

MARCH 2018: ACCELERATE PROPERTY FUND PRE-CLOSE UPDATE

The South African property market remains challenging, reflecting tough trading conditions in a weak economy. The economy has yet to see material sustained benefits from an uptick in political certainty post-December 2017. It is our opinion that the economy will benefit from this, however, its effects on the property sector will be gradual.

Within this environment, a focus on tenant retention and protecting our income stream are imperative. As at end January 2018 we have achieved positive rental reversions, with a tenant retention rate of approximately 85% by number of tenants.

Post-September 2017 vacancies in the retail portfolio have improved marginally, office remains stable and industrial, albeit a small portion of the total portfolio (5,9% by revenue), experiencing pressure following the Checkers Montague property becoming vacant in February. We have received a fair degree of interest in this space and, given its prime location, are confident it will be let in due course.

In addition, cost to income is down from 16,9% for FY17 to approximately 15,4% YTD. Arrears have remained stable,

and our portfolio weighted average lease expiry (WALE) remains defensive, in excess of five years.

As a management team, we have identified the following three priorities for the 2019 financial year:

1. The Fourways Mall Redevelopment
2. Reducing gearing levels and other balance sheet optimisation
3. Ongoing proactive property management

1. FOURWAYS MALL UPDATE

In September 2017 Urban Studies (Dr Dirk Prinsloo) undertook a comparative analysis of the Fourways, Sandton and Waterfall nodes and concluded "The Fourways node is experiencing strong development growth which is dominated by the extension of Fourways Mall to >170 000 m². The retail offering will further be strengthened by the flagship representation of Leroy Merlin at 17 000 m². With the extension and additional retail supplied, **the Fourways node will be the most dominant retail market in South Africa**". (our emphasis)



Figure 1: Aerial photo of Fourways Mall Redevelopment.

Construction work on the redevelopment and expansion of Fourways Mall to a super-regional centre of approximately 178 000 m² (excluding Leroy Merlin), continues its progress according to schedule. Key milestones achieved to date include:

- In accordance with the master development plan, focusing on, inter alia, optimal tenant mix, approximately 91% of the total gross lettable area (GLA) has been pre-let. The remaining GLA is under discussion and on track.
- The majority of the approximate R300 million roadworks funded by Fourways Precinct (Pty) Ltd are complete and the new dual carriageway on Cedar Road has recently opened, significantly improving traffic flow in the area.
- The Witkoppen Road flyover construction is almost complete and ready to link into the super-regional mall's multi-level covered parkade.

- 3 000 new parking bays are already available, with additional bays opening on a regular basis.
- The revamped food court and entertainment section is approximately 95% let.
- A unique family entertainment offering, which differentiates the mall, increases dwell time and expands the mall's catchment area. This offering includes the existing flagship Bounce concept of 4 500 m² as well as the new 1 350 m² Fun Company that opened in December 2017. The internationally renowned 8 500 m² KidZania children's edutainment concept is also on track to open in December 2018. The Boeing 737, which will form the entrance of KidZania, recently arrived at the mall, garnering much excitement from the local community and the broader media.



Figure 2: Boeing 737 crossing William Nicol Drive in Fourways

2. BALANCE SHEET OPTIMISATION

Strategically, the fund looks to acquire quality defensive, as opposed to high-yielding inferior, properties. Since listing (December 2013), this strategy has resulted in a number of exceptional properties being acquired by the fund including: Portside (approximately 50%) P-grade office in Cape Town Foreshore, KPMG's A-grade head office in Gauteng, Eden Meander retail convenience centre (originally 28 240 m², after extension 31 325 m²) in George, Citibank's A-grade office in Sandton, and an offshore retail portfolio backed by a leading DIY retailer, OBI, predominantly in Austria.

While these properties together with the existing portfolio, including: Fourways Mall, Cedar Square and our A-grade Foreshore office properties, anchor the fund now and into the future, the acquisitions have contributed to the fund's Loan to Value (LTV) growing above the targeted 35%/40% level.

Given this, the fund has embarked on projects to reduce gearing levels while still protecting income and the overall defensive nature of the portfolio (see Annexure A).

The fund continues to have a diversified funding base. We proactively manage our debt maturity profile, cost of debt and interest rate risk.

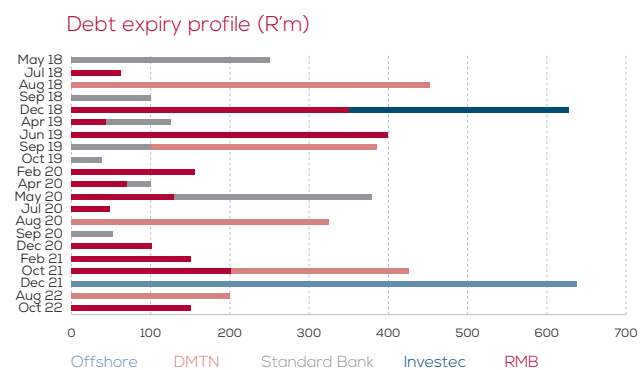


Figure 3: Debt expiry profile

Additional swaps with terms of three and four years were taken out in February 2018. The fund's weighted average swap term has improved to 2,1 years with 95% of total debt hedged. The fund will look to continue to take out additional swaps over the next 12 months to manage the large swap (taken out at listing) maturing in March 2019.

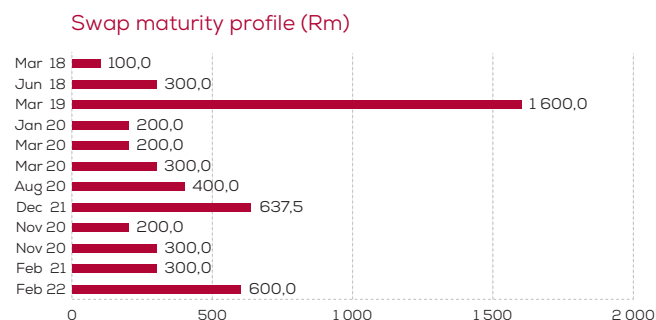


Figure 4: Swap maturity profile (Rm)

3. ENHANCING RETURNS ON ASSETS THROUGH PROPERTY MANAGEMENT

The fund continues to strive to extract maximum value from its portfolio by developing and renovating its properties. Examples of this include:

- the 3 085 m² Eden Meander (George) extension which is expected to be completed by the end of April 2018;
- the Fourways View renovation which has contributed to a number of existing tenants renewing their leases and the introduction of new tenants including Westpack and PetWorld; and
- the commencement of renovations at Leaping Frog (Fourways) with a new Nando's drive-thru being built.

Smaller spends over the past year have also demonstrated how capex effectively deployed on the back of a defined leasing strategy can significantly enhance returns and materially add to the defensive nature of our portfolio.

KPMG UPDATE

We remain in regular contact with KPMG management and are comfortable with the progress that has been made.

The tenants under the KPMG lease agreement are collectively KPMG Inc. and KPMG Services (Pty) Ltd. As a professional partnership, which has been incorporated in terms of section 19(3) of the Companies Act, each of the directors and past directors of KPMG Inc. are jointly and severally liable, together with KPMG Inc., for any debts and liabilities contracted during their respective periods of office.

OFFSHORE UPDATE

Accelerate acquired its first European portfolio in late 2016, acquiring nine well-located retail properties in Austria (77% of revenue) and Slovakia (23% of revenue) tenanted by OBI – the largest DIY retailer in Central and Eastern Europe. The offshore portfolio continues to perform comfortably within expected parameters.

Consistent with the fund's defined single-tenant, long-lease strategy, the fund explored acquiring a portfolio of quality logistics/light industrial properties in Poland. The fund decided not to conclude the proposed acquisition. The Board was of the view that the company's equity price at the time did not fairly reflect the underlying value of the company.

ANNEXURE A POTENTIAL ACCELERATE ASSET MANAGEMENT AND DEAL PIPELINE OPPORTUNITIES

Progress on execution	Initiation	In progress	Well advanced
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Strategic sales	Buzz bulk: * Description – Sale/joint venture on bulk for residential development	BEE deal: * Sale of non-core assets approximately R1,2 billion	Recycling of assets: * Approximately R1 billion
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Developments	Eden Meander expansion: Description – retail development (funded)	Fourways View Re-development: Description – retail development (funded)	BMW bulk: Description – two motor dealerships	Charles Crescent: Description – transformative potential mixed-use or residential joint venture	Foreshore commercial: Description – long-term lease, blue-chip, single-tenant office	Foreshore residential: * Description – residential
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Equalisation	Fourways equalisation: Approximate value – R1 billion Yield – 8% (market-related yield approximately 6,25%) Description – super-regional retail
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* Proceeds to be used to lower LTV and/or fund developments/share buy backs/Fourways equalisation.

The information contained in this slide has not been reviewed or reported on by the company's auditors and may vary dependent on, inter alia, market conditions and opportunities.