

TOWER PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2012/066457/06)
JSE share code: TWR ISIN: ZAE000179040
(Approved as a REIT by the JSE)
("Tower" or the "company")



UPDATE ON ASSET MANAGEMENT INITIATIVES

As discussed in its integrated report for the year ending May 2018, Tower anticipates receiving certain once off capital proceeds from various asset management initiatives which it will utilise in its total return strategy going forward. Tower advised shareholders that it would use these proceeds to best effect by reducing current debt and repurchasing Tower shares should the price remain attractive. It will also deploy the proceeds within its current portfolio both on accretive and defensive capital projects.

Tower advises shareholders that it has generated proceeds of R396 million from asset management initiatives in the current financial year. These initiatives include the sale of the Pick n Pay Distribution Centre in Pinetown, Kwazulu Natal for R96 million and the R300 million investment in TPF International Limited ("TPF") by Oryx Properties Limited, through a subscription and sale of TPF shares (as announced on SENS on 1 March 2018 and 17 July 2018).

The company has invested the proceeds as follows:

- R120 million was used to partially repay TPF's Euro loan facilities with Standard Bank;
- R80 million was used to partially repay Tower's South African loan access facilities;
- R100 million was utilised by TPF to acquire the Zagreb Industrial Property, announced on SENS on 17 September 2018;
- R90 million was used to partially repay Tower's South African loan facilities with Standard Bank; and
- R6 million has, to date, been used to repurchase Tower shares (693 906 shares have been repurchased at an average cost of R6.69 per share, *cum* the August 2018 dividend of 40.3 cents per share, and 207 611 shares have been repurchased at an average cost of R6.17 per share, *ex* the August 2018 dividend).

Operationally, Tower has reduced total portfolio vacancies from 5% at 31 May 2018 to 4.6% (the South African portfolio is at 5.4% and the Croatian portfolio is at 0% - due to the respective head leases on the Croatian properties). Furthermore, Tower continues to actively market its non-core properties and has gone to market on the proposed new residential apartments which it intends adding to its Old Cape Quarter property (previously named Cape Quarter Piazza). Tower notes that the residential property market is more challenging than it has been for some time due to macro-economic conditions in South Africa, however Tower is confident of its product at Old Cape Quarter due to the unique nature of the De Waterkant precinct, where property selling prices continue to outperform other prominent areas in the Western Cape due to its unique heritage status and proximity to the CBD of Cape Town.

Tower has not provided distribution guidance for the year ending 31 May 2019, rather it has provided property net income guidance. Tower's property net income guidance remains unchanged at this point in time.

15 October 2018

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