




REAL ESTATE

CLUSTER PERFORMANCE,
OUTLOOK AND STRATEGIES



REAL ESTATE

Performance highlights in 2020	Contribution to Group strategy	Opportunities arising from COVID-19	Priorities for 2021
<ul style="list-style-type: none"> Our retail segment was the most significantly impacted during the pandemic. Closure during the lockdown period meant that there were no trading activities for retailers. Thereafter, with rising unemployment and inflation, people are not only consuming less, but also avoiding crowded places like shopping centres, malls and food courts. In addition, unemployment is rising, driving a decrease in demand from consumers, while the supply of retail space keeps on increasing. The pandemic has also impacted the ability of tenants to pay their monthly rentals, especially as the shift to work-from-home has altered the way people consume. Certain smaller cash-strapped tenants at QUAY11 (mainly a food destination) have had no choice but to cease business. During the challenging post-lockdown period, we provided relief measures to support our loyal and long-standing tenants, mainly in the retail space. Others have requested for payment facilities during this tough time. As a result of all of the above, the cluster's overall profitability dropped by 50% in 2020. With work-from-home being adopted more widely, several businesses are recognising its benefits (gains in time and efficiency) and may rethink the necessity of an office space. In this context, one of our largest multinational tenants reversed his decision to lease an additional 15% office space. Despite this situation, we were able to secure a major tenant in Phoenix Central for 2000m2. It is also worth noting that 95% of our tenants in the office segment were able to meet their rental commitments even during lockdown and that our occupancy rate is currently at 100% at Phoenix Central. We undertook a rigorous review of our debtors, adopting a more aggressive approach in managing the risks of bad debt and breaches of lease agreements. <p>Nevertheless, we advanced on our long-term strategic goals and recorded some positive results:</p> <ul style="list-style-type: none"> The restructuring of the cluster is an ongoing exercise with PwC, which once completed, will enable us to extract more value from our portfolio of properties. The goal is to position the Real Estate cluster as a major strategic entity for the Group. To achieve this, we are also in the process of rebranding the cluster. During the year, we reviewed our facilities management and created a new company grouping our cleaning, gardening, landscaping, technical and watchmen services into a single, centralised facilities management centre. The centre will service the entire cluster, granting us more flexibility and enabling us to use our resources more efficiently. Phoenix Central is presenting a host of opportunities for us. With major infrastructural developments in the vicinity to accommodate the metro, this region will become a hub of activity and enable us to consolidate our position as a strategically-located office and retail destination. We are renewing our focus on providing competitive rates, ample parking space and improving our tenant management. In collaboration with Currimjee Industries Ltd, we are in the process of developing a logistics distribution centre. The land has already been identified and the acquisition process is near complete. The Real Estate cluster will own, build and lease the distribution centre. The industrial segment is a major opportunity for us, and will enable us to diversify our portfolio of tenants. We are also reviewing our current tenant mix with the aim of shifting to more resilient operators as far as possible. All of this has led us to renew our focus on our existing tenants and offer the best possible customer service. To this end, we have hired a new Marketing manager to increase the visibility of our tenants on social media channels. This has been particularly successful at Arcades Currimjee. 		<ul style="list-style-type: none"> COVID-19 was an opportunity for us to take a closer look at our tenants' profiles, their ability to meet their contractual obligations, and our tenancy management processes. We became aware of our exposures in certain areas and have reinforced our relationship and engagement with our current tenants, while strengthening our due diligence process for future ones. Like most businesses, we captured the opportunities presented by digitalisation. During the 2020 lockdown, we successfully implemented our property management software with the aim of improving our operations and customer-centricity. This has enabled us to change the way we work, maximised productivity levels and accelerated our team-building efforts. The pandemic has also pushed us to review our risk management framework and our business risks. We are addressing them in a way that will further diversify our operational segments (e.g. moving into logistics and industrial real estate) and tenant mix. 	<ul style="list-style-type: none"> With Mauritius currently in its second lockdown and another year of recession, we expect people to continue tightening their belts. We also anticipate relatively higher vacancies in our retail spaces as a result. The first order of priority will be to develop a strategy to fill up these vacancies. An adapted marketing strategy and a stronger mix of resilient tenants will be key in achieving this. For instance, we are looking at acquiring more businesses in the services sector, rather than pure retail, to spread our risks in light of the ongoing recession. Bearing in mind the physical constraints at QUAY11 (small size and absence of parking), we are developing a turnaround strategy to leverage its prime location in the heart of Port Louis. We are also using this slowdown in activity to undertake a major revamp of Arcades Currimjee and enhance its attractiveness, in a drive to retain current tenants and also fill vacancies. The goal is to uplift the property's aesthetics with rustic and modern features, while offering more comfort to occupiers and visitors. Once completed, the refurbished Arcades will offer visitors a unique shopping experience in a historic landmark. We intend to advance quickly in restructuring our asset portfolio, which will allow us to raise new finance to carry out our large projects. The Distribution Centre project, which comprises the acquisition of land at L'Avenir, will begin with the construction of a warehouse along with ancillary facilities to be leased to the Group's companies. The remaining land will be further developed into a mixed-use development (a combination of retail and offices) geared towards the logistics business. While the future remains uncertain, we are cautiously optimistic. With our focus on diversifying our portfolio base, coupled with the redevelopment of the Arcades, the strengthening of our office base at Phoenix Central and a new structure, we believe we will emerge stronger this coming year.

MUR **90.4M**
Turnover

MUR **27.2M**
Operating profit