



**Operational update
May 2021**



two°degrees

Operational update

This voluntary report provides the traditional update on the operational performance of the property portfolio of Liberty Two Degrees (L2D) for the first quarter of 2021.

The latest operational data is positive, and we remain focused on *'The new ABC of rebuilding for growth'* strategy and specifically on responding with **Agility**, taking a **Back-to-basics** approach in

continuing to build strong property fundamentals and creating new **Communities** of merged environments to complement our precinct-focused strategy.

The most recent monthly turnover data, footcount and occupancy rates at 31 March 2021 are disclosed in this report. In addition, we provide an update on rent collections and commentary on the latest leasing initiatives.

This update should be considered in the context of the Covid-19 lockdowns that were in force from 27 March 2020 up to 21 September 2020 when the restrictions were lowered to alert level 1. The lockdown was tightened from an adjusted level 1 to an adjusted level 3 starting on 29 December 2020 and was subsequently lowered to an adjusted level 1 starting on 1 March 2021. Annual comparisons are therefore difficult to make.

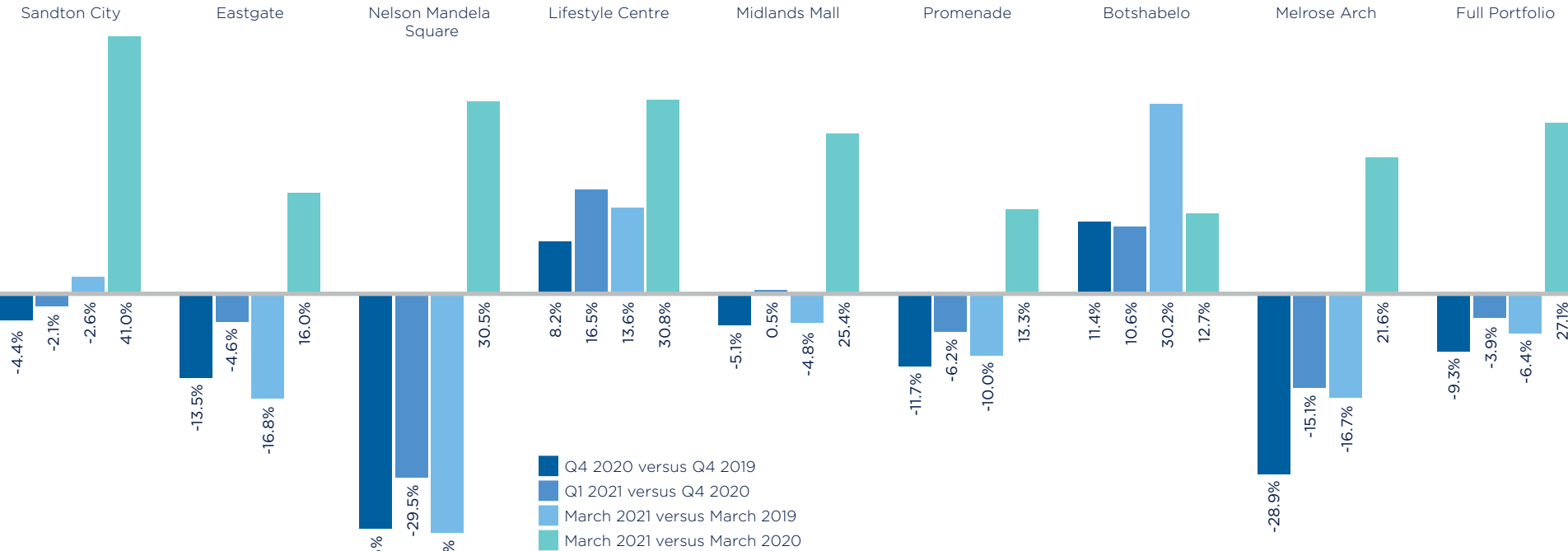


Turnover and footcount

The retail portfolio has demonstrated a strong recovery in March, growing by 27.1% while turnover in the first quarter was down by 3.9% compared to 9.3% in the final quarter of 2020. Sandton City has had a remarkable recovery and achieved its highest turnover in March 2021, compared to the preceding five years' months of March. Turnover for March 2021 was up by 41% compared to the preceding year and 2.6% higher than March 2019. The 2021 first quarter was only down 2.1% on 2020 and down 3.5% on 2019.

All of the malls recorded positive turnover growth in March 2021 when compared to the corresponding month in the prior year. During 2020, March was impacted with the hard lockdown commencing during the last few days of the month. The graph below reflects the most recent quarterly turnover of the various assets relative to the last quarter of 2020, as well as the monthly March 2021 turnover growth compared to both March 2020 and 2019. The quarterly portfolio turnover, compared to the prior year quarter, has improved from -9.3% in Q4 2020 to -3.9% in the first quarter of 2021. The trend is encouraging as is the fact that three of our malls recorded turnover growth for the latest reported quarter.

Portfolio performance





Portfolio performance

The easing of restrictions in February 2021 contributed to the strong recovery in March 2021, with the portfolio generating 27.1% turnover growth and 28.5% trading density growth respectively compared to March 2020. The portfolio's turnover for March was R1.3 billion which was only 6.4% below the 2019 turnover levels.

Luxury brands, which are a unique differentiator for our portfolio, continued to play a significant role, contributing 8.0% towards total turnover, but only accounting for 1.0% of portfolio GLA, with year-on-year growth at 109%. Other strong performing categories across the portfolio include homeware and furniture, technology and apparel.

The January 2021 monthly portfolio footcount was 72.1% compared to January 2020 levels due to the lockdown restrictions implemented at the end of December 2020. The easing of lockdown restrictions in February 2021 enabled the portfolio footcount to recover to 81.6% of the prior year comparative month on a like-for-like basis. The monthly portfolio footcount for March 2021 improved to 99.4% of the comparative 2020 level which was, however, impacted by the initiation of the level 5 lockdown at the end of March 2020.

Occupancy update

In the current economic climate, the retail portfolio has shown resilience and remains ahead of the SAPOA Q4 2020 occupancy rate of 93.9%, with an occupancy of 95.0% at March 2021 (Dec 2020: 95.3%).

The work from home trend continues to negatively impact the office sector with the March 2021 occupancy rate at 86.7%, largely due to further office vacancies at Melrose Arch. The office sector remains in line with the SAPOA Q4 2020 office occupancy. Encouragingly, there has been a notable improvement in occupancy levels in March 2021 compared to March 2020, at Nelson Mandela Square, Atrium on 5th and the Umhlanga Office Building.

Accordingly, there has been a slight decrease in occupancies across the portfolio from 93.3% in December 2020 to 92.8% in March 2021. L2D has focused on sustainable letting with future pre-let deals improving the occupancy to 93.4%.

We have implemented a new artificial intelligence (AI) customer counting software that provides real time monitoring and people counting capabilities which will enable us to understand the behaviour of objects, persons and vehicles in the retail environments. The AI software using our cameras system went live on 1 April 2021 and allows us to understand our customers better through advanced data analytics and will also assist with the safety of our shoppers.

Leasing initiatives

L2D strives to bring new and exciting offerings to our malls and in doing so continues to enhance the customer experience. Nineteen new deals were successfully secured by 31 March 2021. Total space of 12 622 m² has been successfully renewed in 2021, 4 052 m² within the retail portfolio and 8 570 m² within the office portfolio.

Adidas will open its first Halo store concept in South Africa at Sandton City which will offer an interactive and completely revolutionised retail experience, featuring personalised products, localised campaigns and a premium women's fitness and fashion offering – a testament to how we support our tenants in delivering a compelling customer experience. Chanel will unveil its first flagship fragrance and beauty boutique at Sandton City.

Collections

Rental collections, based on the full amounts due and before any rental relief, have increased month-on-month in 2021 to 94%¹ at April 2021 (January 2021: 84%).

Finalisation of rental relief negotiations and the fact that all retail tenants are currently trading are assisting the rental collections positively, however, the environment remains uncertain with certain tenants still recovering from the impact from lockdown.

Conclusion

L2D successfully achieved a Level 2 B-BBEE status under the Broad-Based Black Economic Empowerment (B-BBEE) codes. Our Empowerment, Enterprise and Supplier Development and CSI initiatives are aimed at making meaningful contributions in our environments as well as to the communities in which we operate.

The improvement in retail fundamentals are encouraging and we are pleased with the progress made towards our rebuilding for growth strategy.

Our pre-close investor update will be held on 28 May 2021 and will include a detailed update.

The information has not been reviewed or reported on by L2D's external auditors.

This Operational Update is also available at:

<https://www.liberty2degrees.co.za/investors/results-centre/>

Johannesburg
7 May 2021

¹ Excludes alternative income

Corporate information

Liberty Two Degrees Limited

Date of registration: 10 July 2018

JSE share code: L2D

ISIN: ZAE000260576

(Approved as a REIT by the JSE)

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