

Delta Property Fund Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 2002/005129/06)  
Share code: DLT ISIN: ZAE000194049  
("Delta" or "the Company")  
REIT status approved

#### **VOLUNTARY PRE-CLOSE OPERATIONAL UPDATE**

Shareholders are advised that the Company's closed period with respect to the financial year ending 28 February 2022, commences on 1 March 2022 and is anticipated to conclude on or about 24 May 2022, with the publication of the year-end results.

#### **Stabilised leadership**

Mr Siyabonga Mbanjwa started in his role as Delta's new Chief Executive Officer on 1 February 2022. He has already engaged extensively with the Board and the management team. He has also completed site visits to the Company's major assets in Gauteng, the Western Cape and KwaZulu Natal. Ms Bongzi Masinga, the former interim CEO, continues to provide the necessary support to the CEO so that the transition is as smooth as possible. Ms Masinga will therefore continue in her role as Executive Director with specific strategic areas of focus, until further notice.

#### **Lease renewals**

During the period under review, we have seen better traction with our largest tenant, the Department of Public Works & Infrastructure (DPWI) on lease renewals. We have continued to enjoy the benefit of our sovereign underpinned portfolio that has shown resilience with government being one of the few tenants in the sector being able to weather the Covid-19 storm. The continued focus on month-on-month renewals is finally bearing fruit. DPWI month to month leases with an aggregate gross letting area (GLA) of ±120 672m<sup>2</sup> have been renewed, in principle. All major terms and conditions for these leases have been negotiated and agreed. The leases are at final stages of being concluded. Lease terms for the balance of the leases are currently awaiting signature by DPWI and are expected to be finalised soon.

Additional leases with tenants with an average gross lettable area (GLA) of 43 715 m<sup>2</sup> have also been concluded.

#### **Rental recoveries**

Management's focus on rental arrear recoveries yielded positive results with collections exceeding 100% in some months, resulting in reduction of arrears.

#### **Disposals**

Portfolio optimisation through disposals remains a key strategic focus for Delta. Proceeds from disposals will be used to reduce debt and the concomitant reduction of LTV. Negotiations are underway on the disposal of the Bloemfontein and Kimberley portfolios. A separate announcement will be released on disposals at an appropriate time.

## **Vacancies**

Vacancies remain a challenge. The current economic conditions and the impact of Covid-19 on tenants has not left us unscathed. The dial on the vacancy dashboard has not gone the direction we had anticipated. Our strategy is to focus on our key strategic nodes to ensure adequate tenancy and that assets where appropriate tenants cannot be sourced are either repurposed or disposed.

## **Significant progress with CAPEX roll-out**

The efforts of Delta's management team to rebuild trust with key tenants are underpinned by the Company's ongoing delivery on its capital expenditure programme. Capital expenditure commitments amounted to R165,9 million with disbursements being approximately R100 million on over 70 assets. The management team is on track on budgeted expenditure across all projects. Our capital expenditure approach is defensive in nature and is unlikely to result in portfolio value uplift.

## **Greening initiatives**

As part of the capex rollout programme, Delta has replaced a significant amount of mechanical equipment (such as HVAC and lifts) with energy efficient equipment. All light fittings are also being changed to LED lighting. Management is in the process of appointing service providers to assist in obtaining Energy Performance Certificates for all its buildings in line with best practice and legislative requirements. This will ensure that a benchmark for energy efficiency for each building is set and plans to improve are then developed and implemented.

## **Outlook**

The office sector remains under pressure considering the impact of Covid-19 and the move to a hybrid work model. Macro-economic headwinds are expected to constrain the filling of vacancies as well as the disposal of assets. Management and the Board will continue to apply a prudent approach to disposals, based on the long-term holding costs of especially largely vacant assets instead of the disposal of these assets at a discount to book value. Management is also in the process of identifying assets with re-development and repurposing potential. Notwithstanding challenges in the portfolio, ongoing engagement with key tenants, supported by the increased delivery on capex commitments is expected to have a positive impact on lease renewals.

The above pre-close operational update has not been reviewed or reported on by the Company's external auditors.

Johannesburg  
28 February 2022

Sponsor  
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Investor Relations  
Morne Reinders +27 (0)82 480 4541