
PRE-CLOSE INVESTOR UPDATE

Shareholders are advised that Indluplace will be hosting a pre-close conference call with investors on Tuesday, 30 March 2021 at 14:00 to provide an update in respect of the six months ended March 2021. Interested parties may register to be part of the conference call at the following link: <https://www.respondnow.biz/v4/invitation.php?eid=MTkzOA==>

The update will focus on the following items:

Introduction

The market in which Indluplace operates remains competitive, especially in the inner city of Johannesburg where about a third of the portfolio is situated. The economic impact of the continued COVID-19 lockdown regulations on tenants on the affordable end of the rental residential sector has been severe. While the various strategies we have implemented have resulted in the portfolio performance remaining largely stable, the recovery that we were expecting in the first half of the 2021 financial year has not yet materialised.

Strategic objectives

The first of three strategies that are being implemented is the internalisation of our property management. Extensive planning has gone into this process and the first portfolio will be taken over on 1 May 2021. The handover of the remaining properties will be implemented in phases and will be complete by the end of the September 2021 financial year.

The second strategy involves ensuring that the portfolio is fit for purpose and able to attract quality tenants. A capital expenditure programme is being implemented which covers a range of areas including internet connectivity, supplementing the council water supply at certain buildings and various building refurbishment projects.

Thirdly the disposal of non-core properties, being mostly smaller assets in specific areas, is on-going. In total 35 properties have been sold to date for R114,5 million. A further 9 properties are currently under offer for an aggregate disposal amount of approximately R41 million. Sales for 2021 (including recent offers) are being concluded at a discount of about 2% below current book value. Discussions are also underway for the disposal of the student-specific properties.

Balance sheet and gearing

The proceeds from disposals will be used to reduce bank debt and to fund capital expenditure projects. Indluplace's loan to value ratio ("LTV") is expected to be under 40%, excluding any future disposals or changes in property valuations, when applying REIT best practice, compared with the LTV of 37,5% at the end of September 2020, on a like for like basis. Indluplace does not have any facilities which expire this year with the next renewal being in October 2022. The Interest cover ratio remains within our bank covenant of 2 times.

Cashflows remain strong with collections for the first six months exceeding 95% of billings. Bad debts, provisions for bad debts and legal fees have increased more than anticipated.

Operational update

The delayed start of the academic year for some universities contributed to a portion of the student portfolio underperforming as rental relief was provided. Our student properties will however practically be fully occupied from the end of March 2021.

While we have not seen the anticipated recovery in average occupation rates yet, the portfolio has remained stable at an average occupancy rate of 88,7% for the first six months. Vacancies usually improve in the second six months of the financial year but the threat of further COVID-19 waves and their resultant lockdowns makes accurate forecasting impossible.

With the implementation of our in-house property management, we anticipate that we will be able to improve the quality of service to underperforming properties, reduce tenant turnover, improve occupancies and drive stronger rental collection in the medium term.

Indluplace will release its interim results on 20 May 2021.

The information on which this investor update has been based has not been reviewed or reported on by the Company's auditors.

29 March 2021

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