FORTRESS REAL ESTATE INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2009/016487/06)
JSE share code: FFB
ISIN: ZAE000248506
Bond company code: FORI
LEI: 378900FE98E30F24D975
("**Fortress**" or "**the Company**")

TRADING AND PRE-CLOSE OPERATIONAL UPDATE

Shareholders and noteholders are referred to the results announcement for the interim period ended 31 December 2023 ("**1H2024**"), released on SENS on 8 March 2024. Fortress hereby provides an update on its operations for the period subsequent to 31 December 2023.

Fortress will host a pre-close update at 10:00 on Thursday, 20 June 2024. Shareholders and noteholders can register to participate via the following link:
https://events.teams.microsoft.com/event/45e70ce6-aa39-4a6b-b6ac-e322ecb92474@5be1f46d-495f-465b-9507-996e8c8cdcb6

"The buoyant demand for high-quality, well-located logistics space is evidenced by the development of 268 982m² of lettable area that we commenced or completed during the current financial year, of which over 90% is let with a weighted average lease expiry of approximately 10 years. The successful roll-out of the development pipeline is underpinned by strong fundamentals, healthy demand and our strategy to dispose of non-core assets and recycle this capital accordingly.

For the current FY2024 financial year, we estimate that non-core asset disposals will amount to approximately R1,8 billion. The proceeds from these disposals have been recycled into the logistics development pipeline and strategic retail refurbishments, extensions and redevelopments. The new developments will contribute to significant growth in net operating income from our direct standing portfolio for the FY2025 financial year, for which we forecast growth of 20% off the FY2024 base, after adjusting for the impact of the Scheme of Arrangement implemented in February 2024. We forecast total distributable earnings for FY2025 to be marginally ahead of FY2024. This is noteworthy given that we used one-third of our c.R21 billion investment in NEPI Rockcastle shares at the time to facilitate the simplification of our capital structure to a single class of share by buying out one class entirely for c.R7 billion.

Despite the continued challenges faced by the real estate market, disposals were concluded at a premium to their book values, which highlights the stark contrast between the direct market and our share price, which trades at a material discount to net asset value per share.

Notwithstanding the tough macroeconomic and consumer environment, stubborn inflation and elevated interest rates, the South African retail portfolio has achieved like-for-like tenant turnover growth of 7,1% and maintained a low vacancy rate, by rental, of 1,3%. The recently completed refurbishment and extension of AbaQulusi Plaza, in Vryheid, is trading ahead of expectations. In addition, the newly opened Shoprite at Morone Shopping Centre is trading well and has catalysed increased foot traffic and reduced vacancies at the centre. Our continued focus on improving the performance of our core portfolio, while disposing of the underperforming assets, has delivered positive results and we will continue to drive this strategy while remaining prudent in the allocation of capital across the various opportunities." Steven Brown, CEO.

SA logistics and logistics developments

Vacancies, based on rental, in our South African ("**SA**") logistics portfolio increased from 1,1% at 31 December 2023 to 2,0% at 31 May 2024. This low vacancy rate reflects the healthy tenant demand for our quality logistics developments, our successful recycling of non-core assets and well-executed management initiatives in the standing portfolio. The low vacancy allows us to increase asking rental rates, which may result in marginally higher vacancies in the short term.

We have received an offer to lease from Crusader Logistics, an existing tenant in our portfolio, for a five-year lease term for a new warehouse at Eastport Logistics Park ("**Eastport**"), comprising 19 970m² of gross lettable area ("**GLA**"), with development commencing in July 2024. Liquor Runners has signed a five-year offer to lease on a new 31 481m² warehouse at Eastport, with beneficial occupation planned for October 2025.

We have received numerous enquiries for space at our Longlake Logistics Park and expect to commence a pre-let development shortly.

Construction of the 24 537m² warehouse for Dromex at Cornubia Ridge Logistics Park ("**Cornubia**") was completed, on schedule, during February 2024. The 10-year lease commenced on 1 March 2024.

The new 38 169m² warehouse at Clairwood Logistics Park ("**Clairwood**") for Sammar Logistics was completed and the 15-year lease, which is underpinned by Sasol South Africa, commenced on 1 April 2024. Construction of the 14 071m² warehouse at Clairwood on Pocket 5B, for CHC, is progressing well and is on schedule for completion in September 2024. The 10-year lease with CHC is expected to commence on 1 November 2024. Construction of the 20 682m² warehouse on Pocket 3C, for ASL, achieved practical completion on 24 April 2024. ASL is an existing tenant in the park and has signed a five-year lease. Demand for the last pocket at Clairwood, Pocket 6, is strong. We expect to let the final portion, consisting of approximately 30 000m² of GLA, during the remainder of the 2024 calendar year. Post the construction and letting of Pocket 6, Clairwood will comprise approximately 300 000m² of fully-let, high-quality and well-located secure logistics space.

Central and Eastern European ("CEE") logistics and logistics developments

CEE logistics vacancies, by rental, reduced from 6,5% at 31 December 2023 to 5,2% at 31 May 2024. This vacancy represents two buildings, being 3 849m² in Hall A at Stargard (Poland) and 5 450m² in Hall E in Bydgoszcz (Poland).

A 12-year lease has been signed with MediVet for 6 425m² of Hall C in Bydgoszcz. Construction commenced in April 2024, with the lease commencement expected in December 2024.

Construction of a 50 200m² warehouse at our site in Łódź (Poland) commenced in July 2023, of which 28 509m² has been pre-let to Notino, who has already taken occupation, on a 10-year lease. The balance of the space currently under construction remains unlet at present, which will cause a temporary increase in the vacancy. The project provides further development potential of approximately 30 000m² of GLA in the second building. Development will commence once the available space in the first building has been fully let, and based on adequate pre-lease commitments.

Construction of the 23 015m² warehouse at our site in Zabrze (Poland) has been pre-let to Lit Logistyka Polska (11 675m²) and INNPRO (11 340m²), both on five-year leases. The 11 675m² warehouse for Lit Logistyka was completed during May 2024 and the 11 340m² facility for INNPRO is expected to be completed by September 2024. The demand for new space in this location is encouraging and bodes well for the remainder of this c.77 500m² development.

The table below provides a summary of our logistics park developments in SA and CEE:

Logistics park	Description	Fortress' ownership %	GLA m² (100%)	Let GLA (100%)	Lease term (years)	Estimated yield (%)	Estimated completion date
Developments completed during FY2024							
Cornubia	Retailability re-build	50,1	13 026	13 026	10	7,0	Jul 2023
Cornubia	Lower platform – Dromex	50,1	24 537	24 537	10	8,0	Feb 2024
Eastport	Crusader Logistics ^	65	19 736	19 736	10	8,3	Oct 2023
Clairwood	Pocket 2A - Sammar Logistics	100	38 169	38 169	15	8,0#	Dec 2023
Clairwood	Pocket 3C – ASL	100	20 682	20 682	5	8,3	Apr 2024
Total			**116 150**	**116 150**			
Developments currently under development							
Clairwood	Pocket 5B – CHC	100	14 071	14 071	10	8,3	Sep 2024
Łódź (Poland)	Hall A – Notino $	100	28 509	28 509	10	7,4	Jun 2024
Łódź (Poland)	Hall A $	100	24 742	-	-	**	Jun 2024
Zabrze (Poland)	Phase 1 – Lit Logistyka $	100	11 675	11 675	5	7,0	May 2024
Zabrze (Poland)	Phase 1 – INNPRO $	100	11 340	11 340	5	7,0	Sep 2024
Bydgoszcz (Poland)	Hall C (phase 1) – Medivet $	100	6 425	6 425	12	7,0	Dec 2024
Eastport	Crusader Logistics 2	65	19 970	19 970	10^	8,5	Aug 2025
Eastport	Liquor Runners	65	31 481	31 481	5	8,5	Sep 2025
Eastport	John Deere	65	4 619	4 619	10	8,5	Nov 2024
Total			**152 832**	**128 090**			
Total: 100% of developments			**268 982**	**244 240**			

$ *Yield shown in Euro.*

** *Estimated net initial yields on unlet developments are forecast at approximately 7%.*

^ *Initial lease period is five years, with an option in favour of the landlord to extend for five years, which we intend to exercise.*

Yield is on the core building, excluding above-standard tenant installations. If above-standard tenant installations are included the yield increases to approximately 9%, with final accounts still to be submitted.

Retail

Despite subdued economic growth and a tough consumer trading environment, the retail portfolio continued to perform well after 1H2024. The portfolio is focussed on convenience retail nodes, mostly underpinned by transport networks and has a bias towards essential goods and services. Like-for-like tenant turnover for the 12 months ended 30 April 2024 increased by 7,1% compared to the corresponding period of the previous year. The retail portfolio collection rate for the period 1 January 2024 to 31 May 2024 was 99%. Retail vacancies, by rental, decreased from 1,6% at 31 December 2023 to 1,3% at 31 May 2024.

In line with our strategy of selling non-core assets, we have disposed of and transferred 225 Pine (Durban) for net proceeds of R110,1 million, which represents a 13,5% premium to book value. Furthermore, Kimberley Junction is currently held for sale at expected net proceeds of R97 million.

The central business district ("**CBD**") portfolio turnover growth was driven by improved lettings at Park Central (Johannesburg CBD) and Central Park (Bloemfontein). High street CBD centres are faced with challenges of crime and degradation in the surrounding areas and we intend to reduce our exposure to these formats of retail assets. Improved leasing at Evaton Mall was the main driver of turnover growth within the township category.

The rural portfolio has benefited from reduced vacancies and improved trading at Mussina Shopping Centre, Lebowakgomo Centre, Sterkspruit Plaza and Venda Plaza. The recently redeveloped AbaQulusi Plaza is performing well and ahead of expectations. The newly opened Shoprite at Morone Shopping Centre is trading well and has resulted in increased foot traffic and reduced vacancies at the centre.

The suburban category continues to report steady growth. This is led by Shoprite Mayville, which has a newly revamped Checkers Hyper and Weskus Mall which has seen an increase in foot traffic and consumer spending. In addition, the redevelopment at 204 Oxford is progressing well. The parking reconfiguration has been completed and the remaining construction, including the introduction of a 1 061m² Woolworths Food, is expected to be finalised in the second half of this calendar year.

Renewable energy

We remain committed to establishing a significant solar photovoltaic footprint across our property portfolio.

Since 31 December 2023, we have completed 17 solar plants and we are currently on site with another 16. It is our aim to have 60 operational plants, with an installed capacity of 22,4MWac by 30 June 2024. We will generate approximately 22 000 MWh during the current financial year. Our renewable energy penetration rate will increase from 5% to approximately 10% of total portfolio consumption.

For the period 1 July 2024 to 31 December 2024 ("**1H2025**"), we are targeting the addition of 19 plants, taking the total number of installations to 79, with installed capacity increasing to 30 MWac. For the six months from 1 January 2025 to 30 June 2025 ("**2H2025**"), we are planning a further 15 new plants, taking the total number of plants to 94, with installed capacity increasing to 35 MWac at 30 June 2025.

The installation of backup generators at our core retail sites is well underway and should be completed during 1H2025. This energy security initiative is proving successful and popular with tenants, at a relatively low cost. The systems are working efficiently when combined with the solar installations. The design caters for the installation of batteries, but, in our view, these are currently economically sub-optimal.

Office and Industrial

Vacancies, by rental, in the industrial portfolio decreased from 8,4% at 31 December 2023 to 6,4% at 31 May 2024. Of the 37 488m² of industrial vacancies, approximately 23 850m² comprises the office component of these properties, with the majority of this in Spartan and Isando. Strong tenant demand remains for well-located smaller industrial units and interest from potential purchasers for the multi-user industrial parks remains robust. The joint portfolio, co-owned with and managed by Inospace, continues to attract tenants, resulting in good net operating income growth in excess of our initial forecast of 15% year-on-year.

Office vacancies, by rental, decreased from 24,4% at 31 December 2023 to 22,4% at 31 May 2024. We estimate that the office portfolio will reduce, by value, from 2,6% to less than 2% of total assets, once the current held for sale transactions have been concluded.

Vacancies

Total vacancies, based on rental, reduced to 3,4% at 31 May 2024 from 3,7% at 31 December 2023.

	Based on rental		**Based on GLA**	
Sectoral vacancy	**May 2024 %**	**Dec 2023 %**	**May 2024 %**	**Dec 2023 %**
Total	**3,4**	**3,7**	**4,2**	**4,2**
Logistics – SA	2,0	1,1	2,6	1,2
Logistics – CEE	5,2	6,5	5,6	6,5
Retail	1,3	1,6	1,6	2,0
Industrial	6,4	8,4	6,8	8,1
Office	22,4	24,4	22,7	25,3
Other ^	0,2	0,0	0,2	0,0

Information based on Fortress' economic interest in wholly-owned and co-owned properties.
^ *Includes residential units and serviced apartment properties.*

It is expected that vacancies in the CEE logistics portfolio will rise in June 2024, due to the completion of the Łódź development, which currently has 24 742m² of the 53 251m² total GLA unlet.

Direct property disposals

We continue to sell non-core properties, with total disposals for the financial year-to-date amounting to R1,51 billion with a book value of R1,27 billion. For the full financial year ending 30 June 2024 ("**FY2024**"), we expect to generate approximately R1,8 billion in cash proceeds from asset sales with the remainder of the held for sale assets expected to be transferred shortly after the FY2024 year-end, depending on the speed of the deeds office processes.

Property name		**Sector**	**Net proceeds (R'000)**	**Book value (R'000)**	**Transfer date**
Longmeadow Inland 1	~ ^	Logistics	493 290	312 613	Nov 2023
Louwlardia Logistics Park – Building 2 (WAG)	@	Logistics	207 697	201 000	Nov 2023
Palisades Business Park Jet Park		Industrial	120 000	109 432	Jun 2024
Oxford Manor Illovo		Office	110 674	105 000	Feb 2024
225 Pine		Retail	110 100	97 000	May 2024
45 Diesel Road Isando		Industrial	90 000	76 706	Dec 2023
22 On Sloane		Office	50 000	50 000	Sep 2023
Monyetla Office Park	^ *	Office	41 932	41 932	Dec 2023
Springbok Park Industria West		Industrial	39 000	40 093	Jun 2024
10 Covora Road		Industrial	37 700	37 700	Aug 2023
Director and Megawatt Roads		Industrial	36 300	36 300	Aug 2023
Game Paarl		Retail	29 000	29 000	Nov 2023
20 Loper Avenue Spartan		Logistics	24 900	22 578	May 2024
48 Koornhof Road		Industrial	23 760	21 135	Apr 2024
357 Rivonia Boulevard		Office	17 500	18 500	Jun 2024
50 Tsessebe Crescent		Logistics	13 900	11 996	Feb 2024
78 Loper Avenue Aeroport		Logistics	12 500	12 500	Aug 2023
75 Kyalami Boulevard		Industrial	11 300	10 783	May 2024
1257 South Road Centurion		Office	10 500	11 000	Mar 2024
Lakeview Business Park 10		Industrial	10 000	9 058	Mar 2024
Greenbushes	^	Land	5 698	3 689	Aug 2023
Lakeview Business Park 6		Industrial	4 850	4 850	Aug 2023
10 – 14 Watkins Street Denver		Industrial	3 925	5 516	Jun 2024
15 Kouga Street Stikland	@	Industrial	3 800	3 800	Jul 2023
3 Watkins Street		Industrial	2 300	2 301	Sep 2023
			1 510 626	**1 274 482**	

~ *Longmeadow Inland 1 was acquired in August 2023 for R500 million, and this portion was sold in November 2023 to Dis-Chem. The figure in the book value column represents the apportioned cost. The remainder of the site has been formally valued at R382 million. Repair costs incurred on the entire site are estimated at R65 million.*

^ *Portion of the property.*

@ *50% undivided share.*

* *Effective date of sale transaction that registered in March 2024.*

The following properties are currently held for sale:

Property name		Sector	Net proceeds (R'000)	Book value (R'000)	Transfer date
Oak Avenue Highveld		Office	150 000	115 000	*
Eastport Logistics Park	^ #	Land	133 250	113 103	*
Fourways Office Park		Office	103 700	105 000	*
Kimberley Junction		Retail	97 000	100 000	*
1 Setchel Road Roodekop		Industrial	96 250	92 093	*
Parc Nicol		Office	37 500	36 000	*
146 Serenade Road Rustivia		Logistics	21 000	22 012	*
112 Roan Crescent		Logistics	16 000	15 387	*
368 Sifon Street Robertville		Industrial	13 800	13 045	*
9 Reedbuck Crescent		Logistics	13 800	12 464	*
71 Tsessebe Crescent		Logistics	13 000	12 268	*
			695 300	**636 372**	

* *Not yet transferred.*
^ *Portion of the property.*
\# *Conditional sale agreement with Teraco for the sale of 108 000m² of land adjacent to their current site.*

NEPI Rockcastle

Post the Scheme of Arrangement, implemented in February 2024, Fortress' shareholding in NEPI Rockcastle N.V. ("**NEPI Rockcastle**" or "**NRP**") was 16,2%. NEPI Rockcastle released its final results for the year to 31 December 2023 on 20 February 2024 and subsequently released a comprehensive business update on 15 May 2024. These results and announcements are available on its website at www.nepirockcastle.com. The current value of our investment in NEPI Rockcastle is approximately R14,4 billion.

During the final period for the six months ending 30 June 2024 ("**2H2024**"), Fortress entered into a scrip lending transaction with Standard Bank, whereby 23,4 million NEPI Rockcastle shares were transferred to Standard Bank in order to facilitate additional liquidity at low cost. Fortress retains the risk and reward of ownership of these shares and may recall the shares at any time subject to certain conditions.

Funding, liquidity and treasury

Fortress raised R900 million through a public bond auction in April 2024. The issuance consisted of two DMTN notes of R409 million in a 3-year note (three-month JIBAR + 140bps) and R491 million in a 5-year note (three-month JIBAR + 158bps).

Our interest rate hedges comprise 65% caps and 35% swaps. The higher proportion of caps will benefit our funding costs if interest rates decline from their current relatively high levels, while still providing protection if rates increase.

Consistent with all prior reporting periods where sustainability-linked notes were in issue, we remain compliant with the set KPI's and are on track to achieve the targets for June 2024.

We currently have a total of R3,9 billion in cash and available facilities at group level and remain comfortably within all debt covenants. Our unencumbered asset ratio is 30,6% and our loan-to-value ratio is approximately 39,4% at the date of this announcement.

Outlook and guidance

We previously estimated our distributable earnings for FY2024 to be between R1,66 billion and R1,72 billion, as published on 8 March 2024 in our 1H2024 results announcement.

We now update our estimated distributable earnings for the year ending 30 June 2024 to be at least R1,7 billion.

Furthermore, we forecast distributable earnings for the year ending 30 June 2025 to be approximately R1,73 billion, which is 20,7% higher than the normalised distributable earnings figure for FY2024. Further detail is presented in the table below:

	1H2024 (actual)	**2H2024 (forecast)**	**FY2024 (forecast)**		**FY2025 (forecast)**	***Change YoY (%)***
Total distributable earnings (R'000)	952 868	747 132	1 700 000		1 730 000	1,8%
Shares in issue	1 169 980 307	1 192 801 293	1 192 801 293		1 192 801 293	
Distributable earnings per share (cents)	**81.44**	**62.64**	**144.08**#		**145.04**	**0,7%**
Normalisation adjustments:	**1H2024 (normalised)**	**2H2024 (forecast)**	**FY2024 (normalised forecast)**		**FY2025 (forecast)**	
Exclusion of dividend on 53 134 372 NRP shares (R'000) received in September 2023*	(266 365)	-	(266 365)		-	-
Adjusted total distributable earnings (R'000) (normalised for the effects of the Scheme of Arrangement)	686 503	747 132	1 433 635		1 730 000	20,7%
Adjusted distributable earnings per share (cents) (normalised for the effects of the Scheme of Arrangement)	**58.68**	**62.64**	**121.31**		**145.04**	**19,6%**

* *The 53 134 372 NRP shares were used to fund the buy back of all the Fortress B ordinary shares in issue at the time of implementation of the Scheme of Arrangement. Adjustment includes related foreign currency hedges on this income.*

\# *Sum of the 1H2024 actual (81.44cps) and 2H2024 forecast (62.64cps) dividends per share.*

This forecast is based on the following assumptions:

Fortress-specific assumptions

- Our distributable earnings methodology will remain consistent with that of prior periods, as previously communicated;
- NEPI Rockcastle maintains a 90% payout ratio and meets their published distributable earnings per share guidance for their 2024 financial year ending 31 December 2024;
- No material sales, nor acquisitions, outside of our planned pipeline occur which necessitate a revision to this forecast;
- There is no unforeseen failure of material tenants in our portfolio;
- Contractual escalations and market-related renewals will be achieved with no major change in vacancy rates; and
- Tenants will be able to absorb the recovery of rising utility costs and municipal rates.

Macroeconomic and regulatory assumptions

- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure;
- There are no unforeseen adverse socio-political events in the jurisdictions in which Fortress has exposure;
- There are no changes to current tax legislation in the jurisdictions in which the Company operates; and
- There are no changes to current interest rates by the European Central Bank or the South African Reserve Bank.

The forecast and normalisation adjustments, including the assumptions on which they are based and the financial information from which they have been prepared, are the responsibility of the directors of the Company. The forecast and normalisation adjustments have not been reviewed or reported on by the Company's external auditors.

19 June 2024

Lead sponsor

Java Capital

Joint sponsor

Nedbank CIB

Debt Sponsor

RMB