
OPERATIONAL UPDATE

In the company's unaudited results for the six months ended 31 March 2022 ("HY2022"), published on SENS on 18 May 2022, investors were advised that general letting conditions were improving and that the newly internalised property management team was beginning to deliver improved operating results. In an unpredictable environment, a further update to shareholders on the company's operations and general financial position for the year ending 30 September 2022 ("FY2022"), is provided.

Occupancies

Indluplace owns and manages 8 772 residential units, 480 student specific units (2 472 beds) and 15 549 m² of inner-city retail space.

Occupancy of the residential units is normalising and we anticipate an occupancy rate of approximately 92%, measured in units, by the end of September 2022, a substantial improvement from 87% at the beginning of FY2022. Several initiatives had been implemented to respond to letting conditions, including rental specials and dividing large units into smaller, more affordable units. Occupancies in the Johannesburg inner city portfolio, representing about one third of the total portfolio, have shown good recoveries but vacancies at approximately 10,8% are still above the rest of the portfolio's vacancies of approximately 6% in respect of outside of the inner-city properties. It was necessary to adjust rentals of slow moving units in specific buildings and accordingly we expect the average portfolio rental to be flat year on year.

In the case of student letting, occupancies are generally set at the commencement of the academic year. Since the publication of our interim results for HY2022, there has been only a slight improvement in the occupancies in the three complexes in Vanderbijlpark. Up to the end of 2021, the buildings were all let on head leases to the local universities, which have not renewed the leases. The process of having to enter into individual leases with students, created uncertainty with students and an over-supply of accommodation. Several discussions have been held with the universities, our local property manager and additional marketing and letting resources have been allocated to ensure that the uptake at the beginning of the 2023 academic year, returns to the levels previously seen.

Collections and bad debts

Collections have consistently improved, with legal cases vastly reduced. At the end of August 2022 collections were at 97,2% of billings, measured on a strict internal basis for the month, a marked improvement from 92,4% in August 2021. We expect final bad debt write-offs to be below 2% for the year.

Balance sheet and debt facilities

The long-term debt facility of R604 million that is due for renewal early in October 2022, has been refinanced in equal parts by ABSA Bank Limited and Nedbank Limited. Introducing a new funder further diversifies the lenders, with Investec Bank Limited still providing other facilities. The annual property valuation process is underway and we do not anticipate a significant decrease in valuations. The loan to value ratio ("LTV") is expected to remain below 40% and the interest cover ratio is expected to be maintained within the banks' covenants.

Distributions

Shareholders are advised that the board will decide on the pay-out ratio for FY2022 and the final dividend at the board meeting to be held in November 2022. It is expected that after applying an annual pay-out ratio of 85%, the full year's distribution would be between 31 and 32 cents per share. This is between 10,2% and 13,8% higher than the comparable distribution of 28,13 cents per share for the year ended 30 September 2021.

The financial information contained herein has not been reviewed or reported on by the Company's auditors. Indluplace's annual results for FY2022 will be released on or about 23 November 2022.

For further details contact investorrelations@indluplaceproperties.co.za .

29 September 2022

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