

## Interim performance reflective of ongoing COVID-19-related pressure on tenants and the trading environment

### Benefit of strategic actions and initial signs of recovery coming through in early H2 trading

- Distributable earnings of R199 million weighed down by Covid-19 implications
- Rental income including rental discounts of R26 million, down 10.8% at R899 million
- Generally strong level of collections, averaging 95% over the period
- 3% increase in vacancies due to weak trading environment and unusual leasing cycle
- Seven non-core properties disposed of for a total of R26 million
- Active balance sheet management and liquidity planning protected the business
- Robust and encouraging post-reporting period property fundamentals

**Wednesday, 21 April 2021** – JSE listed REIT Octodec Investments Limited, today reported its results for the six months ended 28 February 2021, against a weak economic environment exacerbated by the COVID-19 pandemic and country lockdown. COVID-19 implications saw some residential tenants return to their family homes, increased unemployment, certain business failures and overall reduced affordability which weakened the trading environment and impacted the Group's performance.

Tenant relief of R26 million, mainly in the form of discounts selectively granted to the worst affected tenants, was greatly reduced compared to the past six months and rental collections remained high averaging 95%. However, the rise in vacancies, particularly in the residential and retail shops sectors, lower rentals on renewal of leases added to the loss of rental income which ended down 10.8% for the half-year. Despite property costs being mostly contained, and reduced administrative and finance costs, distributable earnings declined to R199 million.

Jeffrey Wapnick, Managing Director of Octodec commented: ***"The social and economic fallout from COVID-19 lockdown restrictions weighed on our tenant base and consequently on our performance. Octodec has survived 63 years of economic cycles and we are confident that we have taken the necessary steps to proactively respond to challenges and position the business to benefit from a recovery. Octodec's resilience is underpinned by, management's intimate knowledge of the portfolio and markets, the diversified portfolio and granular tenant base, strong cash generation and prudent financial management."***

Occupancy levels were down 3% overall, driven mainly by the usual peak in residential vacancies experienced at the end of the calendar and academic year, followed by a delayed uptick in leasing in the new year. Commercial vacancies, save for retail shops, were relatively stable owing to continued demand for Octodec's quality offering and active leasing. The retail shopping centres portfolio comprising mainly convenience and neighbourhood centres, proved to be defensive given its limited vacancies and ongoing support from consumers.

During the period, a digital leasing system was implemented and an emphasis was placed on digital marketing to attract new tenants. The rollout of Wi-Fi to residential buildings was expedited with a few completed during the period, ensuring that these buildings remain relevant and attractive to tenants. Additionally, furnished apartments and shared accommodation were introduced at The Fields in Hatfield with a second phase successfully launched during the period.

Speaking to the post reporting period improvements in trading experienced, Wapnick said: ***"The city 'buzz' is back with the return of people to the city centres and virtually all retail tenants are trading. Leasing activity has picked up across sectors and we are seeing renewed confidence from national tenants to commit to leases. Residential vacancies have come down nicely following the delayed start to the tertiary academic year and rental payment patterns are becoming more predictable with collections averaging 99%. The benefits of our digital marketing push and enhanced digital leasing capabilities are also beginning to come through in the form of increased leasing activity, cost efficiencies, ease of transacting and improved customer service as well as an extension of our target market reach."***

Octodec Investments Limited Reg. No: 1956/002868/06

Directors: S Wapnick (Chairman)<sup>1</sup>, JP Wapnick (Managing director)<sup>2</sup>, AK Stein (Financial director)<sup>2</sup>, DP Cohen<sup>3</sup>, GH Kemp<sup>4</sup>, NC Mabunda<sup>4</sup>, EMS Mojapelo<sup>4</sup>, MZ Pollack<sup>1</sup>, PJ Strydom<sup>4</sup>, LP van Breda<sup>1</sup>

<sup>1</sup> Non-executive director, <sup>2</sup> Executive director, <sup>3</sup> Lead independent director, <sup>4</sup> Independent non-executive director

Group Company Secretary: E Greeff

In line with the decision taken by management to preserve cash, Octodec did not undertake any major new developments and instead focused on maintaining and carrying out smaller upgrades of properties or lease-driven projects. The business completed the refurbishment of Leo's Place, a residential property in Tshwane Arcadia, at a total cost of R11.7 million, which included a recreational area and the renovation of the common areas to a more contemporary look that appeals to the younger occupants.

Octodec continued with active marketing of the properties held for sale and entered into numerous conditional agreements with buyers. In the current environment, it is difficult for buyers to secure funding, drawing out the disposal process. During the period, the Group disposed of seven properties for a total consideration of R26.3 million. Three of these properties transferred for a total consideration of R6.5 million and transfer of the remaining properties is expected to take place before the end of the financial year.

Octodec finished the period on a sound financial footing with sufficient facilities available to honour commitments. Cash generation during the period remained strong at R388 million and unutilised available banking facilities totalled R313 million. Management proactively addressed short term loan expiries and extended swap maturities while also managing covenant headroom and flexibility. The group's LTV was 44.2%, well within bank covenant levels of 50% despite the 4,3% devaluation of the property portfolio to R11.3 billion.

***"We are comfortable with the Group's financial position and our solid banking relationships continue to serve us well in our proactive and constructive engagements with funders, who are supportive. Cash flow discipline remains a key focus and we are closely monitoring vacancies and rental payment trends to ensure robust liquidity planning and management,"*** commented Anthony Stein, FD of Octodec.

Due to ongoing uncertainty around subsequent waves of infection and further lockdown restrictions, no interim dividend has been declared. The decision around a final dividend will be made at the time of the release of the annual results. Management is committed to the Group strategy and is continuously exploring innovative initiatives to unlock value in the properties.

***"While we remain cautious on the outlook and it is early days, we are encouraged by the green shoots we are seeing in improved occupancies, collections and leasing activity since March and are hopeful that this is an indication that the worst is behind us. We will continue to be responsive to the dynamic environment by actively managing the portfolio and factors within our control, positioning the Group to navigate the headwinds and take advantage of a change in tide,"*** Wapnick concluded.

ENDS

## ENQUIRIES

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## NOTES TO EDITORS

Octodec is a Real Estate Investment Trust ("REIT") listed on the JSE Limited ("JSE") and invests in the residential, retail, shopping centre, office, industrial property and specialised sectors. Octodec's portfolio which comprises 274 properties mostly located in the Tshwane and Johannesburg CBDs, is valued at R11.3 billion. Octodec is focused on and committed to the continued investment into the Johannesburg and Tshwane city centres which offer growth potential.

Jeffrey Wapnick, the Managing Director of Octodec Investments since 1998, is responsible for the effective management of the company with a strong emphasis on the upgrades and redevelopment of properties. He holds various other directorships of unlisted companies including City Property Administration Proprietary Limited where he is the managing director. He is a member of the risk committee of Octodec Investments Limited.

The Wapnick family has a long history of experience in the property industry and holds a significant stake in Octodec, aligning their interests with those of other shareholders. Management has played an integral role in the running of the portfolio for over 25 years and therefore has an intimate knowledge of every asset and solid relationships with tenants. City Property as the asset and property manager has been managing Octodec for many years and has a wealth of experience in property management, specifically in the Tshwane and Johannesburg city centres and in the residential sector.

[www.octodec.co.za](http://www.octodec.co.za)