



**ZIMRE PROPERTY
INVESTMENTS LIMITED**

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TRADING UPDATE FOR THE THIRD QUARTER

ENDED 30 SEPTEMBER 2019

Operating environment

The operating environment for the period under review was difficult for business. Worsening liquidity situation and foreign currency, electricity and fuel shortages disrupted business operations. The economy witnessed incessant increases in prices of goods and services which fed the inflation spiral.

Increases in electricity tariffs and fuel prices became more pronounced and added further cost burdens to the business during the period. Dependence on fuel-powered generators proved not only costly but highly unsustainable. The introduction of the mono currency regime overlooked existing contracts entered into under the multi-currency system and the effect this would have on such contracts. These factors combined, made for a very difficult operating environment.

Portfolio performance

Demand for real estate products declined during the period under review due the tight liquidity situation and waning consumer purchasing power. Rental revenues declined in real terms and debtors remained a major problem for the business as the general economic environment increased overall tenant default risk. Building costs escalated, driven by the price increases witnessed in the market.

In order to preserve value, the Company focussed on defending both income and capital values through a diversification strategy. As part of value preservation, the Company is implementing quarterly rent reviews and reconfiguring some of its space for other uses in line with market demand. The Company has taken the approach of making timely disposals of stands in line with its cash flow requirements while intensifying debtors' recoveries.

Financial performance

Rental income amounted to \$3.27 million for the nine months ended 30 September 2019 compared to \$1.63 million during the same period last year. The increase is attributed to quarterly rent reviews. Stand sales performed better than prior year, realising revenue of \$2.93 million compared to \$0.46 million in the prior year.

Voids declined from 28% to 22% in the quarter under review. New lettings were achieved during the quarter and this, together with continuous space reconfiguration, resulted in an improved voids situation.

Despite the difficult operating environment, the Company achieved an operating profit of \$5.91 million for the nine months ended 30 September 2019. On the whole, the Company's financial position remains sound.

Projects update

The Company continues to implement projects that deliver value for the shareholders. The Sawanga Shopping Mall in Victoria Falls which was completed during the year has started contributing to the revenue streams. Similarly, the Nicoz House Bulawayo student accommodation facility reached full capacity in terms of student intake and is contributing to the Company's revenue streams. Positive market feedback on this unique offering has been received.

Outlook

The economic outlook for the remainder of the year into 2020 remains uncertain. The Company's thrust in the short-term is to survive the turbulent times and preserve value for shareholders. Over the years, the Company has acquired a number of strategic pieces of land which provide a springboard for future growth and from which a number of projects will be launched in 2020.

By Order of the Board

N Zhou
Company Secretary

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6th Floor Fidelity Life Tower
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12 December 2019