



Liberty Two Degrees

Sandton City is still a force!

We met with CEO Amelia Beattie and asset management executive Jonathan Sinden

Sandton City defensive in tough times

The super-regional shopping malls, like Sandton City, are proving resilient in the tough economic times, attracting new tenants that will bring greater footfall and seeing a slowdown in the decline of store turnovers. If you exclude the vacancy due to the demise of Stuttafords, Sandton City is practically fully let.

A key element of Sandton City's strategy is to have unique tenants or flagship offerings that you cannot find anywhere else in South Africa. New tenants include Kappa, Plein Sports, UnderAmour, Pataek Philippe (watches), Weylandts and a new Hamleys World which will open early next year as part of the level 2 upgrade.

While Sandton City is not immune to big retail trends it is proving to be more defensive due to the quality of the asset and its tenants. Dis-Chem will be also be filling approximately 2000sqm in April 2018 of the 8000sqm space, which Stuttafords is vacating. Liberty Two Degrees will announce new tenants to fill the Stuttafords space in due course but it confirmed it has already signed deals for the entire lower level already.

Past year tough

The past year has been an incredibly tough one for retail. Sandton City has had about 40 000sqm of retail space that has come up for renewal and despite this challenge in a tough market it has managed to renew 85% to date at a positive reversion.

Key points:

- **Discovery** – the new head office will be a boost for Sandton City. The new Discovery building will accommodate 8000 people and it will be a captive market for Sandton City. Of these 8000 people, it is estimated that 2000 will be arriving each day via Gautrain and will have to walk past Sandton City's entrance on Rivonia Road.
- **Edcon** – management believe that Edgars needs to become more of a department store and fill the vacuum left by Stuttafords.
- **Trading densities** – Sandton City's trading densities are still 40% above the industry average.
- **Foreign department stores**, like Cotton On and Zara, to remain in Sandton City.
- **Credit collection** – ahead of benchmarks
- **Strategy for Sandton City** – free uncapped Wi-Fi, upgrade movie house in 2018, more family friendly, refurbish food court in 2018, more affordable luxury stores like Paul Smith, Longchamps, Breitling on the back of the success of the Diamond Walk
- **Cosmetics a growth area?** - We were surprised to hear on a recent site visit to Sandton City that Liberty Two Degrees sees cosmetics as a growth area with the recent opening of Skins, NYX, Urban Decay and YSL. Foschini CFO Anthony Thunstrom told us a few months ago that there is massive discounting in cosmetics.
- **Midlands and Promenade malls** trading well and are the 'Sandton Cities' of their respective areas.

Other malls in the portfolio:

- **Eastgate** – good trading, but not as buoyant as Sandton City. Has had lots of development activity and increased its trading hours to 20:00.
- **Promenade Mall in Mitchell's Plain** has had monthly year-on-year double-digit turnover growth.

L2D

REIT

Current Price (cents)	820
PE (x)	170.8
Dividend Yield	3.66
Market Cap	R7.45b

Financial summary (1H 2017)

HEPS amounted to 29.49 cps.
Declared a distribution of 30.00 cps.
Vacancy rate down by 1.3% to 3.3%.
NAV +3.1% to R9.94
Says portfolio remains resilient

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