
OPERATIONAL UPDATE

Shareholders are referred to the SENS of 20 September 2021 related to a pre-close discussion that will be held at 14h00 today, 27 September 2021.

Management anticipates giving an operational and strategic update at this discussion focusing on the following:

Internalisation of property management

The handover of all the portfolios that were previously managed by outsourced property managers, started on 1 May 2021 and has been completed, with the final portfolio handed over on 1 September 2021. The Company established a fully resourced property management function, capable of managing the portfolio of over 9 000 residential units and about 17 000 m² of retail space with all the associated structures, infrastructure, processes and procedures. All building-based staff were absorbed into the new entity with most of the head office team newly recruited from the market. The main aim over the last six months was to ensure stability across all areas of the business during this complex handover process. We anticipate that the benefits of the internalisation strategy will become apparent over the next few years.

Vacancies

The average monthly vacancy rate for FY 2021 (which is expected to be under 12%) is considerable higher than the 7,4% average monthly vacancy rate for FY 2020. Tenant turnover was higher than in previous years but the net tenant loss for FY 2021 is substantially better than that experienced for FY 2021. The year-end vacancy rate of about 12,5% has however been stable for the last four months and indications are that the market is strengthening.

Collections and bad debts

Collections have been stable throughout the handover period and we expect the full year collection rate to be slightly higher than the previous year's 96%. We have had to deal with some historical legal matters but bad debts and provisions for the year are in line with expectations and below the previous year's 3,9%.

Disposals

The strategic disposal of small properties in specific areas is almost complete. In FY 2021 21 properties have been transferred at a value of R72,45 million. A further 17 properties have been sold for R94 million but have not yet transferred. Six properties, valued at c. R400 million, including the student portfolio, remain unsold.

Balance sheet and loan facilities

Indluplace is expected to be within the banks' covenants for both the loan to value ratio ("LTV") and interest cover ratio at 30 September 2021, whilst applying REIT best practise, which includes the derivatives.

Shareholders are advised that the board will make a decision regarding the payment of the 2021 full year dividend as well as the pay-out ratio at its meeting on 16 November 2021. While we expect the dividend to be lower than that of the previous comparable reporting period, as required by the JSE Listings Requirements, once Indluplace obtains greater certainty in this regard, a further SENS will be released.

Indluplace's annual results are expected be released on or about 17 November 2021.

27 September 2021

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