

Balwin Properties Limited

(Incorporated in the Republic of South Africa)

Registration number 2003/028851/06

Share code: BWN

ISIN: ZAE000209532

("Balwin", "the Company" or "the group")

VOLUNTARY UPDATE: USE OF BALWIN'S LAND PORTFOLIO FOR DEVELOPMENT OF BALWIN ESTATES FOR RENTAL IN A MANNER THAT COMPLEMENTS ITS CORE BUILD-TO-SELL DEVELOPMENTS

Balwin Rentals Proprietary Limited ("Balwin Rentals"), a wholly owned subsidiary of Balwin, is expanding its rental portfolio with a vision to develop up to 7 300 apartments for rental over the next 8 to 10 years.

Rationale

At the time of listing, Balwin envisaged the strategic development and management of a separate rental portfolio that would complement the group's core business.

Over the past few years, Balwin has steadily built capacity, skills, technology and systems to be in a position to roll out a scalable, modern and efficient rental portfolio, without detracting from the Company's existing build-to-sell model of approximately 2 000 to 3 000 sectional title apartments per annum, with the ability to scale up further, based on market demand.

Moreover, the group intends to leverage its strong brand and position the rental portfolio as an incubation hub to transition qualifying tenants to purchasing Balwin apartments.

The apartments/estates that are developed for rental will maintain the EDGE Advanced certification that is synonymous with Balwin's build-to-sell model. The rental estates will be developed exclusively for rental purposes, and none of the apartments will be available for sale in the open market.

Balwin expects that the addition of a more defensive asset class will further diversify the group's revenue streams and grow annuity income that will complement the cyclical nature of its build-to-sell development business. Moreover, the group will benefit from the improved usage of its unused land portfolio.

Land portfolio utilisation

Balwin has identified existing land parcels owned by the group for the first six build-to-rent developments consisting of up to 7 300 apartments in aggregate. This represents approximately 20% of the Company's current unused land portfolio. Existing land parcels have been identified in Johannesburg east, Tshwane east and the Western Cape for the rental model.

Structure and capital allocation

The rental portfolio will be housed within Balwin Rentals which is an existing wholly owned subsidiary of Balwin.

Balwin Rentals envisages raising long-term debt finance from commercial lending and Development Finance Institutions at preferential interest rates to fund the development. As with Balwin's build-to-sell model, developments will be constructed and tenanted in phases to minimise risk.

Asset and property management

Balwin Rentals will have full control over the rental estates, allowing Balwin to optimally manage costs. The management of the rental portfolio will be internalised and as far as possible, be tech-driven to reduce operating costs and enhance yield performance. The Balwin team heading up Balwin Rentals have collectively managed rental portfolios across different sectors and geographies for over 30 years.

The rental portfolio will target market rentals of between R6 000 and R13 000 per month for one-, two- and three-bedroom apartments, while retaining quality and certain lifestyle elements such as solar, high-speed fibre connectivity and facial recognition access control.

These developments have been sufficiently cost-engineered to feasibly generate above market related yields at the target monthly rentals. The revenue contribution from Balwin Rentals will be negligible for the financial year to 28 February 2025, however, over time, the group expects Balwin Rentals to increasingly contribute to the group's annuity income and net asset value growth.

Job creation and skills retention

Preliminary studies show that the rollout of the rental portfolio will over time create approximately 39 000 direct and indirect job opportunities.

Importantly, it will act as a catalyst for important construction skills retention, as development will be on a similar rotational basis as with Balwin's build-to-sell model.

Shareholders will be updated on further developments within the rental portfolio as and when appropriate.

Johannesburg

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Sponsor: Investec Bank Limited

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