

SA Corporate Real Estate | Calgro M3

30 August 2016

Joint Venture Partners

SA Corporate Real Estate is a corporate real estate investment trust (REIT) specialist, with a proven track record of raising capital and sustainable distribution growth

Listed on Johannesburg Stock Exchange, SA Corporate adheres to the highest corporate governance standards

AFHCO, its wholly owned subsidiary, is a trusted residential accommodation brand and is a market leader in the leasing, management and development facilitation of affordable residential rental property

AFHCO's strategic aim is to be the investment of choice for JSE investors looking for exposure to the African residential property market

Calgro M3 is a diversified residential property developer and contractor with a 20 year track record of consistent growth, making it one of the top performers on the Johannesburg Stock Exchange

Calgro M3's responsible approach to development has resulted in a leading position in the market, with a development pipeline in excess of R26 billion

Calgro M3 has a portfolio of serviced opportunities within projects under construction, with bulk and link infrastructure secured

Sustainability and corporate governance are at the core of Calgro M3's operations

Residential Portfolio Market

South Africa has a housing shortage of approximately 4 million homes, as a result there are:

- 2.1 million subsidised opportunities,
- 0.7 million bonded opportunities, and
- 1.5 million rental opportunities.

The housing shortage is further compounded by a absence of Public Sector infrastructure budget, as well as the lack of sufficient rental opportunities in the metropolitan areas. An additional challenge is the high barrier to entry into the property development segment

Government has reiterated its commitment to dealing with housing shortfalls, but will be unable to do so without the assistance of the private sector

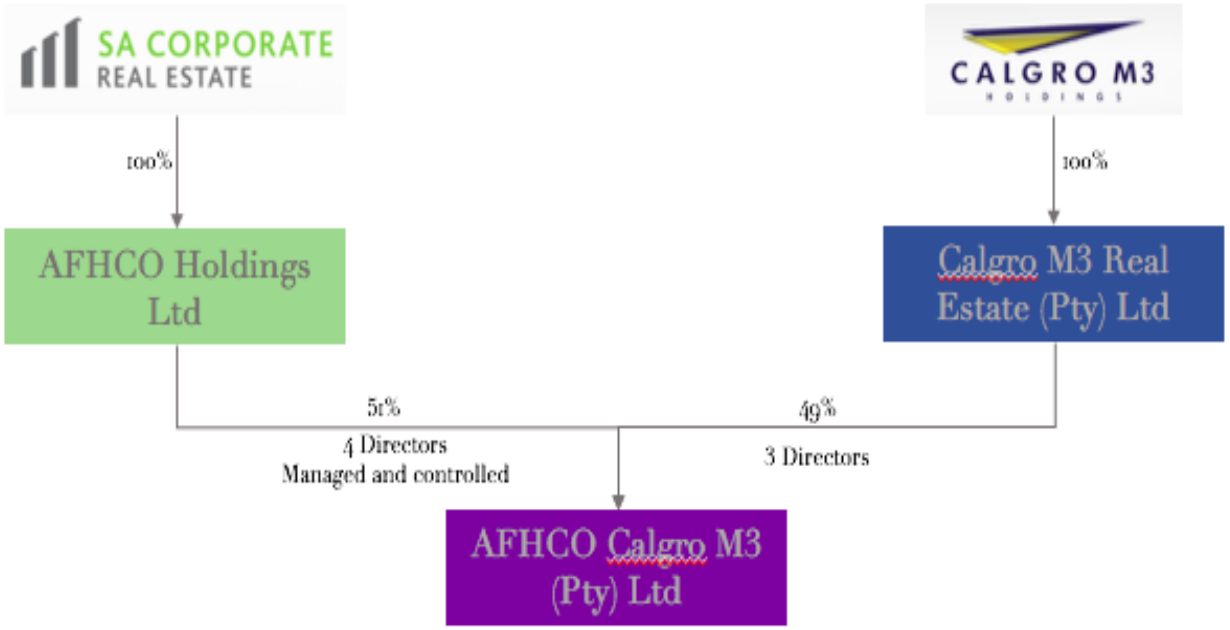
There is a lack of competition in this segment, global exposure to residential markets in the REIT market is 17.1% compared to less than 2% in the South African market. This provides an associated opportunity leading to the potential of enhanced yields and ensured sustainable growth

Outline of the Transaction

Phase 1 — Acquisition of property portfolio from Calgro M3, valued at R1.6 billion

Phase 2 — Future acquisitions from Calgro M3's pipeline and other developers, as well as acquiring established portfolios

Target — Portfolio in excess of R10 billion to R15 billion



AFHCO – The Brand

- Has been managing affordable rental housing since 1998
- Is a trusted and established brand of quality, affordable rental accommodation
- Only manages property that is owned by the group. This vested interest provides for total focus, effort and commitment
- Currently manages over 4 000 units, but previously developed over 10 000
- Record of consistent growth of robust net property income generated from:
  - professionally developed properties
  - well maintained
  - high occupancy rates
  - low arrears
- AFHCO introduced access control into residential buildings in the 90's – a 1st for SA
- Executed the largest conversion, in the world, of a single commercial building into residential apartments
- In 2014 SA Corporate acquired the AFHCO Group to establish themselves as the leaders in African residential property

AFHCO – Our Achievements

AFHCO has been recognized on numerous occasions as a respected contributor to a better life for all.

- *National Business Award* for the category “Sustainability and Beyond” - 2008
- *Certificate of Appreciation* by Johannesburg Central SAPS
- *Halala Jo’burg Award* for the category of “Caring Jo’burg” with it’s City Kidz School*
- *Halala Jo’burg Award* for the category “Living Jo’burg“*
- *Halala Jo’burg Award* for the category of “Not houses but Homes”*
- *Halala Jo’burg Award* for the category “Believing in Jo’burg“ – 2012*
- *The Impumelelo Award* for Top Empowerment

**The Halala Awards* are the City of Johannesburg’s Awards for Achievement and Contribution to the City.

Calgro M3 – The Brand

- Calgro M3 is a property developer with its primary focus on:
  - the lower segment of the affordable residential market
  - specialising in integrated developments and Memorial Parks
  - established brand with a track record of delivering quality, affordable homes
- Good working relationships with Financial Institutions operating within the SA residential market
- Assists Government to reduce the housing shortfall, in line with the National Development Plan
- The Group's business model is based on a turnkey approach, ensuring affordable products:
  - professional services teams
  - in-house marketing capacity
  - undertakes the bulk of its own construction
- Listed on the JSE during 2007
- The Group's Fleurhof project is recognized as the benchmark for integrated housing development in SA, in line with Government's Human Settlements Policy
- Secured national pipeline will yield in excess of 60 000 residential opportunities

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AFHCO Africa Housing Company
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Calgro M3 - Business Model



Details of Phase 1

The total transaction value is R1.6 billion

The total number of residential units is 3 852

The units consist of various specification levels, with rentals starting at R4 400 per month on completion

Net rental income yields of approximately 11% of the property acquisition cost is targeted in the first year of occupancy

Details of Phase 1

Property Area	Rentable Area (m^2)
Johannesburg West	33 720
Soweto	11 520
Johannesburg South	43 068
Kraaifontein	33 760
Belhar	40 000
Total	**162 068**

The above rentable area excludes all parking to be separately let and all common areas such as dry yards, walkways, staircases and private crèches.

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Calgro M3 – A Uniquely Differentiated Portfolio

A fundamental shift in thinking – We create homes that clients can take pride in!

Portfolio is environmentally sound

- Energy conservation with solar & gas installations
- Homes are insulated and windows are coated for temperature control
- Water efficiencies by harvesting rainwater and using water saving plumbing
- EDGE Rating – Instituted by the IFC in 125 countries for sustainable architecture

Beautifying surroundings

- Parks, recreational areas, walking and running paths
- 1 tree planted for each house completed

Lifestyle estate

- Crèches, play areas, shopping centres
- Accessible to transport infrastructure

Technologically forward thinking

- Wi-Fi, access control & security

Strategic aim of the Transaction – SA Corporate

To partner with an experienced developer trusted by JSE investors to:

- Achieve portfolio scale in a sector with underweight listed exposure and defensive characteristics due to its non-discretionary nature.
- Access a pipeline of stock that needs to be largely developed due to the poor quality of most existing income generating property acquisition opportunities, the redevelopment of which do not meet investment criteria.
- Cap SA Corporate's development exposure to that appropriate for a REIT
- Mitigate and diversify development risk
- Ensure competitively priced funding thereby reducing the acquisition cost of developed properties
- Establish a partnership of common long term values in respect of:
    - quality affordable accommodation contributing to the upliftment of communities and their lifestyles
    - building an attractive investment product with sustainable growing annuity income for REIT investors
    - responsible and environmentally conscious development
    - good corporate governance

Strategic aim of the Transaction – Calgro M3

To partner with an established REIT and leader in the field to:

- Add their experience in management of residential portfolio's, allowing the Group to remain focused on development
- Address the rental housing shortage of 1.5 million units, by creating substantial opportunities
- Create annuity income for the Group and thereby further diversification of income and cash flow streams
- Balance exposure between Public and Private sector development
- Create rental opportunities for non-qualifiers of property ownership in existing projects
- Establish rental Brand in partnership with experts in the field

Transaction Terms

limited recourse debt target of 35%

Equity contribution 65%

SA Corporate (AFHCO) responsible for day-to-day operations and management of the portfolio / company

100% distribution of pre-tax income to shareholders

AFHCO brand to be marketed and the brand which will trade

Subject to regulatory approval from Competition Commission

The secret of change is to focus all of your energy, not on fighting the old, but on building the new. - Socrates

Disclaimer

Calgro M3 and SA Corporate have acted in good faith and made every reasonable effort to ensure the accuracy and completeness of the information contained in this presentation, including all information that may be defined as 'forward-looking statements'.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements.

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Calgro M3 and SA Corporate do not undertake to update any forward-looking statements contained in this document and do not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon.

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Appendix

Calgro M3 Integrated Development



Scottsdene Cape Town, Western Cape

Calgro M3 Integrated Development



Fleurhof Johannesburg, Gauteng

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Calgro M3 Affordable Housing Development







Summerset Johannesburg, Gauteng

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