TRADING UPDATE

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014.

The board of Directors (the "Board") of Grit Real Estate Income Group Limited are pleased to provide the following trading update ahead of the publication of the Company's results for the year ending 30 June 2019 which are expected to be published on or around 26 September 2019.

Grit is the leading pan-African real estate company focused on investing in and actively managing a diversified portfolio of assets underpinned by predominantly US$ and Euro denominated long-term leases with high quality multi-national tenants. The portfolio comprises 25 investments in seven carefully selected investment grade and high growth African countries, excluding South Africa.

Highlights

• Current portfolio continues to deliver secure and growing income and is trading in line with the Board’s expectations.

• Successful leasing activity in the period includes a new five-year office lease to Exxon Mobil in Commodity house Phase 2 in Maputo, a Vale lease extension at VDE in Mozambique and a 10-year lease renewal to Anadarko in Commodity House Phase 1 in Maputo.

• Significant and growing identified pipeline of attractive potential investment opportunities, diversified across sector and geography, which total circa US$600 million in value.

• The Company has successfully deployed its existing equity and debt capital and is considering its options in respect of raising further capital to fund the pipeline in due course.

• The Company is intending to expand its current strategy to include a limited number of development opportunities in the short to medium term.

• The Company is on track to deliver its targeted 12% total shareholder return and positive growth in dividend for the financial year ending 30 June 2019.

HIGH QUALITY & DIVERSIFIED PORTFOLIO DELIVERING SECURE & GROWING INCOME

• Portfolio activity includes:
  
  o Acquisition of an additional 20 completed units leased to Barloworld at VDE corporate accommodation compound in Tete, Mozambique, including the remaining 15.5 hectares of land earmarked for further development at a total acquisition price of US $3.6 million. The additional units are adjacent to Grit’s existing 122 unit corporate accommodation asset currently let to Vale and Barloworld.

  o Acquisition of an additional 25% equity stake in Mukuba Mall in Kitwe, Zambia for US$8.2 million, which moves the Company’s total interest to 75% in one of the best performing retail assets in the region.

  o The significant redevelopment of the Company’s flagship retail asset, Anfa Place Shopping Centre in Casablanca, Morocco, at a capital cost of US$25.09 million (inclusive of VAT), is expected to be delivered materially on time and on budget. Post completion valuations and assets returns are expected to be enhancing to the portfolio.
OPERATIONS UPDATE

• EPRA portfolio occupancy rate of 97.2% (31 December 2018: 96%) predominantly let to high quality, multinational tenants. Post the completion of Anfa Place redevelopment, the portfolio is expected to be 98.5% occupied

• A weighted average contracted annual rental escalation across the portfolio of 3.12% (31 December 2018: 3.1%)

• Portfolio Weighted Average Lease Expiry (“WALE”) of 6.3 years (31 December 2018: 6.5 years).

• 95% of the 27,425 sq m expiring gross lettable area (“GLA”) over the last 12 months has been successfully renewed or replaced as part of the Company’s active asset management strategies. Significant leasing activity over the period included:
  o New office lease concluded with Exxon Mobil (1873 sq m) in Commodity House Phase 2 in Maputo, Mozambique for five years. Exxon Mobil has also been granted first option on any further Grit controlled office space in Maputo that becomes available.
  o Agreement in principle with Vale for the development of an additional 40 two-bedroom and 20 three-bedroom units (subject to final contracting) and includes a lease extension on the existing 102 corporate accommodation units for a further five years on the same lease terms as the additional 60 units.
  o Successful conclusion of a new 10-year office lease, including an increase in GLA, with Anadarko (1910 sq m) after the exit of an existing local tenant at Commodity House Phase 1 asset in Maputo, Mozambique.
  o Grit’s exposure to convenience shopping and pro-active asset management initiatives have assisted in offsetting the challenges faced in the retail sector across Africa. Strategically, the Group has repositioned a number of assets and is emphasising services, entertainment and convenience offerings. Notable actions include:
    • Successful pre letting and re-tenanting activities are expected to result in vacancies at Anfa Place Shopping Centre dropping to at least 9.4% post relaunch. (strategic vacancies of 20% were maintained during the redevelopment phase). Significant new tenants to the centre include Alpha 55 (1908 sq m) and Intimissimi (81.40 sq m) while food and entertainment offerings have been increased as a percentage of overall GLA and have had a positive impact on footfall.
    • New Macau Casino (947 sq m) has been introduced to Mall de Tete on 1 April 2019 on a new five-year lease which is in line with the Group’s strategy of increasing entertainment and service offerings in similar centres.
    • VIP Spar (1780 sq m) introduced as anchor tenant in Zimpeto Square shopping mall in Maputo from 1 April 2019 on a new five-year lease.
    • Grit is in advanced discussions with a number of international emerging market retailers to take up space that South African fashion retailers, which are considering consolidation into fewer African markets, may potentially vacate.

VALUE ENHANCING ASSET MANAGEMENT ACTIVITIES

• The internal Asset Management capabilities and expertise of the Group continue to be strengthened in line with property portfolio growth and the strategy of providing services from within the Group. This should support progress towards the medium-term target of reducing administration costs to assets towards 0.8% (31 December 2018: 1.3%).

• The current geographic footprint supports existing operations but is also staffed to accommodate immediate pipeline opportunities:
  o Southern African Development Community states (“SADC”) and East Africa; two specialist Asset Managers.
  o Morocco: the outsourced support staff, currently being procured from AMS Property Management Company, are expected to be internalised by the end of 2019 and will support the existing 12 permanent Grit staff based in Casablanca.
  o Mozambique: 15 in-country staff are supported by outsourced facilities management teams based at the various Residential Estates.
Mauritius: head office team has increased from six to twelve people with specific facilities management expertise and skills being introduced.

ATTRACTION FINANCING
- The US$140 million debt refinancing pertaining to the Mozambique portfolio has been agreed with a syndicate of banks and is awaiting final Central Bank approval. The four-year facility is priced at three-month LIBOR plus 5.00%, which is a reduction of circa 0.98% from the previous blended rate. This moves the Group's weighted average cost of debt from 6.59% to 6.26% (inclusive of the offsetting rise in LIBOR over the period)
- The Group continues to target Loan to Value ("LTV") of between 35% and 40% over the medium term (as at 31 December 2018 43.4%)

ON TRACK TO DELIVER TARGETED TOTAL RETURN
- Notwithstanding the negative impact of the move in average EURO/USD exchange rates over the reporting period and the tough retail environment, the Company is on track to deliver its 12% total shareholder return target for the financial year to 30 June 2019.
- The Company is on track to deliver growth in dividend for the financial year ending 30 June 2019 (financial year ended 30 June 2018: $12.19 cents per share dividend). Dividends are payable bi-annually, of which US$5.25 cents per share has been paid for the six months ended 31 December 2018.

MOVE TO THE PREMIUM SEGMENT OF THE MAIN MARKET OF THE LONDON STOCK EXCHANGE AND REDOMICILIATION
- The Group is intending to move to the premium listing segment on the London Stock Exchange in the last quarter of 2019. To facilitate the Group’s eligibility for inclusion in the FTSE UK Index Series in due course the Group is exploring the possibility of redomiciling its corporate seat to Guernsey.

SIGNIFICANT & GROWING IDENTIFIED PIPELINE OF ATTRACTIVE INVESTMENT OPPORTUNITIES
- The Group currently has access to a significant number of attractive pipeline opportunities from existing tenants and other multinational companies operating across the African continent.
- All targets are carefully considered by the Investment committee and are consistent with the Company’s existing strategy of owning a diversified portfolio of high-quality assets in carefully selected investment grade and high growth African countries underpinned by high quality tenants.
- The Company continues to target a diversified investment portfolio, having no more than 25% exposure to any one country or sector over the medium term and seeks to avoid excessive tenant concentration. Pipeline opportunities are considered with these and other criteria in mind.
- As at 31 December 2018, the Company’s last reporting date, the Group’s property portfolio and other income producing assets were valued at US$796.4 million. The Company has an identified pipeline of potential new investment opportunities, predominantly in the industrial, corporate accommodation and hospitality sectors, which total circa US$600 million in value.
- The Company has successfully deployed its equity and debt capital and is considering options in respect of raising further capital in the short to medium term to fund these further investments, that are in line with its investment strategy and with a view to delivering further value for its shareholders.

STRATEGY UPDATE
- The tenant-led business strategy continues to be delivered through three principal areas of focus, namely Property Investment, Development and Asset Management.
- The Company remains committed to targeting a secure and growing dividend underpinned by high quality hard currency leases and contracted rental escalations. Cash generation from operations is expected to accelerate after the delivery of the Anfa Place redevelopment and the Company will look to deploy surplus cash into business units demonstrating high returns, strong fee generation and strategies that further accelerate NAV growth.
- The Company will seek to participate in development-based opportunities of up to 30% of its total portfolio in the short to medium term, where pre and post funding strategies are expected to unlock significant potential for NAV growth. The Company will seek to mitigate any delivery risk through strategic partnerships and strong commercial agreements where the risk is transferred to third parties.
The de-risked nature of these developments is not expected to impact dividends and will be a key component of delivering sustainably higher targeted future NAV growth from Grit’s strong multinational tenant relationships.

- Grit has built scale and skills across the African continent to service its multinational tenant base. Provision of Asset Management Services, both internally and to external property owners is a strategic focus area for the Group. This is expected to drive strong fee generation and should assist in lowering a number of the Group’s operating cost ratios.

- The Company believes that the promulgation of REIT legislation in countries across the African continent will create a platform for investment, a market for attracting co-investment and will provide a framework for improved real estate liquidity and sustainable yield compression. A significant portion of Grit’s current property portfolio and its pipeline are in jurisdictions considering, currently promulgating or introducing REITs and the Company is actively investigating these and a number of other property co-investment opportunities.

Bronwyn Corbett, CEO of Grit Real Estate Income Group Limited, commented:

"The Group continues to focus on delivering its investment strategy and remains on track to meet full year income distribution growth and a minimum total annual net shareholder return target of 12%+ in US Dollars for the year ending 30 June 2019.

Grit’s earnings and dividends are underpinned by the Company’s secure, diversified and growing index-linked income stream as well as attractive capital appreciation from across our high-quality portfolio, which is delivering attractive returns to our shareholders.

We are well placed with an excellent platform for growth and we look forward to capitalising on a significant and growing pipeline of investment opportunities that the Company has currently identified.”

By Order of the Board

26 June 2019

FOR FURTHER INFORMATION, PLEASE CONTACT:

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NOTES:

Grit Real Estate Income Group Limited is the leading pan-African real estate company focused on investing in and actively managing a diversified portfolio of assets in carefully selected African countries (excluding South Africa). These high quality assets are underpinned by predominantly US$ and Euro denominated
long-term leases with a wide range of blue-chip multi-national tenant covenants across a diverse range of robust property sectors.

The Company is committed to delivering strong and sustainable income for shareholders, with the potential for income and capital growth. The Company is targeting an annual dividend yield in USD of 8%+ and a net total shareholder return inclusive of NAV growth of 12.0%+ p.a.*

The Company currently holds primary listings on both the Main Market of the London Stock Exchange (LSE: GR1T) and on the Main Board of the Johannesburg Stock Exchange (JSE: GTR), while its listing on the Official Market of the Stock Exchange of Mauritius Ltd is termed as a secondary listing (SEM: DEL.N0000).

Further information on the Company is available at http://grit.group/

*These are targets only and not a profit forecast and there can be no assurance that they will be met.

Directors:
Peter Todd+ (Chairman), Bronwyn Corbett (Chief Executive Officer)*, Leon van de Moortele (Chief Financial Officer)*, Ian Macleod+, Sir Samuel Esson Jonah+, Nomzamo Radebe, Catherine McIlraith+, David Love+ and Bright Laaka (Permanent Alternate Director to Nomzano Radebe).

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Registrar and transfer agent (Mauritius): Intercontinental Secretarial Services Limited

JSE sponsor: PSG Capital Proprietary Limited
Sponsoring broker: Axys Stockbroking Limited

SEM authorised representative and sponsor: Perigeum Capital Ltd

This notice is issued pursuant to the JSE Listings Requirements, LSE Listing Rules, Article 19 of MAR, SEM Listing Rule 11.3 and Rule 5(1) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007. The Board accepts full responsibility for the accuracy of the information contained in this communiqué.