



NOVA PROPERTY GROUP  
Nova PropGrow Group Holdings Limited (2011/003964/06)

## Commuque – Nova Group Commercial Properties Update

**9 September 2019**

*The Nova Group is key to unlocking optimum value for investors, shareholders and debenture holders!*

The Nova Group (“Nova”) was born out of the Schemes of Arrangement (“Schemes”), voted in favour of by some 20 000 historical investors and sanctioned by the High Court in January 2012. These Schemes being the alternative to investors’ assets possibly being liquidated or sold off at fire sale prices. Nova has managed to, over these past 8 years, keep securing, maintaining and enhancing its properties to unlock value, as envisaged by the Schemes.

Nova, achieved this under arduous circumstances, including, but not limited to, a depressed economy, the historical baggage linked to circumstances prevailing before sanctioning of the Schemes, resulting in many years of litigation to protect the Nova properties and, additionally, a bombardment, from a particular media outlet of negative, baseless and factually incorrect reporting, designed to cast aspersions on Nova and its directors, making Nova’s task even more demanding and such reporting being ultimately to the detriment of Nova’s shareholders and debenture holders.

Nova’s achievements regarding securing, maintaining, enhancing and unlocking of value can be contributed to Nova’s strong, skilled and steadfast Board and various Board Committees and its stringent management measures, including meticulous planning and monitoring of property maintenance, upgrading works, bulk development and efficient targeting of tenants over the

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**Dominique Haese** Chief Executive Officer, **Connie Myburgh** Chairman, **Matthew Osterloh** Property Director, **Nigel Adriaanse** Non Executive Director, **Lazarus Mbethe** Non Executive Director, **Jane Phiri** Non Executive Director, **Jan Smit** Non Executive Director

past 8 years. This Nova achieved without much assistance from financial institutions or external capitalization, which, unfortunately, never materialized as envisaged by the Schemes.

The Nova Board is committed to continue building on the positives achieved over the last 8 years and is confident that role players, both in the financial sector and the property sector, will see through the fog created by the media and join forces with Nova to further unlock value for both shareholders and debenture holders of Nova.

The reasons for the lack of financing and/or capitalization over the past 8 years will be shared by Nova in due course, in subsequent communiques.

## **Current Property Portfolio**

The below assets comprise a balanced mix of commercial properties, both retail and office space, throughout South Africa.

In various instances where properties are under economic and tenant pressure, various strategies are being implemented including, but not limited to, disposal, refurbishment, reconfiguration of the tenant mix and reconsidering the use of the property. In the case of disposals, the capital will be mainly redeployed into the development of residential properties within Nova to increase the potential return to debenture holders.

*Amogela Mall - Liberty Mall Investments (Pty) Ltd*

*Athlone Park Centre – Athlone Park Shopping Centre Investments (Pty) Ltd*

*Carletonville Centre – Carletonville Centre Investments (Pty) Ltd*

*Carnival Centre – Range View Shopping Centre (Pty) Ltd*

*Courside Centre – Tarentaal Centre Investments (Pty) Ltd*

*Del Judor Mall – Witbank Highveld Investments (Pty) Ltd*

*Flora Centre – Flora Centre Investments (Pty) Ltd*

*The Village Shopping Centre – The Village Mall Investments (Pty) Ltd*

*The Villa Mall – The Villa Retail Park (Pty) Ltd*

*Zambezi Mall – Zambezi Retail Park Investments (Pty) Ltd*

*Waterglen Shopping Centre – Waterglen Shopping Centre Investments (Pty) Ltd*

### **Amogela Mall - Liberty Mall Investments (Pty) Ltd**

The take up of space at this property has been slower than expected and the town is evidently under pressure. We are receiving enquiries for space, albeit that these enquires are not coming from national or A-grade tenants. The strategy is to place tenants as and when possible and to improve on that tenant mix as market conditions improve.

Some post redevelopment remedial work was carried out and included items such as lighting and signage. Significant capital expenditure was also incurred for the replacement of part of the central air-conditioning system and the installation of new systems.

### **Athlone Park Centre - Athlone Park Shopping Centre Investments (Pty) Ltd**

Various alternative uses for this property have been investigated and the only plausible use would be that of medical purposes. This is, unfortunately prohibitive, due to the costs involved and statutory red tape.

### **Carletonville Centre - Carletonville Centre Investments (Pty) Ltd**

The shopping centre is in need of a refurbishment. This is, unfortunately prohibitive, due to the costs involved.

### **Carnival Centre - Range View Shopping Centre Investments (Pty) Ltd**

Demand for space in the shopping centre has shown signs of improvement although the quality of the enquiry is not ideal. As a result, the current tenant mix has room for improvement but due to the shopping centre not being properly anchored, this is proving to be a challenge.

### **Courtside Centre - Tarentaal Centre Investments (Pty) Ltd**

Take up of space at this property has been good over the past few months, with the property approaching a fully let position, save for a large storeroom. A major redevelopment of this property has been proposed but is not a priority for Nova at this time. The property is very well located and with major development in the immediate vicinity, including the new High Court, we expect that demand will remain high.

### **De Marionette Shopping Centre - De Marionette Centre Investments (Pty) Ltd**

A redevelopment of this property was in the planning process and required that we enter in a joint venture with another party. Two joint venture proposals were received but both required relinquishing a majority stake in the property. This would result in Nova losing control over this property. Considering this, a decision was taken to dispose of the property as a whole. The property was sold, and transfer was registered on 20 August 2019.

### **Del Judor Mall - Witbank Highveld Investments (Pty) Ltd**

We are pleased to advise that the anchor tenant, Checkers, has renewed their lease agreement for another five years and that they have also confirmed their intent in taking up an additional 700m<sup>2</sup>. They will also do a complete store upgrade as part of this exercise.

The shopping centre is in need of a refurbishment. We have, in the interim, commenced with painting of the building's facades, erection of new signage and repairs to and remarking of a portion of the parking area. This has been very well received by our tenants and the local community.

The state of public infrastructure serving the property remains a very real threat insofar as it relates to service delivery and maintenance of public roads. We are currently engaged in litigation with the municipality in this regard to force them to repair roads serving the property. The municipality has recently resolved to allow us to repair the roads on their behalf, if we use their approved contractors. We have engaged with these contractors and await their quotes.

### **Flora Centre - Flora Centre Investments (Pty) Ltd**

We continue to receive healthy demand for retail space in the building and have placed several new tenants since our last report. We are encouraged by the fact that national retailers have also started showing an interest. Of the five floors of office space, measuring 700m<sup>2</sup> each, three floors have been let and we are currently in negotiations with a potential tenant to take up the remaining two floors.

The property has suffered a setback in that the parking slab located on the south western portion of the building suffered structural damage and had to be closed for safety reasons. A professional team has been appointed and we await their recommendations on the matter. The closure has affected tenants' trading and several tenants have requested temporary rental reductions. We hope to commence with repairs by the middle of March 2020. Significant capital expenditure is expected for this project. We have, in the interim, reinstated basement parking in order to alleviate the current parking shortage.

#### **Leeupoort Street 148 – 148 Leeupoort Investments Property Trust**

We have reached an agreement with the purchaser of this property and expect to finalise the matter within the next few weeks. The matter entailed the payment by the purchaser of outstanding payments, whereafter transfer of the property can take place.

#### **Secunda Plaza - Parkside Centres Investments (Pty) Ltd**

Secunda remains challenging for most retailers, particularly those located in the central business district. Demand has shown some signs of improvement albeit not of a very high quality. Under the circumstances, the property was identified for disposal. A transaction was concluded, and we expect transfer within the next few weeks.

#### **Shoprite Secunda - De Marionette Centre Investments (Pty) Ltd**

Secunda remains challenging for most retailers, particularly those located in the central business district. Demand has shown some signs of improvement albeit not of a very high quality. The anchor tenant, Shoprite, did not renew their lease agreement and, as it stands, the building has no anchor tenant.

#### **The Village Shopping Centre - The Village Mall Investments (Pty) Ltd**

Trading conditions in this shopping centre remain stable but flat. Demand for retail space is fair, whilst demand for office space remains very poor. We are still in process of converting part of the office space to sectional title units with the intention of selling these off. The property needs a minor refurbishment.

## **The Villa Retail Park – The Villa Retail Park Investments (Pty) Ltd**

A structural engineer was requested to do an inspection on the concrete structure of The Villa to determine in what condition the building is and whether any remedial work is required after construction was halted, approximately 9 years ago. This inspection was done in November 2018 and the engineer was accompanied by an architect and the building contractor.

Overall the building is in good condition. The exposed open areas that are subject to climate and environmental elements, show mild signs of deterioration that is of no major concern. A lot of variables can contribute to cause cracks that were noticed, for example – concrete mix, weather & climate, time of day when pouring and, the volume of concrete poured at once.

In general, there are some shrinkage cracks throughout the building, but these are minor shrinkage cracks which are normal and were anticipated. The concrete was poured in different times of the season, hot and cold, with different concrete mixes and batches.

The expansion joints are within the allowable limits which are expected.

The areas that showed defects like hairline shrinkage cracks, longitudinal cracks and unevenness of the floor, do not require remedial work as it will be sealed before covered by final floor finishing.

A lift shaft was found to be filled with rainwater, but no structural damage has occurred, and holes have already been drilled to release the water.

The inspection indicated that

- no spalling has occurred;
- no structural defects could be seen;
- no settlement of foundations could be seen; and
- only minor aging due to exposed concrete and rebar occurred.

## **Tshwane China Shopping Mall - Zambezi Retail Park Investments (Pty) Ltd**

The head lease expired in October 2018 and was not renewed. The tenant has, however, by mutual agreement, remained in the building. We are currently investigating various options for the property.

## **Waterglen Shopping Centre - Waterglen Shopping Centre Investments (Pty) Ltd**

There has been a significant increase in demand for retail premises in the shopping centre and the take up of space has been very good. Pick 'n Pay is still busy with their upgrade and expansion and it is expected that they will employ additional resources in order to complete the project timeously. Offices remain challenging and alternative uses for this space have been identified. This will, however, require a rezoning of the property, which can become a lengthily process. The proposed redevelopment of the property will need to proceed at some point, with the initial focus being on the general appearance of the shopping centre from the outside. We have received costings in this regard and hope to commence with cosmetic upgrades in early 2020.

## **Sold Properties**

In some instances, sold properties' proceeds, where debenture holders were not paid, as the underlying sold property was not going to be able to achieve optimal value unlock in the short to medium term, were redeployed in Nova to –

- aid Nova, as far as possible, in its embarked upon task of securing, maintaining and enhancing the unlocking of property values, where financing and capitalization lines fell short; and
- allowing for a capital growth component for these sold properties, better than that, which would have ordinarily been achievable, given for example, but not limited to, the possible geographical location, deterioration of some properties, etc.

An exit plan has been formulated and is being implemented regarding the sold properties including the calculated debenture related capital growth achieved over the past 8 years in regard to these sold properties.

This plan includes the proposed payment timelines and the allocated debenture related capital and capital growth already achieved regarding these sold properties for relevant debenture holders.

In future communiques this exit plan will be shared in more detail.

## **Nova's Residential Mixed-Use Portfolio**

The development and completion of the residential projects (old growth plans) is currently one of the priorities of the Nova Board. A professional team consisting of architects, an engineer, a town planner, a quantity surveyor and an attorney, meets fortnightly to ensure that processes,

actions and procedures required to complete these projects are coordinated in order to unlock maximum value in the shortest possible time.

Nova intends communicating in some detail regarding its carefully planned and already in various stages of implementation action plan, to unlock optimum value from its residential mixed-use developments and regarding exit timelines of related debentures.

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*Nova is here because we fundamentally believe we can get as much of people's historical money back; the debenture holders deserve their money back; we are their best chance to get it!*

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