Special announcement

Thursday, 5 July 2018

REDEFINE PROPERTIES

We're not landlords. We're people.

Our conversation

OVERVIEW

Section 01

Rationale

- The Polish industrial market, which has a total supply of 13.9 million square meters of modern industrial and logistics space, is currently benefiting from a significant increase in demand for logistics space, on the back of robust retail growth, with logistics facilities recording nationally historically low vacancies at 4.8% at the end of quarter one 2018
- Poland is continuously strengthening its position as a key logistics hub for international e-commerce players, which is reinforced by the recent entries into the market by Amazon and Zalando together with the expansion of European retailers such as Castorama, Kaufland, Carrefour, Eurocash and H&M. In addition, there is an increasing number of new production companies entering the Polish market such as Polaris, Miele and Mercedes-Benz. Also, high cost/demand economies such as Germany are renting premises in Poland, close to their borders, as it is more economical to process and distribute products there as opposed to their own countries
- The significant amount of road and infrastructure spend over the past 5 years has also fueled the increasing demand for warehousing space and has led to the creation of new logistics / distributions nodes along the main arterial routes
- The solid fundamentals of Poland with consistent GDP growth is anticipated to continue for the foreseeable future, notwithstanding any unforeseen macro-economic influences, which is expected to further support demand for logistics premises
- The recently introduced Agricultural Land Act, which is intended to reduce the sales of agricultural land to private developers is anticipated to considerably limit the opportunities for rezoning of agricultural land for industrial purposes. In the short term, the introduction of the Act is expected to reduce the supply of industrial land becoming available for warehousing / logistics facilities, which will increase current industrial land values and place the owners of zoned land at a distinct advantage. In the long term, the limited supply of land is expected to lead to a shortage of warehouse space and improve the attractiveness of existing rental stock and land that is zoned for industrial development
- In addition, there has been a circa 20% increase in construction costs over the past year, which is translating into increased market rentals, which will enhance the re-letting potential of current supply

The venture

- Redefine's expansion into logistics has two components :
  - The acquisition of a portfolio of nine operating logistics properties located throughout Poland from a fund managed by one of the largest United States global asset management companies
  - A five year exclusive priority right (at no upfront payment) for a pipeline of a minimum of 24 new warehousing and logistics developments with Panattoni, who also developed the nine operating properties that have been acquired
- Panattoni is a market leader in the leasing and development of logistics properties in Europe, who have to date developed 35% of the modern industrial facilities in Poland and have been able to secure access to zoned industrial land. By the way Prologis is a distant second at 18%
- Redefine will own 95% of the venture and Griffin Real Estate 5%. Griffin sourced the opportunity for Redefine

THE PORTFOLIO

Section 02

The portfolio

- The nine developed properties have a GLA of 313 507sqm, are 98% occupied, have a weighted average lease expiry of 3.5 years and are situated in established logistics locations. All leases are triple net with the landlord only liable for repairs and replacement of a capital nature. The leases are linked to Euro indexation with annual growth of 2% per annum forecast in the medium term
- The modern, high specification portfolio has attracted sought after tenants such as Kaufland, Carrefour, Saint Gobain, Hellmann, Terg (Media Expert), Eurocash, CEVA, BRANDBQ and DSV to name just a few
- A map indicating the property locations and their details is available as an Appendix to the transcript
- The development of the properties have been completed using pre-fabricated materials and include a minimum height of 11.5 meters to eaves, 12 meter by 22.5 meter column grids and floor capacity of at least 5 tons per sqm, which is deemed to be well-suited to logistics / warehousing requirements in the Polish market. The buildings are highly visible in their branded Panattoni colours (light grey with a dark blue band, just below the roof line), which is standard on all facilities, will be retained

The portfolio

- The largest property, comprising two warehouse facilities of 64 807sqm located at Sosnowiec, is in the upper Silesia district (close to Katowice)
- The development pipeline consists of 24 potential development opportunities, which total a GLA of 1.9 million square meters. Redefine will have the right but not the obligation to acquire and develop these assets
- The priority right will expire in the event that either :
  - Redefine does not commit to €300 million of developments within the first 3 years. This threshold does not apply if Redefine has committed to €150 million during years 2 to 3, or
  - Redefine rejects 5 consecutive properties. It is a requirement that out of every 5 opportunities presented, a maximum of 2 can be “speculative” properties (i.e. have less than 30% pre-let). The speculative properties presented will need to be underpinned by bank funding (secured against the development) with a minimum loan-to-value of 65%
- The first development project, a 99 987sqm facility, located in Strykow will be developed over two phases and has been committed to. Phase one with a GLA of 43 139sqm is fully let with an occupation date of 1 October 2018. Note that the building period is four months (weather permitting), which is enabled through the use of pre-fabricated materials, tight programme management and the use of mechanisation (flooring and yard paving). Phase two is scheduled to begin in February 2019.

FINANCIAL METRICS

Section 03

Financial metrics

- The investment consideration and financial effects in relation to the deal will be in respect of Redefine's 95% share
- The purchase consideration of the developed portfolio, inclusive of transaction costs, amounts to €185.8 million. At property level the initial income yield is 7.1%. This transaction has been fully debt funded at a blended fixed interest rate of 1.75% with an average debt term of 5.6 years. Redefine's equity contribution of €90.3 million (R1.4 billion) was funded from the proceeds realised from the sale of Cromwell (R3.5 billion). Distributable income will be fully hedged and we are exploring locking this in for periods up to 5 years
- After management costs and taxation, Redefine anticipates generating in a full year distributable income of €7.4 million, which in Rand terms, equates to 2.2 cents per Redefine share. The incremental income will be applied towards our stated intention of phasing out non-recurring income streams
- The development cost of building one at Strykow is approximately €48 million and is expected to achieve an initial income yield of 7.9%
- To provide you with a sense of the scale of the 24 potential development projects, the total indicative cost for all projects amount to an all-in development cost of approximately €1 billion. Redefine will undertake such projects, over a five year period, on a selective basis funded by recycled capital, within responsible loan-to-value ratios and subject to group balance sheet management constraints

Management

- Panattoni will act as developer of the development pipeline and in conjunction with Griffin, will fulfil the role of portfolio asset manager, which includes leasing
- The asset management and property management agreements will expire after a period of 5 years or on the disposal of a project, whichever occurs sooner

In summary

The move into the Polish logistics sector, meets all our criteria when considered through the lens of what matters most

Operate efficiently	All properties have **triple net leases**	High demand for logistics space - developed assets **occupancy at 98%**	Interest rate and currency volatility mitigated through **full hedging**
Invest strategically	Unique opportunity to build a significant **logistics platform**	**Secured access** to a limited supply of zoned industrial land	Strong potential for **yield compression** – developments (8%) versus completed (7%)
Optimise capital	Productive deployment of **recycled offshore capital**	Local and offshore **funding** accessed at competitive pricing	Loan-to-value **maintained** at current levels
Engage talent	Teamed up with **best in class** Panattoni	**No additional burden** to Redefine's resource base	Redefine **office in Europe** to be established
Grow reputation	Geographic and sectoral **diversification i**nto a growing sector	Opportunity to **expand** Redefine's European **brand**	Lumpy income replaced **with recurring income stream**

ANNEXURES

Section 04

Developed portfolio – property locations

	Property	GLA (100%)	No. Tenants	Occupancy	WALE	NOI (EUR) *	Purchase Price (EUR) *	Yield *
1	Łódź Business Centre II	32 917	5	100%	2.42	1.53	22.03	6.93%
2	Łódź Business Centre III	30 143	1	100%	1.08	1.22	16.95	7.22%
3	Panattoni Park Krakow II	15 303	3	100%	1.47	0.67	9.25	7.20%
4	Panattoni Park Sosnowiec II	64 807	8	100%	5.43	2.50	35.22	7.08%
5	Panattoni Park Warsaw Airport I	20 766	3	100%	1.95	0.91	12.68	7.16%
6	Panattoni Park Poznan IV	32 227	7	90%	3.71	1.51	21.22	7.11%
7	Panattoni Park Krakow III	33 706	7	92%	3.21	1.53	21.31	7.17%
8	Panattoni Park Bydgoszcz II	45 642	1	100%	3.64	1.92	26.67	7.20%
9	Panattoni Park Bydgoszcz III	37 995	1	100%	4.66	1.46	20.44	7.16%
	Total	313 507	36	98%	3.50	13.24	185.78	7.13%

* Based on Redefine's 95% ownership and excludes asset management / G & A costs.

Source : CBRE

Łódź Business Centre II

Key data

No. properties	**2**
No. tenants	**5**
Tenants	**Hutchinson, Farutex, Pekaes, DSV, DS Smith**
Product Type	**Urban Logistics Centers / In-fill location**
Total GLA	**32 917**
Completion	**2016**
Occupancy	**100%**
WALE	**2.42 years**

Location overview:

- Located 5km from A1 on the
- Eastern ring road

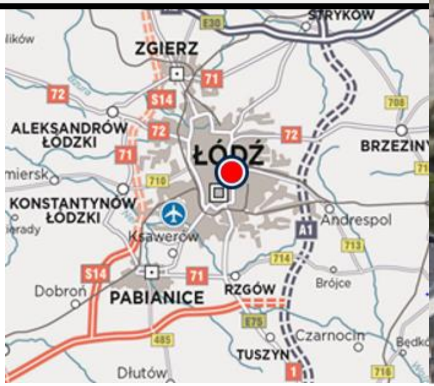
Łódź Business Centre II

Key data

No. properties	**1**
No. tenants	**1**
Tenants	**Terg**
Product Type	**Urban Logistics Center**
Total GLA	**30,143**
Completion	**2016**
Occupancy	**100%**
WALE	**1.08 years**

Location overview:

- Located 5km from A1 on the Eastern ring road



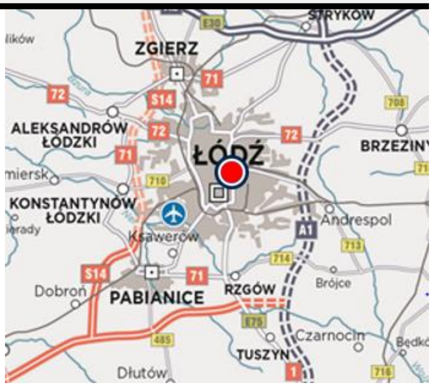
Panattoni Park Kraków II

Key data

No. properties	**1**
No. tenants	**3**
Tenants	**Polmarkus, BRANDBQ**
Product Type	**Regional Distribution Center**
Total GLA	**15,303**
Completion	**2016**
Occupancy	**100%**
WALE	**1.47 years**

Location overview:

- Krakow is a smaller market and is land constraints and considered the door to Upper Silesia
- The location sits n the southern ring adjacent to A4 ensures excellent access to other regions of the country



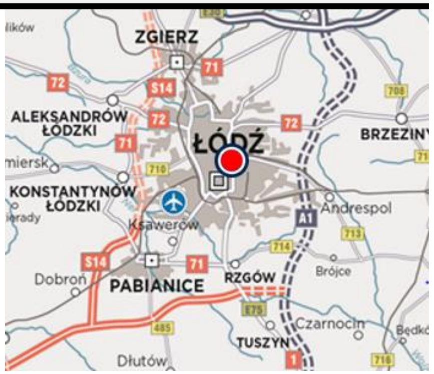
Panattoni Park Sosnowiec II

Key data

No. properties	**2**
No. tenants	**8**
Tenants	**No Limit, DPD, Ekol Logistics, K & N, Pekaes, Saint Gobain, Nefab, CEVA**
Product Type	**Last mile & Regional Distribution Center**
Total GLA	**64,795**
Completion	**2016**
Occupancy	**100%**
WALE	**5.43 years**

Location overview:

- Growing & emerging location with several competing parks
- Excellent location near the multimodal “Euroterminal” and the A4 motorway in the direct vicinity of the S1 expressway providing convenient connection to the cities of Southern Poland



Park Warsaw Airport I

Key data

No. properties	**1**
No. tenants	**3**
Tenants	**Hellman, Eurocash, Rohlig**
Product Type	**Urban Logistics at infill-location**
Total GLA	**20,766**
Completion	**2016**
Occupancy	**100%**
WALE	**1.95 years**

Location overview:

- 5km from Warsaw-Chopin airport & 8 m from CBD
- The site is adjacent to the junction with the S8 expressway towards Silesia, Wrocław and Łódź

Park Poznań IV

Key data

No. properties	**1**
No. tenants	**7**
Tenants	**Lech-Tom, AK, Eurocash, Gefco, Super Siodemka**
Product Type	**Regional Distribution Center**
Total GLA	**31,042**
Completion	**2016**
Occupancy	**90%**
WALE	**3.71 years**

Location overview:

- The site is located next to the junction of the S11 expressway onto the A2

Park Kraków III

Key data

No. properties	**1**
No. tenants	**7**
Tenants	**DPD, Lorenz, Berner, Grana, Intertrade, Rikom Energy**
Product Type	**Regional Distribution Center**
Total GLA	**33,933**
Completion	**2016**
Occupancy	**92%**
WALE	**3.21 years**

Location overview:

- Krakow is a smaller market and is land constraints and considered the door to Upper Silesia
- The location sits n the southern ring adjacent to A4 ensures excellent access to other regions of the country

Park Bydgoszcz II

Key data

No. properties	**1**
No. tenants	**1**
Tenants	**Kaufland**
Product Type	**Regional Distribution Center**
Total GLA	**45,648**
Completion	**2017**
Occupancy	**100%**
WALE	**3.64 years**

Location overview:

- Bydgoszcz is a newly developing location
- The logistics center is located 12 km from Bydgoszcz CBD. The S10 expressway (Bydgoszcz bypass) and the crossroads of national roads No. 10 and 25 are within easy reach

Park Bydgoszcz III

Key data

No. properties	**1**
No. tenants	**1**
Tenants	**Carrefour**
Product Type	**Regional Distribution Center**
Total GLA	**37,995**
Completion	**2017**
Occupancy	**100%**
WALE	**4.66 years**

Location overview:

- Bydgoszcz is a newly developing location
- The logistics center is located 12 km from Bydgoszcz CBD. The S10 expressway (Bydgoszcz bypass) and the crossroads of national roads No. 10 and 25 are within easy reach