

## **FORTRESS REAL ESTATE INVESTMENTS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 2009/016487/06)

JSE share code: FFB

ISIN: ZAE000248506

Bond company code: FORI

LEI: 378900FE98E30F24D975

(“Fortress” or “the Company”)



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## **TRADING AND PRE-CLOSE OPERATIONAL UPDATE**

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Shareholders and noteholders are referred to the final results announcement for year ended 30 June 2024 (“FY2024”), released on SENS on 29 August 2024. We hereby provide an update on Fortress’ operations for the period subsequent to 30 June 2024.

*“Fortress is a real estate investment company with a portfolio of high-quality logistics and retail assets in South Africa and Central and Eastern Europe. Fortress directly holds logistics assets of c. R20 billion and a South African retail portfolio of c. R10 billion. In addition, Fortress has a holding of c. R16 billion in NEPI Rockcastle shares which provides exposure to the best retail portfolio in Central and Eastern Europe. Combined, these holdings provide shareholders with exposure to a c.R50 billion real estate portfolio with a significant development pipeline, providing growth opportunities for the future.*

*High-quality, secure logistics space continues to perform well and has experienced buoyant demand with continued low vacancies across our portfolio. This demand for logistics space in prime locations is demonstrated by the 93 954m<sup>2</sup> of new logistics properties currently under development, comprising 64 514m<sup>2</sup> in South Africa and a further 29 440m<sup>2</sup> in Poland, of which 75% is pre-let. The demand for our logistics properties is testament to the quality of our builds, with best-in-class flooring, large yards and 15-metre eaves height to enable additional racking and increased warehouse volume. This is coupled with efficient access to key transport routes, which is underpinned by established infrastructure.*

*Despite a consumer-constrained environment, our retail portfolio achieved like-for-like tenant turnover growth of 4,5% and maintained a low vacancy rate, based on rental, of 1,1%. The satisfactory performance of the core retail portfolio has been led by recently refurbished and extended centres. We continue to ensure that our entire portfolio remains relevant and attractive to consumers and tenants.*

*Our continued focus on improving the performance of our core portfolio, while disposing of the underperforming assets, has delivered positive results and we will continue to drive this strategy, while remaining prudent in the allocation of capital. In line with this strategy, we have disposed of non-core properties with a combined book value of R718 million for proceeds of R746 million post FY2024. This capital has been recycled into new logistics developments and strategic retail redevelopments and extensions. Properties with a combined book value of R257 million are held for sale at the date of this report.*

*The more positive trading environment has resulted in an upgrade to our previous distributable earnings forecast from R1,75 billion to R1,78 billion for the financial year ending 30 June 2025 (“FY2025”).” **Steven Brown, CEO.***

### *SA logistics and logistics developments*

Vacancies, based on rental, in our South African (“SA”) logistics portfolio decreased from 1,5% at 30 June 2024 to 1,4% at 31 October 2024. The vacancy remains low by historical standards, driven by strong demand for newly completed developments, effective asset management initiatives across the standing portfolio and the improved quality of the overall logistics offering, due to the successful recycling of non-core assets.

Construction of the 4 619m<sup>2</sup> warehouse for John Deere at Eastport Logistics Park (“**Eastport**”) was completed in September 2024, with the 10-year lease commencing on 1 November 2024. Construction of the 19 970m<sup>2</sup> warehouse at Eastport, for Crusader Logistics, is progressing well and is on schedule for completion in September 2025. Crusader Logistics, an existing tenant at Eastport, has signed a five-year lease, with an option in favour of Fortress to extend for a further five years. Construction of the 31 481m<sup>2</sup> warehouse for Liquor Runners, who has signed a five-year lease, is on track, with beneficial occupation planned for October 2025. Demand for space at Eastport is encouraging and the construction of the 13 063m<sup>2</sup> speculative warehouse is on schedule for completion in February 2026.

We have received numerous enquiries for space at our Longlake Logistics Park and we expect to commence a pre-let development early in the 2025 calendar year.

Construction of the 14 071m<sup>2</sup> warehouse at Clairwood Logistics Park (“**Clairwood**”) on Pocket 5B, for CHC on a 10-year lease commencing on 1 November 2024, was completed on schedule in October 2024. Discussions are ongoing with a potential tenant for Pocket 6 for 30 000m<sup>2</sup> of gross lettable area (“**GLA**”) and we expect to finalise this lease early in the 2025 calendar year. Post the construction and letting of Pocket 6, Clairwood will comprise approximately 300 000m<sup>2</sup> of fully-let, high-quality and well-located secure logistics space.

### *Central and Eastern European (“CEE”) logistics and logistics developments*

CEE logistics vacancies, based on rental, reduced from 3,5% at 30 June 2024 to 3,4% at 31 October 2024. This represents vacancies of 3 849m<sup>2</sup> in Hall A at Stargard (Poland) and 4 320m<sup>2</sup> in Hall E in Bydgoszcz (Poland). Since 31 October 2024, we have let the remainder of the space in Hall E to an existing tenant in the park who requires additional space, but who will however vacate their existing unit of 1 313m<sup>2</sup>.

Construction of phase 1 of Hall C in Bydgoszcz is progressing well. MediVet has leased this 6 425m<sup>2</sup> space for 12 years, with the lease commencement expected to be in December 2024.

Construction of a 53 251m<sup>2</sup> warehouse at our site in Łódź (Poland) was completed in June 2024, of which 28 064m<sup>2</sup> has been let to Notino on a 10-year lease. The speculative warehouse of 25 187m<sup>2</sup> has been let to Oriflame on a six-and-a-half-year lease, commencing in January 2025. The project provides further development potential of approximately 29 000m<sup>2</sup> of GLA in the second building. Development will commence once adequate pre-lease commitments are secured.

Construction of the 23 015m<sup>2</sup> warehouse at our site in Zabrze (Poland) was completed during the FY2024 financial year and has been let to Lit Logistyka Polska (11 675m<sup>2</sup>) and INNPRO (11 340m<sup>2</sup>), both on five-year leases. Furthermore, construction of an additional 11 340m<sup>2</sup> warehouse for INNPRO commenced in July 2024, also on a five-year lease, which is expected to be completed during April 2025. The demand for space at Zabrze has exceeded our expectations and discussions with potential tenants for the 11 675m<sup>2</sup> speculative development, with completion scheduled for April 2025, are progressing well.

The table below provides a summary of our logistics park developments in SA and CEE:

| Logistics park                                  | Description/tenant         | Fortress' ownership % | GLA m <sup>2</sup> (100%) | Let GLA (100%) | Lease term (years) | Estimated yield (%) <sup>§</sup> | Estimated completion date |
|---|----------------------------|-----------------------|---------------------------|----------------|--------------------|----------------------------------|---------------------------|
| <b>Developments completed post 30 June 2024</b> |                            |                       |                           |                |                    |                                  |                           |
| Clairwood                                       | Pocket 5B – CHC            | 100                   | 14 071                    | 14 071         | 10                 | 8,3                              | Oct 2024                  |
| Eastport  | John Deere                 | 65                    | 4 619                     | 4 619          | 10                 | 8,5                              | Sep 2024                  |
| <b>Total</b>                                    |                            |                       | <b>18 690</b>             | <b>18 690</b>  |                    |                                  |                           |
| <b>Developments currently under development</b> |                            |                       |                           |                |                    |                                  |                           |
| Bydgoszcz (Poland)                              | Hall C (phase 1) – MediVet | 100                   | 6 425                     | 6 425          | 12                 | 7,3 <sup>*</sup>                 | Dec 2024                  |
| Zabrze (Poland)                                 | Phase 2 – INNPRO           | 100                   | 11 340                    | 11 340         | 5                  | 7,0 <sup>*</sup>                 | Apr 2025                  |
| Zabrze (Poland)                                 | Phase 2 – Speculative      | 100                   | 11 675                    | -              | -                  | 7,0 <sup>*</sup>                 | Apr 2025                  |
| Eastport  | Crusader Logistics 2       | 65                    | 19 970                    | 19 970         | 10 <sup>^</sup>    | 8,5                              | Sep 2025                  |
| Eastport  | Liquor Runners             | 65                    | 31 481                    | 31 481         | 5                  | 8,1                              | Sep 2025                  |
| Eastport  | Speculative                | 65                    | 13 063                    | -              | -                  | 8,5                              | Feb 2026                  |
| <b>Total</b>                                    |                            |                       | <b>93 954</b>             | <b>69 216</b>  |                    |                                  |                           |
| <b>Total: 100% of developments</b>              |                            |                       | <b>112 644</b>            | <b>87 906</b>  |                    |                                  |                           |

<sup>\*</sup> Yield shown in Euro.

<sup>§</sup> Development cost in this calculation includes cost of finance, internal project management fees and all other costs.

<sup>^</sup> Initial lease period is five years, with an option in favour of the landlord to extend for five years, which we intend to exercise.

## Retail

Our retail portfolio, which is commuter-oriented and focused on convenience retail, is well-positioned given current macroeconomic conditions and a challenging consumer environment. Like-for-like turnover increased by 4,5% for the 12 months ended 31 October 2024, compared to the corresponding period of the previous year. Like-for-like turnover in October 2024 was 6,5% higher than in October 2023, despite a tougher trading environment since June 2024. The positive impact of lower interest rates, consumer liquidity brought about by the two-pot retirement system and improving consumer confidence, should support growth in retail sales during the 2024 holiday season and in the medium term.

The retail portfolio collection rate for the period 30 June 2024 to 31 October 2024 was 99%. Retail vacancies, based on rental, decreased from 1,4% at 30 June 2024 to 1,1% at 31 October 2024.

In line with our strategy of selling non-core assets, we sold and transferred Kimberley Junction for R97 million in July 2024. Paradise and Corner House in Thohoyandou is held for sale at expected net proceeds of R48 million.

The redevelopment of 204 Oxford is nearing completion, with Woolworths having commenced trading during October 2024. The 4 500m<sup>2</sup> extension of Sterkspruit Plaza, which will be anchored by a new Boxer supermarket, is underway and on track for completion in 2H2025.

## ***Industrial and Inofort***

Vacancies, based on rental, in the industrial portfolio increased from 8,9% at 30 June 2024 to 11,1% at 31 October 2024. Of the 27 558m<sup>2</sup> of industrial vacancies, 16 944m<sup>2</sup> comprises the office component of these properties, with the majority of this in Spartan and Isando. Well-located, smaller industrial units remain in demand and interest from potential purchasers for the multi-user industrial parks is encouraging. The joint portfolio, co-owned and managed by Inospace, continues to experience high demand for its unique offering. This has resulted in strong net operating income growth, in line with our initial forecast of 15% year-on-year growth, in addition to the 17,5% year-on-year net operating income growth achieved in FY2024.

## ***Office***

Office vacancies, based on rental, increased from 24,3% at 30 June 2024 to 27,9% at 31 October 2024. The increase is mainly attributable to a single building of 3 949m<sup>2</sup>, RTMC Waterfall, which became vacant during October 2024. We are in the process of refurbishing this building. The office portfolio remains non-core and we estimate that the office portfolio will reduce, by value, to less than 2% of total assets, should the current held for sale transactions be concluded.

## ***Vacancies***

Total vacancies, based on rental, remained flat at 3,4% from 30 June 2024 to 31 October 2024.

| <b>Sectoral vacancy</b> | <b>Based on rental</b>      |                             | <b>Based on GLA</b> |                 |
|-------------------------|-----------------------------|-----------------------------|---------------------|-----------------|
|                         | <b>Oct 2024<sup>#</sup></b> | <b>Jun 2024<sup>#</sup></b> | <b>Oct 2024</b>     | <b>Jun 2024</b> |
|                         | <b>%</b>                    | <b>%</b>                    | <b>%</b>            | <b>%</b>        |
| <b>Total</b>            | <b>3,4</b>                  | <b>3,4</b>                  | <b>3,9</b>          | <b>4,0</b>      |
| Logistics – SA          | 1,4                         | 1,5                         | 1,4                 | 1,8             |
| Logistics – CEE         | 3,4                         | 3,5                         | 3,7                 | 3,7             |
| Retail                  | 1,1                         | 1,4                         | 1,3                 | 1,7             |
| Industrial              | 11,1                        | 8,9                         | 10,2                | 8,9             |
| Office                  | 27,9                        | 24,3                        | 29,2                | 25,2            |
| Other <sup>^</sup>      | -                           | -                           | -                   | -               |

*Information based on Fortress' economic interest in wholly-owned and co-owned properties*

<sup>#</sup> Vacancy based on the gross rental (100% of GLA and value) of the building.

<sup>^</sup> Includes residential units, and serviced apartment properties

## Direct property disposals

We continue to sell non-core properties, with total disposals for the financial year-to-date amounting to R746 million with a corresponding book value of R718 million.

The following properties have transferred since 30 June 2024:

| Property name                                   |   | Sector     | Net proceeds<br>(R'000) | Book value<br>Jun 2024<br>(R'000) | Transfer<br>date |
|---|---|------------|-------------------------|-----------------------------------|------------------|
| Eastport Logistics Park - Teraco Land           | * | Land       | 133 250                 | 133 250                           | Jul 2024         |
| Fourways Office Park                            | * | Office     | 103 700                 | 103 700                           | Jul 2024         |
| Kimberley Junction                              | * | Retail     | 97 000                  | 97 000                            | Jul 2024         |
| 1 Setchel Road Roodekop                         | * | Industrial | 96 250                  | 96 250                            | Jul 2024         |
| 49 Ayrshire Road Longmeadow                     |   | Logistics  | 62 500                  | 52 233                            | Oct 2024         |
| Chemserve Spartan                               |   | Industrial | 54 000                  | 44 733                            | Oct 2024         |
| 1105 Anvil Road Robertville                     |   | Industrial | 28 050                  | 28 123                            | Sep 2024         |
| 35 Reedbuck Crescent                            | * | Logistics  | 25 450                  | 25 450                            | Jul 2024         |
| Milkyway Road Crown Mines                       | * | Logistics  | 25 000                  | 25 000                            | Aug 2024         |
| 11 Reedbuck Crescent Corporate Park             |   | Logistics  | 23 000                  | 19 611                            | Nov 2024         |
| 146 Serenade Road Rustivia                      | * | Logistics  | 21 000                  | 21 000                            | Aug 2024         |
| 8 Field Street Wilbart                          |   | Industrial | 17 500                  | 14 645                            | Oct 2024         |
| 1338 Staal Road Stormill                        |   | Industrial | 16 000                  | 15 397                            | Sep 2024         |
| 9 Reedbuck Crescent                             | * | Logistics  | 13 800                  | 13 800                            | Aug 2024         |
| 71 Tsessebe Crescent                            | * | Logistics  | 13 000                  | 13 000                            | Aug 2024         |
| 45 Director Road (previously 741 Megawatt Road) |   | Logistics  | 13 000                  | 11 820                            | Oct 2024         |
| Lakeview Business Park 1                        |   | Industrial | 3 850                   | 2 917                             | Sep 2024         |
|   |   |            | <b>746 350</b>          | <b>717 929</b>                    |                  |

\* Held for sale at 30 June 2024. Held for sale assets had a book value equal to the selling price at 30 June 2024

The following properties are currently held for sale, none of which have yet transferred:

| Property name                  |   | Sector     | Net Proceeds<br>(R'000) | Book value<br>Jun 2024<br>(R'000) |
|--------------------------------|---|------------|-------------------------|-----------------------------------|
| Rutherford Estate Scott Street |   | Office     | 72 500                  | 70 000                            |
| Paradise and Corner House      |   | Retail     | 48 000                  | 50 000                            |
| Hobart Square                  | * | Office     | 43 000                  | 43 000                            |
| Centurion Office Park          | * | Office     | 40 000                  | 40 000                            |
| 68 Galaxy Avenue Linbro Park   |   | Logistics  | 27 000                  | 23 930                            |
| Turnberry Fourways Golf Park   |   | Office     | 11 580                  | 10 000                            |
| 32 Mandy Road                  |   | Industrial | 9 335                   | 9 600                             |
| 66 Booyesen Street             |   | Industrial | 6 070                   | 6 311                             |
| Lakeview Business Park 7       |   | Industrial | 5 600                   | 4 232                             |
|                                |   |            | <b>263 085</b>          | <b>257 073</b>                    |

\* Held for sale at 30 June 2024.

## ***Energy and water solutions***

We remain committed to establishing a significant solar photovoltaic (“**solar PV**”) footprint across our property portfolio. We now have 79 operational solar PV plants totalling 29,69MWac, compared to 59 plants totalling 22,17MWac at 30 June 2024. By 30 June 2025, we aim to add a further 18 plants, taking the total number of installations to 97, with installed capacity increasing to 35,24MWac. Furthermore, we have completed the solar installation of 400kWac at ELI Park (Romania). The rollout of additional solar PV plants, has resulted in us generating approximately 11 000MWh of renewable energy during the first four months of the current financial year (FY2024: 22 180MWh).

## ***NEPI Rockcastle***

Shareholders and noteholders are referred to the announcements published on SENS by Fortress on 5 November 2024 relating to the results of the dividend *in specie* offered to shareholders *in lieu* of the cash dividend declared for the six months ended 30 June 2024. As a result, Fortress’ shareholding in NEPI Rockcastle reduced from 17,11% on 18 October 2024 to 16,26% at the date of this announcement.

NEPI Rockcastle released its interim results for the six months to 30 June 2024 on 20 August 2024 and subsequently released a comprehensive business update on 20 November 2024, both available on its website at [www.nepirockcastle.com](http://www.nepirockcastle.com). The current value of our investment in NEPI Rockcastle is approximately R16,2 billion.

## ***Funding, liquidity and treasury***

We raised an additional R1,09 billion under our domestic medium-term note (“**DMTN**”) programme in October 2024. The issuance consisted of two notes of R429 million in a three-year note and R658 million in a five-year note.

We further refinanced R1,0 billion of expiring facilities with RMB in November 2024. The facilities have been refinanced for three years (R350 million), four years (R350 million) and five years (R300 million). At our election, we repaid all existing Libfin facilities, totalling R700 million, in November 2024.

Our interest rate hedging comprises 69% caps and 31% swaps. The higher proportion of caps will benefit our funding costs if interest rates decline from their current relatively high levels, while still providing protection if interest rates increase.

Consistent with all prior reporting periods where sustainability-linked notes were in issue, we remain compliant with the set KPIs and are on track to achieve the targets for June 2025.

We currently have a total of R4,2 billion in cash and available facilities at group level and remain comfortably within all debt covenants. Our loan-to-value ratio is approximately 39,8% at the date of this announcement.

## Outlook and guidance

Our distributable earnings guidance for FY2025, published on 29 August 2024, was approximately R1,75 billion or 146,99 cents per share.

We revise our estimated distributable earnings for FY2025 to be approximately R1,78 billion, representing 147,80 cents per share, which is 16,9% higher than the normalised distributable earnings for FY2024. Further detail is presented in the table below:

|   | <b>1H2024<br/>(actual)</b>     | <b>2H2024<br/>(actual)</b> | <b>FY2024<br/>(actual)</b>                | <b>FY2025<br/>(revised<br/>forecast)</b> | <b>Change<br/>(%)</b> |
|---|--------------------------------|----------------------------|---|--|-----------------------|
| Total distributable earnings (R'000)  | 952 868                        | 835 637                    | 1 788 505                                 | 1 780 000                                | (0,5)                 |
| Shares in issue   | 1 169 980 307                  | 1 190 536 893              | 1 190 536 893                             | 1 204 291 830                            |                       |
| <b>Distributable earnings per share (cents)</b>   | <b>81,44</b>                   | <b>70,19</b>               | <b>151,63<sup>#</sup></b>                 | <b>147,80</b>                            | <b>(2,5)</b>          |
| <b>Normalisation adjustments:</b>   | <b>1H2024<br/>(normalised)</b> | <b>2H2024<br/>(actual)</b> | <b>FY2024<br/>(normalised<br/>actual)</b> | <b>FY2025<br/>(forecast)</b>             |                       |
| Exclusion of dividend on 53 134 372 NEPI Rockcastle shares received in September 2023* (R'000)          | (266 365)                      | -                          | (266 365)                                 | -  | -                     |
| Adjusted total distributable earnings (R'000) (normalised for the effects of the Scheme of Arrangement) | 686 503                        | 835 637                    | 1 522 140                                 | 1 780 000                                | 16,9                  |
| <b>Adjusted distributable earnings per share (cents)</b>  | <b>58,68</b>                   | <b>70,19</b>               | <b>128,87</b>                             | <b>147,80</b>                            | <b>14,7</b>           |

\* The 53 134 372 NRP shares were used to fund the buy-back of all the Fortress B ordinary shares in issue at the time of implementation of the Scheme of Arrangement in February 2024. The adjustment includes related foreign currency hedges on this income.

<sup>#</sup> Sum of the 1H2024 and 2H2024 actual dividends per share.

This forecast is based on the following assumptions:

### Fortress-specific assumptions

- Our distributable earnings methodology will remain consistent with that of prior periods, as previously communicated;
- NEPI Rockcastle maintains a 90% payout ratio and meets their published distributable earnings per share guidance for their financial year ending 31 December 2024;
- No material sales, or acquisitions, outside of our planned pipeline occur which necessitate a revision to this forecast;
- There is no unforeseen failure of material tenants in our portfolio;
- Contractual escalations and market-related renewals will be achieved with no major change in vacancy rates; and
- Tenants will be able to absorb the recovery of rising utility costs and municipal rates.

### Macroeconomic and regulatory assumptions

- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure;
- There are no unforeseen adverse socio-political events in the jurisdictions in which Fortress has exposure;
- There are no changes to current tax legislation in the jurisdictions in which the Company operates; and
- There are no changes to current interest rates by the European Central Bank or the South African Reserve Bank.

The forecast and normalisation adjustments, including the assumptions on which they are based and the financial information from which they have been prepared, are the responsibility of the directors of the Company. The forecast and normalisation adjustments have not been reviewed or reported on by the Company's external auditors.

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3 December 2024

Lead equity sponsor



Debt sponsor and joint equity sponsor

