CREDIT OPINION
19 February 2025

Update

Send Your Feedback

RATINGS

Redefine Properties Limited

Domicile	South Africa
Long Term Rating	Ba2
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Redefine Properties Limited

Update to credit analysis following rating affirmation

Summary

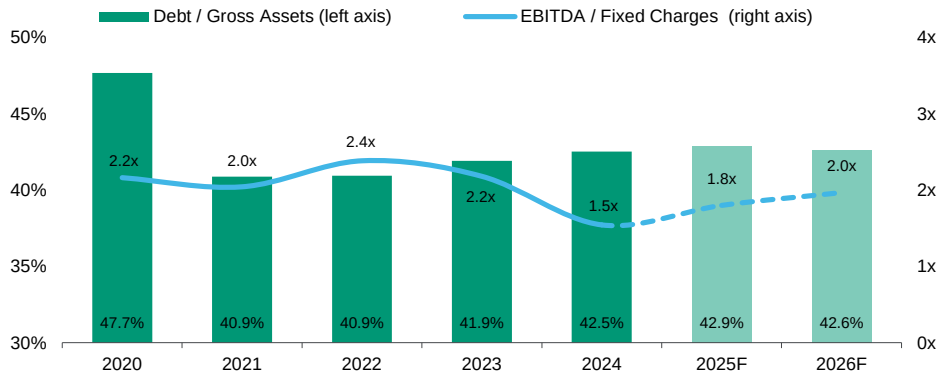
On 14 February 2025, we affirmed Redefine Properties Limited's (Redefine) Ba2 corporate family rating (CFR) and Aa2.za national scale rating (NSR). Concurrently, the stable outlook was maintained. The rating action reflects Redefine's operating performance and stable asset growth under a challenging operating environment in South Africa (Ba2 stable). Redefine maintains a strong market position, good asset quality, and sizeable property portfolio with assets spread across the office, industrial and retail sectors. Redefine benefits from offshore property exposure to Poland (A2 stable) where the group has 35% of its assets (measured as property value and as of 31 August 2024).

Conversely, Redefine's ratings reflect its significant asset exposure to South Africa and its economic environment, with 65% of property value derived from the country as of 30 August 2024. We expect the leasing market will remain highly competitive during the next 12 to 18 months, particularly in the office sector, where asset oversupply persists. This will result in stable vacancies despite negative renewal rates in the office segment. South Africa's high interest rate environment has put negative pressure in Redefine's fixed charge ratio (on a Moody's adjusted basis, excluding any interest income related to cross currency interest rate swaps) which has reduced to 1.5x as of 31 August 2024 from 1.8x a year before.

Redefine's adjusted gross debt to total assets ratio slightly deteriorated to 42.5% as of 31 August from 41.9% a year before. However, we expect that the company's adjusted gross debt to total assets ratio will remain close to 40% during the next 12 to 18 months and adequately position within the Ba2 rating category.

Exhibit 1

Fixed charge coverage weakened but will gradually recover if interest rates decline



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Redefine Properties Limited's financial year ends on 31 August, and '2024' refers to the period ended on 31 August 2024. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Ratings

Credit strengths

» Sizeable property portfolio and strong market position in South Africa

» Good asset quality and portfolio diversification by asset class with exposure to retail, office and industrial assets

» Offshore property diversification into Poland

Credit challenges

» Geographical concentration in South Africa

» Low growth prospects and challenging real estate market in South Africa

» Weakened fixed charge coverage ratio

Rating outlook

The stable outlook reflects our expectation that Redefine will maintain adequate operating performance despite the high-interest rate environment in South Africa, aided by the company's portfolio geographical and asset class diversification.

Factors that could lead to an upgrade

Subject to an upgrade of South Africa's rating, an upgrade could be considered if: (1) total debt to gross assets remains below 45% on a sustained basis; (2) fixed charge coverage ratio increases to solidly above 2.5x on a sustained basis.

Factors that could lead to a downgrade

The ratings are likely to be downgraded in case of a downgrade of South Africa's rating. Redefine's ratings would also come under downward pressure if (1) total debt to gross assets ratio trends towards 55% and fixed charge coverage ratio remains below 2.0x (all metrics are Moody's-adjusted), both on a sustained basis; and (2) the company's liquidity risk profile deteriorates significantly.

Key indicators

Exhibit 2

Redefine Properties Limited

(in $ billions)	2020	2021	2022	2023	2024	2025F	2026F
Gross Assets	4.8	5.2	5.4	5.3	5.7	5.8	5.8
Unencumbered Assets / Gross Assets	32.8%	37.7%	34.2%	35.7%	34.9%	34.5%	34.3%
Total Debt + Preferred Stock / Gross Assets	47.7%	40.9%	40.9%	41.9%	42.5%	42.9%	42.6%
Net Debt / EBITDA	7.2x	5.7x	6.1x	7.0x	7.1x	6.4x	6.1x
Secured Debt / Gross Assets	29.9%	28.4%	33.8%	31.4%	31.7%	32.0%	31.8%
Fixed Charge Coverage	2.2x	2.0x	2.4x	2.2x	1.5x	1.8x	2.0x

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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

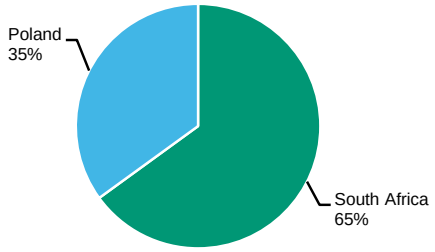
Profile

Redefine Properties Limited is one of the largest real estate investment trusts (REITs) listed on the Johannesburg Stock Exchange. Its activities include direct investments in property assets across the retail, industrial and office sectors. Redefine's main offshore property exposure is held through its investment in EPP N.V. which is one of the largest owners of shopping centres in Poland. Redefine took full control of EPP during fiscal year 2022 through the acquisition of 99.8% of its equity. The company's asset portfolio by value is spread across the retail (57%), office (24%), industrial (13%) and logistics (5%) sectors as of 31 August 2024.

Exhibit 3

Majority of the portfolio is concentrated in South Africa

Geographic breakdown by asset value as of 31 August 2024



Percentages are rounded, 0.2% of the portfolio is based in Lango (Africa).
Source: Company information

Detailed credit considerations

Strong market position and good asset quality support the rating

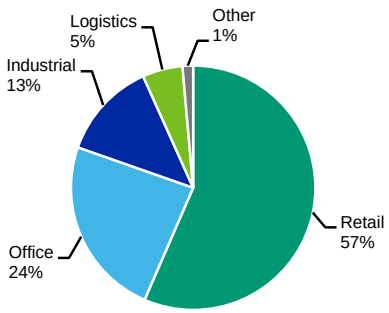
Redefine has a strong market position and is one of the largest REITs in South Africa with a sizeable property portfolio of ZAR99.6 billion. We consider the company's market positioning and asset quality as very good, mapping to a rating sub-factor of "A" under our methodology scorecard. The company continues with its asset recycling strategy to maintain a portfolio of modern specification buildings. During the last five calendar years, Redefine sold assets for a total consideration of ZAR12.5 billion. We expect these sales to continue during 2025, albeit at a lower pace.

Rental income is generated from a diversified tenant base across the retail, office, industrial and logistics sectors. In South Africa, the company's largest retail tenant exposures are some of the country's pre-eminent retail brands such as Shoprite, Pick n' Pay, The Foschini Group, Pepkor Holdings (Ba2 stable), and Woolworths. The company's top 10 retail tenants occupy 48% of the total gross leasable area (GLA) excluding vacancies, which could represent a concentration risk should key retail tenants decide to vacate their stores.

Exhibit 4

Retail segment makes up over half of Redefine's portfolio

Asset value breakdown by segment as of 31 August 2024



Source: Company information

The company has good medium- to long-term leases with a weighted average lease expiry (WALE) of 3.4 years in South Africa and 3.9 years in Poland as of August 2024. In South Africa, Redefine's renewal success rate decreased during 2024 to 68% from 79% a year before, however the company's average renewal growth rates on new leases improved to negative 5.9% compared to negative 6.7% a year before. This reflects the challenging and competitive operating environment in South Africa which is somewhat offset by the average in-force annual escalations of 6.3%, as of 31 August 2024.

Challenging operating environment in South Africa, particularly in the office sector

Redefine is significantly exposed to South Africa, where real estate market remains challenging, particularly in the office sector, where asset oversupply persists. We expect the country's real estate lease market to remain highly competitive over the next 12 to 18 months. However, we expect that portfolio valuations will remain stable as retailers recover from the post covid-19 period and turnover continues to grow despite pressures in the office segment.

In the retail segment, we expect more stability as retailers recover from the post covid-19 period, however South Africa's low real GDP growth and elevated inflation remain a challenge. For retailers, footfall and turnover levels continue to improve which leads to lower retail portfolio vacancies of 5.0% as of 31 August 2024 compared to 6.4% a year before. Focus on tenant retention and structuring leases with longer WALE may impact rental growth rate although Redefine achieved a positive retail renewal growth rate of 0.2% compared to negative 4.1% the year before.

In the office segment, weak corporate demand and structural oversupply will continue to drag rental prices down. Intense competition among landlords and high market vacancies will persist, while major tenants are seeking shorter lease terms. Nevertheless, the South Africa office portfolio vacancy level reduced slightly to 11.2% in August 2024 from 11.4% a year before. We expect that Redefine will face lower rent negotiations when renewing leases, or will have to offer a greater portion of its rent based on turnover, in response to demand from major retailers.

South Africa's real GDP expanded by 0.7% in 2023 year on year, a slowdown from the 1.9% growth achieved a year before. This slowdown was due to the record levels of load shedding in the country, uncertainties regarding global economic growth and the adverse impact of tight global and domestic financing conditions. We estimate South Africa's GDP grew by 1.1% in 2024 and expect it to grow by 1.7% in 2025, while inflation levels will remain stable between 4.5% and 5.0%.

Continued constrained economic growth, significant exposure to social risks due to growing levels of income inequality and youth unemployment levels will limit organic growth in the REIT industry. South Africa is also exposed to the risk of civil unrest, as demonstrated in July 2021. If civil unrest were to occur, it would increase the risk of an economic slowdown and highlight the social challenges the government faces in advancing its reform agenda.

Geographical concentration in South Africa remains a risk, despite diversification into Poland

As of August 2024, around 65% of the company's was represented by investment properties in South Africa, concentrated in Gauteng and the Western Cape which are the wealthiest and the most economically active provinces in the country. As a result, the company's credit profile is highly exposed to the macroeconomic environment in South Africa.

After Redefine divested its non-core assets in Australia and UK, its primary focus of geographical diversification is Poland. During fiscal year 2022, Redefine acquired full control in EPP through increasing its stake to 95.5% from 45.4%, and began to consolidate EPP. Redefine's investment in EPP partly offsets the company's large footprint in South Africa because EPP is one of the largest owners and managers of food, fashion and entertainment-anchored shopping centres in Poland.

Redefine's assets in Poland (including its European logistics platform) represented 35% of its total asset value as of August 2024. We believe that EPP's business fundamentals remain solid and the real estate market in Poland is in a better shape than that in South Africa. Poland's economy grew strongly until the start of the pandemic and we expect GDP growth of 3.0% and 3.5% in 2024 and 2025 respectively.

Since the second half of 2021, 100% of Redefine's GLA has been continuously operational, and footfall for the South African and Polish business continues to grow, while turnover in FY2024 was 103% of prior year driven mostly by grocery retailers. In South Africa, overall vacancy rate decreased to 6.8% as of August 2024 from 7.0% in August 2023 due to improved retail demand. In Poland, the vacancy levels increased slightly to 3.8% as of August 2024, compared to 3.5% in August 2023.

Loan to value ratio remains adequate, fixed charge coverage is weak but will gradually improve on lower interest rates

Moody's-adjusted gross debt to total assets ratio (loan to value, or LTV ratio) was 42.5% as of 31 August 2024, the highest since the peak of 47.7% reached in 2020. Redefine has a track record of a relatively stable LTV ratio between 40% and 45%. The increase in LTV is a result of a higher debt amount as of 31 August 2024, which was not offset by a 3% asset valuation increase from a year earlier.

Redefine continues to make solid progress in asset disposals, with ZAR12.5 billion cash inflows from asset disposals during the last five years, which have been used to fund acquisitions and development of investment properties of ZAR10.4 billion during the same period. During 2024, the company sold seven assets (including land plots) from its South African portfolio for ZAR389 million, while investing around ZAR3.6 billion in acquisitions and development of investment properties.

These initiatives are in line with Redefine's strategy which includes the disposal of assets across its property portfolio in order to focus on its core markets being South Africa and Poland. We expect stable debt levels during the next 12 to 18 months which will result in the LTV ratio of 40%-42%.

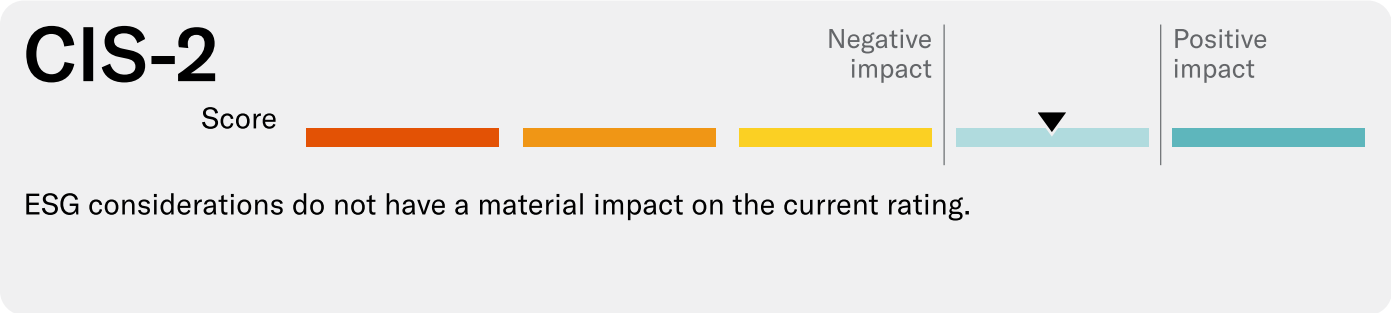
South Africa's high-interest rate environment has put negative pressure on Redefine's fixed charge coverage ratio (on a Moody's-adjusted basis, excluding any interest income related to cross currency interest rate swaps) which has reduced to 1.5x as of 31 August 2024 from 1.8x a year before. Redefine's interest cover ratio (ICR) calculated by the company has also reduced to 2.1x from 2.4x during the same period, but the company has agreed with banks to soften the ICR covenant to 1.75x from 2.0x until 2026, creating additional covenant buffer. We expect Redefine's ICR to improve during the next 12 to 18 months as the company benefits from interest rate cuts and a declining JIBAR from July 2024. However, a sustained weak Moody's-adjusted fixed charge coverage ratio of less than 2.0x would result in a negative rating pressure.

South African property companies have historically favored secured debt through bank loans. As of 31 August 2024, Redefine's Moody's-adjusted unencumbered assets to gross assets ratio was 35% which is fairly weak for the company's Ba2 rating. A potential decline in this ratio would be disadvantageous for unsecured creditors.

ESG considerations

Redefine Properties Limited's ESG credit impact score is CIS-2

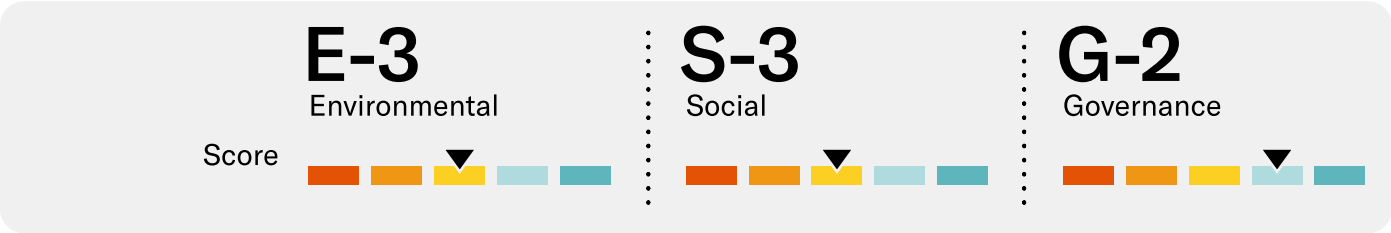
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

Redefine's ESG Credit Impact Score **CIS-2** indicates that ESG considerations have limited impact on the current credit rating. Redefine has a higher exposure to environmental (E-3) and social risks (S-3) compared to governance risk (G-2).

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Redefine's **E-3** environmental issuer profile score reflects the company's physical climate and carbon transition risks. Redefine has a diversified portfolio of assets and continually invests in the assets to mitigate event and operational risks. Nevertheless, real estate companies' exposure to physical risk is material given our expectations of more frequent and severe climate events and a steady increase in surface temperatures, and their physical asset-intensive business models. In South Africa, significant parts of the population periodically face severe droughts. As climate change intensifies, water scarcity is likely to become increasingly constraining. Exposure to carbon regulation is growing as more jurisdictions establish emission and energy-efficiency guidelines. A property's environmental footprint (parameters such as energy efficiency, water usage, waste management and indoor environment quality) could influence leasing outcomes because tenants are becoming more sensitive to the green attributes of their leased spaces.

Social

Redefine's social issuer profile score of **S-3** reflects that demographic and societal trends are moderately negative due to risks related to labor and income. South Africa has one of the highest levels of income inequality, very high unemployment especially amongst the young. Demographic changes and affordability are important factors driving demand, and changes in these areas could moderately affect the risks that real estate companies face. However, we recognize that Redefine's real estate investments outside of South Africa, particularly in Poland, provide an offset to the exposure to South Africa.

Governance

Redefine's governance issuer profile score of **G-2** reflects Moody's view that one of Redefine's key performance indicators is to maintain the LTV ratio at 40% or below. In addition, Redefine has a good track of addressing debt maturities well ahead of time. In South Africa, a REIT must pay a minimum of 75% of distributable income in dividends to retain its status and we consider this to be

a high payout limiting organic cash preservation. As a result, the REIT status limits the company's ability to retain cash and requires it to maintain access to external sources of capital to support its business and repay debt. However, the JSE requirement to distribute at least 75% of distributable income is subject to the solvency and liquidity requirements of the South African Companies Act. It therefore follows that Redefine's REIT status will not be impacted by distributing less than 75% of total distributable profits in any given year, if the reason for this is to meet the solvency and liquidity requirements imposed by the South African Companies Act.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Redefine's liquidity is adequate and sufficient to meet its obligations over the next 12-18 months, supported by cash on balance sheet of ZAR1.3 billion and undrawn committed facilities of ZAR5.1 billion as of 30 November 2024. We expect the company to generate funds from operations of around ZAR3.0 billion for FY2025. Additionally, Redefine's liquidity will be supported by planned asset disposals during 2025 and 2026. This liquidity will be sufficient to cover capital spending of ZAR1.9 billion in 2025 and ZAR1.4 billion of debt maturing in the next 12 months as of 30 November 2025 not assuming any refinancing. Redefine intends to pay dividends of at least 75% of distributable income in line with South Africa's REIT status requirements, which we estimate to be about ZAR2.2 billion in the next 12 months.

Rating methodology and scorecard factors

The principal methodology used in these ratings was the REITs and Other Commercial Real Estate Firms rating methodology. The Scorecard-Indicated Outcome is Ba1 to Baa3 while the actual assigned rating is Ba2. The one to two notches difference reflects the company's exposure to the challenging macroeconomic and operating environment in South Africa.

Exhibit 7

Rating factors

Redefine Properties Limited

REITs and Other Commercial Real Estate Firms Industry Scorecard	Current FY 08/31/2024		Moody's 12-18 Month Forward View	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets (USD Billion)	$5.7	Baa	$5.7 - $5.8	Baa
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	A	A	A	A
b) Operating Environment	Ba	Ba	Ba	Ba
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	34.9%	B	34% - 35%	B
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	42.5%	Baa	42% - 43%	Baa
b) Net Debt / EBITDA	7.1x	Ba	6.1x - 6.4x	Ba
c) Secured Debt / Gross Assets	31.7%	B	31% - 32%	B
d) Fixed Charge Coverage	1.5x	B	1.8x - 2.0x	Ba
Rating:				
a) Scorecard-Indicated Outcome		Ba1		Baa3
b) Actual Rating Assigned				Ba2

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 8

Peer comparison

Redefine Properties Limited

	Redefine Properties Limited			Growthpoint Properties Limited			Fortress Real Estate Investments Limited			CPI Property Group		
	Ba2 Stable			Ba2 Stable			Ba2 Stable			Ba1 Negative		
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	LTM
(in $ millions)	Aug-22	Aug-23	Aug-24	Jun-22	Jun-23	Jun-24	Jun-22	Jun-23	Jun-24	Dec-22	Dec-23	Jun-24
Gross Assets	5,416	5,251	5,739	10,055	9,101	9,073	2,899	2,855	2,927	25,103	24,225	22,755
Unencumbered Assets / Gross Assets	34.2%	35.7%	34.9%	33.0%	33.4%	32.3%	28.9%	40.5%	38.5%	53.5%	46.9%	48.2%
Total Debt + Preferred Stock / Gross Assets	40.9%	41.9%	42.5%	39.3%	40.9%	43.6%	40.3%	35.3%	40.4%	52.8%	54.8%	54.2%
Net Debt / EBITDA	6.1x	7.0x	7.1x	6.4x	6.1x	6.6x	6.5x	5.4x	5.4x	20.5x	15.2x	13.5x
Secured Debt / Gross Assets	33.8%	31.4%	31.7%	25.0%	27.8%	28.2%	30.3%	26.7%	28.4%	19.4%	23.9%	23.2%
Fixed-Charge Coverage	2.4x	2.2x	1.5x	3.1x	2.5x	2.0x	2.7x	2.3x	1.8x	2.2x	1.9x	1.9x

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 9

Moody's-adjusted debt reconciliation

Redefine Properties Limited

(in ZAR millions)	2020	2021	2022	2023	2024
As reported debt	**36,794.8**	**30,855.8**	**37,778.1**	**40,620.1**	**43,316.0**
Non-Standard Adjustments	2,252.8	-	-	1,054.5	-
Moody's-adjusted debt	**39,047.6**	**30,855.8**	**37,778.1**	**41,674.6**	**43,316.0**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Redefine Properties Limited's financial year ends on 31 August, and '2024' refers to the period ended on 31 August 2024.
Source: Moody's Financial Metrics™

Exhibit 10

Moody's-Adjusted EBITDA reconciliation

Redefine Properties Limited

(in ZAR millions)	2020	2021	2022	2023	2024
As reported EBITDA	**(7,579.0)**	**6,089.5**	**11,237.5**	**4,784.3**	**7,995.1**
Unusual Items	12,733.0	(715.2)	(3,482.9)	1,944.7	(2,526.4)
Non-Standard Adjustments	265.6	(195.8)	(1,868.0)	(893.6)	578.3
Moody's-adjusted EBITDA	**5,419.5**	**5,178.5**	**5,886.6**	**5,835.4**	**6,047.0**

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Source: Moody's Financial Metrics™

Ratings

Exhibit 11

Category	Moody's Rating
REDEFINE PROPERTIES LIMITED	
Outlook	Stable
Corporate Family Rating	Ba2
Senior Unsecured MTN -Dom Curr	(P)Ba2
Other Short Term -Dom Curr	(P)NP
NSR Corporate Family Rating	Aa2.za
NSR Senior Unsecured MTN	Aa2.za
NSR ST Issuer Rating	P-1.za
NSR Other Short Term	P-1.za

Source: Moody's Ratings

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