

Liberty Two Degrees' portfolio continues to record strong retail recovery as strategy to rebuild for growth gains traction

Sandton City records its highest turnover in five years for the month of March 2021 compared to the preceding five years' months of March

07 May 2021

Liberty Two Degrees (L2D), a precinct focused, retail-centred REIT, has continued to derive value in the current economic conditions from its operational strategy focused on asset management. Its operational update, presented at the Annual General Meeting, highlights that L2D continues to weather the impacts of the COVID-19 pandemic remarkably well, building on the basis of strong property fundamentals.

Amelia Beattie, L2D Chief Executive comments **“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. This has enabled us to continue to derive value from our quality assets in the period.”**

L2D's retail portfolio recorded positive turnover growth in March 2021 when compared to the corresponding month in the prior year, which was impacted by the hard lockdown in March 2020. Retail recovery remains encouraging as the portfolio generated a strong recovery in March 2021, achieving 27.1% turnover growth and 28.5% trading density growth respectively, compared to March 2020. This is largely attributable to the easing of restrictions in February 2021. The portfolio's turnover for March was R1.3bn and was only 6.4% below the 2019 turnover levels. Luxury brands contributed 8.0% towards total turnover, with a year-on-year growth of 109%. Other strong performing categories across the portfolio include homeware and furniture, technology and apparel.

“All of our malls recorded positive turnover growth in March 2021 when compared to the corresponding month in the prior year, with three of our malls recording turnover growth for the latest reported quarter, reflecting an encouraging trend. Notably, 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.” adds Jonathan Sinden, L2D Chief Operations Officer.

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.

L2D's retail occupancy, which has shown resilience especially considering the current economic climate, remains high at 95.0% at March 2021 (December 2020: 95.3%).



The office sector continues to be impacted by the work from home trend resulting in a 86.7% occupancy rate at March 2021, largely attributable to further office vacancies at Melrose Arch. 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; a positive trend.

“A new artificial intelligence software has been installed on our camera system throughout the portfolio. The installation begun providing real time monitoring and customer counting capabilities from the 1st of April 2021. The new software will enable us to better understand our customers through advanced data analytics and will further enhance the safety of our shopping environments.” adds Sinden.

Providing an engaging experiential tenant offering is core to L2D and with another 19 new deals successfully secured in the first quarter, we have enhanced our retail experience even further.

- A total space of 12,622m² has been successfully renewed in 2021, with 4,052m² in the retail portfolio and 8,570m² within the office portfolio.
- Adidas will open its first Halo store in South Africa at Sandton City, offering an interactive and completely revolutionised retail experience.
- ARC is another new original store which will open its doors in Sandton in June. ARC is a cosmetic emporium which will showcase many of the most desirable and indie cosmetics brands some of which are firsts to the South African landscape.
- Luxury has been doing well as a category and Sandton will add to this category with the addition of Alexander McQueen, a first in South Africa. Alexander McQueen will be located within the Diamond Walk and will take a portion of the former Prada shop.
- Chanel will also unveil its first standalone flagship fragrance and beauty boutique at Sandton City at the end of May. Another first for the portfolio.
- Both Sandton and Eastgate will open new Armani Exchange stores in the coming month. This will add to the affordable luxury category and demonstrates the collaboration that exists between our centres.
- Midlands Mall recently opened its first iStore pop-up which will be converted into a permanent store in future.
- These new tenants are testament to how L2D partners with its tenants to deliver a compelling customer experience.

L2D also announced the retirement of Lead Independent Director, Wolf Cesman with effect from 07 May 2021. Barbara Makhubedu has been appointed as Lead Independent Director.

“We are encouraged by our operational performance, having seen a good improvement in retail fundamentals. The progress made towards our rebuilding for growth strategy, not only for our business but for our broader stakeholders, is pleasing as we reaffirm our commitment to position the business for the expected step change.”

“We will continue to maintain a clear focus and have a hunger to serve the overall purpose of L2D of continuing to create experiential spaces for generations” concludes Beattie.

- Ends -

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Smart
Spaces



Good
Spaces



Interactive
Spaces



Safe
Spaces

NOTES TO EDITORS

About Liberty Two Degrees Limited

With a vision to be the leading South African, precinct-focused, retail-centred REIT, Liberty Two Degrees (L2D) is listed on the Johannesburg Stock Exchange as a Corporate REIT and is positioned for sustainable growth and the unlocking of stakeholder value for the long-term. L2D continues to create experiential spaces that benefit generations in line with its purpose, through innovative and unique experiences that attract tenants and shoppers to its malls. L2D's vision and purpose guide its strategy and underpin its everyday business activities.

About Liberty Two Degrees' portfolio

The portfolio consists of quality, high-value properties in the retail, office and specialised sectors. The retail component generates the majority of its gross rental income, followed by office space and the specialised sector, which includes hotels, a hospital, a motor vehicle dealership and a gym.

Retail

The retail portfolio features iconic properties that are prime destination centres with high-level market dominance. Each asset has been green-star rated by the Green Building Council of South Africa, making it the first retail portfolio to be green-star rated in its entirety. The portfolio is also certified COVID-19 compliant by international certification body, SAFE Asset Group. The retail assets offer a dynamic tenant mix that is designed to meet the varying and ever-changing needs of consumers. Through a focused strategy L2D aims to future-proof its assets by creating spaces that provide a sense of community and go beyond the ordinary shopping experience. This is achieved through digital transformation initiatives and the execution of our asset masterplans as well as a sharpened focus on operational efforts and business activities.

The retail portfolio is as follows:

- **Johannesburg:**
 - Sandton City Complex, Eastgate Complex, and Nelson Mandela Square
- **Cape Town:** Liberty Promenade Mall
- **KwaZulu-Natal:** Liberty Midlands Mall
- **Bloemfontein:** Botshabelo Mall

Office

The office component of the portfolio consists of offices that are attached to retail property within a mixed-used precinct, as well as stand-alone offices. Our mixed-use precinct offices include Sandton City, Nelson Mandela Square, Eastgate and Melrose Arch. For the most part, these spaces are rented out to multiple tenants. Standalone offices include the Liberty Centre Head Office and Umhlanga Ridge and the Standard Bank Centre.



Specialised

The specialised element of the portfolio consists of prime rental space that is mostly located within the Melrose Arch complex, Sandton Convention Centre, Virgin Active Sandton, Melomed Hospital and automotive showrooms located in Richards Bay.

Hotels

Our hotel portfolio includes Garden Court Sandton, Sandton Sun and InterContinental Towers. The hotel portfolio is geared to luxury grading with Garden Court graded as a mid-tier offering.

About L2D's Strategic Value Drivers

To enable sustainable value creation and reduce the effects of the challenging environment, a main focus for the year was on executing initiatives that align to our strategic value drivers. These are articulated as **customer experience, tenant experience, employee experience** and **capital and risk management** which translate into our financial outcomes and are underpinned by the **good we do**.

Our strategic value drivers measure our performance against key metrics that enable the creation of stakeholder value.

About L2D's building blocks

L2D's aim is to create spaces that enable personal, memorable human engagements and seamless interactions between retailers and consumers, continually driving authentic encounters through community-driven engagements and a strong focus on sustainable and ethical practices. This has been articulated through the L2D strategic building blocks, which help futureproof the assets and truly set them apart in the market and sharpen the focus of L2D's efforts and business activities. The L2D building blocks are:

- **Good Spaces:** L2D's shopping malls are ecosystems that provide trading and experiential environments for some of the world's most iconic brands as well as brands in high demand. L2D understands the importance of partnering with its stakeholders to accelerate its positive impact on the natural environment. L2D remains bold in driving its net zero commitments, which is evident at a number of its business operations and sites. L2D continues to reduce carbon emissions, water use and waste generation as it moves towards achieving its net zero sustainability target by 2030. Supportive initiatives have been implemented to achieve this goal.
- **Smart Spaces:** L2D aims to secure and sustain its leading position in the market by remaining at the forefront of innovative design thinking. The creation of smart environments that integrate technology to enhance the customer and retailer experience is a key initiative in this strategic growth area. Through Smart Spaces, L2D aims to accelerate its roadmap to create the seamless interaction between digital and physical retail
- **Interactive Spaces:** Interactive Spaces is about providing an interchange of ideas and experiences within the L2D malls. The emphasis is on interaction, a fast pace, excitement, experience and stimulus, with a vision to create vibrant and diverse spaces with experience at their heart. Interactive Spaces encourages common ownership, placemaking and enjoyment of the physical environments in which L2D operates.



- **Safe Spaces:** L2D's building blocks are all underpinned by Safe Spaces. L2D aims to drive a clearly defined mall strategy that ensures the mall environments hold the highest standard of safety and security for tenants and shoppers. L2D has been affirmed by SAFE Shopping Centres, a Global certification and advisory company, as the first responsible owner in Africa to achieve international certification following a Covid-19 assessment, taking the extra steps to ensure duty of care for tenants and shoppers.

