



**Mashonaland
Holdings Limited**
(Incorporated in Zimbabwe)

**MASHONALAND HOLDINGS LIMITED TRADING UPDATE FOR QUARTER ENDED
31 MARCH 2022**

OPERATING ENVIRONMENT

The quarter ended 31 March 2022 was characterised by an increase in levels of inflation from 60.7% in December 2021 to 72.7% in March 2022. The increased inflation was mainly driven by foreign currency shortages and exchange rate volatility on the Reserve Bank of Zimbabwe (RBZ) foreign currency auction and unofficial markets. In addition to the exchange rate volatility, the market continues to witness a widening gap between the RBZ and unofficial market exchange rates.

The Russia-Ukraine war also contributed to the inflationary trend during the quarter as the conflict has negatively impacted on global supply chain and prices for fuel, gas and wheat among other commodities.

PROPERTY MARKET

The property market remains subdued with low demand for space particularly in the CBD office submarket. This is mainly attributable to low economic activity and inflation induced erosion of purchasing power and disposable incomes. The development submarket continues to witness limited investments due to constrained liquidity available in the market to support significant property developments. The residential submarket however remains dominant with a high demand base which has continued to attract new developments and invariably supported by the diaspora market.

UNAUDITED INFLATION ADJUSTED PERFORMANCE HIGHLIGHTS

The unaudited inflation adjusted financial performance highlights for the quarter ended 31 March 2022 are presented below.

	31-Mar-22	31-Mar-21	
Statement of comprehensive income highlights	ZW\$	ZW\$	% Movement
Revenue	178 625 466	114 337 713	56% ▲
Operating profit	99 886 728	62 867 570	59% ▲
Key ratios	%	%	% Movement
Operating profit margin %	56%	55%	1% ▲
Occupancy level (%)	81%	78.5%	3% ▲
Collections (%)	96%	92%	4% ▲

- The 56% revenue increase is mainly attributed to quarterly rent reviews being done to preserve value in view of the prevailing inflationary environment. Rent reviews have been done to reflect the changes in the operating environment while also managing overall portfolio occupancy.
- Occupancy levels improved from 78.5% in 2021 to 81% in March 2022 thereby contributing to revenue growth. The introduction of flexi-leases at Chiyedza house

during the previous quarter contributed to the improved occupancies. The flexi-leasing facility has been fully taken-up and is being expanded to meet increasing demand from the market.

- Operating profit increased by 59% to ZW\$99million driven by the revenue growth.
- The company's collections improved from 92% to 96% due to continuous credit control engagements which seek to ensure the company realises value from collection of rentals on time.

PROPERTY ACQUISITIONS AND DISPOSALS

Acquisition of Stand 489 Vainona Township (Pomona)

The company concluded the acquisition of a 4ha site valued at US\$3.9million located at the corner of Harare Drive and Alpes Road in Harare (ex-Pedstock). An anchor tenant has been identified to pre-lease a retail facility targeted for development at the site. The company has commenced pre-construction works and targets to commence site works in the 3rd quarter of the year.

Acquisition of Borrowdale Road property

The company acquired a 2ha site along Borrowdale Road. The company plans to develop a modern office park at the site. The property was acquired at US\$3.9million through a land swap transaction with a landbank the company owned in Borrowdale. Pre-construction work will commence in Q4 of 2022.

Charter House disposal

The MHL/ Touchroad International plans to convert Charter House into a boutique hotel were affected by the COVID-19 pandemic. The agreement between MHL and Touchroad International was subsequently terminated in 2021 to pave way for other options to sweat the asset.

During the quarter, the company received and accepted a compelling offer of US\$7.4million for the purchase of Charter House. The company decided to dispose the property to support its diversification strategy. The company seeks to reduce its concentration in CBD office space, by disposing its non-core and low performing properties, to increase presence in retail and office park segments.

In this regard, the company is planning to direct some of the proceeds from disposal of Charter House towards developments at Pomona and the medical facility in Milton Park.

PROPERTY DEVELOPMENTS

Mashview Gardens, Bluff Hill Harare

The housing development was pre-sold off plan for a total value of US\$3.4million in Q4 2021 and construction activity is on-going in phases. The entire project is expected to be completed in Q4 2022.

Milton Park Medical Facility

The Company signed an agreement to develop and lease a medical facility in Milton Park Harare with a leading medical insurer and services entity. Necessary pre-development planning approvals have been secured and the tendering process has been concluded. Construction works are commencing in the second quarter of 2022.

OUTLOOK

The economic outlook for the rest of the financial year remains uncertain due to persisting foreign currency shortages and inflationary headwinds. The Company will however continue to seek opportunities to preserve shareholder value by pursuing its property development projects in line with the broader company strategy while continuing with efforts to retain existing tenants and secure new leases to sustain overall business performance.



E. MADHAKA
COMPANY SECRETARY

12 May 2022