

## **HYPROP INVESTMENTS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1987/005284/06)

JSE share code: HYP ISIN: ZAE000190724

JSE bond issuer code: HYPI

(Approved as a REIT by the JSE)

("Hyprop" or "the Company" or "the Group")



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### **PRE-CLOSE OPERATIONAL UPDATE**

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Further to the publication of Hyprop's interim results for the six months ended 31 December 2023 ("**HY2024**") on 13 March 2024, the Company hereby provides an operational update for the five months ended 31 May 2024 ("**the period**").

Progress continues to be made in achieving the Group's key priorities for FY2024 set out in the HY2024 interim results. In line with our strategic objectives, the acquisition of Table Bay Mall was implemented on 28 March 2024, increasing the Group's exposure and footprint in the Western Cape, and internal approvals have been obtained to expand Somerset Mall by an additional 5 400m<sup>2</sup> of GLA. The risks associated with the Group's investments in Nigeria remain elevated, however, progress is being made with the disposal of the Group's investments in sub-Saharan Africa ("**SSA**"), as noted below.

The Group's operational performance continued to improve steadily over the period, with all portfolios showing improvements in key trading metrics. These improved trading metrics are attributed to the repositioning strategy in South Africa ("**SA**"), the good tenant mix and increased footfall across the SA and Eastern Europe ("**EE**") portfolios, and improved asset management in the SSA portfolio.

#### **SOUTH AFRICA PORTFOLIO (to 31 May 2024)**

Foot count increased 5.7% compared to the prior comparable period and tenant turnover increased by 2.1%. The vacancy rate was 1.7% (1.9% including Table Bay Mall) at 31 May 2024. There were several refurbishments, relocations and new store openings across the portfolio.

##### **Canal Walk**

Canal Walk welcomed Freedom Adventure Park, a 2 356m<sup>2</sup> flagship all-in-one indoor adventure park with trampolines, a running obstacle course, a wall mount rope course and zip line, pedal carts, netball/basketball, toddler play area, as well as free private work pods, and a Bootlegger Coffee outlet and pizzeria. Turkish Döner Haus opened and refurbishments were undertaken for Bride & Co, Eurosuit, New Balance, Game4U, Forever New and Truworths.

##### **CapeGate**

iStore is a new tenant in CapeGate and Bootlegger Coffee will be opening in September 2024. Refurbishments were undertaken by Ocean Basket, Clicks, Toys R Us and Hungry Lion. Part of the parking area will be re-purposed as storage facilities in June 2024.

##### **Clearwater Mall**

Under Armour, Sorbet Hair Bar, The San Hair and Curve Gear opened new stores. ABSA, Dynamic Vision and Old Mutual relocated to new positions, the Inky Shop was refurbished and the Crazy Store was expanded.

##### **Hyde Park Corner**

The centre signed a 10-year lease with Workshop 17, an innovative co-working space operator, who will occupy the entire North Office Tower, with the first three floors due to be operating by October 2024 and the remaining two floors by October 2025. Tsogo Sun will start upgrading to a new five-star hotel in the next few weeks, and we have secured an events operator, The Forum, to occupy the old cinema space opposite the hotel. A new Birkenstock store opened in the retail mall.

### Rosebank Mall

Edgars and the Rosebank Management District are new tenants in Rosebank Mall while Ribz N WingZ and WaxIt are due to commence trading in July 2024.

### Somerset Mall

New stores were opened for Checkers Liquor, Milky Lane, Free Bird (a new premium free-range crispy chicken burger concept) and Romens (a premium men's fashion wear store). New leases were concluded with Steve Madden, Samsonite and Hi-Tec and the mall continues to focus on the strategic replacement of underperforming tenants. The project to refurbish the food offering supporting Ster-Kinekor has been completed and relaunched as "Cinema Connect".

Hyprop's Investment Committee has approved a two-year expansion project for Somerset Mall, which will add 5 400m<sup>2</sup> of GLA, improve the flow of the mall, right-size some tenants, introduce new affordable luxury and ath-leisure brands, and create a new food court to enhance the food and entertainment experience. The dated restrooms and mall tiles will also be replaced.

### Table Bay Mall

We took transfer of Table Bay Mall on 28 March 2024 and remain optimistic about its prospects. Feedback from the Table Bay Mall retailers is positive and we have completed the on-boarding of the property management team and systems. The immediate focus is on implementing the "quick wins", for example, installing solar and full back-up power, filling vacancies, opportunities to improve parking income and non-GLA revenue, as well as finalising the leasing strategy to right-size tenants and to optimise the tenant mix.

### The Glen

The Glen welcomed 22 Jump Street, Colors of India and Faro to the mall.

### Woodlands Boulevard

The Fun Company and W Cellar opened at Woodlands and the Forever New store was refurbished.

The SA portfolio key trading metrics for the period are detailed below:

Historic - Excluding Table Bay Mall							
Trading Metric	Year	Jan	Feb	Mar	Apr	May	Total for 5-month period
Tenant Turnover (R'000)	2022	1 669 542	1 578 484	1 736 314	1 851 768	1 822 315	8 658 422
	2023	1 857 698	1 765 695	1 900 957	2 000 229	1 986 975	9 511 553
	2024	1 921 350	1 859 294	1 990 835	1 962 919	1 977 658	9 712 056
<b>Variance % 2023 vs 2022</b>		<b>11.3%</b>	<b>11.8%</b>	<b>9.5%</b>	<b>8.0%</b>	<b>9.0%</b>	<b>9.8%</b>
<b>Variance % 2024 vs 2023</b>		<b>3.4%</b>	<b>5.3%</b>	<b>4.7%</b>	<b>-1.9%</b>	<b>-0.5%</b>	<b>2.1%</b>
Trading Density (R)	2022	2 912	2 762	3 061	3 269	3 200	3 040
	2023	3 210	3 062	3 298	3 477	3 461	3 301
	2024	3 299	3 200	3 403	3 359	3 391	3 331
<b>Variance % 2023 vs 2022</b>		<b>10.2%</b>	<b>10.8%</b>	<b>7.7%</b>	<b>6.3%</b>	<b>8.2%</b>	<b>8.6%</b>
<b>Variance % 2024 vs 2023</b>		<b>2.8%</b>	<b>4.5%</b>	<b>3.2%</b>	<b>-3.4%</b>	<b>-2.0%</b>	<b>0.9%</b>
Foot count ('000)	2022	6 123	5 452	5 988	5 894	5 930	29 386
	2023	6 405	5 603	6 271	6 299	6 143	30 721
	2024	6 794	6 197	6 800	6 289	6 400	32 480

<b>Variance % 2023 vs 2022</b>		<b>4.6%</b>	<b>2.8%</b>	<b>4.7%</b>	<b>6.9%</b>	<b>3.6%</b>	<b>4.5%</b>
<b>Variance % 2024 vs 2023</b>		<b>6.1%</b>	<b>10.6%</b>	<b>8.4%</b>	<b>-0.2%</b>	<b>4.2%</b>	<b>5.7%</b>
Retail Vacancy (%)	2022	1.9%	1.4%	1.5%	1.6%	1.4%	-
	2023	1.5%	1.4%	1.5%	1.8%	1.5%	-
	2024	1.3%	1.4%	1.4%	1.6%	1.7%	-
Collections (R'000)	2022	229 561	271 178	284 008	301 862	230 535	1 317 144
	2023	233 189	285 638	322 134	286 955	259 228	1 387 144
	2024	262 864	304 810	311 642	310 989	303 944	1 494 248
<b>Variance % 2023 vs 2022</b>		<b>1.6%</b>	<b>5.3%</b>	<b>13.4%</b>	<b>-4.9%</b>	<b>12.4%</b>	<b>5.3%</b>
<b>Variance % 2024 vs 2023</b>		<b>12.7%</b>	<b>6.7%</b>	<b>-3.2%</b>	<b>8.4%</b>	<b>17.2%</b>	<b>7.7%</b>

Positive rent reversions for the 11 months ending 31 May 2024 were +3.7% compared to +3.0% for HY2024.

While there has been a reduction in loadshedding, it remains a concern, as does the security of potable water supplies at our Gauteng centres, given the deterioration in municipal infrastructure in the province. All of our centres continued to trade during loadshedding with full back-up power at all our sites, except at Table Bay Mall which will complete installation of new generators in September 2024. Initiatives to maintain four days' supply of potable water for the Gauteng malls are underway.

## **EASTERN EUROPE PORTFOLIO (to 30 April 2024)**

The EE portfolio achieved strong operational results to 30 April 2024. Compared to the previous period, there was an 8.7% increase in tenant turnover and a 0.5% improvement in foot count as we enhanced the tenant mix and the food and entertainment offerings in the centres to maintain their dominant market positions. The foot count was impacted by the limitation on Sunday trading in Croatia, while the vacancy rate remained stable at 0.2% on 30 April 2024.

### **City Center one East**

A new fashion tenant, Dune London, which sells women's handbags and related accessories was added to the tenant mix, replacing Moje Cipele. The OVS and Calzedonia stores were refurbished.

### **City Center one West**

Tom Tailor, a fashion retailer, started renovations and the luxury crystal jewellery brand, Swarovski, and Ritual Hair&Shop completed their upgrades. The extension and upgrade of the food court (which introduces five new food operators) are in their final stages. From July 2024 visitors will enjoy an extensive food offering.

### **The Mall**

The Mall welcomed several new tenants, including JD Sports' first store in Bulgaria, a new Casio shop and an elegant Carpisa store, broadening the diversity of the retail offerings and enhancing visitors' shopping experience.

Ongoing projects, such as replacing all interior and exterior lights with LEDs, introducing the first internal slide in a shopping mall in Sofia, and building a new staircase connecting the first level with the food court, will elevate the aesthetic and functional aspects of The Mall. These projects reflect our commitment to providing a premier shopping experience.

### **Skopje City Mall**

The new H&M store opened in Skopje City Mall in March 2024, and in May, the mall celebrated the openings of the country's only Lacoste and Karl Lagerfeld stores. Other notable new stores include Granoff, S'Oliver,

Samsonite and B&G, all of which were operational by May 2024. Waterdrop, endorsed by brand ambassador Novak Djokovic, opened its first kiosk in North Macedonia at Skopje City Mall. LC Waikiki completed a full refurbishment in May.

Cineplexx is undertaking a comprehensive upgrade of its offering at Skopje City Mall, to be completed by end August 2024. It will add leather and additional reclining seats, along with enhancing the concession desk and the foyer. This renovation is expected to boost the mall's reputation and attract a larger audience, reinforcing its status as the premier shopping and entertainment destination in North Macedonia.

The EE portfolio key trading metrics for the four months ended April 2024 are detailed below:

Trading Metric	Year	Jan	Feb	Mar	Apr	Total for 4-month period
Tenant Turnover (€'000)	2022	32 532	30 121	34 205	41 205	138 063
	2023	40 763	36 880	41 889	47 007	166 539
	2024	42 945	40 248	47 180	50 586	180 959
<b>Variance % 2023 vs 2022</b>		<b>25.3%</b>	<b>22.4%</b>	<b>22.4%</b>	<b>14.1%</b>	<b>20.6%</b>
<b>Variance % 2024 vs 2023</b>		<b>5.4%</b>	<b>9.1%</b>	<b>12.6%</b>	<b>7.6%</b>	<b>8.7%</b>
Trading Density (€)	2022	194	180	205	246	206
	2023	246	224	251	283	251
	2024	257	242	280	300	270
<b>Variance % 2023 vs 2022</b>		<b>26.8%</b>	<b>24.5%</b>	<b>22.7%</b>	<b>14.9%</b>	<b>21.8%</b>
<b>Variance % 2024 vs 2023</b>		<b>4.3%</b>	<b>7.8%</b>	<b>11.3%</b>	<b>6.0%</b>	<b>7.3%</b>
Foot count ('000)	2022	1 776	1 682	1 917	2 040	7 415
	2023	2 242	1 999	2 167	2 245	8 653
	2024	2 182	2 027	2 243	2 245	8 697
<b>Variance % 2023 vs 2022</b>		<b>26.2%</b>	<b>18.8%</b>	<b>13.0%</b>	<b>10.1%</b>	<b>16.7%</b>
<b>Variance % 2024 vs 2023</b>		<b>-2.7%</b>	<b>1.4%</b>	<b>3.5%</b>	<b>0.0%</b>	<b>0.5%</b>
Vacancy (%)	2022	0.3%	0.4%	0.4%	0.4%	-
	2023	0.6%	0.6%	0.4%	0.8%	-
	2024	0.3%	0.2%	0.2%	0.2%	-
Collections (€'000)	2022	7 287	7 589	7 860	7 040	29 776
	2023	7 343	8 134	8 669	7 454	31 600
	2024	7 798	7 642	8 728	8 458	32 626
<b>Variance % 2023 vs 2022</b>		<b>0.7%</b>	<b>7.2%</b>	<b>10.3%</b>	<b>5.9%</b>	<b>6.1%</b>
<b>Variance % 2024 vs 2023</b>		<b>6.2%</b>	<b>-6.0%</b>	<b>0.7%</b>	<b>13.5%</b>	<b>3.2%</b>

The weighted average rent reversion rate for the 10 months ending 30 April 2024 was +3.7%.

## SUB-SAHARAN AFRICA PORTFOLIO (to 30 April 2024)

### Nigeria

Between January and April 2024, a further significant devaluation of the Naira affected every aspect of the Nigerian economy. The official exchange rate depreciated from N950/\$1 in January 2024 to its weakest level of N1 620/\$1, before closing at around N1 200/\$1 at the end of May 2024. Fuel prices soared to a new record at the end of April due to currency weakness and shortages, after the government removed the fuel subsidy in June 2023.

On 30 April 2024, the inflation rate peaked at 33.7%, with food inflation recorded above 40%. The Nigerian Monetary Policy Rate remains high at 26.25%. The devaluation of the Naira continues to place severe pressure on both Nigerian retailers and consumers.

Rentals at Ikeja City Mall are indexed to the US dollar which places pressure on tenants' affordability. To alleviate some of the financial pressures, Ikeja City Mall provided assistance in January, February and March to tenants in good standing.

### Ghana

Ghana continues to face macroeconomic challenges, given the local currency's depreciation, muted economic growth, high inflation, and steep government debt. Despite these challenges, key trading metrics of the assets in Cedi terms reflected growth compared to the prior year.

Significant progress has been made in securing replacement tenants for the 13 164m<sup>2</sup> previously occupied by Game. We have concluded 10-year leases with Decathlon and Melcom on this space, and the vacancy rate should reduce to 8.3% by 30 June 2024.

We continue to focus on protecting the value of the SSA centres by managing the impact of Ghana's and Nigeria's difficult economic conditions. The key trading metrics for the SSA portfolio for the four months ended April 2024 are presented below in local currency and US dollars, with the latter impacted by the noticeable depreciation of the local currencies against the US dollar.

Trading Metric	Year	Jan	Feb	Mar	Apr	Total for 4-month period
Turnover (GHC'000) (Ikeja excl.)	2022	50 239	44 783	50 002	48 879	193 903
	2023	61 688	55 038	65 552	63 523	245 802
	2024	66 515	66 512	81 914	75 531	290 471
<b>Variance % 2023 vs 2022</b>		<b>22.8%</b>	<b>22.9%</b>	<b>31.1%</b>	<b>29.9%</b>	<b>26.8%</b>
<b>Variance % 2024 vs 2023</b>		<b>7.8%</b>	<b>20.8%</b>	<b>25.0%</b>	<b>18.9%</b>	<b>18.2%</b>
Turnover (USD'000) (Ikeja excl.)	2022	7 964	6 445	6 622	6 175	27 205
	2023	4 986	4 382	5 219	5 421	20 008
	2024	5 486	5 313	6 322	5 603	22 723
<b>Variance % 2023 vs 2022</b>		<b>-37.3%</b>	<b>-32.0%</b>	<b>-21.2%</b>	<b>-12.2%</b>	<b>-26.4%</b>
<b>Variance % 2024 vs 2023</b>		<b>10.0%</b>	<b>21.3%</b>	<b>21.1%</b>	<b>3.4%</b>	<b>13.6%</b>
Trading Density GHC (Ikeja excl.)	2022	1 135	1 063	1 205	1 170	1 143
	2023	1 745	1 562	1 812	1 752	1 719
	2024	1 607	1 476	1 796	1 662	1 637
<b>Variance % 2023 vs 2022</b>		<b>53.7%</b>	<b>46.9%</b>	<b>50.4%</b>	<b>49.8%</b>	<b>50.4%</b>
<b>Variance % 2024 vs 2023</b>		<b>-7.9%</b>	<b>-5.5%</b>	<b>-0.9%</b>	<b>-5.2%</b>	<b>-4.8%</b>
Trading Density USD (Ikeja excl.)	2022	180	153	160	148	160
	2023	141	124	144	150	140

	2024	133	118	139	123	128
<b>Variance % 2023 vs 2022</b>		<b>-21.6%</b>	<b>-18.7%</b>	<b>-9.6%</b>	<b>1.2%</b>	<b>-12.7%</b>
<b>Variance % 2024 vs 2023</b>		<b>-6.0%</b>	<b>-5.1%</b>	<b>-3.9%</b>	<b>-17.6%</b>	<b>-8.5%</b>
Foot count (Ikeja incl.) ('000)	2022	2 134	1 783	1 838	1 851	7 606
	2023	2 024	1 405	1 626	1 963	7 019
	2024	2 034	1 656	1 913	2 012	7 615
<b>Variance % 2023 vs 2022</b>		<b>-5.2%</b>	<b>-21.2%</b>	<b>-11.5%</b>	<b>6.1%</b>	<b>-7.7%</b>
<b>Variance % 2024 vs 2023</b>		<b>0.5%</b>	<b>17.9%</b>	<b>17.6%</b>	<b>2.5%</b>	<b>8.5%</b>
Vacancy (Ikeja incl.) (%)	2022	11.3%	11.0%	11.4%	10.8%	-
	2023	23.2%	23.0%	22.5%	22.9%	-
	2024	17.2%	11.6%	12.0%	11.8%	-
Excl. Game	2024	7.3%	6.1%	6.5%	6.3%	-
Collections (Ikeja incl.) (USD'000)	2022	3 535	3 330	3 262	3 968	14 095
	2023	2 957	2 705	3 447	2 947	12 055
	2024	2 660	3 020	2 691	2 548	10 919
<b>Variance % 2023 vs 2022</b>		<b>-16.3%</b>	<b>-18.8%</b>	<b>5.7%</b>	<b>-25.7%</b>	<b>-14.5%</b>
<b>Variance % 2024 vs 2023</b>		<b>-10.0%</b>	<b>11.6%</b>	<b>-21.9%</b>	<b>-13.6%</b>	<b>-9.4%</b>

## Nigeria

### Ikeja City Mall

Footfall for the four-month period grew by 5.5% year-on-year. The centre achieved a 3% decline in arrears. Ikeja City Mall remains almost fully let, with a vacancy rate of 1.7%. All of the vacant space has been re-let, but the tenants have not yet opened for trade.

## Ghana

### West Hills Mall

Melcom opened a flagship outlet in West Hills Mall on 1 February 2024 as a second anchor tenant. In addition, Decathlon has signed a lease over 675m<sup>2</sup> and is scheduled to open on 1 September 2024.

### Accra Mall

Orca Deco will continue to trade in the space previously occupied by Game until end June 2024, after which the premises will be subdivided to mitigate tenant concentration risk. Melcom will occupy 2 662m<sup>2</sup> and Decathlon 1 879m<sup>2</sup>. Both stores are expected to trade from 1 December 2024.

### Kumasi City Mall

A lease was concluded with Melcom on the entire 5 017m<sup>2</sup> previously occupied by Game. Space will also be reconfigured to accommodate Decathlon elsewhere in the mall. Both tenants are expected to start trading by the last quarter of 2024.

## BALANCE SHEET AND CAPITAL MANAGEMENT

The Group's balance sheet remains healthy, as do its key treasury metrics and liquidity.

The acquisition of Table Bay Mall was financed utilising R500 million of available cash, R250 million of revolving credit facilities and R900 million raised through the issue of two unlisted bonds (with durations of two and three years) under the Domestic Medium Term Note Program (DMTN). R500 million of DMTN bonds matured in March 2024 and two new DMTN bonds were issued in April 2024 at attractive margins of 120 bps for three years and 130 bps for five years.

In addition to the amortisation of in-country borrowings in the EE portfolio, €20 million of equity debt was settled in April 2024, and a new €10 million revolving credit facility secured, which is undrawn.

Following the acquisition of Table Bay Mall, the Group's LTV increased to 40.2% from 37.4% in December 2023. The Group's interest rate exposure is currently 85% hedged.

The in-country bank loans for the SSA portfolio are in the process of being refinanced ahead of their maturity dates in December 2024 and February 2025. An additional \$8 million of the AttAfrica Group debt has been guaranteed by Hyprop.

## **ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE**

Hyprop's environmental sustainability strategy continues to be centred around the improved use and management of electrical, water and waste resources. Over the past six months, in response to the rapidly changing South African environment, and the increased pressures resulting from the lack of basic municipal services, a focus on energy and water security has become more urgent and better aligned with the Group's economic and operational objectives. The energy and water security strategy aims to ensure security of supply and uninterrupted access to affordable sources during disruptions. We are also engaging with local authorities in SA to better understand the state of repair of the municipal infrastructure and identify proactive measures to prevent failure and the inevitable impact on our properties.

### **Energy**

An R80 million solar project was approved for CapeGate which is awaiting approval from the City of Cape Town. In addition to the gas/battery energy solution project approved for Rosebank Mall, which is underway, feasibility studies for battery storage solutions were undertaken at Clearwater Mall and Table Bay Mall, and are under review. We are endeavouring to use power purchase agreements with reputable third parties for our solar energy projects rather than our own capital allocations.

### **Water**

Monthly monitoring of the water consumption at SA sites has been increased in the light of growing concerns about water security. Water recycling feasibility studies have been undertaken for grey water treatment plants at Hyde Park Corner, Clearwater Mall and Canal Walk. In addition, feasibility studies for four-day potable water storage are underway in all Gauteng malls.

### **Waste**

With the organics diversion projects now fully established in the SA portfolio, the overall diversion rate from landfills held steady at around 69% across the eight Hyprop SA sites. The total waste comprised 14% wet waste and 86% dry waste. Four of the eight SA sites are now eligible for Net Zero Waste Level 2 certifications by the Green Building Council.

## **IN CLOSING**

Notwithstanding the difficult global economic environment and specific challenges in each of the regions in which the Group operates, our portfolios remain well positioned with improving operational performance metrics and are making headway towards achieving the Group's key priorities and strategic objectives.

In South Africa, despite the power and water supply concerns, and the challenges of the tough economic conditions, there is renewed optimism following the elections in May 2024 and the formation of a government of national unity.

The delay in central banks starting to reduce interest rates globally is impacting the cost of debt across our portfolios, despite some mitigation from our hedging policy and reductions in borrowings.

Implementation of Hyprop's strategic objectives, prudent capital allocation and risk diversification should perpetuate the trajectory of the Group's operational performance, as evidenced by the improved trading

metrics above, and allow the Group to seek opportunities to grow, while delivering sustainable long-term returns for stakeholders.

The conditions precedent to the sale of 50% of Ikeja City Mall referred to in the HY2024 interim results have not been fulfilled by the longstop date. However, we have signed a letter of intent with another party for the sale of the entire SSA portfolio and will provide further information in due course.

The dividend for the 2024 financial year will only be considered by the board on finalisation of the financial results for the year ended 30 June 2024 ("**FY2024 results**").

Hyprop will host an online presentation at 10:00 on Monday, 24 June 2024 to discuss this operational update. Please click [here](#) to pre-register. Participants will receive the webinar link on registration. The presentation and recording will be available on Hyprop's website thereafter.

Hyprop's FY2024 results are scheduled to be released in September 2024.

24 June 2024

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Sponsor

The logo for Java Capital, featuring the word "JAVACAPITAL" in a bold, sans-serif font. A blue horizontal line is drawn across the letters "A" and "V", and another blue horizontal line is drawn across the letters "A" and "P".