

FIRST MUTUAL

PROPERTIES

Go Beyond

TRADING UPDATE FOR THE QUARTER ENDED 31 MARCH 2024

Overview of Operating Environment

During the first quarter, there was a significant increase in the blended annual inflation rate to 55.3% from 26.5% as at 31 December 2023. This can be attributed to the increased demand of foreign currency resulting in the exchange rates movements. In the first three months of the year, the official ZWL: USD exchange rate advanced by 262% to 1USD being an equivalent value of ZWL21,700 from ZWL5,985 at the beginning of the year. Inflation and exchange rate pressures persisted during the quarter despite contractionary monetary and fiscal measures that were introduced earlier.

Property Market Overview

Space demand in the CBD Offices and suburban retail sectors remained weak during the period driven by increased migration to suburban office and office park. There has been increased conversion of residential houses to offices and retail use along the major arterial routes thereby promoting retail and office use outside the CBD. Increased upgrades of infrastructure which includes roads have been noted along the major arterial routes which are meant to connect into the residential suburbs and this will see increased uptake of space in these areas.

The multicurrency environment persists and is planned to continue as such for the medium term with rentals being received in both USD and ZWL, with a concentration on the former currency. Developments have also been on the rise along major roads with increased commercial presence in suburbs such as Vainona, Mount Pleasant and Borrowdale.

Major current development projects in Harare include the Afreximbank suburban mixed use development opposite Greenwood Park, block of flats along Herbert Chitepo Street, Edinburgh and Alpes/Teviotdale Roads Cluster Developments in Vainona, Highland Park Mixed Use Development in Highlands, Cluster House Developments along Emmerson Dambudzo Mhangagwa Road, Samora Machel Avenue Developments in Eastlea, Mutare Road Warehouse Developments in the Msasa Industrial Area, Kelvin Road North Warehouse Developments in Graniteside, bank head offices for First Capital Bank, Stanbic and Ecobank in Borrowdale amongst other developments.

There is increased appetite in the market for new office spaces and retail spaces in less crowded residential areas. This will see some relief on CBD space for repurposing to meet emerging consumer needs.

Basis of Preparation

To address the distortions arising from the migration from ZWL to USD presentation currency, the financial performance and position outlined in this trading update was prepared based on principles that management believe faithfully represent the substance of the Group's financial performance and position. Management segregated Pure USD transactions and balances (including all transactions denominated in other foreign currencies) from the pure ZWL transactions and balances. The Statement of Financial Position, non-monetary items were converted at the estimated economic rate translated on the date of acquisition or disposal and for monetary items the estimated closing economic rate was used with resultant foreign exchange gain or losses arising from non-USD currencies. For the Statement of profit or loss the historical ZWL transactions were translated using an average estimated economic rate and then combined with the pure USD transactions to determine the USD equivalent amounts.

Financial Performance Highlights

	HISTORICAL COST	
	Mar-24	Mar-23
Comprehensive income highlights	USD	USD
Revenue	2,140,138	1,526,854
Net property income	1,438,384	876,002
Profit After Tax	948,760	517,730
Financial Position highlights	USD	USD
	Mar-24	Dec-23
Investment properties	121,579,000	121,579,000
Shareholders' equity	113,821,027	113,123,583

Key Performance Indicator Highlights

	Mar-24	Mar-23	Movement
Occupancy level	88.78%	84.55%	4.23%
Collections	59.00%	57.00%	2.00%

Revenue for the quarter increased by 40% compared to the same period in the prior year, driven by rent reviews and the 4.23% increase occupancy levels. Net property income increased by 64% during the period due to successful rental reviews leading to improved levels of rental income which is the main component of the revenue. A total of USD 0.139 million was applied to property maintenance during the quarter. Investment properties as at 31 March 2024 stood at USD 121.579 million.

Developments

The Arundel Office Park development, a double storey office park building with basement parking progressed well for completion with contractors now working on the internal finishes, plumbing, painting and glazing with the lift having been fitted and concrete roof having been fitted with torch-on water proofing membrane. Completion is expected by mid-year.

Sustainability

The Group continues to focus on rolling out green sustainability initiatives for selected properties, while also enhancing waste management and separation infrastructure at various sites with colour coded bins secured.

Dividend

At a meeting held on 9 May 2024, the Board of Directors recommended that no dividend should be paid for the first quarter of the year 2024, and the available cash be channeled towards the expansion programme.

Outlook

In 2024, it is anticipated that the nation will experience a better economic activity due to the Government introducing policies that focuses on stabilising the exchange rates and inflation. We have already seen the introduction of the gold-backed structured currency termed Zimbabwe Gold (ZiG). As the real estate sector recovers, there will be a higher demand for quality properties in the right areas. The property portfolio should grow and become more competitive by sector and location.

By order of the Board



Mrs Dulcie Kandwe
Company Secretary