

RATING ANNOUNCEMENT

GCR upgrades Vukile Property Fund Limited's rating to AA⁺_(ZA) on strong asset quality and diversity

Rating action

Johannesburg, 25 July 2025 – GCR Ratings (GCR) has upgraded Vukile Property Fund Limited's national scale long term issuer rating to AA⁺_(ZA) and affirmed the short term issuer rating at A1⁺_(ZA). The rating Outlook has been revised to Stable from Positive.

Rated Entity	Rating class	Rating scale	Rating	Outlook / Watch
Vukile Property Fund Limited	Long Term Issuer	National	AA ⁺ _(ZA)	Stable Outlook
	Short Term Issuer	National	A1 ⁺ _(ZA)	

Rating rationale

The rating upgrade concludes the prior Positive Outlook and takes cognisance of Vukile Property Fund Limited's (Vukile or the REIT) consistently strong asset quality performance, supported by its notably larger, geographically diversified retail portfolio in South Africa and lower-risk Iberian countries. We expect that the REIT will maintain its stable financial profile and demonstrate strong access to capital.

Vukile completed significant investments of c.ZAR8 billion (net) in Spain and Portugal over the past year, further improving its scale and geographic diversification. Of the larger ZAR50 billion consolidated portfolio (USD2.8 billion), the Iberian assets comprised a higher 65% of assets at financial year end 2025, 31 March 2025, (financial 2024: 61%) and are expected to account for a larger 60% of consolidated net property income (financial 2025: 51%). The remaining assets are primarily domiciled in South Africa, where the operating environment remains constrained by weak economic activity. Despite the growth, some property concentrations remain, with the largest asset representing 12% of the portfolio value.

Vukile's property performance remains a key rating strength. Across both regions, Vukile focuses on non-metropolitan, convenience-oriented shopping centres and retail parks that are primarily anchored by grocery or essential services tenants and have tended to outperform the overall property sector. Robust performance metrics have been aided by continued asset enhancements and data-driven assessments in enhancing the customer experience to optimally position its centres.

The Iberian portfolio reported a low vacancy rate of 1.6%, with a positive rental reversion of 17.3% and like-for-like net operating income growth of 6.4% in financial 2025. Moreover, GCR considers income stability to be high, with lease indexation and blue-chip national and international tenants accounting for 95% of rentals. Despite the weak South African consumer environment, Vukile's South African retail portfolio reported a lower vacancy rate of 1.7% at financial 2025 (financial 2024: 1.9%), below the sector average. Combined with rising footfall and higher trading densities, this has supported an average positive reversion of 2.4% and 6.4% like-

for-like growth in net operating income. In addition, Vukile has embraced sustainability considerations, with large solar installations and water management systems making its properties attractive to high-quality tenants, while also helping to offset rising utility costs.

The REIT demonstrates strong access to debt capital, having also raised ZAR4 billion in new equity funding over the past two years. Thus, despite significant investment activity and higher levels of debt, Vukile's net LTV remained at 41% in financial 2025, offset by the reinvestment of asset sale proceeds, equity raised, and moderate dividend payout ratios. Vukile aims to maintain leverage between 40% and 45%, and we expect it to continue trending in this range as consideration for further acquisitions is likely. However, we do note the increase in EUR debt finding mix on the South African balance sheet, which does imply some risk. Significant refinancing at lower base rates and strong earnings saw the net interest cover ratio strengthen to 2.9x (financial 2024: 2.3x), a level that should be maintained on account of a high level of hedging. Debt remains well spread by maturity and is long dated.

Vukile evidences a sound liquidity profile, with a GCR calculated uses vs sources ratio of 1.4x over the next 12 months. As at 31 March 2025, Vukile reported notable sources of liquidity largely underpinned by ZAR2.1 billion in available cash and ZAR2.5 billion in committed unutilised facilities. However, we continue to factor in the likelihood of acquisitions, with Forum Madeira (Portugal) concluded post year end, whilst capex of just over ZAR1 billion would utilise much of the available liquidity sources. Further, short-term debt maturities are minimal at ZAR361 million. The high property encumbrances remain a liquidity constraint.

Outlook statement

The Stable Outlook reflects GCR's expectations that Vukile's enhanced portfolio will continue to generate higher cash flows off the back of very strong property performance metrics, whilst gearing metrics and liquidity should remain at comfortable levels.

Rating triggers

An upgrade could be considered if Vukile further enhances its scale of operations materially, whilst maintaining very strong asset quality and/or net LTV ratio is sustained at 40% or below and interest cover over 3.0x.

GCR could take negative rating action if 1) the LTV trends above 45% on a sustained basis; 2) net interest falls below 2.5x; 3) weakening in portfolio operating metrics and cash flows; 4) if any liquidity challenges are evidenced, groupwide or in either region.

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Related criteria and research

- Criteria for the GCR Ratings Framework, May 2024
- GCR Rating Scales Symbols and Definitions, May 2023
- Criteria for Rating Real Estate Investment Trusts and Other Commercial Property Companies, May 2024
- GCR Country Risk Score report, July 2025
- GCR SA Corporate Sector Risk Score report, March 2024
- GCR Commercial Property Sector Risk Score report, June 2024

Ratings history

Vukile Property Fund Limited					
Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Long Term Issuer	Initial	National	A _(ZA)	Stable Outlook	February 2012
Short Term Issuer		National	A1 _(ZA)		
Long Term Issuer	Last	National	AA _(ZA)	Positive Outlook	July 2024
Short Term Issuer		National	A1+ _(ZA)		

Risk score summary

Rating Components & Factors		Score
Operating environment		16.75
Country risk score		9.25
Sector risk score		7.50
Business profile		2.00
Portfolio quality		2.00
Sustainability		0.00
Financial profile		(1.25)
Leverage & capital structure		(1.00)
Liquidity		(0.25)
Comparative profile		0.00
Group support		0.00
Peer comparison		0.00
Total Risk Score		17.50

Glossary

Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Bond	A long-term debt instrument issued by either a company, institution or the government to raise funds.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.

Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
REIT	Real Estate Investment Trust. A company that owns, operates or finances income-producing real estate.
Rent	Payment from a lessee to the lessor for the temporary use of an asset.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.

Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Exchange Rate ZAR17.58/USD on 24/07/2025; Source: <https://www.bloomberg.com/markets/currencies>
- The audited annual financial statements to 31 March 2025 (plus four years of audited comparative numbers)
- Debt facility schedule at 31 March 2025
- Results presentation at 31 March 2025
- Capex and cash flow forecasts

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