

TRADING UPDATE

FOR THE QUARTER ENDED 30 SEPTEMBER 2022

With you, for you



Some things just go together

That's you and us for so many years, and for more to come.



Overview of Operating Environment

The macroeconomic environment persisted in a volatile manner during the third quarter driven by the further depreciation of the local currency against the United States Dollar despite several measures by the government to halt the trend. The local currency depreciated by 76% during the quarter basing on the Dutch auction interbank exchange rate. Year on year inflation for the quarter ended 30 September 2022 stood at 280.4% from 191.56% recorded at June 2022. The month-on-month cumulative inflation rate for the quarter was at 41.41% from the previous quarterly cumulative rate of 67.20% as at June 2022. Despite the reduction in month-on-month inflation, annual inflation continued on an upward trajectory driven by speculation and forward pricing for goods and services.

Property Market Overview

Space absorption was insignificant during the quarter as demand remained weak with supply continuing to outstrip demand especially in the CBD Offices. The retail and office park sectors continued to experience good demand despite the turnover of tenants.

There continues to be limited corporate commercial development activity on the property market being affected by the unstable and depreciating local currency, with the majority of developments mainly in the industrial / retail warehousing sectors. The main arterial routes continue to exhibit strong demand for residential to commercial conversions especially in suburbs just outside the CBD as investors seek to hedge value in property and improve balance sheet positioning.

Financial Performance Highlights

Comprehensive income highlights	INFLATION ADJUSTED		HISTORICAL COST	
	Sep-22	Sep-21	Sep-22	Sep-21
Revenue	1,612,591,386	1,369,986,473	1,164,064,395	317,563,365
Net property income	387,013,640	533,891,856	311,442,606	163,095,808
Profit/loss for the period	17,887,973,136	13,352,550,849	61,233,026,963	4,879,220,154

Financial Position highlights	Sep-22	Dec-21	Sep-22	Dec-21
Investment properties	92,165,100,000	70,442,351,146	92,165,100,000	22,039,000,000
Shareholders' equity	80,975,798,132	63,230,447,991	80,928,782,483	19,761,647,713

Key Performance Indicator Highlights	Sep-22	Sep-21	Movement
Occupancy level	87.31%	89.40%	(2.09%)
Collections	80.00%	81.00%	(1.00%)

Rental income remains the key source of revenue for the business and the revenue for the period increased by 17.7% compared to the same period in the prior year driven by rent reviews in line with macro-economic movements despite occupancy level marginally dropping from 87.91% to 87.31%. Net property income decreased by 27.5% during the period due to continuing investment into repairs and maintenance to upgrade space, accelerate leasing efforts and ensure continued structural integrity of buildings. A total of ZWL 262.4 million was channelled towards property maintenance since the beginning of the year. Investment properties at 30 September 2022 were valued at ZWL 92.165 billion following a Directors valuation, reflecting a 30.8% fair value gain from the inflation adjusted 31 December 2021 value of ZWL 70.442 billion. The growth was largely driven by rental income growth, stable occupancy levels and improved revenue collection.

Impact of COVID-19

Economic activity improved significantly in the third quarter of 2022 as the Government of Zimbabwe relaxed lock down measures due to lower death rates from the pandemic. The increase in activity allowed for improved rent reviews while collection rate improved to 80% compared to 73% in the prior period. The company continues to prioritise the health and safety of tenants and staff as well as enhanced sanitation procedures at all our properties.

Sustainability

Following the successful completion of the solar energy project at First Mutual Park, the Group is focusing on rolling out similar initiatives at selected properties, while also enhancing waste management and separation infrastructure at various sites.

Dividend

At a meeting held on 9 November 2022, your Board resolved that a third interim dividend of ZWL 175.4 million being 14.1821 ZWL cents per share and an additional USD150,000 (being 0.011818 United States cents per share) be declared from the profits of the Company for the third quarter ended 30 September 2022. The dividend will be payable on or about 20 December 2022 to all shareholders of the Company registered at close of business on 2 December 2022. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 29 November 2022 and ex-dividend as from 30 November 2022.

Outlook

The commercial real estate segment is expected to remain an occupier's market due to excessive supply of space. However, there is strong appetite for new product in the retail and office segments as existing product is aging, with reinvestment to upgrade the facilities relatively costly. Macroeconomic stability will be critical to driving further growth and business confidence, with further migration to foreign currency based leases expected.

The key focus area remains value preservation and cash flow management in the immediate to short term as market volatility driven by currency depreciation and exchange rate volatility can significantly upset the market. To this end, the Group will actively improve space quality in line with occupier requirements to sustain occupancy levels and earnings, and focus on property developments to further add to the property portfolio.

By order of the Board

Mrs Dulcie Kandwe
Company Secretary