

Spear REIT

1H FY23 pre-close and earnings update

Key message: Spear's Western Cape focus presents a positive picture all around as the portfolio continues to deliver relatively stable and defensive performance.

- FY23 performance in line with guidance so far:** overall reversions have averaged -3.5% for the period (retail +4.2%; office -1.5%; industrial +1.8%). Occupancy is materially unchanged at 93.5% (retail 92.9%; office 85.1%; industrial 97.8%); a new 10-year lease has been signed at 2 Long Street for DHL's sub-Saharan Africa regional office, which will come into effect later in FY23. Collection rate of 95% has been achieved YTD. Disposals of Island Business Park, 5 Fitzmaurice and 6 Talana have been executed at premiums of +2-6% to book value. LTV was 39.0% at Jul-22 (FY22: 39.1%) with an ICR of 2.6x (FY22: 2.2x) and weighted average cost of debt of 7.8% (FY22: 7.3%). Guidance has been maintained for FY23E DIPS growth of +5-7% y/y.
- Bravo Brands development:** Spear has agreed to redevelop c. 50% of the 38 000sqm Blackheath Park industrial property for Bravo Brands, which manufactures and distributes household furniture and comfort products. Redevelopment works commence from Nov-22 with occupation expected from Feb-23. In the first phase, Bravo Brands will take up 16 000sqm GLA (13 000sqm of existing GLA plus 3 000sqm of newly constructed GLA) on a ten-year lease at a ZAR74mn cost to Spear and forecast net initial yield of 9.9%. There is further intended expansion over the next five to seven years to an aggregate GLA of 42 000sqm.
- Update to earnings forecasts:** our FY23E DEPS forecast is ZAR82.7c (+6.0% y/y), in the middle of management's guidance range. We apply a 90% payout ratio for a dividend of ZAR74.4c per share (+9.1% y/y). For FY24E we increase our assumed payout ratio to 95%, for a dividend of ZAR80.8c (+8.6%) on DEPS of 85.1c (+2.9% y/y).
- Our revised target price is ZAR8.14,** which implies a forecast total shareholder return of +15.7% (10.1% income yield and +5.6% capital return). Our valuation incorporates a discount rate of 15.6%, exit yield of 10.0% and exit P/NAV of 0.75x. We maintain a NEUTRAL rating on the counter, as we find it fairly priced at current levels relative to peers.
- Key catalysts and factors to watch:** leasing conditions in Cape Town office market versus rest of SA; exercise of 15 on Orange option; potential acquisitive growth activity, including new developments; impact of revised hedging policy (up to 75% fixed) and rising interest rates on net finance costs.

Date: 14 September 2022

Analyst

Adrian Jardine
+27 (82) 773 3091

adrian.jardine@chronux.co.za

Rating:	NEUTRAL
Price (13/09/2022):	R7.95
52 week high / low:	960 / 608
Shares outstanding (mn):	244.8
Market cap (ZARmn):	1 947
Enterprise value (ZARmn):	3 698
Spot P/NAV:	0.70x
Forward P/NAV:	0.70x
Trailing FAD yield:	10.1%
Forward FAD yield:	10.6%
Trailing dividend yield:	9.0%
Forward dividend yield:	10.1%
Target price (ZAR):	8.14
Forecast total return:	+15.7%

SEA share price performance - 52 weeks



SEA summary financial forecasts

	FY21A	FY22A	FY23E	FY24E	FY25E
FAD per share (ZARc)	72.3	78.0	82.7	85.1	88.6
% change	-22.1%	7.9%	6.0%	2.9%	4.2%
Dividend per share	58.7	68.3	74.4	80.8	84.2
% change	-36.0%	16.3%	9.1%	8.6%	4.2%
NAV per share	1 153	1 130	1 155	1 177	1 241
% change	-5.6%	-2.0%	2.2%	1.9%	5.4%

Source: Company data, Chronux Research estimates

Sponsored Research: Chronux Research is compensated by certain corporates to produce objective and impartial research. Earnings forecasts and valuation are the independent view of the analyst, based on his/her view of all factors that could influence earnings and peer comparisons. Management has no editorial input.

Valuation and rating

- We derive our target price for Spear using a weighted average of a dividend discount model (DDM), exit yield (income capitalisation) and exit P/NAV valuation. We revise our clean target price to ZAR8.14, which implies a one-year forecast total shareholder return (TSR) of +15.7% (comprised of 10.1% dividend yield and +5.6% capital return). We maintain a NEUTRAL rating on the counter.

SEA valuation and TSR forecast summary

Valuation date	13-Sep-22					
Financial year end	Feb					
Reporting currency	ZAR					
Spot price (ZARc)	795					
	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
Distribution per share (ZARc)	68.3	74.4	80.8	84.2	87.5	90.8
% change	16.3%	9.1%	8.6%	4.2%	3.9%	3.7%
Intrinsic NAV per share	1 130	1 155	1 177	1 241	1 303	1 360
% change	-2.0%	2.2%	1.9%	5.4%	5.0%	4.4%
	Y0	Y1	Y2	Y3	Y4	Y5
Rolled FAD per share	80.5	84.0	87.0	90.5	94.6	99.3
% change		4.3%	3.6%	4.0%	4.5%	5.0%
Rolled DPS	71.6	77.9	82.7	86.0	89.9	94.4
% change		8.8%	6.1%	4.0%	4.5%	5.0%
Rolled NAV per share	1 141	1 144	1 167	1 212	1 274	1 338
% change		0.3%	2.0%	3.8%	5.2%	5.0%
Discount factor		0.87x	0.75x	0.65x	0.56x	0.48x
Risk-free rate (ZAR 10yr yield)	10.2%					
Equity risk premium	6.0%					
Risk beta	0.90x					
Cost of equity (discount rate)	15.6%					
Exit yield	10.0%					
Exit P/NAV	0.75x					
Intrinsic value per share (Y0) (ZARc)	785					
Blended target price (Y1) (ZARc)	814					
Projected capital return	5.6%					
Forward income yield	10.1%					
1yr projected total shareholder return (TSR)	15.7%					
Spot premium (discount) to intrinsic value	1.2%					
5yr projected internal rate of return (IRR)	13.9%					

SEA valuation summary

	Target price (ZARc)	Weight
1. Discounted dividend valuation	757	0.33
2. Exit yield valuation	827	0.33
3. Exit P/NAV valuation	858	0.33
Weighted average target price	814	
Current price	795	
Projected capital return	5.6%	
Forward income yield	10.1%	
Projected total shareholder return (TSR)	15.7%	

1. SEA discounted dividend model (DDM) valuation

CAPM beta	0.81x
Risk beta	0.90x
Risk-free rate (ZAR 10yr spot yield)	10.2%
Equity risk premium	6.0%
Cost of equity (discount rate)	15.6%
Terminal growth from Y6	5.0%
PV of distribution per share (Y1-5)	281
PV of terminal value	441
Divi yield on intrinsic value	10.8%
Discount rate - intrinsic yield	4.8%
Intrinsic value per share (Y0) (ZARc)	722
Target price (Y1) (ZARc)	757
Projected capital return	-1.8%
Income yield	10.1%
Projected total shareholder return (TSR)	8.3%

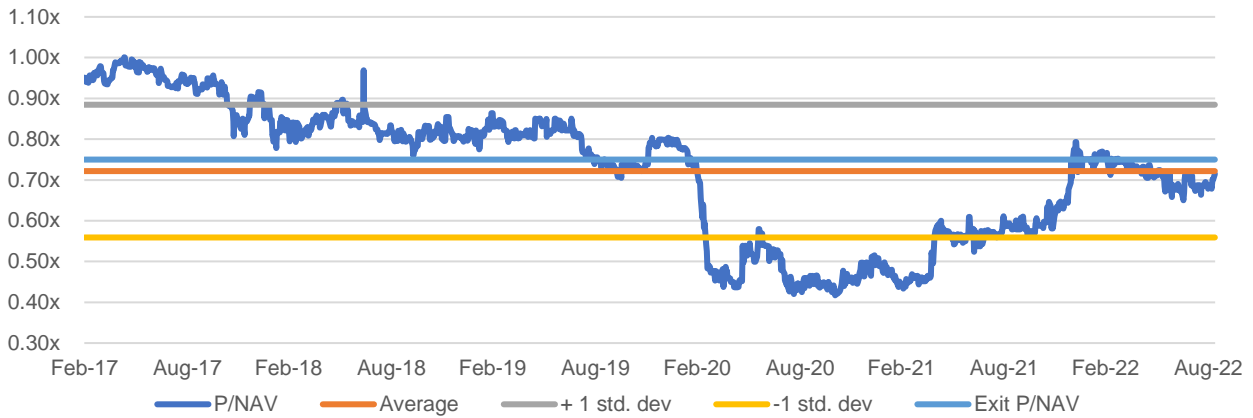
2. SEA income capitalisation valuation

Historic (trailing) dividend yield	9.0%
Clean forward yield	10.1%
Spot ZAR 10yr yield	10.2%
Forecast exit spot yield	11.0%
Current yield spread	-0.1%
Exit yield spread	-1.0%
Implied exit yield	10.0%
Intrinsic value per share (Y0) (ZARc)	779
Target price (Y1) (ZARc)	827
Projected capital return	7.3%
Income yield	10.1%
Projected total shareholder return (TSR)	17.4%

3. SEA intrinsic NAV valuation

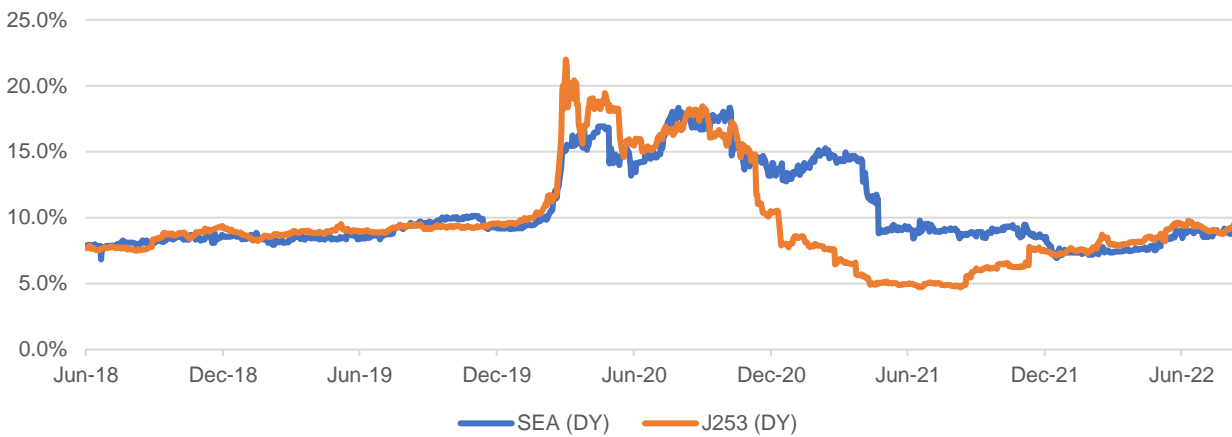
Spot NAV (ZARc)	1 130					
Trailing P/NAV	0.70x					
Forward P/NAV	0.70x					
	Feb-22	Feb-23	Feb-24	Feb-25	Feb-26	Feb-27
Intrinsic NAV	1 130	1 155	1 177	1 241	1 303	1 368
% growth	-2.0%	2.2%	1.9%	5.4%	5.0%	5.0%
	Y0	Y1	Y2	Y3	Y4	Y5
Rolled NAV	1 141	1 144	1 167	1 212	1 274	1 338
% growth		0.3%	2.0%	3.8%	5.2%	5.0%
Exit P/NAV	0.75x					
Intrinsic value per share (Y0) (ZARc)	856					
Target price (Y1) (ZARc)	858					
Projected capital return	11.4%					
Income yield	10.1%					
Projected total shareholder return (TSR)	21.5%					

Figure 1 SEA P/NAV history



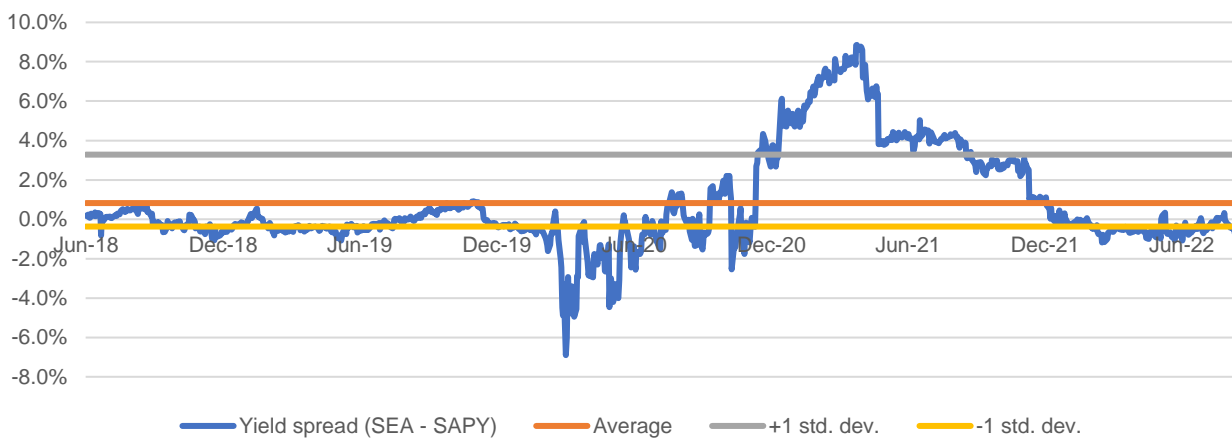
Source: Iress, Chronux Research

Figure 2 SEA and SAPY (J253) trailing dividend yield - trailing 5 years



Source: Iress, Chronux Research

Figure 3 Trailing dividend yield spread (SEA – SAPY)



Source: Iress, Chronux Research

Ranking table

JSE Listed Property - rated coverage ranking table (priced at 13-Sep-22)

Ticker (JSE)	Company	Closing price (ZARc)	Market cap (ZARmn)	LTV	ICR	P/NAV (forward)	FFO yield (forward)	Intrinsic value (Y0) (ZARc)	Target price (Y1) (ZARc)	Spot prem. (disc.) to intrinsic value	Fwd. dividend yield (clean)	Capital return	Forecast TSR to target price	Rating
SRE	Sirius Real Estate	1 610	18 872	41.6%	8.6x	0.83x	9.3%	1 869	2 063	(14.9%)	6.0%	29.6%	35.6%	OVERWEIGHT
SAC	SA Corporate Real Estate	222	5 583	37.4%	2.4x	0.51x	13.5%	233	244	(9.3%)	13.4%	15.1%	28.8%	OVERWEIGHT
GRT	Growthpoint Properties	1 310	44 943	39.2%	3.0x	0.67x	13.6%	1 361	1 472	(3.8%)	11.1%	17.2%	28.3%	OVERWEIGHT
FFA	Fortress REIT A	985	11 737	40.0%	3.3x	1.00x	18.0%	1 066	1 255	(7.6%)	-	27.4%	27.4%	OVERWEIGHT
RDF	Redefine Properties	390	27 905	41.9%	2.7x	0.55x	14.5%	418	430	(9.5%)	13.1%	13.6%	26.7%	NEUTRAL
NRP	NEPI Rockcastle	9 171	55 850	31.3%	6.4x	0.72x	9.9%	9 521	10 234	(7.8%)	9.9%	16.6%	26.4%	NEUTRAL
EMI	Emira Property Fund	951	4 971	40.5%	2.8x	0.57x	14.7%	952	992	(0.1%)	13.9%	11.8%	25.7%	NEUTRAL
VKE	Vukile Property Fund	1 311	12 851	43.0%	3.4x	0.72x	11.6%	1 400	1 489	(6.3%)	9.5%	15.8%	25.3%	NEUTRAL
IPF	Investec Property Fund	1 075	8 653	38.2%	2.7x	0.62x	10.6%	1 144	1 177	(8.4%)	10.1%	12.3%	22.4%	NEUTRAL
FFB	Fortress REIT B	431	4 712	40.0%	3.3x	0.21x	0.5%	451	509	(4.4%)	-	18.0%	18.0%	NEUTRAL
HYP	Hyprop Investments	3 680	12 639	41.5%	3.2x	0.73x	10.8%	3 532	3 637	(3.6%)	10.2%	6.8%	17.0%	NEUTRAL
SEA	Spear REIT	795	1 947	39.1%	2.2x	0.70x	10.6%	785	814	1.2%	10.1%	5.6%	15.7%	NEUTRAL
EQU	Equites Property Fund	1 798	13 963	31.5%	12.0x	0.88x	10.0%	1 741	1 827	3.3%	10.0%	4.9%	14.9%	UNDERWEIGHT
RES	Resilient REIT	5 248	19 795	32.1%	3.9x	0.89x	9.0%	5 195	5 464	1.0%	9.0%	4.1%	13.2%	UNDERWEIGHT
ATT	Attaq	674	5 065	38.0%	1.5x	0.42x	9.5%	610	662	10.4%	8.6%	4.5%	13.1%	UNDERWEIGHT
L2D	Liberty Two Degrees	480	4 361	24.6%	3.2x	0.63x	7.9%	406	414	18.3%	7.9%	(13.7%)	(5.8%)	UNDERWEIGHT

Source: Company data, Iress, Chronux Research estimates

JSE Listed Property - unrated coverage ranked by market cap (priced at 13-Sep-22)

Ticker (JSE)	Company name	Closing price (ZARc)	Market cap (ZARmn)	Latest NAV (ZARc)*	P/NAV (trailing)	Trailing dividend yield	LTV	ICR
CCO	Capital & Counties Properties	2 364	20 124	4 172	0.57x	1.5%	25.0%	1.3x
HMN	Hammerson	437	19 313	1 238	0.35x	1.9%	45.0%	2.9x
MSP	MAS Real Estate	2 028	14 287	2 423	0.84x	5.6%	21.5%	3.7x
LTE	Lighthouse Capital	672	10 919	806	0.83x	4.0%	13.6%	4.5x
MLI	Industrials REIT	3 440	10 278	3 533	0.97x	4.1%	25.6%	5.0x
SSS	Stor-age Property Fund	1 390	6 038	1 400	0.99x	8.5%	27.9%	6.6x
FTB	Fairvest B	331	4 946	491	0.67x	14.8%	39.2%	2.4x
EXP	Exemplar REIT	1 200	3 987	1 229	0.98x	9.8%	35.2%	3.9x
DIB	Dipula Income Fund B	385	3 449	1 039	0.37x	30.6%	36.7%	3.2x
SCD	Schroder European REIT	1 956	2 616	2 576	0.76x	6.6%	18.0%	15.4x
OCT	Octodec Investments	921	2 452	2 310	0.40x	10.8%	41.0%	2.3x
CRP	Capital & Regional	1 190	1 968	2 355	0.51x	4.2%	50.9%	2.2x
SAR	Safari Investments	562	1 747	855	0.66x	10.8%	37.0%	2.5x
TEX	Texton Property Fund	340	1 243	603	0.56x	13.4%	31.2%	2.4x
APF	Accelerate Property Fund	101	1 012	621	0.16x	21.3%	42.8%	2.1x
TPF	Transcend Property Fund	580	951	808	0.72x	9.6%	38.2%	1.7x
FTA	Fairvest A	1 315	825	1 490	0.88x	9.1%	39.2%	2.4x
ILU	Induplace Properties	245	824	699	0.35x	15.6%	38.0%	2.0x
DLT	Delta Property Fund	40	286	476	0.08x	0.0%	57.0%	1.9x
REB	Rebosis Property Fund B	16	112	423	0.04x	0.0%	72.8%	1.2x
REA	Rebosis Property Fund A	96	61	270	0.36x	0.0%	72.8%	1.2x

* Translated to ZAR at spot

Source: Company data, Iress, Chronux Research estimates

Forecast financial statements

SEA income statement								
ZAR mn	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
Rental income	496	498	554	593	623	653	683	714
Property expenses	(157)	(161)	(196)	(198)	(210)	(222)	(235)	(247)
Forecast COVID relief	-	-	-	-	-	-	-	-
Net property income (NPI)	339	337	359	395	413	431	449	466
% Δ	21.6%	-0.6%	6.3%	10.2%	4.5%	4.4%	4.1%	3.9%
<i>NPI margin</i>	68.4%	67.7%	64.7%	66.6%	66.3%	66.0%	65.7%	65.4%
Corporate and administration expenses	(29)	(27)	(37)	(38)	(40)	(42)	(43)	(45)
Income from investments and associates	-	-	-	-	-	-	-	-
Other operating income (expenses)	0	(11)	(14)	(14)	(15)	(16)	(16)	(17)
Net operating income (NOI)	311	300	307	343	358	374	389	405
Net finance costs	(123)	(148)	(147)	(149)	(159)	(166)	(173)	(181)
Current normal taxation	-	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-
Adjustments	(2)	(3)	11	-	-	-	-	-
Funds available for distribution (FAD)	186	149	171	194	199	208	216	224
Total distribution declared	186	119	-	174	190	197	205	213
Retained funds	-	30	-	19	10	10	11	11
Payout ratio	100%	80%	88%	90%	95%	95%	95%	95%
FAD per share (ZARc)	92.8	72.3	78.0	82.7	85.1	88.6	92.1	95.6
% change	8.4%	-22.1%	7.9%	6.0%	2.9%	4.2%	3.9%	3.7%
DPS (ZARc)	91.7	58.7	68.3	74.4	80.8	84.2	87.5	90.8
% change	6.1%	-36.0%	16.3%	9.1%	8.6%	4.2%	3.9%	3.7%

SEA balance sheet								
ZAR mn	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
Assets								
Investment properties	4 184	4 496	4 406	4 522	4 586	4 747	4 907	5 054
Fair value of investment properties	3 909	4 373	4 279	4 395	4 459	4 620	4 780	4 927
Investment properties under development	201	12	-	-	-	-	-	-
Land holdings	32	32	50	50	50	50	50	50
Straight-lining lease asset	42	78	77	77	77	77	77	77
Equity and associate investments	-	-	-	-	-	-	-	-
Loans receivable	0	2	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Deferred taxation	7	6	1	1	1	1	1	1
Other non-current assets	63	7	6	6	6	6	6	6
Cash and cash equivalents	24	32	29	46	54	63	72	82
Other current assets	24	41	16	16	16	16	16	16
Assets held for sale	-	-	71	-	-	-	-	-
Total assets	4 302	4 584	4 530	4 591	4 664	4 834	5 003	5 160
Equity and liabilities								
Equity attributable to shareholders	2 447	2 372	2 650	2 708	2 760	2 909	3 055	3 189
Non-controlling interests	73	19	23	23	23	23	23	23
Interest-bearing debt	1 711	2 105	1 780	1 783	1 803	1 825	1 847	1 871
Deferred taxation	-	0	0	0	0	0	0	0
Other liabilities	70	87	77	77	77	77	77	77
Total equity and liabilities	4 302	4 584	4 530	4 591	4 664	4 834	5 003	5 160
Net asset value (cps)	1 221	1 153	1 130	1 155	1 177	1 241	1 303	1 360
% change	0.5%	-5.6%	-2.0%	2.2%	1.9%	5.4%	5.0%	4.4%
Adjusted (tangible) NAV per share	1 221	1 153	1 130	1 155	1 177	1 241	1 303	1 360
% change	0.5%	-5.5%	-2.0%	2.2%	1.9%	5.4%	5.0%	4.4%

SEA SA retail portfolio - operating model and forecasts

ZAR mn	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
SA retail								
Valuation (ZARmn)	600	605	641	653	664	692	723	738
GLA (sqm)	35 435	48 694	48 951	48 951	48 951	48 951	48 951	48 951
Value / sqm (ZAR)	16 943	12 414	13 086	13 344	13 559	14 132	14 780	15 074
Vacancy (% of GLA)	4.7%	8.3%	4.7%	4.5%	4.3%	4.3%	4.3%	4.3%
Occupied space (sqm)	33 781	44 633	46 670	46 748	46 871	46 871	46 871	46 871
Escalation in force	7.3%	6.4%	6.2%	6.1%	6.0%	6.0%	6.0%	6.0%
Ave. reversion	-4.8%	-8.8%	-1.3%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Lease expiry (% of GLA)				16.0%	20.0%	11.0%	6.0%	43.0%
Weighted ave. rental growth				5.0%	4.6%	5.2%	5.6%	3.0%
Gross rental income (ZARmn)	80	79	86	93	98	103	108	112
Property expenses	(27)	(20)	(27)	(31)	(32)	(35)	(37)	(38)
Net property income	54	59	59	62	65	68	72	73
% change	6.6%	10.5%	-0.5%	6.0%	4.4%	4.8%	5.1%	2.5%
NPI margin	66.6%	75.2%	68.7%	67.0%	66.7%	66.4%	66.1%	65.8%
Forecast COVID relief				-	-	-	-	-
Total fair value adjustments to investment property	40	(70)	36	13	11	28	32	14
As % of valuation	7.1%	-11.7%	6.0%	2.1%	1.6%	4.2%	4.6%	2.0%

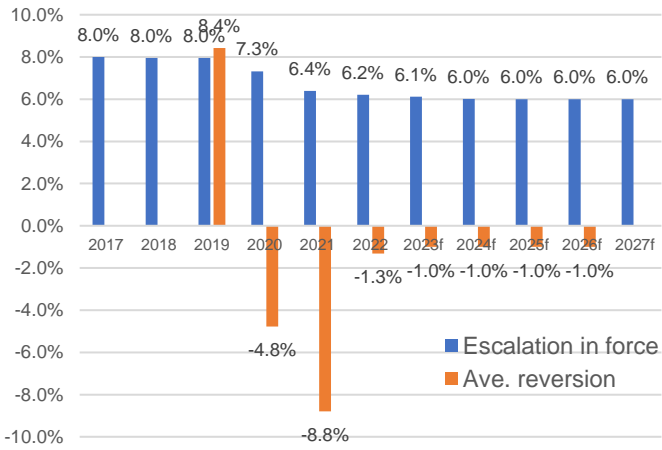
SEA SA office portfolio - operating model and forecasts

ZAR mn	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
SA office								
Valuation (ZARmn)	1 715	2 204	2 178	2 155	2 151	2 198	2 227	2 294
GLA (sqm)	119 009	133 524	132 951	132 951	132 951	132 951	132 951	132 951
Value / sqm (ZAR)	14 409	16 504	16 383	16 207	16 178	16 531	16 752	17 251
Vacancy (% of GLA)	4.9%	13.0%	13.0%	11.5%	10.0%	10.0%	10.0%	10.0%
Occupied space (sqm)	113 192	116 112	115 707	117 662	119 656	119 656	119 656	119 656
Escalation in force	7.6%	6.9%	6.2%	6.1%	6.0%	5.9%	5.8%	5.7%
Ave. reversion	9.3%	-1.8%	-5.6%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Lease expiry (% of GLA)				20.0%	20.0%	16.0%	23.0%	7.0%
Weighted ave. rental growth				3.9%	3.8%	4.2%	3.3%	5.0%
Gross rental income (ZARmn)	207	241	258	273	288	300	310	326
Property expenses	(64)	(56)	(79)	(90)	(96)	(101)	(105)	(111)
Net property income	143	185	179	183	192	199	205	214
% change	26.7%	29.6%	-3.5%	2.4%	5.1%	3.7%	2.9%	4.5%
NPI margin	68.9%	76.9%	69.3%	67.0%	66.7%	66.4%	66.1%	65.8%
Forecast COVID relief				-	-	-	-	-
Total fair value adjustments in investment property	39	29	(16)	(23)	(4)	47	29	66
As % of valuation	2.6%	1.7%	-0.7%	-1.1%	-0.2%	2.2%	1.3%	3.0%

SEA SA industrial portfolio - operating model and forecasts

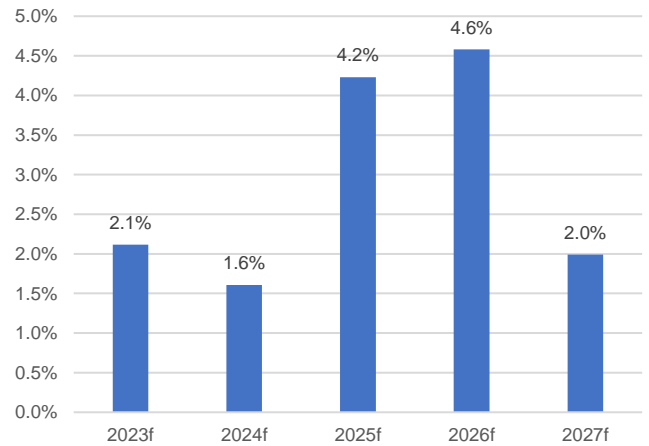
ZAR mn	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
SA industrial								
Valuation (EURmn)	1 157	1 145	1 185	1 234	1 268	1 323	1 386	1 416
GLA (sqm)	243 159	243 162	259 385	259 385	259 385	259 385	259 385	259 385
Value / sqm (EUR)	4 758	4 707	4 570	4 758	4 889	5 100	5 345	5 460
Vacancy (% of GLA)	2.1%	2.4%	3.3%	3.1%	2.7%	2.5%	2.5%	2.5%
Occupied space (sqm)	238 140	237 326	250 799	251 344	252 382	252 900	252 900	252 900
Escalation in force	8.0%	7.0%	6.5%	6.4%	6.3%	6.2%	6.1%	6.0%
Ave. reversion	-2.9%	1.9%	-2.5%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Lease expiry (% of GLA)				15.0%	31.0%	11.0%	4.0%	36.0%
Weighted ave. rental growth				5.2%	3.7%	5.3%	5.8%	3.1%
Gross rental income (EURmn)	148	164	183	200	208	220	232	240
Property expenses	(50)	(52)	(59)	(68)	(71)	(76)	(81)	(84)
Net property income	98	112	124	132	137	144	151	155
% change	23.1%	14.5%	10.5%	6.7%	3.7%	5.1%	5.3%	2.7%
NPI margin	66.0%	68.4%	67.7%	66.0%	65.7%	65.4%	65.1%	64.8%
Forecast COVID relief				-	-	-	-	-
Total fair value adjustments in investment property	13	(50)	58	49	34	55	64	30
As % of valuation	1.4%	-4.3%	5.1%	4.2%	2.7%	4.3%	4.8%	2.1%

Figure 4 SA retail rental escalations and reversions



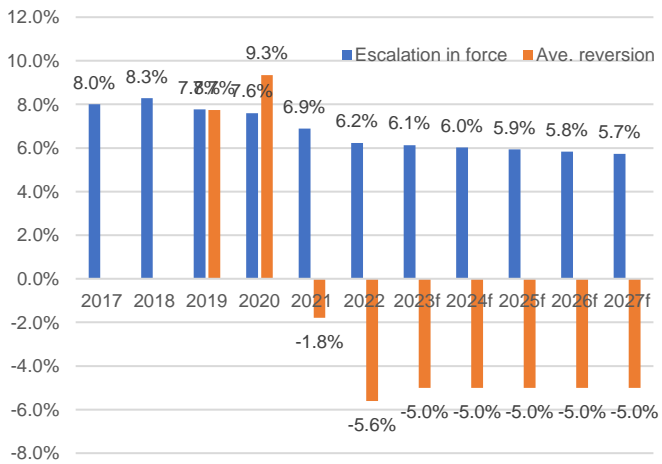
Source: Chronux Research, company data

Figure 5 SA retail valuation growth



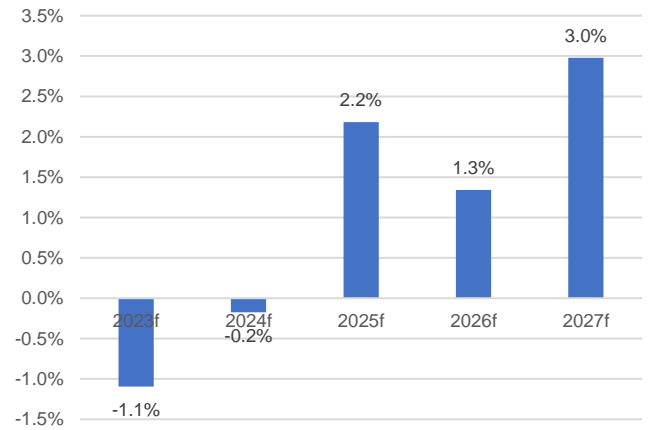
Source: Chronux Research, company data

Figure 6 SA office rental escalations and reversions



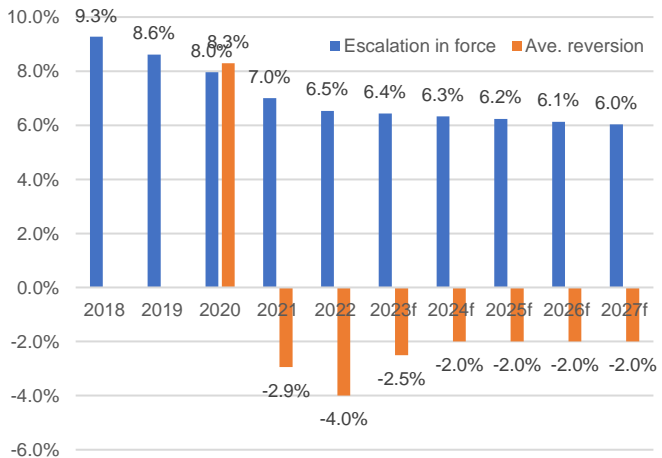
Source: Chronux Research, company data

Figure 7 SA office valuation growth



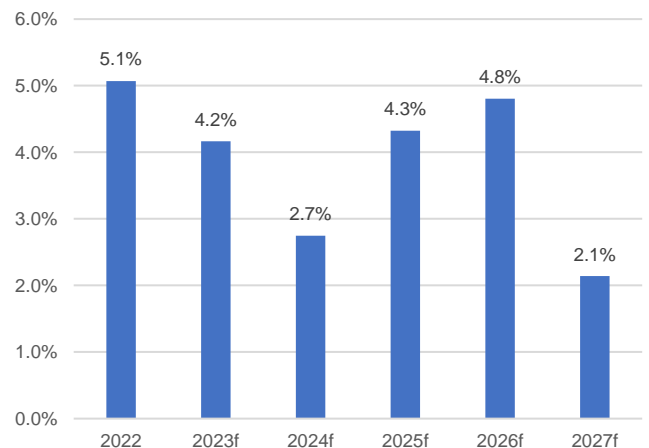
Source: Chronux Research, company data

Figure 8 SA industrial rental escalations and reversions



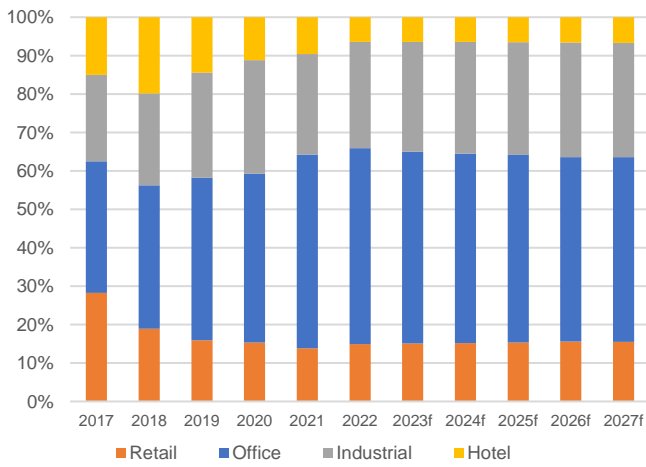
Source: Chronux Research, company data

Figure 9 SA industrial & logistics valuation growth



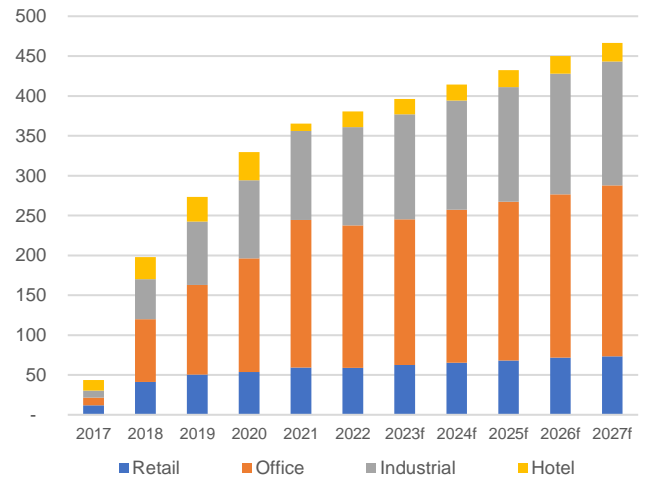
Source: Chronux Research, company data

Figure 10 Segmental contribution to investment portfolio valuation



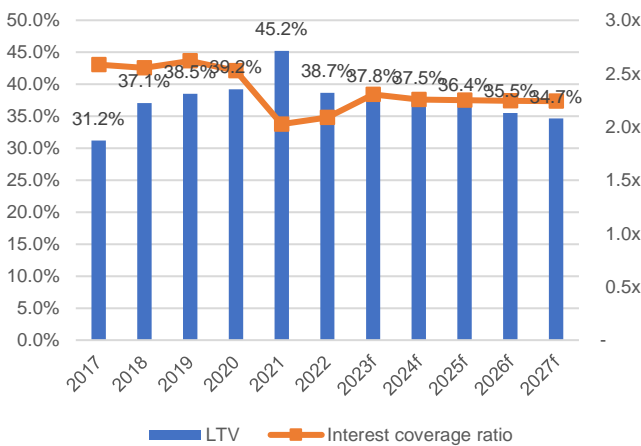
Source: Company data, Chronux Research estimates

Figure 11 Segmental contribution to NOI (ZARmn)



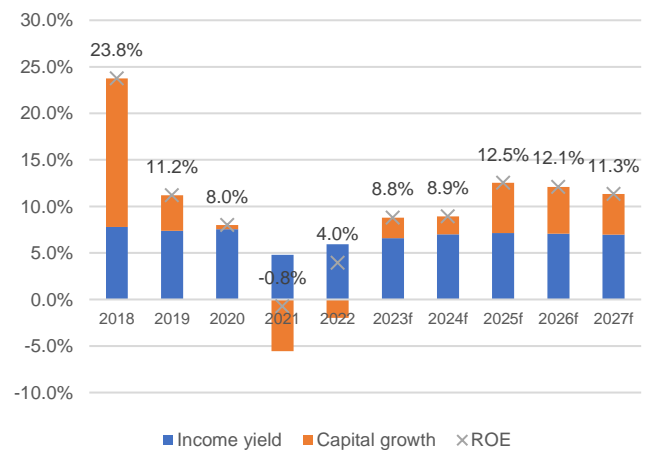
Source: Company data, Chronux Research estimates

Figure 12 SEA LTV and ICR



Source: Chronux Research

Figure 13 Income yield, capital growth and ROE



Source: Chronux Research

Disclaimer

Chronux Research (Pty) Ltd or its affiliates have been commissioned by the Company to produce this research for a fee. This report is not investment, financial, accounting or tax advice and is provided for information purposes only. In preparing this report we did not take your specific needs and investment objectives into account. Any prices or quotations provided are indicative only and may not be used or relied on for any purposes, including valuation purposes. Opinions expressed in this communication may change without any notice. This communication is not a solicitation to buy or sell any product. To the extent permitted by the law, Chronux Research Pty. Ltd. and/or the author(s) accept no responsibility or liability (in negligence or otherwise) for loss or damage resulting from the use of or relating to any error in the information provided. This information has been prepared in good faith and is based on information obtained from third party sources. Any modelling, scenario analysis past or simulated past performance (including back-testing) contained in this information is no indication of future performance. Analysts at Chronux Research might own direct exposure to companies they cover. This product may not be eligible for distribution in all jurisdictions and is directed at Institutional and Professional investors who have the experience as defined by the applicable law and/or regulation in the relevant jurisdiction. It is not deemed suitable for Retail or non-qualified investors and may not be distributed into any jurisdiction where the information is not permitted. This communication is for the intended recipient only and if you have received this communication in error or in an unlawful manner the report must be destroyed, and the author notified immediately. These disclaimers and exclusions shall be governed and construed in accordance with South African law. If any provisions of these disclaimers and exclusions shall be unlawful, void or for any reason unenforceable, then that provision shall be deemed severable and shall not affect the validity and enforceability of the remaining provisions. © Chronux Research Pty. Ltd. All rights of Chronux Research Pty. Ltd are reserved.