



(Incorporated in the Republic of South Africa)
(Registration number 2011/000308/06)
JSE share code: AWA ISIN: ZAE000203105
(Approved as a REIT by the JSE)
("Arrowhead" or "the company")

ARROWHEAD RELEASES PLEASING ANNUAL RESULTS

Repositioning for sustainable growth

- Dividend of 87,52 cents per share, growth of 6,02%
- Consistently delivered on forecast
- Well positioned balance sheet; Company LTV of 28,2%
- Average asset size increased to R110 million
- Successful conclusion of the Gemgrow transaction

Wednesday, 22 November 2017 – Arrowhead, the South African JSE listed REIT, with a well diversified portfolio across South Africa and sectors, today announced pleasing annual results. Arrowhead declared a dividend of 87,52 cents per share for the year ended 30 September 2017, resulting in growth of 6,02% from the previous reporting period.

Mark Kaplan, CEO commented: ***"The current uncertain political and economic circumstances have caused a rapid deterioration in our operating environment. These factors have greatly impacted our tenants. The combined effect of the challenging macroeconomic situation and political uncertainty have a negative impact on rentals, tenant installations and broker commissions and are pleased to have delivered on our 2017 forecast."***

Arrowhead owned a portfolio of 154 retail, office and industrial properties directly and 116 residential properties indirectly through Indluplace at 30 September 2016. As a result of the successful Gemgrow transaction, Arrowhead owned 51 commercial properties directly, 129 commercial properties indirectly through Gemgrow and 125 residential properties indirectly through Indluplace at the end of the reporting period.

Vacancies have increased from 7,7% at 30 September 2016 to 12,1% at 30 September 2017 due to the weakening market conditions and single tenant lease expires that resulted in a strained office market. A major contributor to the increased vacancy was the 1 Sturdee building where Sasol vacated from 1 January 2017. Good letting progress has been made with 6 404 m² re-let by 1 August 2017 and a further 1 900 m² re-let post year-end. A residential conversion is currently being explored at the Hill Street building in Randburg.

At year end, Arrowhead reported a LTV of 28,2%, while the group LTV was 31,5%. The interest rate swaps of R3,0 billion as well as the fixed rate loan of R237 million resulted in interest on R3,2 billion of the total loans of R4,7 billion being fixed. This equates to 69% of the total borrowings for the group and 71% for the company at an average rate of 8,98%. Post year end, the group has hedged around 77% of its borrowings.

“We are comfortable with the current level of gearing in the Fund and across the group. We believe this conservative position to be wise during the current uncertainty. This, combined with our strong balance sheet, still allows some headroom for Arrowhead to take advantage of potential income enhancing acquisitions as we remain opportunistic and acquisitive as a Fund,” commented Imraan Suleman, CFO of Arrowhead.

During the reporting period Arrowhead successfully concluded the Gemgrow transaction. Gemgrow is a specialist high yielding, high growth vehicle that is positioned to acquire different asset class properties. This unique offering sees significant opportunities as it falls outside the focus area of most funds in the listed property sector.

“This year was a transformative year for Arrowhead as we focused on improving the quality of our portfolio by increasing the average asset size from R49 million to R110 million. As a Fund we will see more transitioning of our tenant profile from single-tenant to multi-tenant to aid with risk mitigation,” said Riaz Kader, COO of Arrowhead.

“We expect the current macroeconomic environment to remain under pressure during 2018 and had to take some tough decisions during the year. We are confident that the measures implemented will not only ensure sustainability over time, but will reposition Arrowhead optimally to deliver long-term sustainable growth for shareholders,” concluded Kaplan.

-Ends-

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**NOTE TO EDITORS:
Arrowhead Properties**

Arrowhead is a diversified opportunistic South African fund focused on creating long term shareholder value

Arrowhead Properties the JSE-listed SA REIT (Real Estate Investment Trust). It holds a diverse portfolio of retail, industrial, office buildings throughout South Africa. It is invested in a substantial residential property portfolio through its subsidiary Indluplace Properties Limited, the only focused listed residential REIT. Arrowhead is invested in a high yield high growth fund through its subsidiary Gemgrow Properties. It also is invested in Rebasis Properties and Dipula Property Fund, both listed JSE REITS.

Risk is managed by having a growing portfolio, as diversified as possible in terms of the number of properties, a spread of tenants, a spread of locations throughout South Africa and a spread of properties over the retail, office, industrial and residential sectors of the property market.

Arrowhead's main focus is to pay growing income returns to its investors. This is achieved through escalating rentals in terms of leases with tenants, satisfactory renewal of leases with existing tenants, renting of vacant space within the portfolio, managing and reducing, where possible, costs associated with the portfolio **and by acquiring revenue-enhancing properties.**

Assets are managed internally by Arrowhead's executive and asset managers with property management provided by JHI.

Leadership and Management Team

Arrowhead is led by an experienced management team, with strong credentials, who manage the fund internally and who have extensive experience of the sector and the asset portfolio. Executive directors include Chief Executive Officer Mark Kaplan, Imraan Suleman as Chief Financial Officer and Riaz Kader as Chief Operating Officer:

- **Kaplan** was managing director of Aengus Property Holdings which controlled a portfolio of assets with a value in excess of R300 million
- **Suleman** is a Chartered Accountant previously with Java Capital and has significant experience on a wide range of transactions including listings, mergers and acquisitions, capital raisings and empowerment transactions.
- **Kader** has 13 years' property experience in residential, retail, office and industrial property. He was previously a director of Excellerate Real Estate Services Proprietary Limited t/a JHI, and has been involved in the management of Arrowhead's property portfolio from the company's inception.

Non-Executive Directors

- Matthew Nell Independent non-executive chairman
- Elize Stroebel Independent non-executive director
- Taffy Adler Independent non-executive director
- Selwyn Noik Independent non-executive director