

Property entity investors report



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Objectives, investment policy and main strategy

Heartwood Properties develops high quality sustainable buildings underpinned by solid property fundamentals to achieve superior long term returns for our shareholders.

Heartwood Properties has defined its strategy and business model to:



**Focus exclusively on the office,
retail and industrial sectors**



**Build sustainable buildings of excellent
quality with clear tenant exit strategies**



**Sell assets after 3-5 years and reinvest
or distribute profits to shareholders**

Refer Note 12 of the financial statements
for details on assets currently held for sale.

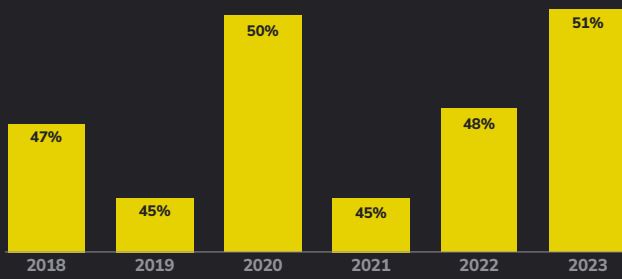


**Embark on joint venture developments
with tenants and land owners**



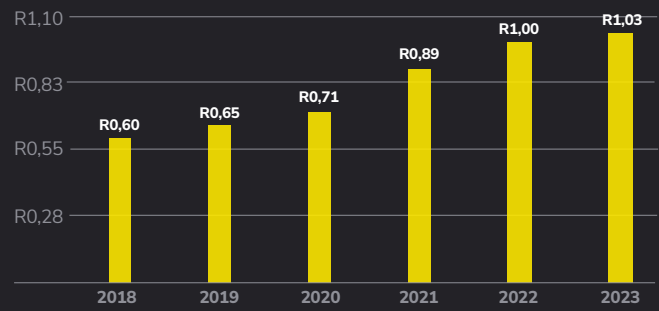
Key performance metrics

LOAN TO VALUE RATIO

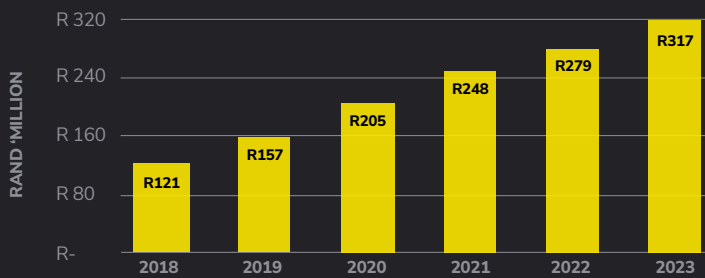


The loan to value ratio is calculated by dividing the total borrowings by the fair value of the portfolio.

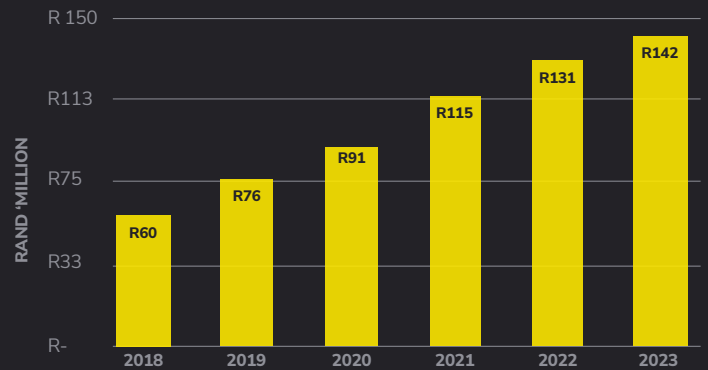
NET ASSET VALUE PER SHARE



PORTFOLIO VALUE



NET ASSET VALUE



Our team

Details and experience of the Directors

John Whall

CHIEF EXECUTIVE OFFICER

John has a BSc Civil Engineering degree from the University of Cape Town and is a qualified Chartered Accountant.

John was the Financial Director of Group Five Construction for a number of years, before moving into the Property Development Division. He has twenty years of property development experience – at Group Five and then in his own business working with Montagu Property Group and other partners.



Koba Dumas

CHIEF FINANCIAL OFFICER

Koba has a BCom honours degree in Accounting from Stellenbosch University and qualified as a Chartered Accountant in 2003.

Koba spent her early audit career at the BDO Group, both in Cape Town and San Francisco. She later joined Business Partners as a Portfolio Manager, with clients in the commercial property, manufacturing and retail sectors.



Andrew Utterson

EXECUTIVE DIRECTOR

Andrew formed The Business Centre Group in 2005 as one of three founding shareholder members.

He was responsible for developing and implementing the group's growth strategy and is a self-confessed lover of contemporary architecture and beautiful design.



Julian Scher

CHAIRMAN, INDEPENDENT
NON-EXECUTIVE DIRECTOR

Julian graduated with a BCom LLB from the University of the Witwatersrand, Johannesburg, and is the founding partner and senior director of Strauss Scher Attorneys.

Founded in 1994, Strauss Scher Attorneys is a boutique legal practice, specialising in all aspects of real estate, with a particular focus on property development.



Martin Evans

**INDEPENDENT
NON-EXECUTIVE DIRECTOR**

Martin has a BSc Town & Regional Planning degree from the University of the Witwatersrand, Johannesburg, as well as an MBA degree.

Martin has been involved in the property industry for over 30 years. Martin worked for a leading developer prior to forming his own company, Brydens Property Group, with a partner. Together they have built numerous A grade commercial developments in Gauteng.



Peter Gent

**INDEPENDENT
NON-EXECUTIVE DIRECTOR**

Peter holds a BSc Mining Engineering degree from the University of the Witwatersrand, Johannesburg, and an MBA degree from the University of Michigan (USA).

Peter is currently an independent management consultant. Prior to becoming an independent consultant, he was the Chief Operating Officer and a member of the Management Board of Rand Merchant Bank for 7 years. Peter was also a director for First National Bank (Corporate and Investment Banking Group). He is currently a director of FNB Zambia.



Bernard Seeff

**INDEPENDENT
NON-EXECUTIVE DIRECTOR**

Bernard holds a Master's degree in Industrial Engineering, a Higher Diploma in Computer Science from the University of the Witwatersrand, Johannesburg, as well as an MBA degree from the University of California in Los Angeles.

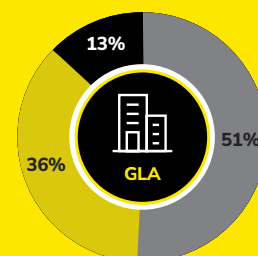
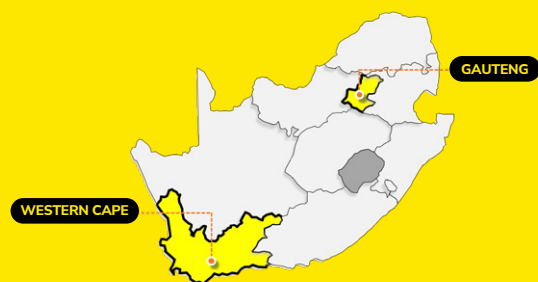


Bernard has served as director on numerous company boards, specialising in property ownership and management. Bernard is a member of the World Presidents' Organization (WPO), a global leadership organisation of more than 8,000 business leaders.

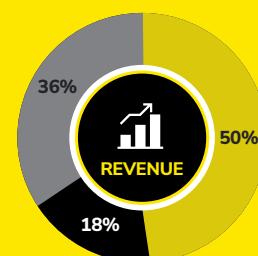


Our properties at a glance

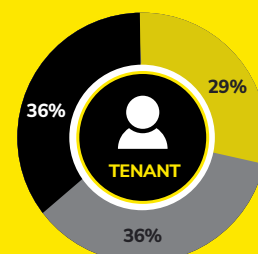
Number of properties	10
Portfolio value	R317 million
Weighted average lease expiry ("WALE")	5.23 years
Average property valuation per m²	Office: R23 667 m ²
	Retail: R19 946 m ²
	Industrial: R10 974 m ²
Average escalations	6.87%
Gross average yield	9.48%
Current occupancy rate (May 2023)	100%
Rentable area ("GLA")	20 354 m ²
Average rental rate per square metre	R148.14



OFFICE INDUSTRIAL RETAIL



OFFICE INDUSTRIAL RETAIL



LARGE MEDIUM SMALL

Market outlook

The market outlook for the Heartwood Properties Group is looking positive with a robust development pipeline. In line with the Company's strategy and to take advantage of the robust development pipeline, the Company may consider raising capital in future, subject to market conditions.

Distribution policy

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass on the payment of dividends. The board recommends the approval of a final dividend of R2,000,000 for the year ended 28 February 2023. This dividend is based on the proceeds from the sale of Units 305 to 308 in Willow Wood Office Park Block D. The returns on the initial investment is in excess of 30% per annum. For the year ended 28 February 2023 the dividend yield is 1.48%.



Building	Market value as at 28 Feb 2023 *note 1	Location	Sector	Construction completion date	GLA	Tenant profile	Vacancy	Yield	Escalation	Major tenant	Loan to value ratio	WALE
Office												
Willow Wood Office Park Block A	R75 724 000	Fourways, Gauteng	Office	Dec 2012	3 194	A	0%	7.5%	6%	Spaces	41%	4,25
Willow Wood Office Park Block B	R17 307 000	Fourways, Gauteng	Office	Sept 2017	730	C	0%	8.5%	8%	Multi Tenanted	41%	0,92
Willow Wood Office Park Block C	R24 254 000	Fourways, Gauteng	Office	Dec 2013	1 023	B	0%	10.2%	0%	Econet	41%	0,58
Willow Wood Office Park Block D	R19 203 700	Fourways, Gauteng	Office	Mar 2019	810	B and C	0%	11.7%	8%	Multi Tenanted	41%	1,36
Erf 20, Lyme Park	R38 121 000	Bryanston, Gauteng	Office	Mar 2020	1 621	B	0%	11%	8%	Multi Tenanted	56%	2,19
Retail												
Erf 20774, Somerset West	R52 100 000	Somerset West, Western Cape	Retail	August 2021	2 612	A	0%	8.6%	8%	BuildIt	59%	8,58
Industrial												
Erf 661, Lanseria	R18 400 000	Lanseria, Gauteng	Industrial	Sept 2015	1 738	C	0%	11.6%	8%	The Media Connection	49%	5,67
Erf 643, Lanseria	16 100 000	Lanseria, Gauteng	Industrial	Nov 2018	1 436	C	0%	13.5%	8%	D4 Technologies	50%	5,75
Erf 697, Firgrove	R24 600 000	Firgrove, Somerset West	Industrial	Oct 2022	2 227	C	0%	9.05%	8%	Alveo Water	57%	9,67
(50% interest in joint venture)												
Erf 862 & 863, Firgrove	R54 600 000	Firgrove, Somerset West	Industrial	Feb 2023	4 963	B	0%	9.53%	7%	Blue Nova and ACHS Fire Services	52%	5,00

Note 1: All the Group's properties are revalued annually by independent valuers (except for the 2 Lanseria properties held for sale which were valued at the sale price). Refer Note 3 - Investment Property in the Financial Statements for details on valuation methodology and assumptions. Physical inspections were performed during February 2023. The Company is not aware of any town planning restrictions or qualifications in respect of the valuations, nor of any statutory contraventions or options over the properties.

Note 2: Tenant Profile definitions:

- A. Large national tenants, large listed tenants, government and major franchises. "Large" refers to top tier nationals and listed tenants. "Major" refers to top tier franchises recognised as industry leaders (2 tenants)
- B. Medium national tenants, listed tenants, franchises, medium to large professional firms. "Medium" refers to industry leaders in their respective fields (law, accounting and advertising) (4 tenants).
- C. Small and medium-sized tenants, non-listed tenants and privately held small to medium-sized businesses (11 tenants)

Note 3: Refer Note 16 of the financial statements for details on all outstanding debt.

Note 4: The above table is dated 31 May 2023.

Note 5: For details on properties held for sale refer Note 12 - Non-current assets (disposal groups) held for sale in Financial Statements.

Timeline

2011

APRIL 2011

Incorporation of private development company



2012

DECEMBER 2012

Completion of Willow Wood Office Park (Block A) for the Business Centre.



2013

DECEMBER 2013

Completion of Willow Wood Office Park (Block C) for Cronimet SA.



2015

SEPTEMBER 2015

Completion of warehouse and office for The Media Connection in Lanseria Corporate Estate.



2017

SEPTEMBER 2017

Completion of Willow Wood Office Park (Block B).



2018

MARCH 2018

Heartwood Properties Limited listed on the Cape Town Stock Exchange (previously called the 4 Africa Exchange).



2018

NOVEMBER 2018

Completion of warehouse and office for D4 Electrical in Lanseria Corporate Estate.



2019

MARCH 2019

Completion of Willow Wood Office Park (Block D) with Genesys as the anchor tenant.



2020

MARCH 2020

Completion of Soleil multi-tenanted office in Bryanston.



2021

SEPTEMBER 2021

Completion of Buildit 2600m² showroom. Started Alveo Water development.



2022

OCTOBER 2022

Completed Alveo Water development.



2023

FEBRUARY 2023

Completed Blue Nova development.



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CTSE Share Code: 4AHWP

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heartwood[®]
PROPERTIES