GRIT REAL ESTATE INCOME GROUP LIMITED
(Registered in Guernsey)
(Registration number: 68739)
LSE share code: GR1T
SEM share code: DEL.N0000
ISIN: GG00BMDHST63
LEI: 21380084LCGHJRS8CN05
("**Grit**" or the "**Company**" and, together with its subsidiaries, the "**Group**")

FINANCIAL AND PORTFOLIO UPDATE

PERPETUAL PREFERENCE NOTE ISSUANCE IN RELATION TO THE FUNDING OF THE ORBIT AFRICA FACILITY ACQUISITION AND REDEVELOPMENT

The board of directors (the "**Board**") of Grit Real Estate Income Group Limited is pleased to provide an update ahead of the publication of the Company's results for the year ended 30 June 2021 on 29 October 2021 and, further to its statement made on 2 July 2021, today announces details of a perpetual preference note issuance ("**Note**") in relation to the funding of the Orbit Africa acquisition.

As at 30 June 2021, the Group's high-quality property assets have a weighted average lease expiry ("**WALE**") of 4.8 years (June 2020: 5.1 years), a weighted average contracted lease escalation of 3.7% per annum (June 2020: 2.7% p.a.) and are underpinned by a wide range of blue-chip multi-national tenants across a variety of sectors. Grit's property portfolio comprises a total of 54 assets (including 25 properties held in Letlole La Rona in Botswana) with rentals predominantly collected monthly, of which 92.7% are collected in US$, Euro or pegged currencies.

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

"We have a high-quality portfolio that is continuing to deliver a resilient performance despite the headwinds of the pandemic. We are confident that the Group's property occupancies will improve during the balance of 2021 and beyond, supported by our hospitality sectors assets benefitting from the easing of travel restrictions and further leasing activity in both our Ghanaian office portfolio and retail sector assets.

Our LTV ratio is expected to rise to c.53% for the period to 30 June 2021, impacted by valuation pressures over that period, predominantly in the retail sector. We continue to see the Group's independent valuers applying a conservative approach to re-letting assumptions amidst the current covid-impacted market conditions. We do expect Grit's LTV to benefit from improvements in our property valuations over the medium term and have already seen recovery in certain sectors and countries of investment. We have also accelerated our asset recycling strategy, which we continue to pursue, and our perpetual note issuance which has now been concluded which we expect will benefit Grit's LTV. Our LTV will additionally benefit from the potential sale of AnfaPlace at no lower than the 30 June 2021 book value, which would also be expected to impact positively on the Group's distributable earnings per share.

The IFC loan and the Note issuance fully funds the acquisition and redevelopment of the Orbit Africa facility and is expected to be accretive to both the Company's net asset value and earnings, delivering value to Grit's shareholders. We also see significant further potential value creation being delivered to our shareholders from our corporate activities, which potentially include a corporate bond issuance in 2022 and further accessing GREA's accretive pipeline assets and development returns as well as furthering strategic partnerships with the IFC."

Portfolio performing well

- *Rent collection*
    - For the financial year to 30 June 2021, the Group collected 92.5% of the value of its contracted revenue. Over this same period, the Group has provided rent concessions, resulting in reduced revenues of 5.6% and rent deferrals of a further 2.3% of contracted rental revenue. Rent collection for July and August 2021 was 83.3%, impacted by slower collections in the hospitality sectors, although these are already improving with the easing of travel restrictions.
    - The Club Med Cap Skirring, Senegal resort plans to resume trading on 5 December 2021 and is experiencing strong bookings for the upcoming tourist season. Grit granted lease concessions to Club Med from 1 January 2021 with rental payments resuming from December 2021 upon the resort re-opening and resumption of regular international flight arrivals to Senegal.

- The Mauritian borders re-opened on 1 October 2021, with tourist arrivals currently expected to recover strongly and swiftly. Grit has two principal tenant brands in the Mauritius hospitality sector, with update below:
    - Lux are current on all lease commitments and have additionally repaid the bulk of the agreed deferred rentals from 2020.
    - BHI (Beachcomber Hotels) has been provided with rent deferrals of c.50% of monthly rental value for the period 1 January 2021 until border restrictions were lifted, and are current on the remaining portions of their lease commitments. The agreed rental deferrals will be collected over the subsequent 48 month period to December 2025.

- *EPRA vacancy*
  - The Group's occupancy rate has been impacted by a tenant vacancy in the Ghanaian office portfolio, which has resulted in Group EPRA vacancy rate moving to 5.9% at 30 September 2021 (5.3% at 31 June 2021 and 8.0% at 31 December 2020). Grit has successfully re-tenanted a significant amount of this space and along with further leasing activity in its retail sector, continues to expect to deliver further reductions in its EPRA vacancy through to December 2021 and beyond.

- *Valuation update*
  - The independent valuations of Grit's property portfolio for the financial year ended 30 June 2021 have been finalised:
    - Light industrial assets continue to be supported by strong lease covenants and leasing demand.
    - Corporate accommodation asset valuations anchored by embassy tenants, remained resilient however the VDE Estate valuation, where Vale's recent stated intentions to dispose of their mining operations, was impacted by increased discount and risk rates being applied by the valuers. Grit continues to work with Vale in relation to their corporate accommodation needs, or indeed the needs of any potential future buyer of the mining interests.
    - The Ghanaian office portfolio has experienced downward valuation pressure as a result of a depressed rental market and increase vacancies within one of our three office assets. The Mozambiquan asset valuations remain resilient as a result of strong leasing activity in the year.
    - Hospitality assets have experienced limited downward fair value adjustments but this has been offset by the positive impact of Euro exchange rate movements against the US Dollar.
    - The retail sector continues to experience valuation pressure as a result of elevated vacancies and net operating income weakness. AnfaPlace Mall US dollar reported value has dropped 11% from its June 2020 valuation level to US$79.5 million as at 30 June 2021.

SECTOR	30 June 2020 (US$'000)	Additions & Lease Incentive (US$'000)	Fx (US$'000)	FV Adj (US$'000)	June 2021 Valuation (US$'000)	FV Adj
Retail	217,760	1,917	5,643	(39,026)	186,294	-20.9%
Corporate Accommodation	138,194	124	-	(10,419)	127,899	-8.1%
Office	199,378	1,307	(601)	(8,612)	191,472	-4.2%
Hospitality	162,279	3,455	10,131	(1,446)	174,420	-0.8%
Other Investments	3,070	6	-	(26)	3,050	-0.9%
LLR	23,223	1,337	2,162	276	26,999	1.0%
GREA	5,313	6,266	-	1,117	12,696	4.9%
Light Industrial	27,165	3,588	-	2,429	33,182	7.3%
Portfolio	**776,382**	**17,695**	**17,335**	**(55,658)**	**756.012**	**-7.4%**

  - As a result of these valuation pressures, the Group's LTV ratio is expected to increase to c.53% from the last reported level of 49.3% as at 31 December 2020. The Group's lowest applied LTV covenants are set at 55% LTV.

Asset recycling
As a result of the Group's expected increase in its LTV ratio, impacted by the valuation pressures over the period, Grit has accelerated its existing asset recycling strategy of disposing of assets that are non-core and in sectors where it perceives high concentration risks in order to maximise value and returns for shareholders. While the Group will continue to seek to reduce its overall exposure to the retail sector and additionally to single country exposure greater than 25%, all exits will be targeted in a manner to maximise shareholder value.

Morocco remains a country focus for investment, however, given Grit's intention to reduce retail sector exposure, the Group has granted a 2-month exclusivity to a potential buyer of AnfaPlace Mall in Casablanca, Morocco. Grit expects to realise a price no lower than the updated 30 June 2021 book value and if concluded, the transaction would be expected to reduce the Group's LTV and positively impact the Group's distributable earnings per share.

The Board targets recycling of up to 20% of the value of the Group's property portfolio by 31 December 2023.

Group Debt maturity extensions and investigating potential corporate bond issuance
The Group maintains strong relationships with several commercial banks and continues to actively engage with its lenders concerning further extending maturities on the Group's debt facilities.

Grit has successfully extended maturities and/or received approvals from the credit committees of its banks for maturity extensions on US$233 million of the Group's debt facilities, resulting in maturity profiles of the Group's total debt of c.US$410 million largely now being beyond April 2023. Upon completion, the Group's updated debt maturity profile will now be:

Maturing within 1 year	6.8%
Maturing within 2 years	38.6%
Maturing greater than 2 years	54.6%

The Group has additionally engaged advisors and is currently investigating the potential for a corporate bond issuance, which it would expect to pursue in 2022 subject to prevailing market conditions at that time. The benefits would largely be extension of debt tenor, diversification of the Group's funding base and taking advantage of supportive credit markets in relation to African and frontier markets issuance.

Gateway Real Estate Africa ("GREA"): Potential capital commitment from Grit
Through its 19.98% equity interest in GREA, the private African property development company that Grit co-founded, Grit has an interest in the developer's accretive pipeline assets and development returns. As detailed in Grit's update on 16 August 2021 (link: https://www.londonstockexchange.com/news-article/GR1T/operational-and-portfolio-update/15098974), GREA has made strong progress on securing an attractive risk-mitigated pipeline in the office, embassy corporate accommodation and data centre sectors including:

- Near completion of a 112 unit diplomatic residential tower in Ethiopia predominantly tenanted to OBO, a division of the US State Department, now being readied for occupation on 1 November 2021. Estimated total project cost c.US$54 million.
- The construction of a 90 unit diplomatic apartment and town house community in Kenya fully tenanted by OBO, a division of the US State Department, with expected completion date in Q1 2022.
- Construction of a 994sqm GLA data centre in Lagos, Nigeria tenanted to African Data Centres, part of the Liquid Intelligent Technologies Group.
- The Precinct, Mauritius: Commencement of a landmark 8,594sqm GLA premium grade office development in Grand Baie in Q2 2021. Targeted completion August 2022.

The Group sees significant further potential value creation from the assets and development pipeline within GREA going forward, which are expected to result in strong NAV growth to Grit shareholders from exposure to risk mitigated developments tenanted to current and target multinational clients.

GREA has now called for final capital calls in relation to its shareholders' initial committed equity funding and Grit is required to make its US$17.9 million payment in the coming months if it wishes to retain its current equity ownership in GREA. Grit is concurrently considering increasing its stake in GREA to further align both Grit and GREA's future profitable growth strategies and approach to servicing tenants, which would be a cornerstone to further unlocking scale, synergy benefits and the creation and delivery of further value to Grit's shareholders. A potential transaction would likely require approvals from Grit's shareholders and equity funding by Grit. Grit expects to engage with its shareholders should this be further pursued.

Funding for Orbit Africa warehouse acquisition
Grit Services Limited ("**GSL**") has entered into a Subscription Agreement with Ethos Mezzanine Partners GP Proprietary Limited ("**Ethos Mezzanine Partners**") and BluePeak Private Capital GP ("**BluePeak**") for the issuance by Grit of a perpetual note that will raise up to US$31,500,000 (the "**Note**") and will be applied towards: (1) the acquisition and redevelopment of the Orbit Africa warehousing and manufacturing facility in

Nairobi, Kenya; and (2) the St Helene Private Hospital development in Mauritius. The Note is subject to fulfilment of conditions precedent prior to disbursement.

The Note issuance follows the successful conclusion by the Company of a senior debt financing arrangement with the International Finance Corporation (the "**IFC**"), the investment arm of the World Bank, in the amount of US$25,000,000, as announced by the Company on 2 July 2021
(link: https://polaris.brighterir.com/public/grit/news/rns/story/xp9qv9w).

The IFC loan and the Note issuance will fully fund the acquisition and redevelopment of the Orbit Africa facility, and these transactions are expected to be accretive to both the Company's net asset value (NAV) and earnings, delivering further value to Grit's shareholders.

GSL will invest the remaining proceeds of the Note into acquiring a stake in the St Helene Private Hospital development in Mauritius, another value-accretive de-risked near-term growth opportunity, further announcements will be made in due course.

As part of the financing agreements with Ethos Mezzanine Partners, BluePeak and the IFC, the Company has committed to enhanced environmental and social measures and reporting across its business, ensuring the Company makes a greater positive impact on environmental, social and governance ("ESG") observance in line with international best market practice.

Salient features of the Note

- The Note is treated as equity for IFRS accounting purposes and will reduce the Group's reported LTV.
- The Note has a cash coupon of 9% per annum and a 4% per annum redemption premium. The Company may elect to capitalise cash coupons.
- The Note, although perpetual in tenor, carries a material coupon step-up provision after the fifth anniversary that is expected to result in an economic maturity and redemption by the Company on or before that date.
- The Note may be voluntarily redeemed by the Company at any time, although there would be call-protection costs associated with doing so before the third anniversary.
- The Note is subordinated to permitted indebtedness in the Company but ranks ahead of shareholder claims.
- The Note potentially offers noteholders an additional return of not more than 3% per annum, linked to the performance of Grit ordinary shares over the duration of the Note.

Orbit Africa transaction

The Orbit facility is situated on Mombasa Road, the principal route south of Nairobi center serving the main industrial node, the link to the port of Mombasa and the industrial town of Athi River and is strategically located 11 kilometers south of the international airport and 9.6 kilometers from the Inland Container Depot. The site is well known to Grit, being less than one kilometer from the Imperial Health Sciences logistics facility owned by Grit in the same industrial precinct.

The transaction comprises the acquisition of an existing warehouse and manufacturing facility with a gross lettable area ("**GLA**") of 29,243 sqm at an accretive net acquisition yield of 9.60%. The facility will be leased back to Orbit Products Africa Limited (the "**Tenant**") in terms of a 25-year US Dollar denominated triple net lease with an option to extend for a further 10 years and includes a contracted average annual escalation of 2%. The transaction also incorporates a redevelopment and expansion of the facility for the Tenant, to be undertaken by the Company at a contractual development yield of 16.0%. The development project provides potential scope for further value accretion through the addition of 14,741 sqm GLA of modern warehouse space that will reposition the property to the standards expected of a modern FMCG light industrial facility and shall target an IFC EDGE green building certification upon completion.

The total investment (incl. VAT) in the combined initial acquisition and the expansion and redevelopment is expected to be US$53.6 million and will be funded through the US$ 25 million senior debt financing from the IFC, and the balance can be provided through the Note issuance.

St Helene Private Hospital transaction

The St Helene Private Hospital development comprises the construction of a state-of-the-art 81-bed medical facility in Curepipe, Mauritius (which is expected to be completed in Q1 2023) and was secured at an initial net development yield of 10.5% on a 15-year lease. The operations of the Hospital will be managed by Artemis Medicare Services Ltd ("**Artemis**"), a recognised medical facility operator established by the Apollo Tyres Group in India. Artemis currently owns a 400 bed multi-specialty state-of-the-art hospital in Delhi that holds Joint Commission International ("**JCI**") accreditation, which it has been successfully operating since its establishment in 2007. Further announcements regarding the Company's participation in this development will be made in due course, but it is anticipated to provide an attractive income yield and also deliver attractive NAV growth potential for the Company's shareholders.

Conclusion

The Company expects to realise attractive capital value enhancement and rental income growth, where both transactions will be accretive to the Company's NAV and earnings from inception as a result of the perpetual Note and IFC debt funding, delivering further value to shareholders.

Grit will publish full year results for the year ended 30 June 2021 on Friday 29th October 2021.

By Order of the Board

13 October 2021

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU no. 596/2014) (as amended) as it forms part of UK domestic law by virtue of the European union (withdrawal) act 2018 and other implementing measures. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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 net total shareholder return inclusive of NAV growth of 12.0%+ p.a.*

The Company holds its primary listing on the Main Market of the London Stock Exchange (LSE: GR1T and a secondary listing on the Stock Exchange of Mauritius (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. Any forward-looking statements and the assumptions underlying such statements are the responsibility of the Board of Directors and have not been reviewed or reported on by the Company's external auditors.

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

(* Executive Director) (+ independent Non-Executive Director)

Company secretary: Intercontinental Fund Services Limited

Registered address: PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 4HP

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

UK Transfer secretary: Link Asset Services Limited

SEM authorised representative and sponsor: Perigeum Capital Ltd

Mauritian sponsoring broker: Capital Markets Brokers Ltd

This notice is issued pursuant to the FCA Listing Rules and SEM Listing Rule 15.24 and the Mauritian Securities Act 2005. The Board of the Company accepts full responsibility for the accuracy of the information contained in this communiqué.