



INDLUPLACE

DWELLING ON RESIDENTIAL

(Incorporated in the Republic of South Africa)

(Registration number 2013/226082/06)

(Approved as a REIT by the JSE)

JSE share code: "ILU" ISIN: ZAE000201125

SPECIALIST MANAGEMENT TO DRIVE INDLUPLACE PERFORMANCE

Focus remains on diversified residential portfolio strategy

- **Largest focused residential REIT**
- **Portfolio growth of 269% from 3 690 to 9 933 units since listing**
- **Focus on single tenants; shifting away from head leases**
- **Increasing in-house team to drive future returns**

Thursday, 9 May 2019. IndluPlace Properties Limited ("IndluPlace"), the largest, residential focused JSE-listed REIT, with a portfolio that provides affordable rental housing, today released its financial results for the six months ended 31 March 2019. IndluPlace reported a dividend of 37.49 cents per share for the period.

Since listing in 2015, IndluPlace has transformed into a solid, residential property portfolio which provides a mix of affordable rental accommodation that caters for the housing needs of individuals, single-headed and mid-sized households. In recent years, the portfolio has expanded by as much as 269% to 9 933 units, following the acquisition of a large portfolio in 2017, which added 2 803 units. The IndluPlace portfolio now comprises a significant share (47%) of two-bed units and bachelor and one-bed units (41%).

The challenging economic environment experienced over the past year has validated IndluPlace's strategy to focus on these housing brackets in both the inner city and suburban areas, where affordability considerations for low income families are paramount. This is especially the case given the mounting pressures on disposable incomes emanating from rising utility and transport costs, and food prices. However, these cost pressures, coupled with high unemployment levels have become quite embedded in recent months, inevitably impacting on the portfolio's financial performance.

"The last six months have proven to be even more challenging than expected, with low economic growth persisting and pressure on the consumer increasing. We have had to put more resources into our marketing efforts, while maintaining escalations at a minimum in order to limit vacancies. While we have been able to contain vacancies and tenant churn, this inevitably had an impact on our profits for this period", commented Carel de Wit, CEO of IndluPlace.

For the period ended 31 March 2019, vacancies increased to 8.7%, from 6.3% in March 2018. However, this number is significantly skewed by the impact of vacancies at Highveld View in Emalahleni, resulting

from the non-renewal of bulk leases linked to the construction at Eskom's Kusile power station in 2018. Excluding Highveld View, vacancies would have been around 5.7% which is similar to the comparative previous period, as a result of management's focused marketing efforts.

The company's revenue, excluding straight line rental income declined to R318.3 million compared to R334.7 million at 31 March 2018, with the non-renewal of the Highveld View bulk leases accounting for a substantial portion of the decline. Higher than inflationary municipal cost increases, coupled with heightened costs such as legal fees that relate to managing non-paying tenants resulted in a net expense ratio of 32.3%.

Terry Kaplan, FD of Indluplace explained: ***“Our expenses for the reporting period increased by 7% to R138.9 million on the back of rising municipal costs, legal fees and increased maintenance expenses. We believe some of these pressures will ease as the operating environment improves and will therefore, in the interim, remain focused on ensuring that we maintain a hands-on management approach and continue to mitigate downside risks in order to deliver stable returns to investors over the medium-term.”***

CEO De Wit concluded: ***“The current environment has encouraged us to crystallise our strategy and to deliberately shift from student accommodation and head leases to concentrate on our core business which is to provide value for money options to individuals choosing to rent in well managed, well maintained buildings. We will be increasing our operational team to position our portfolio optimally as we believe that demand and affordability will improve once the macroeconomic environment stabilises. We anticipate that the performance of the portfolio will improve in the second half of this financial year and look forward to less political and economic uncertainty, which should result in improved investment returns”.***

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NOTE TO EDITORS:

Indluplace Properties Limited

Indluplace Properties is the only REIT listed on the main board of the JSE that focuses exclusively on rental residential property. Since its listing it has increased the value of its properties to R4.3 billion and currently owns 176 residential properties consisting of 9 933 residential units and about 20 583m² retail space, spread mainly across Gauteng.

Indluplace is growing a diverse portfolio by focusing on acquiring yield enhancing properties and portfolios that provide income from date of acquisition. This will be achieved by investing in rental housing, where a proven demand exists, generally in larger urban centres close to work opportunities and transport infrastructure.

Indluplace offers an exit for developers or owners of residential stock or portfolios and utilises specialist outsourced property managers for the appropriate portfolios.

Leadership and Management Team

Indluplace is led by an experienced management team, with strong credentials, who has extensive experience in the sector. Executive directors include Chief Executive Officer Carel de Wit and Financial Director Terry Kaplan.

Executive Directors

- Carel de Wit Chief Executive Officer
- Terry Kaplan Financial Director

Non-executive Directors

- Taffy Adler Non-executive director
- Selwyn Noik Non-executive director
- Imraan Suleman Non-executive director and CFO of Arrowhead Properties
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Independent Non-Executive Directors

- Gregory Kinross Lead independent non-executive director
- Clifford Abrams Independent non-executive director
- Ayesha Rehman Independent non-executive director