

# Investor Showcase

## Office Sector

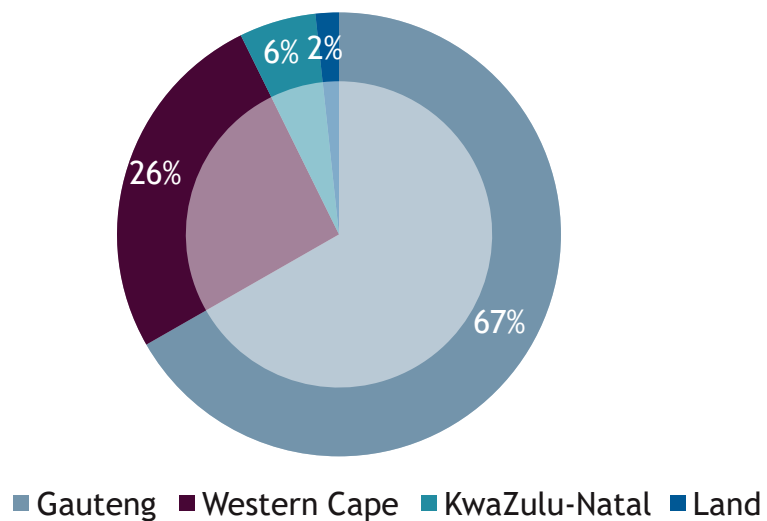




# Portfolio composition - June 2022

	June 2022	June 2021	June 2020
Number of properties	158	165	168
GLA m <sup>2</sup>	1 672 346	1 705 846	1 672 010
Vacancy m <sup>2</sup>	346 786	339 933	250 800
Valuation (R million)	25 663	27 642	29 514
Value per m <sup>2</sup>	15 073	15 721	17 652

## Geographic distribution





# Hybrid working



- Offices critical for improved productivity, collaborative working, mentoring and attraction of skills
- Tenants are returning to offices, but most are working on a hybrid basis, coming in 3 times a week - employers want staff to return, and load shedding has encouraged people to come back, but the high fuel price has created resistance from staff
- This has resulted in many smaller tenants coming back into the market, but larger tenants continue to downsize, to save costs, and take advantage of hot desking
- Tenants are looking for buildings with amenities, to encourage staff to return
- Tenants are also looking for flexibility, as they are not all sure how they will use office space in the future
- Sentiment in the sector has improved, with many more enquiries being fielded





# Asset management strategy

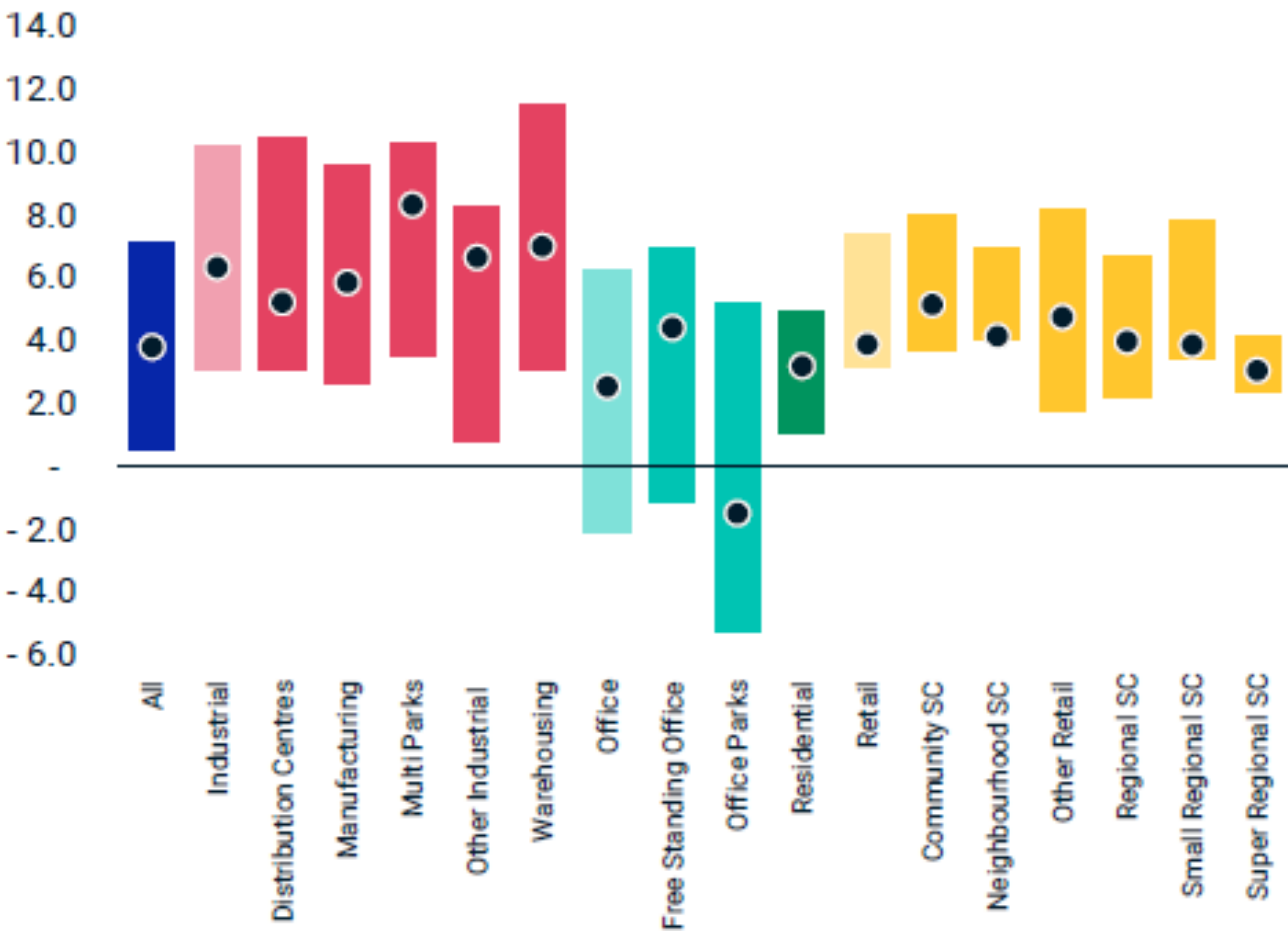


- More active acquisition, disposal and development strategy
- Core properties being redeveloped, upgraded and repositioned
- Alternative, more flexible, letting models under investigation
- Re-balance nodal weighting
- Buildings identified for sale, specifically in nodes no longer desirable for offices, and likely purchaser identified
- Sale of empty buildings to owner occupiers
- Conversion of properties to alternate uses - residential, educational, storage
- Bringing land to account



# Asset management strategy

2022H1 Range of returns by property type (25<sup>th</sup> - 75<sup>th</sup> percentile | All assets)





# Sales

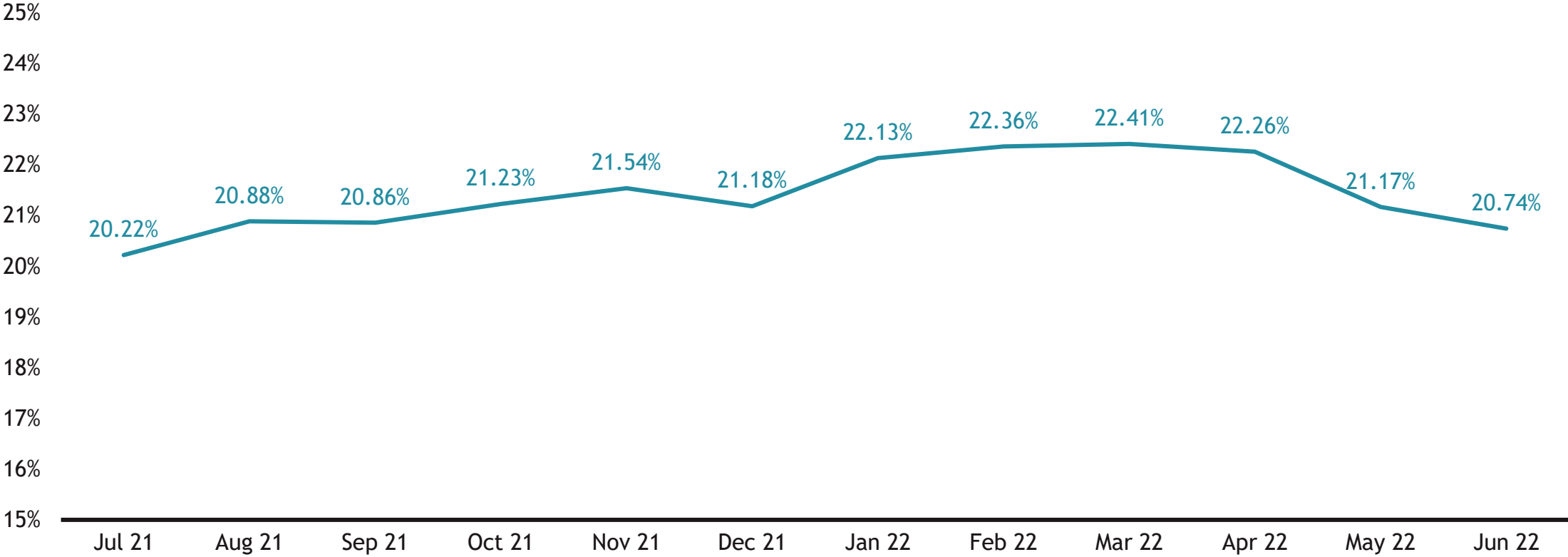
Sold to/for	Building name	Location	GLA	Selling price	Rate per m <sup>2</sup>	Date of transfer
Owner Occupier	13 Autumn Road	Rivonia	1 224	10 000 000	8 170	05 August 2021
	22 Impala	Chiselhurst	1 092	15 000 000	13 736	17 September 2021
	68 Grayston	Sandton	5 184	57 000 000	10 995	09 June 2022
	Morningside Close Block B	Morningside	1 385	11 000 000	7 942	24 January 2022
Investors	1331 Morningside	Morningside	Service Station	69 000 000	N/A	08 July 2021
	Standard Bank Umhlanga	Umhlanga	3 215	31 500 000	9 798	15 October 2021
	7 Wessels Road	Rivonia	2 374	23 500 000	9 899	28 October 2021
Tenant	Healthcare Park	Woodmead	13 694	160 000 000	11 684	10 February 2022
Residential conversion	DRA Sunninghill	Sunninghill	11 500	40 000 000	3 478	23 Sept 2021
	St Davids Office Park	Parktown	12 085	102 800 000	8 506	30 May 2022
Total			51 753	519 800 000		

Sales of a further R77 million have transferred since year-end, with agreements signed for a further R328 million



# Vacancies

Vacancies FY2022





# Letting

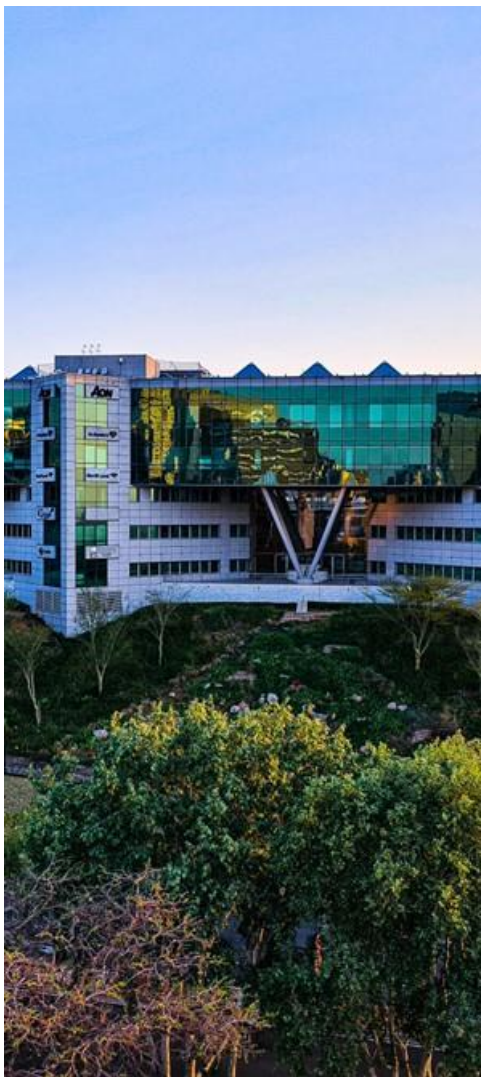


- 283 000 m<sup>2</sup> of leases expired during the financial year (17%)
- 58% of this GLA (164 126 m<sup>2</sup>) was renewed, impacted by tenants downsizing (Renewals of 52% in 2021 year)
- Almost 140 000 m<sup>2</sup> of new leases signed
- 32 182 m<sup>2</sup> of leases terminated, half due to failures or evictions (48 555m in 2021)
- Weighted average vacancy in buildings sold - 31%





# Letting strategy



- Continued provision of sustainable, efficient, well-maintained buildings
- Each deal tailored to tenant's requirements: Lease term, fitout, rental and escalation massaged to suit tenant needs
- Incentives to new tenants:
  - Smart Move
  - Undeposit
  - SmartShare
  - Work Agility
- SmartStay incentive to existing tenants, on renewal
- Provision of amenities, including activating buildings with partners and appointment of community managers
- Identification of who likely tenant will be for each building, and pro-active marketing to that industry



# Work agility



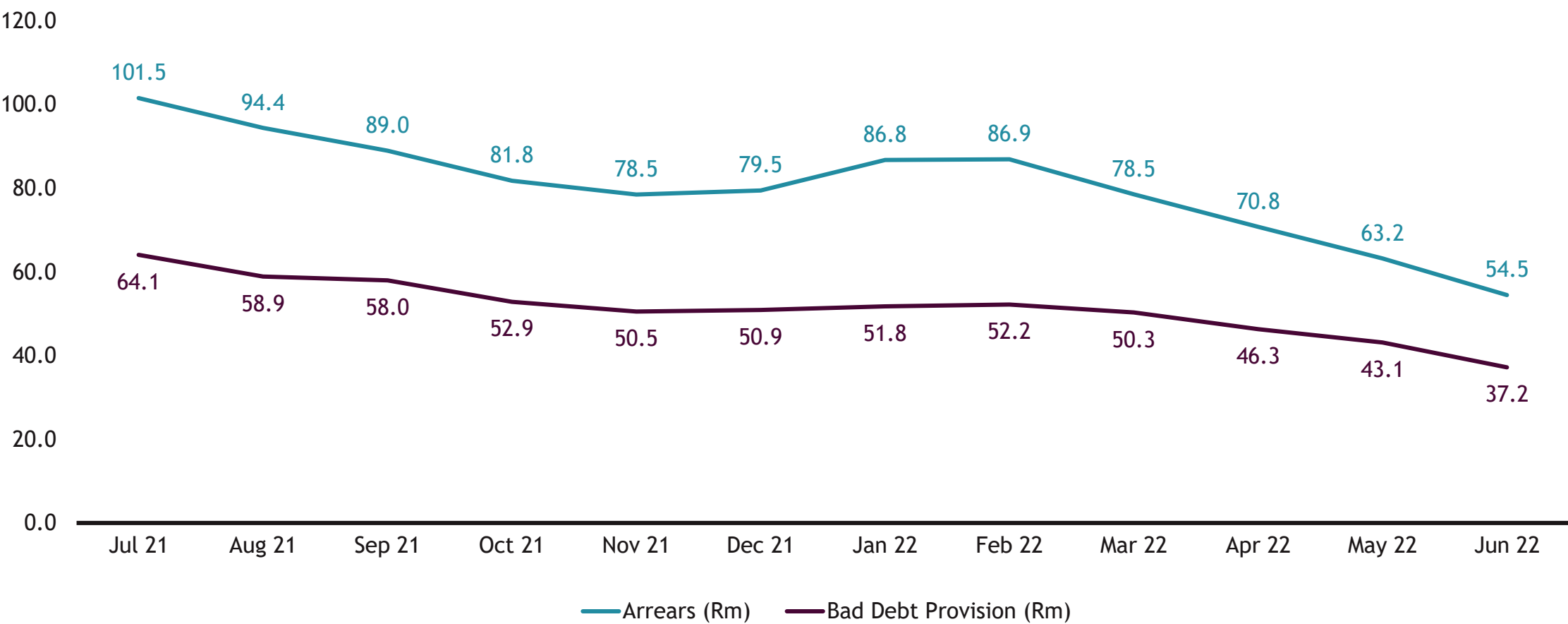
- Letting out of serviced, fitted out space ready for occupation by a single tenant
- Each tenant would have their own identity
- Tenants do not have the upfront setup costs, or the headache of planning and setting up the space
- Standard layout, but can be tweaked
- Costs of fitout and furniture amortized into the rental
- At the moment limited to specific buildings, run by a community manager



# Arrears as at June 2022

Arrears continue to decline and stood at 10.1% of collectables at the end of June 2022. A provision for bad debt was raised for 68% of this arrears

Arrears and bad debt provision (Rand value)





# Discounts and deferrals

COVID-19 adjustments	Year to June 2022	Year to June 2021	Year to June 2020
Deferment granted	(3 265 618)	(7 870 995)	(71 634 252)
Deferments recovered	4 376 854	69 568 725	5 109 562
Discounts granted	(8 409 833)	(32 891 449)	(28 083 366)
Bad debts raised	6 053 298	(23 220 245)	(39 833 214)
Net position	(1 245 299)	5 586 036	(134 441 270)



# Valuations



- Like on like valuation as at June 2022 decreased by 5.7% (R1.54bn) to R25 663 million
- The devaluation to June 21 was 8.8%
- Key valuation metrics were kept constant - Cap rate, Exit cape rate, Discount rate - with average Market growth rate recovering slightly
- Devaluation the result of:
  - Decreased in-force and market related rentals
  - Reversions on renewal
  - Reduction in escalation rates, to 7.2% on average
  - Increase in portfolio vacancy
  - Increase in period assumed to fill vacancies
  - Write-down of value of land holding
- Weighting of the office sector decreased from 40.2% to 37.8%



Questions

Thank you



**GROWTHPOINT**  
PROPERTIES

