INVESTOR UPDATE
FOR THE NINE MONTHS ENDED 31 MARCH 2018

GROWTHPOINT PROPERTIES

LEADERSHIP TRANSITION IN LINE WITH OUR STRATEGIC THRUSTS

Growthpoint Properties has been clear that internationalisation is a key strategic thrust for our business. As we progress on this journey, it has become important to adapt our structure in symphony with our new operational needs.

We have an integrated talent management plan to action our relentless commitment to recruit, grow, train, and retain talent, in order to realise shareholder value. To achieve this sustainably requires a stable and experienced staff complement and a strong, fundamental culture. We therefore plan changes in our leadership well in advance.

This leadership transition responds to our research, which considered Growthpoint's business structures after having completed several major mergers in recent years, with the aim of elevating efficiencies. Its insights were overlaid with the company's strategic thrusts and performance areas. These include its stated goals of optimising and streamlining its existing portfolio, introducing new revenue streams through funds management and trading and development, and internationalisation.

Growthpoint's new executive structure is tailored for leadership that continues to deliver strong operational and strategic performance.

In November 2017 Growthpoint properties announced that, from 1 March 2018, the company's Chief Executive Officer, Norbert Sasse, would become Group Chief Executive Officer with his primary focus on the strategic direction of the Group aligned with Growthpoint's internationalisation strategy, as well as overseeing and representing Growthpoint's interests in local and international subsidiaries and associated companies. In addition, Growthpoint's Managing Director, Estienne de Klerk, would become the South African Chief Executive Officer, with a dedicated focus on the direction of Growthpoint's South African operations. He will continue to support the Group CEO in relation to Group strategy and oversight of strategic investments. At the same time as these changes were implemented, our Financial Director, Gerald Völkel, became Group Finance Director.

Also from 1 March 2018, Growthpoint introduced three new executive positions for its South African business. Head of Industrial, Engelbert Binedell, became Chief Operating Officer (South Africa); Head of Office, Rudolf Pienaar took up the role of Chief Development and Investment Officer (South Africa); and our Divisional Finance Director, Francois Schindehütte, became Chief Financial Officer (South Africa). This will ensure a concentrated focus for these core functions in South Africa.

Stephan le Roux, Head of Retail, will retire at the end of April 2019 and will remain at Growthpoint in a mentorship role until then.

Aligned with these changes, the new heads of asset management of Growthpoint's property divisions, each highly experienced and deeply knowledgeable about the respective portfolios, are: Neil Schloss for Retail, Paul Kollenberg for Office and Errol Taylor for Industrial. Their former positions as asset managers have been filled by Remica Athmaram and Gerda Visagie jointly in Retail, Nico de Jager and Nqabenhle Manana jointly in Office and Jason Reeves in Industrial.

We strongly believe these changes are good for Growthpoint and its stakeholders.

STRATEGIC THRUSTS

We remain committed to our three key strategic thrusts:

1. Internationalisation
2. Introducing new revenue streams
   - Funds management business
   - Trading and development
3. Optimising and streamlining our existing portfolio

1. Internationalisation

The growth of our offshore business remains the key driver for Growthpoint. We continue to support both Globalworth Real Estate Investments (GWI) and Growthpoint Australia (GOZ) in their growth trajectories, while also looking for other opportunities.

Growthpoint currently owns 29% of GWI and will immanently invest EUR150m directly into Globalworth Poland Real Estate (GPRE), a 71.7% held subsidiary of GWI.

2. Introducing new revenue streams

Funds management business

The first close for both the Africa and Healthcare funds has been successfully concluded.

Growthpoint and Investec Asset Management, in partnership with the International Finance Corporation (IFC), announced the commencement of operations of their pan-African real estate investment business, Growthpoint Investec African Properties (GIAP), which is managed by Growthpoint Investec African Property Management.

The fund has secured capital commitments in excess of USD212m from several large institutional and international investors, with Growthpoint committing USD50m. The fund will seek to invest in income-producing commercial real estate assets in select cities across the African continent. Targeted investments will be further diversified by sector, with GIAP's mandate spanning office, retail and industrial properties.

The Healthcare fund has secured capital commitments of R285m. It is expected to raise at least double that again in the next 12 months. The fund already holds five assets in the defensive healthcare property sector valued at R2.4bn. It also has a R750m pipeline of hospital developments. The first is a new R450m specialist hospital that will break ground in June 2018. Another R300m specialised facility is in advance discussions. The fund also has several acquisition and development opportunities on the horizon, which are being evaluated.

Trading and development

Sticking to the limits previously communicated, the value of projects pre-identified as opportunities for trading and development for third-parties, will not exceed 5.0% of the value of the South African portfolio and the development of assets for our own balance sheet will not exceed 10.0%.
We continue to build a sustainable pipeline of opportunities that we believe should contribute between 1% and 2% of distributable income going forward.

3. Optimising and streamlining the existing portfolio

We are in advanced stages of negotiation with parties for a portfolio asset sale equating to approximately 7% of the value of our South African portfolio. Given the size and scale of the transaction we expect the deal to be concluded in the second half of the calendar year. Indications are that Growthpoint will be providing mezzanine finance and, as such, our preference is to manage the assets until such time as the mezzanine debt has been paid down.

R900m of the R3.2bn individual asset sales, post half year end, have transferred and we expect Investec to transfer before financial year end.

SECTOR UPDATE

SOUTH AFRICA

Despite the renewed positive sentiment in South Africa, the market remains incredibly tough with no indicators of improvement. All three sectors have an oversupply of space, which must be absorbed before the industry will find itself at an advantage again.

Key portfolio metrics generally remain under pressure. While all three sectors' vacancy levels remain below industry average, vacancies edged up slightly from HY18, in both the Office and Retail portfolios but they remain steady within the industrial portfolios. Total portfolio vacancies are 5.3% compared with 5.2% at HY18. Total arrears as a percentage of collectables is well contained at 7.3% and improved from the 7.8% reported at HY18. Some 800 000m² of space was let in the first nine months of the financial year. Our renewal success rate remains under pressure at 61.3% vs. 61.9% at HY18. The renewal growth rate further deteriorated from negative 0.5% at HY18 to negative 1.9% at 31 March 2018, with all three sectors showing negative renewal rates. It is an extremely competitive market and the cost of attracting and retaining clients is high. Retail is showing an improved renewal lease period of four years. For Office, however, this is now at 2.9 years and for Industrial just over 3.1 years. We expect these key performance indicators to remain under pressure for the foreseeable future.

RETAIL

Oversupply from the last five years and the constrained macroeconomic environment, continue to impact trading density growth negatively. The positive sentiment arising from political changes in December 2017 is yet to translate into sales. These two factors are resulting in tough negotiations with our clients and prospective clients. That said, trading densities are still healthy in most of our centres and continued tenancy is not a risk. It is the rental levels that are under pressure.

We have looked at all our major centres critically. Some of them form part of our larger portfolio of asset sales. Those we consider to be long-term investments are in the process of being upgraded or will be refurbished in the next financial year, where appropriate. This ensures the continued relevance of our major assets which, in turn, protects our market position. The ongoing improvement of the client mix across our entire portfolio is also a key focus. The upgrades to both Festival Mall and Lakeside Mall will be completed by the end of the calendar year. Upgrades at La Lucia and Longbeach are under consideration for FY19.

Discussions with Edcon are also ongoing with regards to various alternatives, including renewals and non-renewals, rental negotiations and early terminations are under consideration.

OFFICE

We continue to see demand in certain nodes in Johannesburg and Durban and Cape Town, which continue to perform well. Renewals remain under pressure as leases are resetting back to market more frequently because of shorter lease lengths. It costs us to attract and retain tenants. Downsizing is the theme dominating the market.

The renewal success rate was impacted significantly by the non-renewal of 24 716m² at BCX in Midrand and Faerie Glen, across three buildings, which accounts for some 13% of expiries in the nine month period.

Vacancies for the nine months have peaked in the mid to upper 8%; however, they will be negatively impacted by large fully let properties coming out of the base due to asset sales, such as Investec.

Despite the weak economic environment, we continue to develop to keep our portfolio relevant, in line with demand from clients for modern P-grade energy-efficient buildings. We currently have 86 buildings with a value of R19bn that are certified by Green Building Council SA. The new development for Exxaro in Centurion is progressing well and rising above the ground. Exxaro is now leasing 100% of the 18 500m² building. It will take occupation in May 2019.

In Cape Town, the redevelopment of 5 400m² Draper Street, which will be linked to Montclare Place, has commenced. This increases our space offering in the city's southern suburbs, where demand currently exceeds supply.

Enquiries for space at 144 Oxford are strong and we hope to secure the requisite pre-lets to trigger the full development of 35 000m². This is preferable for clients as they want larger floor plates without the inconvenience of construction.

We are also considering two infrastructure developments designed to protect and enhance the value of certain assets in specific nodes.

Phase one and two of Discovery is now complete and occupied with a total GLA of 116 242 m². The R3.7bn development which was co-developed with Zenprop, with Growthpoint owning 55%, was delivered on time and on budget.

INDUSTRIAL

Developments have been an advantage for our Industrial portfolio in the current economic environment. We have continued to develop through the economic weakness to meet client demand and ensure our portfolio has a modern logistics and warehousing bias. Growthpoint's larger portfolio sale includes 24 industrial properties, which are smaller assets in nodes that we no longer consider core, which will also contribute to this bias.

Development is focussed on our sites in Samrand, Wadeville, Midrand and Meadowdale. We also continue to look for additional strategic land parcels.

JDL Electrical, a client secured some three years ago at Midrand Central, has outgrown its 2 900m² facility and we are currently developing a 6 200m² facility for them on the final vacant site at this development. Their occupation is scheduled for December 2018.

In January, we completed a 9 500m² warehouse for Bakers Transport on our Samrand site in Midrand. Bakers has exercised its option to purchase the asset. Two other smaller units have been completed at Samrand; a 3 500m² facility with a secured client and a 2 500m² building to let. Two further turnkey deals are imminent.

At Growthpoint Industrial Estate in Meadowdale, we completed a 10 200m² facility for Fast and Furious, an existing client that outgrew their space. A new client, City Couriers, has also been secured for the 6 500m² existing facility that Fast and Furious will vacate. We are also building a speculative 3 500m² facility at the estate, after which there will be only one site available, for which Pick 'n Pay has an option.

We developed a 4 800m² modern logistics warehouse facility for Laser Logistics at our Mill Road Industrial Park in Cape Town. It will take occupation in September 2018. On the same site, we are undertaking a 20 000m² speculative development, which is flexible for subdivision into smaller units, similar to our nearby Greenfields Industrial Estate, which is very successful.

We re-let some big boxes including the new 8 600m² property at Saligna in Boksburg, where the original client never took occupation, another 11 300m² facility in Meadowdale for Diplomat Logistics, and 18 000m² for KLT Precision Tubes (SA) at Paul Smit Street, Anderbolt.

Clients are spoilt for choice in Gauteng with the supply overhang which is putting pressure on both renewals and new lets. Vacancies in Durban and Cape Town are at all-time lows and supply is very limited.

The large 68 000m² Growthpoint Business Park in Midrand has some large office vacancies. The business park consists of a mix of office and industrial properties and is facing stiff competition from Waterfall across the highway.

In this environment, our asset management strategy, together with our development focus, is crucial as we reposition our Industrial portfolio to meet client demand.

V&A WATERFRONT

Although the water crisis has been averted for now with Day Zero pushed out to 19 January 2019, we have seen the first signs of the impact of a tourism slowdown in hotel RevPAR (revenue per available room) rates, which are down 8% year on year while national figures are up 1%. This goes against a long run of increasing RevPar rates. That said, turnover rentals for the year to 31 March 2018 grew, mainly driven by the One&Only and Table Bay hotels. The Radisson Red hotel has also exceeded expectations since opening in September 2017, with occupancy levels at 60% for the seven months.

Retail sales for the 12 months to 31 March 2018 were up 3% with restaurants and bars at 3%, fashion and accessories at 12%, mainly reflecting volume. Jewellery was down 6% as a result of the stronger Rand, sales at department stores remained fairly flat and markets performed well at 11%.

The cruise terminal has shown good performance that is ahead of budget.

Development activity is currently focussed on the Canal District where large blue-chip corporates are investigating options for the redevelopment of the Audi and Caltex sites. A residential scheme is also being planned. The masterplan for the Granger Bay site is still being conceptualised.

GROWTHPOINT AUSTRALIA LTD (GOZ)

GOZ continues it accretive recycling of capital. Woolworths Mulgrave was sold at a 38% premium to book value and a 5.2% yield. The Perth Airport industrial properties were acquired at an 8.1% yield and the 18.2% stake in IDR acquired at a 7.2% DPS yield.

However, with the wall of global money investing in Australian direct property, it is becoming increasingly difficult to do deals of this nature as cap rates continue to compress. In this market, merger and acquisition opportunities remain the cheaper and more efficient way to grow the business. GOZ will also continue to realise upside from the sale of its existing portfolio assets that have future development potential to a higher and better use. It is considering internal development opportunities.

Gearing has been reduced to 35.8%, which ensures balance sheet flexibility going forward and, as such, GOZ is well placed to take advantage of opportunities should they present themselves.

The Australian domestic economy remains favourable for commercial property. Unemployment is low and expected to decrease even further and the population continues to grow with Victoria being the biggest beneficiary.

GOZ is expected to perform well and deliver growth according to guidance of AUD 22.2 cents per share, however from a Growthpoint perspective, we expect distributions from GOZ for FY18 to be negatively impacted by the stronger ZAR as well as the higher dividend withholding tax rate.

GLOBALWORTH REAL ESTATE INVESTMENTS LTD (GWI) AND GLOBALWORTH POLAND REAL ESTATE (GPRE)

Globalworth has been active on the acquisition front in Poland with three deals in various stages of conclusion:

- Warta Tower: a modern office tower in the City Centre West district of Warsaw, Poland for a consideration of € 55 million. Warta Tower, which was completed in 2000, comprises approximately 28 000m² of GLA, and offers outstanding architectural qualities, including its iconic lobby. The 21-floor building is multi-tenanted, with TUiR Warta S.A. (insurance and reinsurance com pany being a subsidiary of Talanx International AG) as its largest client, has a contracted rental income of c. € 5.9 million, occupancy of c.92% and a weighted average lease length of c.3.5 years.

- Quattro Business Park: a high-quality office complex in Krakow, consisting of five buildings offering a GLA of 60 200m² and has annual contracted rental income of c.€10.7 million, with occupancy of c.99% and a weighted average lease length of c.3 years. Clients include Capgemini, Google and Luxoft.

- West Link: is a high-quality office building Wroclaw. It offers 14 400m² GLA and occupancy of 100%, with an annual contracted rental income of €2.5 million and a weighted average lease length in excess of six years. The main client is Nokia Solutions & Network.

On the back of this expansion in Poland, and in response to significant investor interest, GWI issued a second bond as part of its EMTN programme for EUR550m at a 3% coupon for seven years.

TREASURY UPDATE

It has been a very busy nine months for Growthpoint's treasury. Two corporate bonds for R809m were issued in October 2017 for terms of five and seven years and at rates of 144bps and 170 bps over Jibar respectively. Growthpoint issued its inaugural Green Bond in March, raising R1.1bn for terms of five, seven and ten years at 139 bps, at 169 and 200 bps over Jibar respectively. We also successfully placed a Eurobond for USD425m at 5.872%, which was immediately swapped into Euros EUR351m at around 3.3% to refinance the EUR110m investment into GWI in December 2017 and to fund the investment into GPRE, leaving approximately EUR90m for future funding requirements. The order book was two times oversubscribed and the bond was allocated to just over 50 investors with 42% in the UK, 40% in the USA, 10% in South Africa, and the balance in Europe and other parts of the world.

Banks also continue to hold Growthpoint paper as High-Quality Liquid Assets (HQLA) because of our national scale AAA Moody's rating. Equity of R1.0bn was raised through our distribution re-investment programme in March, with 36.0% shareholder support.

Growthpoint's weighted average interest rate on 31 March 2018 was 9.2% (9.1% HY18). Including cross-currency interest rate swaps (CCIRS), it decreases to 7.2% (7.5% HY18). The weighted average term of the liabilities has increased to 3.2 years.

84% of the expected final distribution from GOZ for FY18 is hedged (interest payments and Forward exchange contract (FECs)), with the FECs at an average rate of R11.01 / AUD, and the anticipated GOZ dividends cover the interest obligations under the CCIRSs 4.1x for FY18.

43% of the expected dividend income from GWI for HY18 is hedged (interest payments and FECs), with the FECs at an average rate of R16.87 / EUR. The anticipated GWI dividends cover the interest obligations under the loans, CCIRSs and EUR interest rate swaps 4.2x for FY18.

Distribution growth for the financial year ending 30 June 2018 is expected to be similar to that achieved for FY17.

GROWTHPOINT PROPERTIES

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