
OPERATIONAL UPDATE

On publication of the Company's audited financial statements for the year ended 30 September 2022 ("FY2022"), Indluplace management indicated an expectation that occupancies in its residential portfolio would improve gradually over the next year. It was also expected that occupancies in the student portfolio on the commencement of the new student year, would be greatly improved.

The expected positive leasing was somewhat tempered by a challenging macro-economic condition where rising inflation, interest rates and cost of utilities were expected to at least partially offset increased rentals. The following operational update is generally in line with the outlook communicated:

Occupancies

Tenant churn and vacancies increased slightly over the December period as expected. Since the onset of the new calendar year the letting achieved has been the highest for several years, with the highest monthly new deal count ever of 481 deals recorded in February. Currently occupancy (excluding student accommodation) stands at 94% compared to 89,7% in March 2022 (and 88,7% in March 2021, prior to the internalisation of the property management function).

Good improvement in the Johannesburg inner city was achieved, reducing vacancies from 14,2% in March 2022 to the current 9,3%. The rest of the portfolio did even better, improving vacancies from 8,2% in March 2022 to the current 4,2%.

Several management initiatives and changes to marketing strategy were made in respect of the student accommodation portfolio which have resulted in occupancies rebasing to 96,2% in the last month. In practical terms we have 49 beds (of a total 2 472 beds) still available for letting after taking units utilised by house parents, house committees and the like, into account.

Collections

Collections in the portfolio has consistently been very high with minimal bad debts actually written off (even through the Covid-related period). At the end of February, cumulative collections were approximately 98% and it is anticipated that bad debts written off for the interim period will improve from the 1,8% achieved in FY2022 despite the credit control environment being even more challenging than in previous years as tenants are under financial strain in the current economic environment.

Utilities

Council charges and increases, as well as changes in billing methodology in certain cases, continues to pose a risk to the business. The City of Johannesburg released its latest valuation roll recently and the company has objected to certain unfair valuations. While not material for the total portfolio, the increases contribute to continued pressure on expenses, without commensurate improvement in services received from the municipalities.

Disposals

Trifecta, a building in Durban was transferred in February, with a further five units in Annlin Place, Pretoria, transferring since year end. The total proceeds from these sales of R15 million was used to pay down debt.

Proposed acquisition by SA Corporate Real Estate Limited ("SA Corporate")

Shareholders are referred to the joint firm intention announcement published on 14 March 2023 regarding the offer by SA Corporate to acquire the entire issued share capital of Indluplace, at a cash price of R3.40 per share, to be

implemented by way of a scheme of arrangement proposed by Indluplace to its shareholders and to which SA Corporate is a party. Full details of the scheme of arrangement will be included in a circular which will be distributed in due course.

Interim results

Indluplace will announce its interim results for the six months to 31 March 2023 on 24 May 2023.

29 March 2023

Sponsor

The logo for Java Capital, featuring the word "JAVACAPITAL" in a sans-serif font. The letter "J" is significantly larger and stylized, with a blue swoosh that underlines the "A" and "V" and extends to the left. The "A" and "V" are also underlined by this swoosh.