially obtained REIT status in May 2024 and as a consequence of this, the 12.5% property revenue tax that was previously levied on gross rentals in respect of properties held by this entity has been eliminated.

SA REIT FUNDS FROM OPERATIONS

Funds from operations ("FFO"), as defined by the SA REIT Association ("SA REIT"), generated for the six months to June 2024 was R338.4 million (June 2023: R318.2 million). Total SA REIT FFO per share for the period amounted to 13.62 cps, up 6.7% relative to 12.77 cps in June 2023 and 2.7% greater than that for the second half of 2023.

NET PROPERTY INCOME

Total property revenue amounted to R1 459.6 million (June 2023: R1 110.7 million) with the like-for-like portfolio, excluding disposals, developments and acquisitions during 2023 and 2024, up 7.7% to R987.9 million (June 2023: R917.6 million).

NPI increased by 24.0% (R141.9 million) from the previous period, with the like-for-like portfolio increasing by 4.8%. The increase in NPI was largely driven by the acquisition of Indluplace and the increase in the like-for-like portfolio NPI with these being partially offset by a decrease in NPI attributable to properties sold and held for sale.

Total property expenses, including Indluplace, increased to R686.2 million (June 2023: R470.4 million). Excluding Indluplace, total property expenses would have amounted to R502.9 million. Like-for-like property expenses increased by 11.4% with municipal expenses increasing by 12.0% and controllable property expenses increasing by 6.4%.

COMMENTARY *CONTINUED*

The overall distributable income from the Zambian JV for the six months decreased by 4.6% to R28.7 million (June 2023: R30.1 million). The decrease was largely driven by the increase in interest rates affecting borrowing costs.

NET FINANCE COST

Net finance cost, excluding the impact of IFRS 16, increased by 37.3% to R356.9 million (June 2023: R260.0 million). However, adding back finance costs capitalised to investment properties of R4.8 million (June 2023: R2.1 million), resulted in a R2.7 million increase compared to the prior period due to the larger development pipeline, and therefore net finance cost before the capitalisation of interest amounted to R361.7 million (June 2023: R262.1 million).

The net finance cost, before the capitalisation of interest, increased compared with the comparative period, largely driven by higher average borrowings and interest costs. The higher borrowings are due to the comparative period net debt benefitting from cash generated from disposals in the build-up to the Indluplace acquisition, and the consolidation of Indluplace's borrowings and interest costs in the current period. Interest expense was further impacted by a rise in the base rate with JIBAR having increased on average by 55 basis points ("bps") on the comparative period as well as the higher cost of Indluplace debt, which resulted in the cost of debt increasing to 9.4% (June 2023: 9.3%).

PROPERTY VALUATIONS

The Group's independently valued property portfolio, excluding properties held in the Zambian JV, increased by R173.7 million to R17.9 billion in the six months to 30 June 2024. The like-for-like portfolio held for the six months to 30 June 2024 increased by R195.6 million to R13.0 billion.

On a clean growth basis, valuations have increased by 0.9% for the six months to 30 June 2024. The below inflation growth in valuations were impacted by the elevated interest rates restricting available capital, and higher yields on 10-year government bonds, both exerting downward pressure on property valuations, although the latter having recently retreated to some degree. In addition, the muted growth of the South African economy has depressed NPI growth by way of rental demand. The industrial portfolio was the best performer of the South African portfolio with a 3.0% clean growth for the six months to 30 June 2024, due to a slight tightening in the capitalisation rates, which is reflective of the improved quality of rental cash flows of a fully let portfolio. The less than 0.5% clean growth of the retail portfolio was largely due to a conservative approach adopted on the valuation of larger properties for which historically relatively tight capitalisation rates have been applied.

Whilst Indluplace's clean growth valuation for the first half of the year was only 0.7% this must be seen in the context of the 25.2% clean growth in the second half of last year as a result of the appreciation from acquistion value to market value.

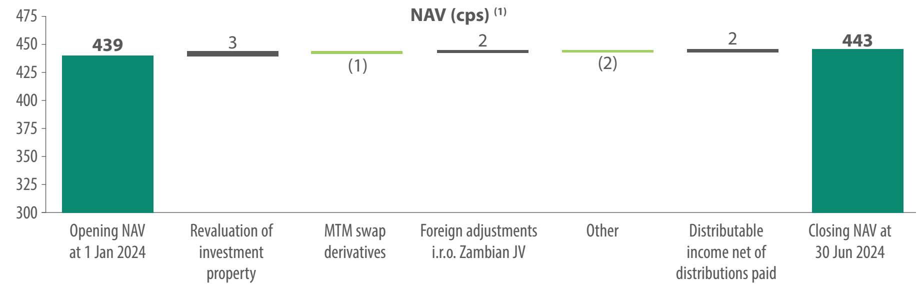
The 1.1% clean growth in Afhco's value was the result of a conservative view in respect of the residential capitalisation rate assumptions, in that increased inflationary pressures on the target market continue to limit rental growth. Nevertheless, given the continued low vacancies in the portfolio and continued demand for affordable rental accommodation, residential valuations can be expected to increase into the future as a consequence of the robust tenant base that exists.

On a clean growth basis, the Zambian portfolio saw an increase in USD value (USD1.3 million) over the six months to 30 June 2024, largely driven by the valuation of the Group's original three properties of the JV up by 1.5% in USD, with negligible vacancies at the East Park Mall property. The appreciation of the ZAR by 0.9% against the USD resulted in the ZAR value increasing by 0.6% for the original three properties. The valuations of the REIZ portfolio remained flat.

The discount and capitalisation rates applied in the valuations are discussed in detail in the investment property section in note 4.

COMMENTARY *CONTINUED*

The Net Asset Value ("NAV") per share as per the Unaudited Condensed Consolidated Interim Statement of Financial Position increased by 0.9% from 439 cps to 443 cps. This increase includes adjustments in respect of the fair value of interest rate swap derivatives, investment property and the growth in distributable income as set out in the graph below:



(1) *Based on IFRS and shares in issue.*

The SA REIT defined NAV is calculated as NAV per the Unaudited Condensed Consolidated Interim Statement of Financial Position, less goodwill and intangible assets, deferred taxation and any interim dividend declared, and still to be paid in respect of the reporting period. The SA REIT NAV per share was 428 cps as at 30 June 2024 (December 2023: 424 cps).

PROPERTY PORTFOLIO

The table below reflects the pipeline of disposals which includes both properties that meet the definition of held for sale and those that do not meet the IFRS criteria.

Transferred disposals:

Property	Transfer date	Gross selling price (Rm)	Region	Sector
Residential apartments (1)	Jan 24 - Jun 24	52.0	Gauteng	Residential
Total		**52.0**		

(1) *Includes retail space at Bridgeport sold for R2.4 million.*

Contracted and unconditional disposals:

Property	Expected transfer date	Gross selling price (Rm)	Region	Sector
Portion of 11 Wankel Street, Jet Park	Oct 24	30.0	Gauteng	Industrial
Chapel Court, Johannesburg Inner City	Oct 24	38.0	Gauteng	Inner City Retail
Residential apartments (2)	Jul 24 - Dec 24	27.6	Gauteng	Residential
Total		**95.6**		

(2) *R12.4 million transferred subsequent to 30 June 2024.*

Contracted and conditional disposals:

Property	Expected transfer date	Gross selling price (Rm)	Region	Sector
Villakazi, Johannesburg (3)	Oct 24	1.1	Gauteng	Residential
No. One Eloff, Johannesburg (3)	Oct 24	42.0	Gauteng	Residential
Pomegranate, Johannesburg (3)	Oct 24	8.2	Gauteng	Residential
Empire Gardens, Johannesburg (3)	Oct 24	19.5	Gauteng	Residential
Hotel at Cullinan Jewel Shopping Centre, Pretoria	Dec 24	2.7	Gauteng	Retail
Multi Glass, Johannesburg	Dec 24	3.6	Gauteng	Inner City Retail
Total		**77.1**		

(3) *Induplace properties.*

COMMENTARY *CONTINUED*

Contracted for sale subsequent to 30 June 2024:

Property	Expected transfer date	Gross selling price (Rm)	Region	Sector
155 Old Main Road, Pinetown	Nov 24	68.0	KwaZulu-Natal	Industrial
Nobel Street Office Park, Bloemfontein	Nov 24	39.0	Free State	Commercial
Forest Road Design & Décor Centre Extension, Johannesburg	Dec 24	55.0	Gauteng	Retail
320 Bree Street, Johannesburg (3)	Dec 24	8.0	Gauteng	Residential
Curzon Court, Johannesburg (3)	Dec 24	6.5	Gauteng	Residential
Morgenster, Johannesburg (3)	Dec 24	8.7	Gauteng	Residential
Park Mews, Johannesburg (3)	Dec 24	10.5	Gauteng	Residential
Seswick Court, Johannesburg (3)	Dec 24	5.7	Gauteng	Residential
Parnon Court, Bloemfontein (3)	Dec 24	27.0	Free State	Residential
Balnagask, Johannesburg (3)	Feb 25	46.7	Gauteng	Residential
Monsmeg, Johannesburg (3)	Feb 25	9.0	Gauteng	Residential
The Sentinel, Johannesburg (3)	Feb 25	73.3	Gauteng	Residential
Geraldine Court, Johannesburg (3)	Feb 25	14.0	Gauteng	Residential
Bree Street Retail, Johannesburg (3)	Feb 25	14.9	Gauteng	Inner City Retail
Arvin Court, Johannesburg (3)	Feb 25	2.8	Gauteng	Residential
Midhill Gardens, Johannesburg (3)	Feb 25	21.5	Gauteng	Residential
Northways, Johannesburg (3)	Feb 25	8.9	Gauteng	Residential
Sefton Court, Johannesburg (3)	Feb 25	12.5	Gauteng	Residential
Sue Mark Court, Johannesburg (3)	Feb 25	10.4	Gauteng	Residential
Kings Ransom, Johannesburg (3)	Mar 25	87.6	Gauteng	Residential
Total		**530.0**		

(3) *Indluplace properties.*

The Group's total contracted and transferred disposal pipeline from 1 January to 30 June 2024 of R224.7 million was sold at a 10.8% premium on the last valuation, and at a weighted average exit yield of 8.0%. Residential apartment sales totaling R79.6 million were executed at a weighted average exit yield of 7.1% and at a premium of 21.5% on last valuation.

A total of 133 sectional title apartments and one retail section at Bridgeport were transferred in the first half of 2024 at a disposal value of R52.0 million. A further 70 apartments have been contracted at a value of R27.6 million and are expected to transfer during the second half of 2024. Two inner city retail and commercial properties, Chapel Court and Multi Glass, were contracted for disposal at R38.0 million and R3.6 million respectively, with transfer expected in the second half of 2024.

The refinement of the Indluplace portfolio through disposals is progressing, with four poorer quality non-core properties having been contracted at a total disposal consideration of R70.8 million and at a weighted average exit yield of 11.0%. It is anticipated that the sale of the property companies that hold these properties will become effective in the latter half of 2024. Seventeen further properties that do not meet our investment criteria were contracted for sale subsequent to 30 June 2024 for a total consideration of R368.0 million. All these properties are located in the Johannesburg inner city and Hillbrow. In addition, discussions are progressing in respect of several other inner city properties.

COMMENTARY *CONTINUED*

VACANCIES

	Vacancy as % of GLA			Vacancy as % of rental income		
Sector	**30 Jun 2024**	31 Dec 2023	30 Jun 2023	**30 Jun 2024**	31 Dec 2023	30 Jun 2023
Traditional portfolio						
Industrial	**–**	0.2	–	**–**	0.1	–
Retail	**2.8**	2.7	3.1	**1.9**	1.9	2.3
Commercial	**8.5**	15.1	16.6	**5.6**	9.4	8.1
Portfolio total	**1.6**	2.0	2.1	**1.5**	1.7	1.8
Afhco portfolio						
Retail/Commercial	**4.9**	4.4	5.5	**5.8**	4.3	3.7
Residential [(1)]	**3.4**	4.2	3.1	**3.8**	4.3	3.5
Indluplace portfolio						
Retail/Commercial	**10.6**	10.3	–	**13.2**	11.1	–
Residential [(1)]	**4.5**	4.5	–	**4.2**	4.7	–
Portfolio total						
Retail/Commercial	**7.0**	5.6	5.5	**7.1**	5.2	3.7
Residential [(1)]	**4.0**	4.4	3.1	**4.0**	4.5	3.5
Rest of Africa portfolio						
Retail	**4.8**	2.6	4.5	**5.0**	1.7	2.3
Commercial	**–**	2.4	5.8	**–**	1.4	4.5
Portfolio total	**4.2**	2.6	4.7	**4.2**	1.6	2.6

[(1)] *Vacancy calculated on number of units.*

There are no vacancies in the industrial portfolio due to strong demand for logistic warehousing facilities that are located in established logistic nodes and routes.

Vacancies in the retail portfolio increased marginally by a net 244m^2 in the first half of 2024 to 2.8%. Whilst vacancies increased at Musgrave Centre (633m^2), African City (598m^2) and Comaro Crossing (207m^2), this increase in vacancy was partially offset by various reletting initiatives in this period, the material lets being at Bluff Towers (219m^2), Forest Road (183m^2), Morning Glen (698m^2) to bespoke lifestyle tenants and Comaro Crossing (207m^2) to Pick n Pay Clothing.

Commercial property vacancies reduced from 15.1% as at 31 December 2023 to 8.5% as at 30 June 2024. This is as a consequence of the reduction in the vacancies of Musgrave office tower which have been made available for the first phase of the conversion from office space to residential. The Group's small commercial portfolio is largely impacted by vacancies in the office space above the retail centers. The two standalone office properties have reduced vacancy from 1.0% as at 31 December 2023 to 0.3% as at 30 June 2024 in preparation for their potential sale to enable SA Corporate to fulfill its strategy of having no office exposure.

Vacancies in the Afhco portfolio ended the period at 3.4%, reducing from 4.2% at the end of 2023, thereby continuing a trend of strong performance. Afhco's inner city portfolio continued to outperform the suburban portfolio, with vacancies of 2.3% excluding students, compared to 4.8%. Student vacancies were at 3.8%.

COMMENTARY *CONTINUED*

In the Indluplace portfolio, vacancies remained flat at 4.5% compared to the 2023 year end. A stable occupancy of greater than 95% since Afhco's acquisition of the portfolio represents a significant achievement over previous reporting periods. Indluplace's higher quality suburban portfolio outperformed the lesser quality inner city portfolio, with occupancies ending at 97.6% for the former excluding students, compared to 93.8% for the latter. Student vacancies were at 5.6%. Total residential portfolio vacancies were at 3.8% excluding students (4.0% including students) compared with 4.4% at year end.

The overall strong performance of the residential sector can be attributed to management's continued efforts to create a "best in class" portfolio, underpinned by a quality offering, excellent customer service, strategic capital expenditure initiatives that support lifestyle and security amenities, and coupled with effective promotional interventions and tenant engagement.

In respect of retail vacancies in the Afhco and Indluplace properties, vacancies closed the half year at 4.9% and 10.6% respectively. A large area of 506m^2 in Indluplace's Germiston property has been let subsequent to 30 June 2024, with trading due to commence in December 2024, thereby reducing current vacancies to 6.9%. Total retail vacancies in these two portfolios at the end of 30 June 2024 amount to 6.0%, thereby indicating robust tenancy.

Total vacancies in the Zambian JV retail portfolio increased to 4.2% from 2.6% at 31 December 2023 largely due to 1 302m^2 of evicted restaurant tenants at East Park Mall. However, this space has been subsequently let to pharmaceutical and furniture tenants totaling 575m^2 and management is in negotiations with new restauranteurs for the balance. At Jacaranda Mall, vacancy increased due to a clothing and spare parts retailer being evicted owing to continuous defaulting payments. Subsequently, 123m^2 of vacant space has been let to a fishery and a beauty spa tenant. Vacancy at Acacia Office Park was fully taken up by 30 June 2024 due to UBA Bank, an existing tenant, acquiring vacant space.

COMMENTARY *CONTINUED*

BORROWINGS

The debt profile as at 30 June 2024 is detailed below.

	Maturity date	Value (Rm)	Interest rate%
Revolving credit facility [(1)]	2024/10/31	–	10.07%
Term loan facility	2024/10/31	146	9.92%
Term loan facility	2024/11/16	76	10.07%
Term loan facility	2024/11/16	305	9.42%
Term loan facility	2024/11/16	76	10.22%
Term loan facility	2025/01/11	107	9.52%
Term loan facility [(2)]	2025/01/15	491	4.96%
Term loan facility	2025/05/07	307	9.62%
Term loan facility	2025/05/07	300	9.64%
Term loan facility	2025/06/02	100	9.52%
Revolving credit facility [(3)]	2025/09/09	132	9.34%
Term loan facility	2025/09/09	200	9.35%
Revolving credit facility [(4)]	2025/09/09	204	9.34%
Term loan facility	2025/09/10	200	9.62%
Term loan facility	2025/10/31	227	9.57%
Term loan facility	2025/11/16	67	10.17%
Term loan facility	2025/11/16	67	10.37%
Term loan facility	2025/12/09	150	9.97%
Term loan facility	2025/12/11	150	9.95%
Revolving credit facility [(5)]	2026/06/30	160	9.35%
Term loan facility	2026/06/30	200	9.35%
Term loan facility	2026/09/08	200	9.66%
Term loan facility	2026/09/09	519	9.46%
Term loan facility	2026/09/09	913	9.46%
Revolving credit facility [(6)]	2026/10/11	100	9.34%
Term loan facility	2026/10/31	75	9.72%
Term loan facility	2026/10/31	146	10.02%
Term loan facility	2027/06/30	140	9.47%
Term loan facility	2027/09/09	700	9.57%
Term loan facility	2027/09/09	320	9.57%
Term loan facility	2027/09/09	298	9.56%
Revolving credit facility [(7)]	2027/09/09	–	9.56%
Term loan facility	2028/08/07	240	9.52%
Term loan facility	2028/08/07	564	9.49%
Term loan facility	2028/08/07	345	9.52%
Total interest-bearing borrowings [(8)]		**8 225**	

(1) *R10 million revolving credit facility undrawn.*
(2) *US dollar denominated facility.*
(3) *R200 million revolving credit facility.*
(4) *R329 million revolving credit facility.*
(5) *R160 million revolving credit facility.*
(6) *R100 million revolving credit facility.*
(7) *R300 million revolving credit facility undrawn.*
(8) *Excluding capitalised transaction costs.*

COMMENTARY *CONTINUED*

Total debt drawn amounted to R8.2 billion, an increase of R126.9 million from 31 December 2023, whilst net debt amounted to R8.1 billion (December 2023: R8.0 billion). The increase in drawn debt is largely attributable to capital expenditure for the six months to June 2024. The USD loan decreased by R10.0 million due to the appreciation of the ZAR/USD exchange rate from R18.58 in December 2023 to R18.21 in June 2024. The weighted average tenor of debt as at 30 June 2024 has decreased to 2.1 years. The Group has R612.3 million of borrowing facilities expiring in the 2024 financial year for which refinancing is in process.

The net debt LTV remained flat at 41.9% as at 30 June 2024 in comparison to 31 December 2023. This excludes the fair value asset on interest rate swap derivatives of R41.6 million (December 2023: asset of R58.3 million).

The Group's weighted average cost of debt, excluding and including interest rate swaps, was 10.2% and 9.3% (December 2023: 10.2% and 9.3%) respectively. The annualised amortised transaction costs imputed into the effective interest rate is 0.1%, resulting in an all-in weighted average cost of debt of 9.4%. The weighted average swap margin was -0.9% (December 2023: -0.9%), and the weighted average debt margin was 2.0% (December 2023: 2.0%). 74.9% of total debt drawn was fixed through swaps of an average tenor of 1.1 years in respect of the variable debt. This was increased to 79.1% and 1.2 years respectively post the period end as a result of contracting an additional R750 million of swaps at a tenor of 3 years between 65 and 102 bps below 3-month JIBAR. The net interest cover ratio ("ICR") decreased to 2.0 times (December 2023: 2.1 times) as a result of higher debt levels and the steep rate hiking cycle of the past two years, which has seen an average increase in JIBAR of 55 bps for the six months to June 2024, on the prior comparable period.

Key lender covenants

At 30 June 2024, the Group was in compliance with all lender covenants applicable to the period.

Description	Covenant requirement as at 30 June 2024	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Audited year ended 31 December 2023
LTV	50.0%	43.6%	38.2%	43.4%
ICR [(1)]	1.75x [(2)]	1.8x	2.1x	1.9x

[(1)] *This is gross ICR.*
[(2)] *Interim measurement period relaxed covenant agreed with lenders for the period from 1 November 2023 to 31 December 2024.*

The lender LTV for the year has increased by 20 bps to 43.6% from 31 December 2023. Cash on hand, including committed undrawn facilities, excluding tenant deposits as at 30 June 2024, amounted to R605.2 million (December 2023: R702.0 million).

COMMENTARY *CONTINUED*

OUTLOOK

The Group has positioned itself to take advantage of recent green shoots within the South African economic environment and anticipated tailwinds in the defensive property sectors in which it is invested.

In the retail portfolio, vacancy for the remainder of the year is anticipated to remain low, on par with that reported at 30 June 2024, whilst lease escalations are expected to be above current inflation levels. Lease renewal reversions are forecast to be largely flat to marginally positive.

Renewal reversions for leases expiring in the second half of 2024 in the industrial portfolio are projected to be slightly positive while lease escalations will be above inflation at 6.0%. Vacancy will continue to be negligible in the portfolio.

The residential portfolio's strong performance in the first half of the year is anticipated to persist for the remainder of the year with low vacancy and steady improvement in rental increases. However, the historic seasonal trend of increased residential vacancy over the festive season is expected. The City of Johannesburg has announced its intention to remove the rates exclusion in respect of R285 000 of a property's value if a property owner owns more than one residential property. Whilst this would impact the sectionalised residential properties of the Group, no allowance has been made for this in our forecasts given the widespread industry objection and legal opinion received that the City of Johannesburg has not followed due process in this regard.

Distributable income growth is estimated to exceed inflation as at 31 December 2024.

The forecast financial information above has not been reviewed and reported on by the Group's auditor.

DISTRIBUTION

The Company is committed to a distribution policy that meets the investment thesis of REIT investors, and has withheld 10.0% of distributable income from distribution to shareholders for capital expenditure that is defensive and recurring and which will not generate additional income nor enhance the value of property assets. Having made allowance for the aforementioned deduction, the Board of Directors ("the Board") approved a distribution of R304.6 million for the period ended 30 June 2024 (June 2023: R286.4 million) being 90.0% (June 2023: 90.0%) of distributable income, equivalent to 12.11 cents per share (30 June 2023: 11.39 cents per share).

DISTRIBUTION STATEMENT

R 000	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Unaudited year ended 31 December 2023
DISTRIBUTABLE INCOME			
Rent (excluding straight-line rental adjustment)	**1 028 506**	756 657	1 740 055
Net property expenses	**(293 990)**	(164 087)	(455 990)
Property expenses	**(686 201)**	(470 404)	(1 155 346)
Recovery of property expenses	**392 211**	306 317	699 356
Pre-effective date acquisition dividend from Indluplace	**–**	–	14 500
Net property income	**734 516**	592 570	1 298 565
Profit from JVs	**28 724**	30 099	58 322
Taxation on distributable income	**(3 999)**	(352)	(2 286)
Dividends from investments in listed shares	**–**	2 403	3 635
Net finance cost	**(356 875)**	(259 954)	(606 415)
Interest expense	**(375 060)**	(274 288)	(649 164)
Interest income	**18 185**	14 334	42 749
Distribution-related expenses	**(63 967)**	(46 537)	(104 028)
Distributable income	**338 399**	318 229	647 793
Distributable income for the six months ended June	**338 399**	318 229	318 229
Distributable income for the six months ended December	**–**	–	329 564
Shares in issue ('000)	**2 514 732**	2 514 732	2 514 732
Distributable income per share ("DIPS") (cents)	**13.46**	12.65	25.76
Interim DIPS (cents)	**13.46**	12.65	12.65
Final DIPS (cents)	**–**	–	13.11
Distributable income retained	**33 840**	31 823	64 779
Distribution	**304 559**	286 406	583 014
Distribution per share (“DPS”) (cents)	**12.11**	11.39	23.18
Interim	**12.11**	11.39	11.39
Final	**–**	–	11.79

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

R 000	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Audited year ended 31 December 2023
Assets			
Non-current assets	**18 975 824**	15 852 386	18 774 991
Investment property	**17 435 650**	14 234 976	17 275 069
- Investment property	**17 049 274**	13 876 748	16 935 296
- Rental receivable - straight-line rental adjustment	**368 927**	339 501	321 255
- Letting commissions and tenant installations	**17 449**	18 727	18 518
Investment in JVs	**1 340 152**	1 382 768	1 294 948
Property, plant and equipment	**43 110**	41 553	45 099
Intangible assets and goodwill	**81 906**	83 124	82 448
Right-of-use assets	**32 600**	9 521	37 383
Investment in listed shares	**–**	52 828	–
Other financial assets	**32 363**	622	32 665
Swap derivatives	**7 764**	43 103	5 100
Deferred taxation	**2 279**	3 891	2 279
Current assets	**728 215**	705 359	733 552
Inventories	**–**	187	78
Letting commission and tenant installations	**15 799**	20 095	15 647
Other financial assets	**19 328**	50 757	19 475
Swap derivatives	**36 008**	63 367	58 472
Trade and other receivables	**378 491**	325 154	367 522
Prepayments	**40 407**	60 900	35 356
Rental receivable - straight-line rental adjustment	**23 651**	22 358	40 205
Taxation receivable	**2 350**	539	1 770
Cash and cash equivalents	**212 181**	162 002	195 027
Non-current assets held for sale	**453 843**	645 841	424 681
Total assets	**20 157 882**	17 203 586	19 933 224
Equity and liabilities			
Equity			
Share capital and reserves	**11 152 157**	10 489 372	11 034 900
Liabilities			
Non-current liabilities	**6 343 945**	4 965 790	7 523 276
Lease liabilities	**30 501**	9 066	36 417
Swap derivatives	**2 174**	–	–
Interest-bearing borrowings	**6 311 270**	4 956 724	7 486 859
Current liabilities	**2 661 780**	1 748 424	1 375 048
Lease liabilities	**12 179**	5 316	11 050
Swap derivatives	**–**	–	5 259
Interest-bearing borrowings	**1 957 866**	1 202 524	654 078
Taxation payable	**1 598**	–	3 212
Trade and other payables	**690 137**	540 584	701 449
Total liabilities	**9 005 725**	6 714 214	8 898 324
Total equity and liabilities	**20 157 882**	17 203 586	19 933 224

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

R 000	**Unaudited six months ended 30 June 2024**	Unaudited six months ended 30 June 2023	Audited year ended 31 December 2023
Revenue	**1 459 637**	1 110 683	2 480 458
Expected credit losses	**(17 143)**	(5 345)	(20 497)
Other operating income	**–**	2 636	410
Fair value gain/(loss) on investment property [1]	**39 675**	(20 376)	599 002
Operating expenses	**(745 853)**	(519 959)	(1 283 281)
Operating profit	**736 316**	567 639	1 776 092
Other (loss)/income [2]	**–**	(1 153)	103 331
Foreign exchange adjustments	**9 588**	(48 407)	(40 206)
Fair value (loss)/gain on swap derivatives	**(16 514)**	48 729	(14 175)
Fair value loss on investment in listed shares	**–**	(165)	(910)
Capital loss on disposal of assets [3]	**(4 797)**	(21 270)	(55 767)
Profit from JVs [4]	**43 229**	134 603	56 522
Capital loss on disposal of investment in listed shares	**–**	(4 000)	–
Dividends from investments in listed shares	**–**	4 915	6 147
Interest income	**18 190**	14 334	42 749
Interest expense	**(376 679)**	(275 855)	(657 247)
Profit before taxation	**409 333**	419 370	1 216 536
Taxation expense	**(3 698)**	(1 149)	(7 575)
Profit after taxation for the period	**405 635**	418 221	1 208 961
Other comprehensive income:			
Items that may be reclassified to profit or loss after taxation:			
Foreign exchange adjustments on investment in JV	**25 255**	47 779	53 770
Total comprehensive income for the period	**430 890**	466 000	1 262 731
Basic earnings per share (cents) - Restated (Note 2)	**16.33**	16.78	48.54
Diluted earnings per share (cents) - Restated (Note 2)	**16.23**	16.72	48.34

(1) *Fair value gain on investment property for the six months ended June of R61.2 million (2023: R20.4 million loss) and fair value loss on held for sale property of R21.5 million (2023: nil). Fair value gain on investment property for the December 2023 period of R599.0 million comprises fair value adjustments on investment property of R592.0 million, and a fair value gain on held for sale property of R7.0 million. Refer to note 5.*

(2) *Included in other (loss)/income for the year ended 31 December 2023 is a loss of R8.4 million which is an adjustment to the insurance income recognised in the prior year relating to reinstatement costs for damages incurred during the July 2021 civil unrest. The balance of other income relates to R94.9 million due to the reversal of accruals for phases 5 and 6 developments in Zambia.*

(3) *Included in capital loss on disposal of assets is sale of investment property, property, plant and equipment and investment in listed shares.*

(4) *Included in profit from JVs for the six month period ended June 2024 is R14.5 million (2023: R104.5 million) due to the fair value adjustment of properties and R 28.7 million (2023: R30.1 million) relating to distributable income. Included in the December 2023 profit from JVs is R1.8 million relating to the fair value adjustment of properties and R 58.3 million relating to the distributable income.*

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

R 000	**Unaudited six months ended 30 June 2024**	Unaudited six months ended 30 June 2023	Audited year ended 31 December 2023
Share capital and reserves at the beginning of the period	**11 034 900**	10 320 812	10 320 812
Total comprehensive income for the period	**430 890**	466 000	1 262 731
Treasury shares purchased	**(29 646)**	(19 524)	(19 524)
Share-based payment reserve	**12 621**	3 215	9 780
Distributions attributable to shareholders	**(296 608)**	(281 131)	(567 537)
Fair value adjustment [(1)]	**–**	–	28 638
Share capital and reserves at the end of the period	**11 152 157**	10 489 372	11 034 900

(1) *Realisation of assets initially recognised at zero value as part of the Indluplace acquisition.*

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

R 000	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Audited year ended 31 December 2023
Operating profit before working capital changes	**704 763**	607 852	1 247 870
Working capital changes	**(57 235)**	(34 075)	126 794
Cash generated from operations	**647 528**	573 777	1 374 664
Operating activities changes	**(661 436)**	(538 804)	(1 211 732)
Interest received	**15 062**	14 659	14 659
Interest paid	**(375 339)**	(271 398)	(657 656)
Taxation paid	**(4 551)**	(934)	(1 198)
Distributions paid	**(296 608)**	(281 131)	(567 537)
Net cash (used in)/from operating activities	**(13 908)**	34 973	162 932
Net cash (used in)/from investing activities	**(69 707)**	366 867	(364 555)
Net cash from/(used in) financing activities	**100 769**	(419 857)	216 631
Payment on lease liabilities	**(6 488)**	(3 809)	(21 439)
Proceeds from interest-bearing borrowings	**759 200**	556 500	2 062 300
Repayment of interest-bearing borrowings	**(622 300)**	(904 559)	(1 756 240)
Purchase of treasury shares	**(29 643)**	(19 524)	(19 524)
Settlement of swap derivatives	**–**	(48 465)	(48 466)
Total cash and cash equivalents movement for the period	**17 154**	(18 017)	15 008
Cash and cash equivalents at the beginning of the period	**195 027**	180 019	180 019
Total cash and cash equivalents at the end of the period	**212 181**	162 002	195 027

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

1. BASIS OF PREPARATION

The Condensed Consolidated Interim Financial Statements are prepared in accordance with IFRS Accounting Standards, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the JSE Listings Requirements and the Companies Act 71 of 2008 ("Companies Act"). The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS Accounting Standards and are consistent with those applied in the previous consolidated annual financial statements and corresponding interim reporting period.

These Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024 have been prepared under the supervision of SY Moodley CA(SA), the Group's Chief Financial Officer, and have neither been audited nor reviewed by the Group's auditors, PricewaterhouseCoopers Inc.

2. RECONCILIATION OF PROFIT AFTER TAXATION TO HEADLINE EARNINGS

	Unaudited six months ended 30 June 2024		Unaudited six months ended 30 June 2023				Audited year ended 31 December 2023	
	R 000	**cps**	R 000	cps Restated ***	cps Previously reported	Variance	R 000	cps
Profit after taxation attributable to shareholders *	**405 635**	**16.33**	418 221	16.78	16.63	0.15	1 208 961	48.54
Adjustments for:								
Capital loss on sale of investment property and property, plant and equipment	**4 797**		25 270				55 474	
Fair value (gain)/loss on investment property	**(39 675)**		20 376				(599 002)	
Fair value gain on investment property in JVs	**(14 505)**		(104 504)				(93 133)	
Headline earnings *	**356 252**	**14.34**	359 363	14.42	14.29	0.13	572 300	22.98
Diluted Headline earnings **	**356 252**	**14.26**	359 363	14.37	–	14.37	572 300	22.88

* *Calculated on the weighted average number of shares outstanding, net of treasury shares.*

** *Calculated on the weighted average number of shares outstanding, net of treasury shares after adjusting for the effect of dilution of the potential FSP shares to be issued upon vesting.*

*** *The comparative June 2023 cps (cents per share) has been restated due to treasury shares that were previously included in the weighted average number of shares. Additionally diluted headline earnings per share was previously omitted.*

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

3. JUNE 2024 INFORMATION ON REPORTABLE SEGMENTS

R 000	Industrial	Retail	Commercial	Afhco	Group [1]
Revenue	211 506	541 836	20 808	685 421	1 459 637
Rental income (excluding straight-line rental adjustment)	161 641	307 691	10 640	548 534	1 028 506
Net property expenses	(13 283)	(31 260)	(3 831)	(245 146)	(293 990)
Property expenses	(57 312)	(236 108)	(13 452)	(378 858)	(686 201)
Recovery of property expenses	44 029	204 848	9 621	133 712	392 211
Net property income	148 358	276 431	6 809	303 388	734 516
Straight-line rental adjustment	5 836	29 297	547	3 240	38 920
Interest income	–	–	–	5 517	18 190
Interest expense	–	–	–	(69 058)	(376 679)
Profit from JVs	–	–	–	–	43 229
Foreign exchange adjustments	–	–	–	–	9 588
Group expenses	(14 339)	(34 000)	(1 114)	(8 625)	(76 795)
Capital loss on disposal of assets	–	–	–	(4 723)	(4 797)
Fair value gain/(loss) on investment property	73 364	(55 624)	(18 020)	39 955	39 675
Investment property	79 200	(26 327)	(17 473)	43 195	78 595
Straight-line rental adjustment	(5 836)	(29 297)	(547)	(3 240)	(38 920)
Fair value loss on swap derivatives	–	–	–	(4 450)	(16 514)
Taxation	(2 000)	(2 527)	–	249	(3 698)
Profit/(loss) after taxation	211 219	213 577	(11 778)	265 493	405 635
Other comprehensive income, net of taxation	–	–	–	–	25 255
Total comprehensive income/(loss)	211 219	213 577	(11 778)	265 493	430 890

[1] *Corporate division is included in the Group.*

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

3. JUNE 2024 INFORMATION ON REPORTABLE SEGMENTS *CONTINUED*

R 000	Industrial	Retail	Commer-cial	Afhco	Group
Investment property excluding straight-line rental adjustment	3 265 345	6 666 200	231 524	6 886 205	17 049 274
Straight-line rental adjustment non-current	70 720	279 649	1 681	16 877	368 927
	3 336 065	6 945 849	233 205	6 903 082	17 418 201
Straight-line rental adjustment current	10 035	10 231	376	3 009	23 651
Non-current assets held for sale [(1)]	30 000	2 700	–	421 059	453 759
Investment property at fair value	3 376 100	6 958 780	233 581	7 327 150	17 895 611
Other assets	67 322	190 378	21 312	356 647	2 262 271
Total assets	3 443 422	7 149 158	254 893	7 683 797	20 157 882
Total liabilities	59 380	209 279	11 368	1 833 282	9 005 725
Acquisitions and improvements	18 500	100 819	3 073	21 265	143 658
Segment growth rates(%)					
Rental income (including straight-line rental adjustment)	(6.8)	5.7	28.9	95.0	36.4
Property expenses	(1.0)	10.3	26.1	106.0	45.9
Recovery of property expenses	7.3	6.1	36.5	105.1	28.0
Net property income	(5.2)	1.4	46.9	86.5	24.0

[(1)] *Excludes letting commission and tenant installation allowance.*

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

4. FAIR VALUE MEASUREMENT

Fair value for financial instruments and investment property:

IFRS 13 requires that an entity discloses for each class of financial instruments and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs, other quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data i.e. unobservable inputs.

There have been no transfers between level 1, level 2 and level 3 during the period under review.

	Unaudited six months ending 30 June 2024		
R 000	Fair value	Level 2	Level 3
Assets			
Non-current assets			
Investment property	17 049 274	–	17 049 274
Investment in JV	1 340 152	–	1 340 152
Swap derivatives	7 764	7 764	–
	18 397 190	7 764	18 389 426
Current assets			
Properties classified as held for sale	453 843	–	453 843
Swap derivatives	36 008	36 008	–
	489 851	36 008	453 843
Total assets measured at fair value	18 887 041	43 772	18 843 269
Non-current liabilties			
Swap derivatives	2 174	2 174	–
Total liabilties measured at fair value	2 174	2 174	–

Details of valuation techniques

The valuation techniques used in measuring fair values at 30 June 2024 for financial instruments and investment property measured at fair value in the statement of financial position, as well as the significant unobservable inputs used are disclosed below. There have been no significant changes in valuation techniques and inputs since 31 December 2023.

Investment property

Independent external valuators (Quadrant Properties and Yield Enhancement Solutions) were appointed to conduct the Group's June 2024 property valuations. The Group provided the valuers with property and other information required in the valuation of the properties. Among other inputs, the independent valuers applied current market-related assumptions to the risks in rental streams of the properties. Once the valuations had been completed by the independent valuers, they were reviewed internally and approved by the board of directors. The valuers are registered valuers in terms of Section 19 of the Property Valuers Professional Act (Act No 47 of 2000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

4. FAIR VALUE MEASUREMENT *CONTINUED*

The independent valuers' details are as follows:

Quadrant Properties, P. Parfitt, NDip (Prop Val), MRICS, Professional Valuer.
Yield Enhancement Solutions, R. Collins, Professional Valuer.

Unobservable Inputs as considered in June 2024 valuation report

	Retail	Industrial	Commercial	Residential	REIZ Zambia	Zambia - Traditional
Expected market rental growth rate	5.30%	5.00%	1.25%	1.75%	0.00%	1.00%
Occupancy rate	93.50%	99.00%	86.00%	95.00%	58.80%	95.11%
Vacancy periods	3 months	3 months	6 months	0 - 1 months	3 months	0 months
Rent free periods	0 - 2 months	0 months	0 - 4 months	–	0 - 4 months	0 - 2 months
Discount rates	13.50% - 17.00%	14.00% - 16.50%	15.25% - 16.50%	N/A	7.00% - 9.75%	8.50% - 9.50%
Capitalisation ("Cap") rates	8.00% - 11.50%	8.50% - 11.00%	9.75% - 11.00%	8.00% - 12.25%	9.75% - 13.00%	11.50% - 12.50%
Exit capitalisation rate range	8.25% - 12.25%	8.75% - 11.25%	10.00% - 12.50%	N/A	7.00% - 10.00%	8.75% - 9.75%
Expected expense growth - municipal	8.50%	8.50%	8.00%	6.10%	1.00%	1.00%
Expected expense growth - controllable	5.00%	4.25%	4.50%	5.25%	1.10%	1.10%
Valuation method	Discounted cashflow	Discounted cashflow	Discounted cashflow	Capitalisation of net income earnings	Discounted cashflow	Discounted cashflow

Valuation methodology

The valuation of all non-residential revenue producing real estate is calculated by determining future contractual and market related net income streams excluding corporate costs, as well as a terminal realisation value for the property and discounting this income stream to calculate a net present value. This is performed over a five year (2023: five year) period in order to reasonably revert all cash flow to a market-related rate. The terminal value (residual value) is calculated by capitalising the sixth (2023: sixth) year's net revenue and discounting this value to present. The discount rate is determined as a forward yield rate (capitalisation rate) and a risk is added to it (as related to the nature and contracts of the property) and forward growth rate associated with the cash flow as related to the market. There are reasonable market observable transactions to support the capitalisation rate, growth rate and risk considerations as applied. South African Property Owners' Association ("SAPOA") also publishes data tables on which these assumptions may be benchmarked. Adjustments are made to the present value calculated, to adjust for immediate capital expenditure requirements, as would be reasonably considered between a willing buyer and a willing seller.

Residential property is not subject to long-term leases, as such, discounted cash flows cannot be performed, and the valuation is determined by capitalising net income streams excluding corporate costs.

The fair value on investment property was approved on 5 August 2024 by the Board.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

4. FAIR VALUE MEASUREMENT *CONTINUED*

Sensitivity of fair values to changes in unobservable inputs

Valuations of investment property are sensitive to changes in inputs used in determining fair value. The table below illustrates the sensitivity in fair value to changes in unobservable inputs, whilst holding the other inputs constant.

Investment property June 2024	**Cap rate**		
Discount rate	**(1.0%) R 000**	**Current R 000**	**1.0% R 000**
(0.5%)	19 588 937	18 301 962	16 718 554
Current	19 968 474	17 895 611	16 211 728
0.5%	19 200 864	17 706 163	16 351 400

Investment property June 2023	**Cap rate**		
Discount rate	**(1.0%) R 000**	**Current R 000**	**1.0% R 000**
(0.5%)	16 240 529	15 257 508	14 379 437
Current	15 883 916	14 939 446	14 065 435
0.5%	15 539 767	14 608 629	13 763 988

Investment property December 2023	**Cap rate**		
Discount rate	**(1.0%) R 000**	**Current R 000**	**1.0% R 000**
(0.5%)	19 417 750	17 900 104	16 536 480
Current	19 206 587	17 721 419	16 356 944
0.5%	19 000 461	17 517 321	16 181 628

A 100 bps increase or decrease in growth rates represents management's reasonable assessment of the possible change in market rates which will have the following impact on the investment property value:

	Growth rate 2024			
Sector	**Weighted growth rate**	**(1.0%) R 000**	**Current R 000**	**1.0% R 000**
Industrial	**4.88%**	**3 354 900**	**3 376 100**	**3 523 690**
Retail	**5.20%**	**6 909 470**	**6 958 780**	**7 267 730**
Commercial [(1)]	**0.10%**	**237 000**	**246 000**	**2 512 560**
Afhco	**N/A**	**–**	**–**	**–**

A 100 bps increase or decrease in vacancy rates represents management's reasonable assessment of the possible change in market rates which will have the following impact on the investment property value:

	Vacancy rate 2024			
Sector	**Weighted vacancy rate**	**(1.0%) R 000**	**Current R 000**	**1.0% R 000**
Industrial	**0.28%**	**3 397 200**	**3 376 100**	**3 355 130**
Retail	**4.30%**	**6 972 210**	**6 958 780**	**6 945 370**
Commercial [(1)]	**14.25%**	**248 400**	**246 000**	**241 230**
Afhco [(1)]	**3.88%**	**7 358 580**	**7 339 495**	**7 320 450**

[(1)] *Including owner-occupied property at fair value.*

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

4. FAIR VALUE MEASUREMENT *CONTINUED*

The swap derivatives are valued based on the discounted cash flow method. Future cash flows are estimated based on forward exchange and contracted interest rates and, where these are not contracted, from observable yield curves at the end of the reporting period, and discounted at a rate that reflects the credit risk. Investment in JVs is valued at the ownership of the underlying JVs net asset value.

5. INVESTMENT PROPERTY

The table below analyses the movement of investment property for the period under review.

R 000	**Unaudited six months ended 30 June 2024**	Unaudited six months ended 30 June 2023	Audited year ended 31 December 2023
Investment property (excluding straight lining adjustment)			
Carrying value at beginning of the period	**16 935 296**	14 073 107	14 073 107
Acquisitions and improvements [1]	**157 882**	92 039	2 773 810
Disposals	**–**	–	(141 593)
Fair value adjustment [2]	**61 157**	(20 376)	591 982
Transfer to property, plant and equipment [3]	**(225)**	–	(2 389)
Transferred to properties classified as held for sale	**(133 586)**	(268 022)	(359 621)
Transferred from properties classified as held for sale	**28 750**	–	–
Carrying value at the end of the period	**17 049 274**	13 876 748	16 935 296
Non-current assets held for sale			
Carrying value at beginning of the period	**424 710**	746 446	746 446
Disposals	**(48 780)**	(373 422)	(688 391)
Fair value adjustment	**(21 482)**	–	7 020
Utilised	**(6 019)**	–	(81)
Transferred from investment property [4]	**134 164**	272 817	359 716
Transferred to investment property	**(28 750)**	–	–
Carrying value at the end of the period	**453 843**	645 841	424 710

(1) *Included in the 31 December 2023 period is an amount of R2.5 billion for the acquisition of Indluplace properties.*
(2) *The increase in fair value for 31 December 2023 period is attributable to the Indluplace acquisition and the accounting treatment thereof.*
(3) *This relates to the transfer of owner-occupied buildings.*
(4) *This amount includes the straight-line rental adjustment.*

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

6. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had capital commitments of R103.7 million as at 30 June 2024 (December 2023: R197.2 million).

The contingent liabilities comprise guarantees issued on behalf of and in favour of the following parties:

R 000	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Audited year ended 31 December 2023
Guarantees			
Graduare Property Development Limited [(1), (2)&(3)]	**221 297**	229 010	225 779
Takeover Regulation Panel [(4)]	**–**	1 145 927	–
Total	**221 297**	1 374 937	225 779

(1) *The guarantee is secured by the underlying property.*

(2) *The guarantee relates to the co-owner's allocation of the underlying debt and is secured by the 50% shareholding in the JV held by the co-owner. Risk guarantee is "denominated" in USD and has been converted at the closing rate of USD: R18.21 (December 2023: R18.58).*

(3) *The guarantee will reduce when the sovereign risk of Zambia reduces.*

(4) *The guarantee was issued to discharge SA Corporate's obligation in terms of the acquisition of Indluplace shares.*

7. EVENTS AFTER THE REPORTING PERIOD

The Group declared a distribution of 12.11 cents per share (June 2023: 11.39 cents per share) on 12 September 2024.

Post period end, the Group entered into several agreements to dispose of 20 properties amounting to R530.0 million. This comprises R353.1 million relating to residential properties situated in Hillbrow and the inner city of Johannesburg, combined with R14.9 million of inner city retail, that align to the strategy of disposing of non-core properties. The balance comprises industrial, retail and office disposals amounting to R68.0 million, R55.0 million and R39.0 million respectively.

DISTRIBUTIONS

PAYMENT OF DISTRIBUTION AND IMPORTANT DATES

Notice is hereby given of the declaration of distribution number 18 in respect of the income distribution period 1 January 2024 to 30 June 2024. The payment amounts to 12.11103 cps (June 2023: 11.38911 cps). The source of the distribution comprises net income from property rentals. Please refer to the Condensed Consolidated Interim Statement of Comprehensive Income for further details. 2 514 732 095 of the Company's shares are in issue at the date of this distribution declaration and the Company's income tax reference number is 9179743191.

Last date to trade cum distribution	Tuesday, 15 October 2024
Shares will trade ex-distribution	Wednesday, 16 October 2024
Record date to participate in the distribution	Friday, 18 October 2024
Payment of distribution	Monday, 21 October 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 October 2024 and Friday, 18 October 2024.

TAX IMPLICATIONS

As SA Corporate has REIT status, shareholders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No 58 of 1962 ("Income Tax Act"). The distribution on SA Corporate shares will be deemed to be dividends, for South African tax purposes, in terms of section 25BB of the Income Tax Act. The distributions received by or accrued to South African tax residents must be included in the gross income of such shareholder and are not exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph(aa) of section 10(1)(k)(i) of the Income Tax Act) because they are dividends distributed by a REIT, with the effect that the distribution is taxable in the hands of the shareholder.

These distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders have provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

(a) a declaration that the distribution is exempt from dividends tax; and

(b) a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the exemption change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

SA Corporate shareholders are advised to contact the CSDP, broker or transfer secretaries, as the case may be, to arrange for the above-mentioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

DISTRIBUTIONS *CONTINUED*

Notice to non-resident shareholders

Distributions received by non-resident shareholders will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1) (k) (i) of the Income Tax Act. Distributions received by a non-resident from a REIT are subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder.

Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 9.68882 cps. A reduced dividend withholding rate, in terms of the applicable DTA, may only be relied on if the non-resident shareholder has provided the following forms to the CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares.

(a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and

(b) a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Non-resident shareholders are advised to contact the CSDP, broker or the transfer secretaries, as the case may be, to arrange for the above-mentioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Johannesburg

12 September 2024

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

ANNEXURE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

SA REIT BPR* REPORTING

R 000	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Unaudited year ended 31 December 2023
SA REIT funds from operations (SA REIT FFO)			
Profit after taxation attributable to shareholders	**405 635**	**418 221**	**1 208 961**
Adjusted for:			
Accounting specific adjustments:	**(62 276)**	**(174 121)**	**(658 612)**
Fair value adjustments to:			
Investment property	(39 675)	20 376	(599 002)
Investment property in JVs	(14 505)	(104 504)	1 800
Swap derivatives	16 514	(48 729)	14 175
Investment in listed shares	–	165	910
Depreciation and amortisation of intangible assets	4 015	3 848	7 955
Dividend from investment in listed shares not yet declared	–	(2 512)	(2 512)
Non-distributable expenses	9 690	5 713	36 778
Non-distributable expenses on investments in JVs	–	–	(94 933)
Non-distributable taxation (income)/expense	(301)	–	5 290
Deferred taxation	–	797	–
Reversal of IFRS 16 lease expense adjustment	(5 892)	(3 810)	(19 719)
IFRS 16 Depreciation on lease assets	5 097	2 218	18 187
IFRS 16 Interest on lease liabilities	1 701	1 514	8 373
Pre-effective date acquisition dividend from Indluplace	–	–	14 500
Insurance income adjustment relating to reinstatement costs (1)	–	–	(8 398)
Adjustment to insurance proceeds relating to Capex (1)	–	1 153	–
Straight-lining operating lease adjustment	(38 920)	(50 350)	(42 016)
Adjustments arising from investing activities:	**4 797**	**25 270**	**55 767**
Loss on disposal of: Investment property and property, plant and equipment	4 797	25 270	55 767
Foreign exchange items:	**(9 757)**	**48 859**	**41 677**
Foreign exchange (gains)/losses relating to capital items realised and unrealised	(9 757)	48 859	41 677
SA REIT FFO:	**338 399**	**318 229**	**647 793**
Number of shares in issue at end of period (net of treasury shares) (000)	2 484 166	2 492 976	2 488 969
SA REIT FFO per share (cents)	**13.62**	12.77	**26.03**
Company-specific adjustments to SA REIT FFO cents per share (2)	(1.51)	(1.38)	(2.85)
Distribution per share (cents)	**12.11**	**11.39**	**23.18**

* *Best practice recommendations*

(1) *Included in other (loss)/income in the statement of comprehensive income is income of R8.4 million during the year ended 31 December 2023, which is an adjustment to the insurance income recognised in the prior year relating to reinstatement costs for damages incurred during the July 2021 civil unrest.*

(2) *The adjustment is primarily in relation to the 10% retained distribution with the balance relating to the impact of the treasury shares.*

ANNEXURE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

SA REIT BPR REPORTING *CONTINUED*

R 000	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Unaudited year ended 31 December 2023
Reconciliation of SA REIT FFO to cash generated from operations			
SA REIT FFO	**338 399**	**318 229**	**647 793**
Adjustments:			
Interest received	(18 190)	(14 334)	(42 749)
Interest expense	376 732	275 855	657 247
Amortisation of tenant installation and letting commission	9 219	5 206	13 738
Non-cash movement in JVs	(28 724)	(30 099)	(58 322)
Dividends received	–	(4 915)	(6 147)
Dividends from listed investments not yet declared	–	2 512	2 512
Taxation expense	3 999	352	2 285
Non-distributable expenses	(5 499)	(3 415)	(25 432)
Other non-cash items	28 827	58 461	71 445
Pre-effective date acquisition dividend from Indluplace	–	–	(14 500)
Working capital changes:			
(Increase)/decrease in trade and other receivables	(41 477)	2 119	80 269
(Decrease)/ increase in trade and other payables	(15 758)	(36 194)	46 525
Cash generated from operations	**647 528**	**573 777**	**1 374 664**
SA REIT Net Asset Value (SA REIT NAV)			
Reported NAV attributable to the parent	11 152 157	10 489 372	11 034 900
Adjustments:			
Dividend declared	(304 560)[(1)]	(286 406)[(1)]	(296 608)[(2)]
Goodwill and intangible assets	(81 906)	(83 124)	(82 448)
Deferred taxation	(2 279)	(3 891)	(2 279)
SA REIT NAV	**10 763 412**	**10 115 951**	**10 653 565**
Shares outstanding	2 514 732	2 514 732	2 514 732
Diluted number of shares in issue (000)	**2 514 732**	**2 514 732**	**2 514 732**
SA REIT NAV per share (cents)	**428.01**	**402.27**	**423.65**

(1) *H1 dividend declared in the reporting period.*
(2) *H2 dividend declared in the period ended 31 December 2023.*

ANNEXURE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

SA REIT BPR REPORTING *CONTINUED*

R 000	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Unaudited year ended 31 December 2023
SA REIT cost-to-income ratio			
Expenses:			
Operating expenses per IFRS income statement (includes municipal expenses) [(1)]	685 844	467 416	1 165 331
Administrative expenses per IFRS income statement [(2)]	69 825	53 163	125 267
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(9 114)	(6 066)	(26 142)
Operating costs	**746 555**	**514 513**	**1 264 456**
Rental income:			
Contractual rental income per IFRS income statement (excluding straight-lining)	1 028 506	754 022	1 739 645
Utility and operating recoveries per IFRS income statement	392 211	306 317	698 797
Gross rental income	**1 420 717**	**1 060 339**	**2 438 442**
SA REIT cost-to-income ratio	**52.6%**	**48.5%**	**51.9%**
Excluding recoveries			
Operating costs	293 633	161 099	462 534
Contractual rental income per IFRS income statement (excluding straight-lining)	1 028 506	754 022	1 739 645
SA Corporate cost-to-income ratio [(3)]	**28.5%**	**21.4%**	**26.8%**
SA REIT administrative cost-to-income ratio			
Expenses:			
Administrative expenses as per IFRS income statement [(2)]	69 825	53 163	125 267
Rental income:			
Contractual rental income per IFRS income statement (excluding straight-lining)	1 028 506	754 022	1 739 645
Utility and operating recoveries per IFRS income statement	392 211	306 317	698 797
Gross rental income	**1 420 717**	**1 060 339**	**2 438 442**
SA REIT administrative cost-to-income ratio	**4.9%**	**5.0%**	**5.1%**

(1) *Includes expected credit loss.*
(2) *Excludes audit fees.*
(3) *SA Corporate measures cost-to-income net of recoveries.*

ANNEXURE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

SA REIT BPR REPORTING *CONTINUED*

	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Unaudited year ended 31 December 2023
SA REIT GLA vacancy rate			
GLA of vacant space (m^2)	11 770	15 719	14 794
GLA of total property portfolio (m^2)	739 815	762 133	741 010
SA REIT GLA vacancy rate [(1)]	**1.6%**	**2.1%**	**2.0%**
Cost of debt			
Variable interest-rate borrowings:			
Floating reference rate plus weighted average margin	10.2%	10.2%	10.2%
Pre-adjusted weighted average cost of debt	**10.2%**	**10.2%**	**10.2%**
Adjustments:			
Impact of interest rate derivatives	(0.9%)	(1.0%)	(0.9%)
Amortised transaction costs imputed into the effective interest rate	0.1%	0.1%	0.1%
All-in weighted average cost of debt	**9.4%**	**9.3%**	**9.4%**

(1) *Excludes the Afhco and Indluplace portfolios which are based on units.*

ANNEXURE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS *for the six months ended 30 June 2024*

SA REIT BPR REPORTING *CONTINUED*

	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023	Unaudited year ended 31 December 2023
SA REIT LTV			
Gross debt [1]	8 225 382	6 134 366	8 098 439
Less: Net cash and cash equivalents	(102 078)	(39 577)	(62 031)
Total cash and cash equivalents	(212 181)	(162 002)	(195 027)
Less: Government grant maintenance reserve amount	500	500	500
Less: Tenant deposit accounts	109 603	121 925	132 496
Less:			
Interest rate-swap derivatives fair value asset	(41 598)	(106 469)	(58 313)
Net debt	**8 081 706**	**5 988 320**	**7 978 095**
Total assets per unaudited condensed consolidated interim statement of financial position	20 157 882	17 203 586	19 933 224
Less:			
Cash and cash equivalents	(212 181)	(162 002)	(195 027)
Swap derivatives	(43 772)	(106 470)	(63 572)
Intangible assets and goodwill	(81 906)	(83 124)	(82 448)
Deferred taxation	(2 279)	(3 891)	(2 279)
Trade and other receivables [2]	(418 898)	(341 455) [3]	(394 168) [3]
Taxation receivable	(2 350)	(539)	(1 770)
Inventories	–	(187)	(78)
Carrying amount of property-related assets	**19 396 496**	**16 505 918**	**19 193 882**
SA REIT LTV	**41.7%**	**36.3%**	**41.6%**

(1) *Excludes accrued interest.*
(2) *Adjusted for net debt raising costs.*
(3) *Adjusted for reinstatement of insurance claim receivable.*

DIRECTORATE AND STATUTORY INFORMATION

SA Corporate Real Estate Limited
(Incorporated in the Republic of South Africa)
(Registration number 2015/015578/06)
Approved as a REIT by the JSE
Share code: SAC
ISIN code: ZAE000203238
(SA Corporate or the Company)

Registered office
GreenPark Corner, 16th Floor
Corner Lower Road and West Road South
Morningside
Johannesburg
2196
Tel: 010 020 2530

Registered auditors
PricewaterhouseCoopers Inc.
5 Silo Square
V&A Waterfront
Cape Town
8002

Company secretary
J Grové
GreenPark Corner, 16th Floor
Corner Lower Road and West Road South
Morningside
Johannesburg
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Tel: 010 020 2530

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Sponsor
Nedbank Corporate and Investment Banking, a division of Nedbank Limited
135 Rivonia Road
Sandton
2196

Directors
MA Moloto (Chairman)
OR Mosetlhi (Lead Independent Director)
TR Mackey (Chief Executive Officer)*
SY Moodley (Chief Financial Officer)*
NNN Radebe (Chief Operating Officer)*
N Ford-Hoon(Fok)
EM Hendricks
GJ Heron
SS Mafoyane
GZN Khumalo (resigned 19 April 2024)
SJ Mojalefa* (appointed 25 April 2024)

* *Executive*

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