

TRADING UPDATE

FOR THE QUARTER ENDED 31 MARCH 2023

Overview of Operating Environment

During the first quarter, there was a significant decline in annual inflation, with figures dropping to 87.6% at the end of the period, compared to 243.76% in December 2022. This can be attributed to the implementation of the blended inflation metrics combining the US\$ and ZWL currencies. The month-on-month inflation rate was at 0.13%, down from the rate of 2.42% as at December 2022 resulting in quarterly inflation of -0.7%. Despite the notable decrease in inflation on the blended CPI, the local currency continued to depreciate against the US\$ as foreign currency exchange rates fell by 35.9% using the Dutch auction interbank exchange rate and 35.3% on the alternative market. Businesses have been noted to prefer settling transactions using the greenback rather than the local currency, leading to an increase in the use of the US\$ across the market.

Property Market Overview

Space absorption was insignificant during the month with demand for space remaining weak especially in the CBD Offices and Suburban Shopping centre sectors with supply continuing to outstrip demand. Recent developments being the Highland Park and Madokero developments have added onto the available space. This has continued to affect the setting of improved rentals in the sectors.

Different players have resorted to, either using purely United States Dollar rental rates or quoting in purely Zimbabwean Dollar currency having converted the rentals at the alternative market rates. Other players are reviewing the United States Dollar currency base rentals upwards and indexing to the ZWL interbank rates rather than using the alternative market rates. New lettings are mostly being concluded solely in the United Dollar currency. Purely USD currency rentals are discounted when compared to ZWL rentals payable at interbank rates due to the different exchange rates used.

There continues to be limited development activity on the property market being affected by the depreciating local currency and limited access to financing, with the majority of developments being mainly in the industrial / retail warehousing sectors. Owner occupied office park style buildings, high-rise flats, cluster houses and residential house conversions and new commercial developments especially in suburbs just outside the CBD and on major arterial routes are on the increase as investors seek to hedge value in property and improve balance sheet positioning. However, cluster house developments have been seen to be putting pressure on existing infrastructure being sewer and roads which also needs upgrading.

Financial Performance Highlights

Comprehensive income highlights

	Mar-23	Mar-22
Revenue	1 308 717 234	200 031 261
Net property income	493 724 017	84 340 537
Profit/loss for the period	26 615 044 673	1 987 967 475

Financial Position highlights

	Mar-23	Dec-22
Investment properties	137 006 600 000	109 333 840 000
Shareholders' equity	125 471 563 356	99 152 728 650

Key Performance Indicator Highlights

	Mar-23	Mar-22	Movement
Occupancy level	84.55%	89.99%	(5.44%)
Collections	57.00%	68.00%	(11.00%)

Revenue for the quarter increased by 554.26% compared to the same period in the prior year, driven by rent reviews and improved pure US\$ business, despite the occupancy level falling to 84.55%, mainly attributable to net lettings in the CBD office sector. Net property income increased by 485.39% during the period due to improved levels of rental income which is the main component of the revenue. A total of ZWL 51,598,333 million was applied to property maintenance during the quarter. Investment properties at 31 March 2023 were valued at ZWL 137.007 billion, a 25.31% fair value gain from the 31 December 2022 value of ZWL 109.334 billion. The growth was driven by rental income growth.

Sustainability

The Group continues to focus on rolling out green sustainability initiatives for selected properties following completion of net metering for First Mutual Property Solar system increasing generation and feeding into the national grid, while also enhancing waste management and separation infrastructure at various sites with colour coded bins secured, internal colour coded bins and liners being secured by May 2023 for First Mutual Property Park.

Dividend

At a meeting held on 9 May 2023, your Board resolved that a first interim dividend of ZWL 20.6 million (being 1,667 ZWL cents per share) and an additional USD 12,496 (being 0,001011 United States cents per share) be declared from the profits for the quarter ended 31 March 2023. The dividend will be payable on or about 19 June 2023 to all shareholders of the Group registered at close of business on 2 June 2023. The shares of the Group will be traded cum-dividend on the Zimbabwe Stock Exchange up to 30 May 2023 and ex-dividend as from 31 May 2023.

Outlook

Due to the excess supply of space, the commercial real estate industry is predicted to continue favouring tenants. While the use of USD may boost business activity in crucial sectors, sustained growth and business confidence will rely on important macroeconomic and monetary policies. Rental returns are expected to stay low because of the protracted price discovery process for leases and the limited potential for rental prices to increase given the abundance of available space.

In the near future, the primary objective is to safeguard the value and manage cash flow, as fluctuations in the market caused by currency devaluation have the potential to cause major disruptions. The Group intends to achieve this by enhancing the quality of space to meet the demands of occupants, sustaining occupancy rates and earnings. Additionally, investments will be made in property developments to expand the property portfolio.

By order of the Board



D Kandwe
Company Secretary