



MEDIA RELEASE FROM FREEDOM PROPERTY FUND

25 May 2015

Freedom surpasses headline earnings forecast by 33% in its maiden results and delivers on listing commitments

Freedom Property Fund today announced its maiden financial results, achieving 33% above its forecast in headline earnings, with Net Asset Value (NAV) and combined revenue streams both ahead of forecast for its eight-and-a-half month financial period to 28 February 2015.

Freedom is a property capital growth fund with the potential to convert a REIT (Real Estate Investment Trust) in time, making it a unique asset. It was listed to strategically acquire and develop a portfolio of industrial, office and mainly residential properties, creating sustainable future income streams.

Tyrone Govender, CEO of Freedom, comments: "We are pleased with our first set of results. As a newly-listed company, and a business started from scratch to list, plus being a new concept in listed real estate, we are extremely proud to deliver on all our commitments, including our forecasts."

Freedom reported NAV growth of 6.06% for the period from its interim results ending 31 August 2014 to its year-ending 28 February 2015.

Says Govender: "We are moving in the right direction and, even dealing with a few unexpected dynamics, we are on track with all our projects. As we continue on our strategic growth path, Freedom remains committed to delivering on all our market guidance for our investors."

One of the unexpected dynamics that Freedom faces was its lag in share price. "Our stated objective at listing was to create liquidity for our founding shareholders. Many had exchanged land or developments, which they were unable to develop alone, for shares. This broad base of shareholders was never expected to be long term holders in this sector and when given the opportunity of liquidity they took it. We always expected this, albeit it at a more moderate pace," says Govender.

However, there is an upside to this. "We have now expanded our base of investors with a mid- to long-term view who we believe will move forward with us as we unlock the potential of our existing development pipeline."

Another challenge Freedom faced is the market's unfamiliarity with its investment proposition as a capital growth fund, compounded by the fact that much of its development pipeline is residential property which, while being the next growth focus for the market, is a relatively new asset class in the listed property sector.

"We've entered the market as a capital growth fund, yet Freedom is incorrectly only being valued on its income-producing assets by the market. Its development portfolio and pipeline is being discounted completely," explains Govender.

He adds: "This means Freedom is trading at a significant discount to NAV, which creates a unique opportunity for medium- and long-term investors to get in low and take advantage of the upside, as the discount will inevitably shrink. As we grow, deliver our projects and build our track record, we are confident that the market will also come to understand Freedom better, and value it correctly."



Freedom itself is taking advantage of this opportunity. It has implemented a treasury function to repurchase its shares, where cash flows permit. "Effectively, we're investing in ourselves while there is an opportunity to acquire Freedom shares at a significant discount to NAV."

Freedom made substantial operational progress during the period, successfully driving the implementation of its strategies and unlocking value for its shareholders.

Freedom's total revenue of R42,8 million was significantly up on its forecast of R28,3 million due to higher than expected sales of its stock of services stands.

It is expecting the expanded facilities at Steelpoort Industrial, in Limpopo's platinum belt, to add to its revenue base, with investment property revenue slightly down on forecast. Here Freedom has developed a further six industrial units of 6,306sqm, another two will be completed at the end of this month, and it will continue roll out these industrial facilities as demand requires.

Govender explains the mining dynamics of Steelpoort are different to those in areas like Rustenburg. Here mining is highly mechanised and focused on platinum and chrome production. Several new mines have opened over the past five years, creating growing demand for property for related industry and residential accommodation.

"From our time in this market we now know where demand is strongest for industrial property. Midi-units can be tenanted immediately, so we're focusing on this size first," says Govender.

For residential Property, Freedom's Tweefontein Residential Estate in Steelpoort – where the demand for residential accommodation is currently placed at between 15,000 and 20,000 units, and growing – already has interest from a mining group to take up 2,000 units immediately on completion.

At La Bonne Vie, in Montanna, Pretoria, Freedom will be bringing the first 22 sectional title units of a total 90 to market in December 2015. The remaining units will be completed over the next year. With a yield of over 12% per annum, this project cost is R35 million.

Freedom's mixed-use Langebaan Beach Resort in the Western Cape, bordering Saldanha, is ideally positioned to benefit from Transnet's proposed R10 billion harbour expansion. It comprises some 312,000sqm of zoned residential land, 427,000sqm of unzoned residential land, 8,000sqm of commercial zoned land and 21,700sqm for institutional use. Freedom is well progressed on plans to develop 7,000sqm of commercial space, pending finalisation of leases for the property.

At Miami Village, adjacent to Shelley Point in the St Helena Bay area in the Western Cape, Freedom entered into agreement to sell 130 stands for a combined revenue of R14,2 million against a cost of sales of R5,0 million. The balance of 131 stands are expected to be sold rapidly too.

At Gevonden, on the high-demand urban edge of Stellenbosch, bordering the successful Welgevonden Estate, preparations for the development of 43 residential units for the mid-market, are proceeding well.

"Although we have a huge pipeline to deliver on and develop, raising equity for these projects is a challenge with our present dynamics. While we have successfully concluded our term funding as we promised the market, we will continue to raise funding where we can. However, we are also taking an innovative approach to funding," says Govender.



In the case of Gevonden, Freedom is finalising a deal for a successful local developer to undertake this development and finance it on a turnkey basis. On completion, ownership of the units will be split based on input costs, leaving Freedom with ungeared, popular rentable units, and the option to acquire more.

“Plus, this is a low-risk approach to funding. We don’t speculate, our developments are always demand driven,” explains Govender.

While Freedom has faced some challenges since listing in June 2014, it is well positioned to operate in the low- to mid-tier income sector with its strategic land acquisitions.

“As a newly-listed company, growth is a key focus for Freedom, and we are aggressively pursuing acquisitive transactions,” stresses Govender.

He adds that Freedom will continue to capitalise on the largely ungeared value in its portfolio. Its gearing is below 10%. It will also provide shareholders with an opportunity to share in significant capital growth opportunities and a diverse portfolio of assets, with a strong weighting in residential properties.

“While sticking to solid business fundamentals, we want to address problems facing the South African market, especially the shortage residential accommodation in this income range, by supplying much-needed residential rental units,” says Govender.

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Released by:
Freedom Property Fund
CEO, Tyrone Govender
Cell: 082 804 2349
tyrone@freedompropertyfund.com
www.freedompropertyfund.com

Distributed by:
Suren Naidoo
Marketing Concepts
Tel: 011 783 0700