VUKILE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
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(Granted REIT status with the JSE)
("**Vukile**" or "**the company**")

VUKILE PROPERTY FUND
REAL ESTATE. REAL GROWTH.

VOLUNTARY TRADING UPDATE

Trading update - Southern Africa portfolio

The Southern Africa portfolio continues to weather the short-term impacts of the COVID-19 pandemic remarkably well. The negotiation and administration of the lockdown period rental relief programme has been completed and all malls are now trading, with continued strict health protocols across all of our shopping centres. We have been pleased by the better than anticipated return of shoppers to our centres and anticipate further improvement in the coming months.

Footfall

As at August 2020, footfall has recovered to 83% of the levels attained over the same period last year. Rural centres continue to be the best performing in terms of footcount, as they have been throughout the period of the lockdown, with 85% of feet compared to last year, followed by Township and Commuter malls at 83% and lastly Urban malls at 76%. Overall footfall has improved steadily from April to August (from 32% in April, 57% in May, 71% in June, 80% in July and 83% in August), which is an indication that shoppers are returning to the malls. We anticipate that this will further improve as new COVID-19 cases decrease across the board and as we move to warmer weather.

Trading Statistics

The average annual trading density of R29,641/m^2 as at end of July is marginally ahead of the average of R29,183/m^2 that was reported at the end of March 2020. The year on year growth is 3.2%. Trading density growth in health and beauty, home décor and supermarkets continue to show real growth in excess of inflation, while trading density in fashion categories across the board have shown negative growth.

Vacancies

Vacancies as the end of July have increased from 2.9% at year end to 3.3%. Categories under pressure are independent restaurants and furniture stores. Vacancies have primarily increased as a result of tenants who entered the COVID-19 environment with poor prospects. The partnership approach of granting concessions to our tenants, primarily SMME's, has significantly cushioned the effects of the downtime in trade experienced over the period of full and partial lockdown.

Rent Collection

Despite the difficult prevailing trading conditions, the portfolio has managed to collect 95% of its billings (less concessions and opening balances) during the period 1 January 2020 to mid-August 2020. Tenant arrears have however increased by R75 million during this period, with 38% of the balance due by SMME's. In addition to the R108 million concessions communicated to the market at year-end, a further R12 million of concessions have been agreed with tenants who have had further interruptions in trade.

Leasing Activity

New shops in the portfolio amounting to 4 000 m^2 have opened since the start of the lockdown and we currently have 48% of the portfolio vacancies under negotiation. Although new deal activity has slowed, bullish second tier tenants remain active, opening stores predominantly in rural and township centres, using the challenging trading environment to expand their reach.

Due to the nature of the COVID-19 crisis, the focus has been on short-term relief, with limited appetite from national tenants to discuss long-term renewals. This has resulted in the portfolio weighted average lease expiry (WALE) decreasing from 3.7 to 3.3 years.

We are confident that strategies implemented by our inhouse leasing team will achieve the conclusion of these outstanding renewals by year-end. We however anticipate that both rent reversions and escalations will remain challenged and trend downwards to the end of the 2021 financial year.

Prospects

The portfolio remains well positioned in the most defensive segment of the market to withstand the challenging retail environment, which we anticipate will persist into the medium-term. Arrears and leasing will become the primary focus area of our asset management team leading up to the end of the 2021 financial year.

We have been encouraged by the progress in the acquisition of Jet and Edgars by The Foschini Group and Retailability respectively and look forward to working with these businesses to drive further value within our portfolio. Our exposure to Edcon comprises of 25 Jet and 5 Edgars stores, contributing 3.0% to portfolio rent and 4.4% to portfolio GLA. We have negotiated and agreed that all stores will be taken over by the prospective purchasers with options to right size certain stores in future, which will add further diversification and value to the portfolio. As at 31 March 2020, any equity investment in the broader Edcon business was fully impaired in the statement of financial position.

Trading update - Castellana (Spanish portfolio)

Status of the COVID-19 pandemic

In the two months since the end of the nation-wide lockdown in Spain and the re-opening of the country, cases of COVID-19 have progressively increased, albeit with significant differences among regions. While the number of daily infections are increasing, most affected patients are younger and the number of hospitalisations is lower, leaving hospitals with sufficient capacity. The mortality rate also appears lower, mainly due to wider testing and a younger infected population.

Operating environment

Footfall

	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**
Monthly	-2,8%	3,2%	-59,6%	-93,4%	-79,3%	-34,2%	-34,2%	-27,6%*

* at 23 August2020

(1) Footfall data includes El Faro, Bahía Sur, Los Arcos, Vallsur, Habaneras, Puerta Europa and Granaíta Retail Park. There are no counters in the retail park assets. Granaita Retail Park counts only cars, so we have estimated 2 people on average per car.

Castellana has seen a continuous improvement in footfall since the reopening of the economy on 21 June 2020. Notwithstanding challenges experienced in Granaita due to the centre having a large leisure and cinema component, and Habaneras, where international tourists are an important part of the catchment area, the portfolio overall has recovered up to 70% of pre-COVID footfall levels. Furthermore, with three centres undergoing improvement works (Los Arcos, Bahia Sur and El Faro), which would have had an impact on footfall outside of the pandemic impacts, we expect these centres' footfall performance to improve further, post completion of the works and hence enhance overall portfolio footfall levels.

Sales

	Jan	Feb	Mar	Apr	May	Jun	Jul
Monthly	-0,8%	8,3%	-55,0%	-89,4%	-70,8%	-15,7%	-10,4%

(1) All retail assets are included in sales data.

- The reduction in sales in March is as a result of the closing of stores due to the COVID-19 pandemic (15 March 2020). In April, all stores were closed, except 'essential' retailers that were permitted to trade. These tenants were Tienda Animal, Kiwoko, Mercadona, Economy Cash, Carrefour, Prenatal and Bricomart.
- In May (except Vallsur and Habaneras SCs), stores were able to trade from the 25th of the month. Therefore, the reduction in sales was less severe than in April.
- In June, the reduction in sales in the shopping centers (-24.4%) was compensated by the retail parks (+26.0%). There was good performance in DIY, electronics, pets and household goods categories, with increments of over 20%.
- In July, performance was similar to June. Retail parks performed very well (+22%), while shopping centres improved relative to the previous month. The trend observed in recent months has continued and the average spending basket has increased. The sales recovery has been faster than the footfall index and is only 10% below last year's comparable period.

Rent Collections, Vacancies & Leasing Activity

Castellana is continuing to work with tenants to ensure a return to payment of full rentals. Over the past 3 months we have seen a steady and consistent increase in billing. At a portfolio level, we are currently at c. 82,1% of full rents and recoveries. In the current financial year (which commenced on 1 April 2020), only 14% of billed amounts are still outstanding from tenants.

Vacancies continue to be contained at 1.8% of GLA as reported at 31 March 2020, with no tenants to date indicating a desire to close any of their stores in the portfolio due to the pandemic.

As at 31 July 2020, 71% of the portfolio (by gross rental income) has had addenda to the leases signed, in respect of COVID-19 rent concession agreements with tenants, while discussions with tenants in respect of a further 14% of the portfolio are well advanced and are expected to be finalised within the coming weeks. The last 15% of rent concession discussions (also by gross rental income) remain to be concluded.

Discount agreements have been closed with Inditex for all the units in the portfolio up to 31 December 2020 (29 263 m² distributed in 35 units in 6 Shopping Centres), with many leases extended.

Inditex has expressed appreciation to Castellana for its commitment and the efforts made to support them during the pandemic and this has been evidenced by the fact that Castellana is one of a few landlords who will not be experiencing any closure of Inditex stores in its centres.

Cinemas and restaurants continue to be under pressure, due to the impact of the COVID-19 pandemic. Castellana continues to offer support to these sectors, through increasing outdoor terrace areas and improving cross selling with events and promotions. Cinemas, leisure and restaurants comprise 10,4% of total GLA and 11,3% of rental income.

Over the last two months, the portfolio has benefited from over 4,000m² of new lettings in our shopping centres.

31 August 2020

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