

FORTRESS REAL ESTATE INVESTMENTS LIMITED

(Formerly Fortress REIT Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2009/016487/06)

JSE share codes: FFA ISIN: ZAE000248498

FFB ISIN: ZAE000248506

Bond company code: FORI

LEI: 378900FE98E30F24D975

(“Fortress” or the “Company” or the “Fortress Group”)



UPDATE REGARDING NEW DISTRIBUTION CENTRE FOR PICK N PAY AT EASTPORT LOGISTICS PARK

Background

As was communicated in a voluntary announcement released on SENS on 17 May 2021, Fortress and Pick n Pay previously entered into an agreement for the development of a new super distribution centre at Fortress’ Eastport Logistics Park, measuring approximately 164 000m² in gross lettable area (the “asset”). Pick n Pay intended purchasing a 60% undivided share in the asset, to be held by a separate special purpose company, and Fortress intended holding a 40% undivided share of the asset. Pick n Pay was going to enter into a lease agreement with the co-owners with rental payable based on an initial 7,0% yield on total development cost. The initial lease term was for a period of 15 years with an escalation of 6% per annum. The parties also agreed to reciprocal put and call options, on different dates, over Fortress’ 40% undivided share.

Amended agreement

Fortress and Pick n Pay have subsequently agreed to amend the above agreement such that Fortress will retain 100% of the asset and Pick n Pay will pay rental based on an initial yield of 8,5% on total development cost and with a lease commencement date of 1 June 2023. The initial term of the lease will remain at 15 years with a 6% per annum escalation. There will be no other payments due to Fortress and the reciprocal put and call options will no longer be in place. The current estimated total cost of the development, including capitalised interest, which will be determined once the final accounts have been received and settled, is approximately R2,13 billion and in-line with initial cost estimates. Pick n Pay will retain a right of first refusal on any potential disposal of the asset outside of the Fortress Group.

The amended agreement will result in Fortress not receiving the anticipated R1,3 billion cash from the sale of 60% to Pick n Pay under the initial agreement. However, Fortress’ loan-to-value ratio is expected to remain at approximately the same level of 37,5% (based on management accounts) as was reported at 31 December 2022.

Fortress wishes Pick n Pay well in their new super distribution centre at Fortress’ Eastport Logistics Park.

5 June 2023

Lead sponsor

JAVACAPITAL

Joint sponsor

