GROWTHPOINT PROPERTIES LIMITED

(Incorporated with limited liability in the Republic of South Africa under registration number 1987/004988/06)

(Bond issuer code: GRTI)

("Growthpoint" or the "company")

COVID–19 NATIONAL LOCKDOWN ALERT LEVEL 5 & 4 IMPACT ON GROWTHPOINT'S BUSINESS

Introduction

The safety and well-being of our people, tenants and other stakeholders remains our top priority as we focus on safeguarding our business, protecting our assets and minimising our exposure to the impact of COVID-19.

The Board would like to thank the entire Growthpoint team for their ongoing commitment and dedication in managing the business through this crisis.

Country update

South Africa has 15 515 confirmed COVID-19 cases and has registered 264 deaths. After President Cyril Ramaphosa declared a National State of Disaster, the country went into hard lockdown, under Alert Level 5, on 27 March 2020 and remained there for the entire month of April. On 1 May 2020, South Africa entered a new phase of the lockdown and progressed to Alert Level 4. This new risk-adjusted strategy aims to ease the lockdown in stages.

As an international business, Growthpoint has investments across many geographies, all of which are impacted by this global pandemic. Growthpoint Properties Australia (GOZ), Globalworth Real Estate Investments (GWI) and Capital & Regional plc (C&R) are all separately listed entities, and shareholders are encouraged to refer to the market update announcements directly from these entities for specific information about the impact of COVID-19 on their businesses.

Anecdotally, GOZ and GWI, with their exposure to office and industrial, have been less impacted than C&R with its sole exposure to retail, by the Covid-19 pandemic.

V&A Waterfront

The V&A Waterfront is significantly impacted by COVID-19, considering some 66% of its net property income comes from the retail and hotel sectors. Both these sectors depend heavily on foreign tourism, with c. 50% of retail sales and c. 80% of hotel occupancies coming from international tourists. Collections for these two sectors for April and May 2020 have been low, decreasing collections for the entire V&A to around 50% of total billings. Both international and domestic travel ceased in mid-March. International tourism is likely to take a long time to return. The South African population will undoubtedly emerge from this crisis much poorer, given the many layoffs and retrenchments, no bonuses and salary increases, and with staff share options now being worth significantly less. Thus, a rapid rebound in domestic tourism is unlikely.

Rental discounts of R19m were passed for April 2020 and some R7m for May 2020, mainly to retailers. They are in line with the recommendations of the Property Industry (PI) Group. Rental discounts of around R1m in each month were provided to the marine and industrial sector, specifically to the helicopter operators who are very reliant on international tourism. Rental deferments were also offered to a number of hotel operators.

RSA portfolio update (excluding V&A Waterfront)

Growthpoint has assisted its most affected tenants, mainly small, medium and micro enterprises (SMMEs), with rental relief granted in April 2020 & May 2020 to date as follows:

APRIL 2020	ALL SECTORS	Retail	Office	Industrial	Healthcare
Billings (R)	1,035,644,209	381,844,470	439,107,803	187,744,639	26,947,297
Collections (R)	735,478,230	178,291,296	403,478,283	153,261,916	26,915,709
Collections %	71%	47%	92%	82%	100%
Total relief (R)	(99,218,437)	(38,643,784)	(31,022,707)	(29,551,947)	-

MAY 2020	ALL SECTORS	Retail	Office	Industrial	Healthcare
Billings (R)	951,662,856	377,819,562	389,731,718	158,197,668	25,913,908
Collections (R)	665,098,710	203,948,959	314,219,901	122,940,767	13,582,759
Collections %	70%	54%	81%	78%	52%
Total relief (R)	(100,834,639)	(26,330,405)	(29,720,024)	(29,520,904)	(15,263,307)

*All figures are inclusive of VAT

Growthpoint's billings are usually in the region of R1.1bn per month. We billed less in May than in April 2020, with some credits passed for April 2020 and all credits passed so far for May 2020 reflected in May's billings. Billings and collections remain fluid with additional requests for relief being received daily. At year end (30 June 2020), we will be in a better position to quantify total arrears and relief granted in the form of discounts and deferment of rental. Relief passed in April relates to actual relief passed for that month whereas relief passed in May 2020 includes relief granted for both April 2020 and May 2020.

Retail

Of the three South African commercial property sectors, retail was most negatively impacted because of the far-reaching effects on the retail industry by the lockdown under Alert Level 5. All shops were required to close except for those selling essential goods, being mostly grocery and pharmaceutical retailers and banking.

The PI Group was established to address various collective workstreams for the sector, one being providing rental relief to retailers. Retailers were graded according to the severity of the impact of lockdown under Alert Level 5 as well as their size, and assistance was offered accordingly. Retailers selling time or perishable goods, and unable to make up those sales, are in the highly impacted category.

Based on this grading, Growthpoint's retail portfolio comprises:

Retailer type	% GLA
Listed non-essential	27%
Essential and fully trading	22%
Medium & large unlisted non-essential	18%
Essential and partially trading	16%
SMME 1 (highly impacted)	9%
SMME 2 (moderately impacted)	7%
SOE/Government	1%

Growthpoint is acting in line with the PI Group's retail tenant assistance and relief guidelines to sustain severely impacted retailers through the hard lockdown. We have provided retail rental relief to a total of 1 494 SMMEs, of which 694 are in the highly impacted SMME1 category and 800 in the moderately impacted SMME 2 category. We are still finalising rental relief for all other medium, large and listed retail tenants for April 2020 which, if an agreement is reached, may still reflect in May 2020.

We rejected the offer from the top five fashion retailers to pay only 20% of rates and rental for April 2020. Together with the PI Group, Growthpoint has approached the National Government to mediate. We are, however, making progress with negotiations with four of the five retailers. As such, we expect retail collections to improve as these retailers start paying their rental.

Under Alert Level 4, the lockdown was eased for retail from 1 May 2020. More retail categories were permitted to resume trading, including retailers selling winter clothing, footwear, stationery and educational books, bedding, selected beauty products, computers, cellphones, hardware and home office equipment.

The PI Group is liaising with the Government to agree on a phased approach to reopen shopping centres safely. Non-discretionary shopping patterns are expected to start normalising, but we are aware that the way some people shop has shifted during this period. A protracted recovery is projected for tenants in the restaurant, entertainment and travel industries.

Our figures reveal a massive spike in retail trade towards the end of March as people stocked up on essential items in preparation for the hard lockdown. Shopper numbers across our portfolio were about 50% to 60% of normal counts for April 2020. Convenience and community shopping centres are proving to be more resilient with people shopping locally in their neighbourhoods during the lockdown and generally not travelling to larger malls. At our lower LSM centres serving shoppers that rely on public transport, April 2020 footfall decreased by 90%.

As ever, we remain focused on retaining tenants. Before the COVID-19 crisis, the retail sector was facing many headwinds with tough renewal negotiations, and this is likely to continue.

On 29 April 2020, Edcon went into voluntary business rescue. Our Edcon exposure post the sale of CNA is 88 000sqm and Jet accounts for approximately 20 000sqm of this. If there is interest from third parties to acquire Jet, or other parts of the business, that may result in a positive outcome for our exposure. For the Edgars stores within our portfolio, we are investigating options to subdivide this space and introduce a second supermarket anchor, where possible, which is a costly exercise. In the interim, the entire industry has received an offer from the business rescue practitioner to pay only turnover rental for the next few months, which we are evaluating.

Office

Before the COVID-19 lockdown response, the office sector was under the most pressure as a result of South Africa's sustained depressed macroeconomic environment. However, our tenant base of large and significant listed and blue-chip businesses have been paying their rent during the hard lockdown.

Some smaller office tenants have asked for relief. We consider requests based on each tenant's industry exposure since the impact of the lockdown has been more severe in certain sectors. Travel industry tenants, for example, have been profoundly impacted. In most instances, we have provided partial or full rental deferments for April and May with recoveries over three to six months. A handful of tenants, such as coffee shops in office parks, have negotiated discounts. Where appropriate, we extend leases in return for rental deferments.

The feedback from our office tenants is mixed. Many businesses are desperate to get back to their offices as they are missing the contact and collaboration afforded by their workspaces. Others have adopted technology and adjusted well to remote working, which could result in decreased space needs in future. However, workspace density is an issue because of social distancing measures. Less dense workspaces would either increase businesses' space requirements or potentially have a net-zero effect on office space, with businesses having some staff working remotely and others in offices that support social distancing.

Environmental issues such as ventilation and clean air are also likely to come into sharper focus for workspaces, and certified green buildings are among those best positioned to provide superior healthy working environments. Growthpoint owns the most significant number of green-certified buildings in South Africa.

Sensibly, there are very few new office developments adding to the general oversupply of office space. Our redevelopment at the Woodlands Office Park has been delayed, but construction is expected to resume in phases as the lockdown eases. However, the delay has pushed out the commencement of rental income from new occupiers.

Several tenants in the ITC sector and grocery delivery industries are expanding and require more space.

To date, we have received no requests from tenants for closure.

Industrial

Tenants of all sizes across the industrial sector have been impacted. For logistics and storage businesses, in Alert Level 5, only limited essential goods could be transported. Manufacturing and assembly largely came to a halt. In South Africa's consumption-based economy, tenants in the import and export business are restricted by the closure of our borders.

We remain focused on retaining tenants and have provided rental relief to certain profoundly impacted industrial tenants.

Similar to the office sector, no requests for lease termination have been received to date.

Growthpoint Healthcare Property Holdings

Typically a very defensive sector, Healthcare has not been immune to the business slowdown as a result of the mandated COVID-19 lockdown, with elective surgeries coming to a standstill and placing pressure on some tenants' cash flows. While all tenants paid their rent in April 2020, requests for rental deferments have been received for May 2020 and June 2020. Negotiations are continuing.

Adopted measures

The entire Growthpoint team has worked around the clock since the National State of Disaster was declared, managing cash flows and implementing measures to ensure the longevity of our business, and those of our tenants and our many other partners, as well as the safety of our employees, customers and communities.

Asset/Property management

For April, all suppliers were paid in full regardless of the capacity of their service, to ensure that they could pay their staff. However, this is not sustainable. Growthpoint is analysing all property management services in light of what is essential and non-essential to identify potential cost savings.

To preserve our cash flows, we have moved to a single monthly supplier payment run, between the 25th and 27th of the month, instead of the previous system of two payment runs.

Capital expenditure

We have invested significantly in our properties in recent years to ensure they are attractive to tenants, which stands us in good stead. All capital spending, except essential work, was halted with the lockdown. At HY20, we reported that R282m capex had been spent with a further R289m projected for FY20. We anticipate that this spend will decrease dramatically in following period.

Developments

Preserving our balance sheet, we have significantly scaled back our construction and development programme. Only projects with considerable pre-lets or where construction is already substantially completed will advance. We had commitments of R1.1bn at HY20 and are reviewing and assessing all projects.

On a very positive note, we are delighted to announce that Anglo American will be occupying 29 000m^2 of the total 36 000m^2 at 144 Oxford Road in Rosebank and that the building is now fully committed.

Human Resources and administration

Growthpoint's Group CEO, SA CEO and Group FD have all pledged one-third of their salaries for three months to the Solidarity Fund to assist those most affected by the impact of the COVID-19 pandemic. The Chairman and several Non-Executive Directors of Growthpoint are also donating a third of their board meeting fees for the third quarter of the financial year to the Solidarity Fund.

Most of our employees continue to work from home. We have prioritised the safe return to the workplace of 154 employees who were, based on the nature of their positions, unable to work remotely during the hard lockdown. On 4 May 2020, we welcomed 41 employees back to our Sandton Central office. Our maximum daily capacity under Alert Level 4 in Sandton is 69 people. On 7 May 2020, 10 staff members returned to our Cape Town office, and eight employees returned to our Durban office, the maximum capacities at these regional offices under Alert Level 4 are 20 and eight respectively. Strict protocols have been put in place across all offices, including temperature checks on arrival, providing masks to be worn at all times, as well as increased hygiene and sanitising procedures.

Capital management

We monitor our cash flow and liquidity positions daily. Since our last update on 26 March 2020, we have secured a R750m bank loan for three years, and we are in the final stages of negotiating a further R900m, also for three years. While we have seen base interest rates decline, margins have increased in this uncertain environment.

Outlook

The excellent quality and diverse nature of our portfolio of properties and overall client base, coupled with prudent cash-flow management mentioned above, as well as the strength of our balance sheet entering the COVID-19 crisis, should stand us in good stead during this unprecedented time.

While the lockdown has loosened from Alert Level 5 to Alert Level 4, the uncertainty and long-lasting Government measures as we move through the various alert levels of the lockdown are making it impossible to determine the full impact on the business. However, we endeavour to take all necessary measures to mitigate the negative impacts of the COVID-19 crisis on our business.

Our next COVID-19 impact update will be on 22 June 2020 together with our pre-close update.

Sandton

19 May 2020

Debt Sponsor

Absa Bank Limited (acting through its Corporate and Investment Bank division)