

CREATING VALUE THROUGH LAND CONVERSION IN KWAZULU-NATAL

MAY 2017







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INTRODUCTION

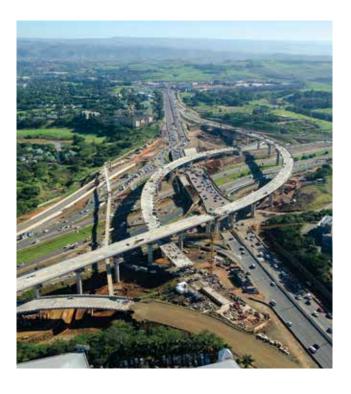
Tongaat Hulett's sugar mills in South Africa are supplied by more than 120 000 hectares of sugarcane land, of which some 34 percent is farmed by communal, small-scale farmers and land reform growers and just over seven percent is owned by the company. Tongaat Hulett is focused on creating stakeholder value through converting land within its portfolio to enable investors, developers, end users and authorities to access bankable, shovel-ready real estate investment projects that yield the best possible urban use. Over the past three years, 304 developable hectares from a portfolio of some 7 709 developable hectares, have been converted to such projects. Simultaneously, Tongaat Hulett drives rural development in the cane catchment area of its sugar mills, and over the past five years 24 560 hectares of new cane have been planted, mainly in communal areas.

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The value creating capability of the land conversion activities continues to increase, with good progress in the important value drivers. These include nurturing sound relationships with key stakeholders; growing demand in selected usage areas; increasing the supply of shovel-ready land through planning processes and unlocking infrastructure; and transferring land to others through sales that include structuring selected transactions that are appropriate to unlock targeted Demand Drivers, and deliver specific progress in transformation of ownership and participation in the real estate value chain. Further Act 70 of 1970 approvals were received in the period, taking the total to some 3 582 developable hectares. These approvals are being consolidated through further planning. A total of 962 developable hectares achieved EIA approval in the period, bringing the total of such approvals to 1314 developable hectares in the portfolio, with a further 1 100 developable hectares being well advanced in EIA processes.

Durban is a city of 3,7 million citizens, possessing a diverse economy in manufacturing, finance, real estate, trade and transport. The port handles over 60 percent of total container traffic to and from South Africa. King Shaka International Airport has current capacity for 15 million passengers and 100 000 tons of freight. The city is growing wealthier, with GDP growth consistently outstripping population growth since 2001.

Further Act 70 of 1970 approvals were received in the period, taking the total to 3 582 developable hectares



These dynamics allow Tongaat Hulett to identify a range of Demand Drivers that are continuing to drive demand for property, as described in detail on pages 9 to 19.

The developmental process to create value for multiple stakeholders is illustrated in the graphic on pages 20 and 21.

The tables on pages 22 and 23 provide an update of the possible pace of land conversion activities over the next five years. A range of sales is given on page 22, while the socio-economic value unlocked following the land conversion sales is tabulated on page 23. The value created - social, economic and financial - vary widely and is reflective of the degree of enhancement through urban planning, land use integration and density, location and the intensity of infrastructure investment. Intense assessment is ongoing into the enhancement of value to be created and realised from elements of the land portfolio through developing a greater range of commercial transacting mechanisms.

The land conversion activities over the next five years are expected to be achieved primarily from within the 3 312 developable hectares in the areas and landholdings as tabulated on page 24 of the document.

The transaction opportunities in various locations across the portfolio and arising from a range of demand sectors are increasing following the ongoing advances in the land conversion and development activities, boding well for near term future sales. Details are presented in the section describing the current dynamics around individual priority landholdings on pages 25 to 43.

A wide range of stakeholders benefit substantially from Tongaat Hulett's land conversion processes. This document describes the extent and nature of these benefits and how they are maximised. Society at large is deriving increasing benefit as Tongaat Hulett continues to improve its processes to attract fixed investment to the region, achieve urban spatial integration and integrated residential neighbourhoods, and create an ever-growing range of opportunities and mechanisms to stimulate transformation in property ownership and the real estate value chain. The land conversion process creates a platform for increased public sector income generation through rates and taxes, and maximises the returns from infrastructure investment, both financially, and in terms of enterprise development, job creation and local economic development.

Tongaat Hulett's shareholders are benefitting from the increased value in the land portfolio. Simultaneously, Tongaat Hulett's investments in new agricultural development are enhancing rural livelihoods. This document is updated regularly and is available for download at www.tongaat.com.





KEY CONCEPTS

HECTARES

Gross hectares refers to the total area of land, defined by a line around its boundary. It is a reasonably exact figure, amended only through refined detailed survey.

Within the gross hectares of a land asset, some portions are allocated for purposes other than development, including land that is environmentally important, very steep or geologically unsuitable. Deducting the areas of these undevelopable portions from the gross hectare area results in an approximate area of developable hectares of land that is suitable for development. Early assessments are made of the developable extents of all land assets and are refined as planning progresses through various stages.

CATEGORISATION OF THE LAND PORTFOLIO

Based on consideration of demand under current market conditions and interest, the anticipated progress on the supply side enablers to shovel ready, including release from agriculture, planning processes and infrastructural availability and the intended commercial approach and style of selling, the land portfolio is categorised as follows:

AREAS WHERE NEGOTIATIONS ARE **CURRENTLY UNDERWAY**

Areas comprising a total of 379 developable hectares contain 233 developable hectares over which negotiations are currently underway, representing profit potential of around R1,58 billion. These reflect diverse current demand, covering affordable residential, mid to upper-market residential, retirement, offices, warehousing and logistics, resort/hotel, a range of urban amenities, and educational uses. The nature of the transactions being negotiated is selected to suit the demand sector, optimise value created and achieve transformation objectives and accelerated investment into the region. Geographically, these negotiations include Umhlanga Ridge Town Centre (Commercial and Residential), Ridgeside Precincts 1 and 2, Sibaya Nodes 1, 5 and 4, Kindlewood, Bridge City, various Precincts in Cornubia (Cornubia Town Centre, Marshall Dam Residential, Umhlanga Hills and Blackburn Extension) and Tinley Manor. These are detailed in the table on page 24 and are individually described on pages 26 to 39.

Negotiations are currently underway over 233 developable hectares

AREAS WHERE ENQUIRIES ARE BEING RECEIVED AND NEGOTIATIONS ARE EXPECTED TO COMMENCE

In addition to the areas where negotiations are currently underway, increasing enquiries are being received at Ntshongweni, west of Durban, and in the airport region. The table on page 24 and the individual pages 40 to 43 give further details relating to 188 developable hectares currently falling into this category.

AREAS FROM WHICH REMAINING SALES ARE **EXPECTED TO COME OVER THE NEXT 5 YEARS**

Further landholdings are tabulated on page 24, with details provided on pages 45 to 52, where the remaining sales underpinning the expected pace of land conversion activities over the next five years are likely to take place. This is land located in areas that enjoy substantial government policy support for conversion, on which the various processes towards shovel ready have commenced and are progressing well, where processes are underway to ensure the availability of necessary infrastructure and where it is assessed that demand from one or more of the Demand Drivers described on pages 9 to 19 will occur.

AREAS WHERE SALES ARE ANTICIPATED **BEYOND A 5-YEAR PERIOD**

For land in this category, ongoing analysis is carried out on changing market dynamics, infrastructural developments and government strategies and policy, to ensure the early identification of opportunities to accelerate the process of conversion. Planning processes, in collaboration with stakeholders, towards getting all these land assets to a shovel-ready state, are underway.

EXPANDED COMMERCIAL TRANSACTING STYLES

Recognising that successful land conversion is inherently a collaborative partnership with a range of stakeholders and that each set of circumstances is unique and requires a fit-forpurpose solution, a deliberate strategy is being implemented to widen the range of commercial transacting options beyond simply the sale of shovel ready sites to include transactions that address specific requirements best.

The key objectives of land conversion are to create wide stakeholder value by fostering investment and economic activity through unlocking targeted Demand Drivers and to deliver specific progress in transformation of ownership and participation in the real estate value chain. Particular elements of the strategy where progress is being made are:

- Creating opportunities for developers and uses that require scale and a longer development pipeline that will span multiple years and often large or sometimes multiple land opportunities
- Achieving portfolio diversity where other skills, relationships, empowerment credentials and financial capabilities can be brought in alongside those of Tongaat Hulett, thereby achieving accelerated and enhanced achievement of desired outcomes
- Achieving greater value for shareholders through increased returns per hectare of land, earlier cash conversion and reduced development cost commitments
- Energising and enabling greater activity by collaborating parties in attracting and addressing ultimate Demand
- Unlocking particular opportunities such as affordable housing, mixed-use precincts and various unique clusters that benefit from specific land solutions to enhance their
- Rendering various development initiatives more bankable, thereby accelerating investment in the region
- Achieving transformation and empowerment objectives spanning the property development and investment value chain

The strategy continues to evolve and offer increasing opportunities where land, combined with Tongaat Hulett's processes, becomes the catalyst for increasing volumes of bankable transformative real estate development and investment projects.

Tongaat Hulett's land conversion processes, track record, skills, relationships and concentrated, portfolio of prime land, represent a unique opportunity to create substantial value for a wide range of stakeholders

FINANCIAL OUTCOMES FROM LAND CONVERSION

Traditional land sales generate revenue, which is an outcome of choices regarding land usage and density, pricing strategy, commercial approach and timing.

Land preparation and conversion incur costs related to planning the land use, applying for the relevant planning permissions, identifying, attracting and concluding sales with purchasers across the range of Demand Drivers and constructing necessary infrastructure. The difference between the revenue and the costs related to a sale in any particular landholding in the portfolio represents the operating profit generated through the sale.

The collection of the cash associated with a sale generally takes place on transfer of the land to the buyer. The timing of this cash collection varies with the nature of the sales concluded, with some larger transactions having a lead time before transfer.

Tongaat Hulett's land conversion processes, track record, skills, relationships and concentrated, portfolio of prime land, represent a unique opportunity to create substantial value for a wide range of stakeholders.

In financial terms, this value may comprise three primary elements in various combinations, namely net cash profit on sale of an asset; capital growth in the value of the land itself, adjacent land or a building developed on that land; and recurring income deriving from rental or other periodic payments for the lease of the land and varying intensity of improvements to that land.

In each case, decisions need to be made regarding the intensity of investment on the land, from limited planning, through varying extents of infrastructural investment, to the erection of structures on the land. Further decisions are made concerning the timing of the commercial exit strategy, once again from early sale of shovel-ready land (even in appropriate circumstances, land that is not yet shovel ready); through to exit on transfer of fully serviced sub divisions (the prominent mechanism historically); exit at various stages during or after the development of building improvements on the land; continued ownership of income producing assets on the land or lease of the underlying land asset for purposes of erection of buildings by others.

The benefits and risks of various combinations of the above strategies and their application to particular landholdings and contexts are being explored.

In this document, where an indication of profit, or of a range of profit, is provided, it is based on current market dynamics and what is currently being achieved or calculated to be achievable through traditional land sale approaches. The profit indication is the cash profit after costs, without any escalation or discounting



FRAMEWORK FOR INCLUSIVE VALUE CREATION, TRANSFORMATION AND EMPOWERMENT THROUGH LAND USE AND CONVERSION

The ongoing use and conversion of land by Tongaat Hulett has a major impact on the various communities that make up the citizenry of the city and region and offers business opportunities for a wide range of businesses. The achievement of optimal value creation through land use and conversion is dependent on sound, open relationships with, and support from, these communities, from all spheres of government and from businesses on whom the prosess depends for its success. This reality demands, on the one hand, sound, professional and

appropriate mutual communication and ongoing stakeholder interface and, on the other, a firm commitment to, and demonstrable leadership in, the transformation of the rural, urban and real estate landscape throughout the land use and conversion process.

The diagram below depicts Tongaat Hulett's land use and conversion value creation, transformation and empowerment framework and process.

RURAL DEVELOPMENT AND SUSTAINABILITY

DIVERSE AGRICULTURE AND AGRI-HUBS

LONG TERM PLANNING, SUSTAINABLE USE, GRADUAL SHIFT TO HIGHER USES

> RE-DEVELOPMENT OF RURAL SETTLEMENTS AND SMALL TOWNS

FACILITATE ORDERLY AND MANAGEABLE URBAN GROWTH



EMPOWERED BUSINESS

PROPERTY OWNERSHIP
AND PARTICIPATION IN THE
PROPERTY VALUE CHAIN

PROJECT MANAGEMENT RAISING FINANCE **PROPERTY** LAND END USER MANAGEMENT OCCUPIER / BUYER MADE AVAILABLE. / TENANT WELL PLANNED, CONSTRUCTION **READY FOR USE** COST AND QUALITY **MANAGEMENT MULTIPLIER (5-10X)**

EMPOWERED COMMUNITIES

SOCIAL SUSTAINABILITY
AND INNOVATION
PROGRAMME (SSIP)

ORGANISED

BEST PRACTICE

APPROACHES TO FACILITATION

ORGANISATION OF COMMUNITIES

UNDERSTAND NEEDS AND PRIORITIES

EMPOWERED

INITIATION AND CAPACITATION

OF PROJECTS
SUCH AS:
SKILLS
DEVELOPMENT

CONSTRUCTION
URBAN SHARED
SPACE MANAGEMENT

SUCCESSFUL

COLLABORATING

ANALYSING

UNDERSTANDING

SUSTAINABLE

SELF-SUSTAINING OUTCOMES

FUNCTIONAL SOCIAL AND ECONOMIC ECOSYSTEM

URBAN SPATIAL TRANSFORMATION

SUSTAINABILITY

INCLUSIVE SPACE

LINKS BETWEEN PEOPLE, NEEDS, OPPORTUNITIES

ENHANCED PROXIMITY AND ACCESS

SUSTAINABLE DENSITY AND COMPACTNESS



RELEASE FROM AGRICULTURE

The conversion of land from agriculture to other uses requires formal release from agriculture, currently in terms of the subdivision of Agricultural Land Act 70 of 1970. A new bill, the Planning and Development of Agricultural Land Framework Bill, is being considered to replace Act 70 of 1970.

Release from agriculture involves both the provincial and national departments of agriculture and takes place within the parameters of the prevailing provincial and municipal strategic and spatial plans.

Tongaat Hulett's steady, planned conversion process over time, in line with both provincial and local government's strategic and spatial plans, underpinned by its leading role in developing agriculture in KwaZulu-Natal and optimum agricultural use throughout the process, provides the foundation for sustainable urban growth and development and thereby for the requisite policy support.

Currently some 3 582 developable hectares of land within the portfolio has formal release from agriculture, of which 624 hectares at Cornubia North was approved in this period.

SHOVEL READY

Collaboration leading to bankable, shovel ready real estate development and investment projects involves planning permissions granted by a variety of government bodies. The key permissions include release from agriculture as well as Environmental Impact Assessments (EIA), zoning and subdivisional approvals and Water Use Licence Applications. A piece of land is described as shovel ready when the processes of these various approvals are sufficiently advanced that, within a short space of time (generally around six months or less), and with a high level of certainty, physical work on both infrastructure and buildings could commence. Progress towards being shovel ready is a key consideration in the ability to create meaningful stakeholder value from a land asset.

This period saw Compensation and Inyaninga receiving EIA approvals, representing 962 developable hectares, a significant milestone towards shovel ready.

The general process towards shovel ready across the portfolio is shown in the schematic; Developmental Process to Unlock Value Creation for all Stakeholders on page 20 and 21.

This period saw Compensation and iNvaninga receiving EIA approvals, representing 962 developable hectares, a significant milestone towards shovel ready



INFRASTRUCTURE

Large-scale land conversion for urban development purposes requires collaboration between multiple stakeholders that generates co-ordinated actions toward infrastructural policy and strategy, planning and co-ordination, funding, procurement, implementation, operation and maintenance.

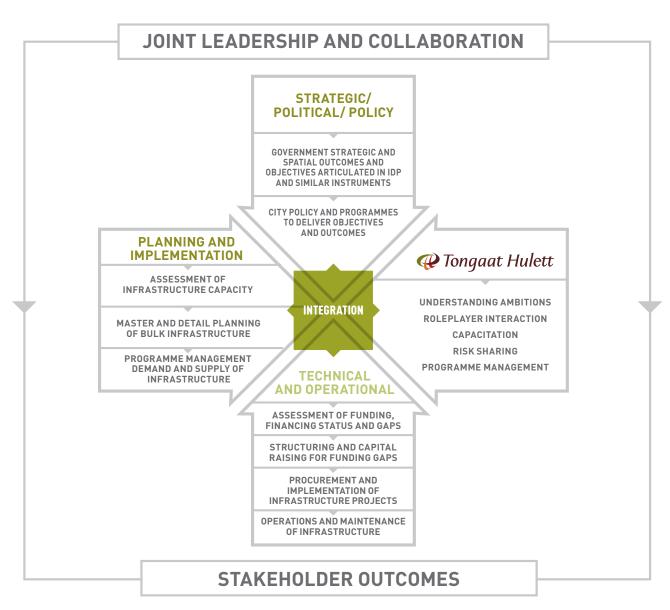
Progress continues to be made in advancing the multiple processes that will enable this co-ordination, thus ensuring that infrastructure ceases to be a limiting constraint in the face of demand for real estate investment in the Durban and KwaZulu-Natal coastal regions.

A summary of key elements of the current environment is as follows:

- Recognition of the central role of metropolitan municipalities as drivers of growth and the need for support mechanisms to enable efficient infrastructure funding and delivery in the execution of this role
- Recognition of the effectiveness of infrastructural investment concentrated in growth corridors of major cities, planned in an integrated manner, and implemented incrementally

- Increasing acknowledgement of the need for effective collaboration between multiple role-players to facilitate the requisite integrated planning and incremental implementation
- Significant recent and ongoing infrastructural investment in the region, combined with sound intent and intense efforts to ensure optimum returns on this investment
- Commencement of processes to formalise the scoping and packaging of bankable infrastructure investment projects that appropriately consider the strategic objectives of various partners
- Increasing fiscal constraints to direct infrastructural investment by government, leading to increasing recognition of the need for innovative funding and financing mechanisms, particularly processes and structure that leverage increased private sector participation

In response to these key elements of the infrastructural environment, Tongaat Hulett continues to roll out its comprehensive framework for infrastructure as depicted in the diagram below:





DEMAND DRIVERS



HIGH-INTENSITY URBAN MIXED USE



PREDOMINANTLY RESIDENTIAL NEIGHBOURHOODS



URBAN AMENITIES FOR RESIDENTIAL NEIGHBOURHOODS



RETIREMENT



TOURISM



OFFICE MARKET



WAREHOUSING, LOGISTICS, INDUSTRIAL, BUSINESS PARK, MANUFACTURING AND BIG-BOX RETAIL



UNIQUE CLUSTERS OF OPPORTUNITY

DEMAND DRIVERS

Alongside progress towards shovel ready status and largescale infrastructural requirements, final demand for space to accommodate a variety of land uses continues to dictate the pace of real estate investment in the Durban area.

Durban offers a unique and compelling value proposition for a variety of markets that, combined with Tongaat Hulett's developmental process and progress being made on many fronts, indicates the potential for increasing demand in a number of Demand Drivers.

The period in review saw ongoing demand for high-end residential across the range from low to high-density typologies; increasing momentum in demand for retirement; the first school in the region for over a decade; the first meaningful integrated affordable residential at scale (allowing national players Calgro M3 and Chartwell to enter the market for the first time); industrial development; city hotels and offices. The high-intensity mixeduse areas at uMhlanga Ridgeside, uMhlanga Ridge Town Centre and Bridge City continued to prove attractive for a range of uses, while yielding sustainable urban form, desirable and inclusive living and working environments and good financial returns per hectare owing to high intensity of land use.

This period saw a transaction for the first school in the region for over a decade, increasing momentum for retirement and the entrance of national players in affordable residential

Analysis of individual Demand Drivers continues to amplify that, in many cases, Durban is lagging in its potential to attract business and residential demand that would drive real estate investment and hence land take-up. Ongoing progress in creating more shovel ready land in the region, across different geographical localities and serving a range of markets, is expected to start to enable underlying demand requirements to be satisfied and to create the opportunity for Tongaat Hulett and the region, to become more proactive in attracting investment and creating new markets.

Tongaat Hulett is working with a range of government agencies as well as players in the property industry to develop promising market segments where the region has existing or potential competitive advantages.

The following is a summary of the range of Demand Drivers for land in the region.



MEDIUM AND HIGH-INTENSITY URBAN MIXED USE

Metropolitan urban areas are home to an increasing majority of South Africa's population, economic activity and employment. This growth momentum continues to increase, with cities having an ever-larger impact on the country's future. Metros provide social integration, opportunities and access to services and amenities, homes, jobs and livelihoods. The role of cities in the economic recovery and socio-economic development of the country is clear and policy support for sustainable and integrated urban development is increasing at all levels of government. The globally acknowledged optimal urban form is one that is compact, mixed-use and intense, while the historical spatial design, layout and functioning of South African cities remains inefficient and still excludes many people from full participation in the opportunities of the urban economy. A fundamental principle of new city development is therefore to enable and promote economic, social and spatial inclusivity, in order to increase productivity, equality, sustainability, transformation and competitiveness.

The population of Durban is expected to grow by some 500 000 people to 4,1 million by 2021, with an increase in GDP per capita of approximately 16 percent. This growth can be addressed with the appropriate spatial, land use and transportation planning. Whilst brownfield redevelopment offers potential and will constitute a source of competition, the dominant opportunity remains in the northern region where previously isolated settlements can be transformed and integrated into the urban fabric and new urban nodes can be planned, designed and implemented. This allows for appropriate densities that maximise utilisation of existing infrastructural capacity and returns from new infrastructural investment, such as the GO!Durban public transportation system currently under construction in the region. Such areas simultaneously provide for more affordable housing, greater dynamism and inclusivity in social and economic activities, high-quality, investment-grade real estate investment and innovative structured commercial transactions that accommodate both large, national real estate investors and developers and small-scale, emerging entrepreneurial businesses.

The population of Durban is expected to grow by some 500 000 people to 4,1 million by 2021, with an increase in GDP per capita of approximately 16 percent

High-intensity, mixed-use nodes have yielded some of the highest-value real estate in South Africa over the past decade, such as the Cape Town Waterfront and Melrose Arch, while uMhlanga Ridge remains one of the largest such developments in the country over the past fifteen years.

Tongaat Hulett's land portfolio offers a number of strategic opportunities where high-intensity, mixed-use precincts are either already being implemented or are being planned and made ready for development. These opportunities currently include uMhlanga Ridge Town Centre, Bridge City, Ridgeside, Cornubia Town Centre, Sibaya and Ntshongweni.

Owing to varying market conditions over time, initial developments sometimes fail to achieve the full density potential of their location. Tongaat Hulett has developed various mechanisms to accommodate earlier, lower density development to kickstart activity and thereafter create a pathway to greater intensity, complexity and integration of the urban form over time, with additional value creation from the same underlying hectares of land. These mechanisms are being applied in a number of relevant cases in the land portfolio.





The four residential subsectors of high-end, mid-market, integrated affordable and public sector facilitated residential neighbourhoods are all expected to see sustained demand over the next five years to cater for the growing market needs across all income groups.

For the period in review, predominantly residential neighbourhoods have made up 55 hectares of the 75 total hectares sold, dominated by mid-to-high-end neighbourhoods, with the more affordable precincts still underperforming their substantial potential owing to a number of challenges in the real estate value chain. Tongaat Hulett continues to work at addressing these blockages in collaboration with other stakeholders. The sale of the first integrated affordable neighbourhoods for a number of years, particularly given their location in the high-intensity, mixed-use Bridge City development, is an encouraging pointer to future potential. Tongaat Hulett's strategy to meet this demand is premised around well located land, appropriate densities with emphasis on high densities, flexible land tenure options and incorporation of an appropriate mix of other complementary land uses.

HIGH-END RESIDENTIAL NEIGHBOURHOODS

This market sector is defined as homes at a price point of R1,5 million and above for completed residential units. Recent sales in Sibaya Coastal Precinct, Izinga and Kindlewood are largely catering to the demand in the mid to high-end market sector. The performance of developments in this sector has been robust during the period in review. The success of developments in the greater uMhlanga region continues to catalyse demand for further opportunities and for complementary market sectors including urban amenities. Within the greater uMhlanga area

there continues to be a significant under-supply of freehold sites within a secure environment.

The strategy being pursued in this Demand Driver aims to increase the returns per hectare achievable by encouraging higher intensity development and higher pricing premiums on scarce, low-density sites.

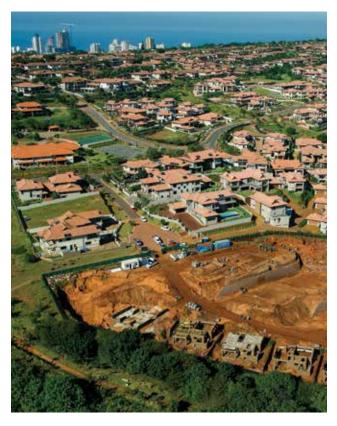
Opportunities for high-end residential products will come from Ridgeside, Izinga and Sibaya Coastal Precinct in the short term and Ntshongweni and Tinley Manor South in the medium term.

It is projected that mid-market rental accommodation can continue to take up to 1 000 units per annum in uMhlanga

MID-MARKET NEIGHBOURHOODS

Between March 2016 and February 2017, 231 properties with a total value of R326 million were transferred in uMhlanga Ridge Town Centre, a 40 percent increase in value from the year before, driven primarily by price appreciation. Of these, 68 percent were priced between R800 000 and R1,5 million, exhibiting strong demand for good quality mid-market residential product, which currently exceeds supply.

The current rental take up rate for mid-market residential product within uMhlanga Ridge Town Centre averages 80 units per month and it is projected that the market can continue to take up to 1 000 units per annum. The strategy around this market sector is to bring opportunities to the market to meet the substantial demand; within Cornubia Town Centre, uMhlanga Hills and Sibaya Node 4 in the short term and at Ntshongweni and near the airport in the medium term.





INTEGRATED AFFORDABLE NEIGHBOURHOODS

Tongaat Hulett's categorisation of Demand Drivers has defined integrated affordable neighbourhoods as incorporating a price range for completed residential units of approximately R500 000 to R800 000, catering to households with a monthly combined household income of approximately R12 500 to R26 000.

In this period, sales in the affordable residential sector were concluded in Bridge City with Calgro M3 and Chartwell, as well as the eThekwini Municipality, which will facilitate the release of some 1 500 units in the short term

This market remains a priority of government, while nationally, as well as within Tongaat Hulett's land portfolio, delivery lags demand substantially. Tongaat Hulett's primary response is to address supply side blockages.

In this period, sales into this sector were concluded in Bridge City with Calgro M3 and Chartwell, as well as the eThekwini Municipality, which will facilitate the release of some 1 500 units in the short term. Tongaat Hulett has, furthermore, entered into a strategic partnership with a black-owned property developer to facilitate the release of a minimum of 1 100 affordable units within the Blackburn Precinct in Cornubia. The progress of these developments will be closely monitored to develop executable solutions for similar opportunities. Marshall Dam, uMhlanga Hills and Bridge City constitute short-term opportunities to do so. Further medium

term opportunities in this sector exist at iNyaninga and Ntshongweni as future growth of employment-generating activities in these areas indicate an increasing need to provide for this market.

A strategy is currently being developed to create large scale, longer term opportunities for larger national and international developers seeking substantial development pipelines.

The sector offers opportunities to partner with key large employers to find appropriate solutions for employer-assisted housing and interest has been expressed by employers particularly in areas close to the airport.

Formerly seen as predominantly a freehold market, the scope has widened given the growing current trend by several institutional investors and private developers to build their portfolios by developing rental stock to service those falling within this submarket, thereby widening choice and lowering affordability barriers.

Accelerated delivery can be achieved through bringing suitable land to the market at scale, combined with appropriate collaboration with a number of role players, including government (particularly local government), large construction companies and developers with the necessary capability and reputation, employers and financial institutions.

Flexible land use and higher densities are critical to achieving scale and the better optimisation of infrastructure investment, to support a viable public transport system and transit orientated development node. This Demand Driver is an obvious case where structured, larger transactions are likely to be prominent in providing solutions.

PUBLIC SECTOR FACILITATED RESIDENTIAL NEIGHBOURHOODS

The public sector remains constitutionally obliged with the responsibility to deliver housing for the poor and political pressure for delivery remains intense. Limits on the public sector's capacity to deliver, including fiscal constraints, together with a shift in emphasis towards land already owned by the state and in situ upgrading of informal settlements, constrains private sector participation and has required a shift in strategy over the past year. The focus has accordingly shifted to fewer hectares on which to develop the model, leveraging synergies between key players and maximising the state's suite of subsidies and interventions.

Key focus areas are:

- Fostering collaboration with larger contractors and developers with scale and experience. Recent Bridge City sales have been a breakthrough in this regard
- Increasing densities; ideally tripling the current maximum density range of 50-80 units per hectare to maximise on investment in infrastructure and render public transport
- Incorporating land use planning that is flexible, permitting higher densities, reduced emphasis on motor vehicles and including non-residential uses so as to support the livelihoods of those who are not formally employed
- Collaboration and partnerships; apart from contractors and developers (implementing agents) and all tiers of government (providers of subsidies, services and regulatory authorities), other additional players required to participate in this market sector include banks and financial institutions, employers as well as employees, unions and the communities themselves
- Piloting remains a necessary intervention which if done correctly, should and can be replicated on all suitable landholdings, which include parts of Aberfoyle, Cornubia North, Inyaninga and Ntshongweni

URBAN AMENITIES FOR RESIDENTIAL NEIGHBOURHOODS

This driver consists of social facilities such as schools, medical, neighbourhood retail, convenience retail, filling station and other facilities developed in response to or in anticipation of demand from growing residential neighbourhoods.

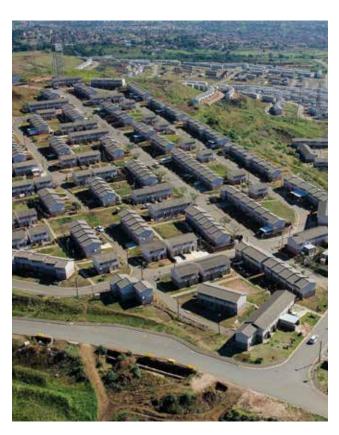
The objective is to ensure that these are catered for and implemented in a value-creating manner, whether by public or private sector agencies. Where possible, without losing value, the opportunity is sought to arrange for key urban amenities to be provided prior to or early in the process of development of the adjacent residential areas, so as to act as a catalyst for the development of those areas. There is a growing trend and acceptance of the principle of these amenities being provided within residential neighbourhoods in a mixed use format, facilitating easy walking and access.

The demand for new schools and tertiary educational facilities is intensifying. In the period under review, a transaction was concluded with ADvTECH for a new primary and secondary school in Sibaya Coastal Precinct catering for over 2 000 learners in the catchment area. The introduction of the school is expected to have a positive impact on the residential real estate values and pace of sales within Sibaya Coastal Precinct and surrounding areas. Other short term opportunities for additional educational facilities exist in uMhlanga Hills and Sibaya Node 4 where commercial engagements with interested operators are well advanced.

The introduction of an ADvTECH school at Sibaya Coastal Precinct is expected to have a positive impact on the residential real estate values and pace of sales within surrounding areas

Public and private health facilities, including public and private hospitals, step-down facilities, clinics and community healthcare units, all of which fall under the custodianship of the Provincial Department of Health remain an important sub-sector. A process is under way to develop a stronger collaborative relationship with the department, to facilitate joint planning for optimal delivery of such facilities to meet the current and future needs of the growing communities in the region.

Research has indicated a significant opportunity to find suitable land within the portfolio for cemetery use. With pressure for burial space and the region only having two private cemeteries, there are real opportunities to bring an appropriate wellpackaged product to market to take advantage of the growing need. This urban amenity requires very specific topographical and geological conditions to be feasible. Areas that have been identified as likely to be suitable for this use are being investigated.







As a proactive initiative to obtain meaningful market information, promote KwaZulu-Natal as a retirement destination, and to fast-track the sales of retirement sites to developers, Tongaat Hulett launched RetireKZN.co.za - a digital campaign. The initiative has yielded a database of interest in future retirement opportunities and captured research data that has proven effective in enabling developments to respond accurately to market requirements. This information will be shared with future and existing development partners and provide them with a platform to launch and market their retirement developments. Some 35 percent of the KwaZulu-Natal community recorded their interest in the first retirement development taken to market at Sibaya Coastal Precinct.

Based on the insights gained during the past year, the increasing interest from a number of significant developers and the robust demand for developments that have been taken to market, the hectares sold into this Demand Driver are expected to continue to increase over the next few years.



Tourism is an important contributor to South Africa's GDP and economic growth. The tourism industry has been identified as a priority sector in the National Development Plan, reinforced by the National Tourism Sector Strategy, which aims to increase tourism's contribution to GDP and create meaningful employment. Increasing international tourist arrivals and increasing the incidence of domestic travel can achieve this.

Outstanding weather and a variety of attractions account for KwaZulu-Natal's popular appeal as a prime leisure and tourist destination. KwaZulu-Natal accounts for at least 30 percent of all domestic trips taken annually and 10 percent of annual international tourist arrivals into South Africa. The KwaZulu-Natal Provincial Government has adopted a tourism master plan that by 2030, the province will be globally renowned as Africa's top beach destination with a unique blend of wildlife, scenic and heritage experiences for all visitors. The vision correctly identifies coastal and beach attractions as central to tourism development. The 70 kilometre stretch of coastline from uMhlanga to the Thukela River constitutes a unique opportunity to pursue the vision. Tongaat Hulett is actively involved in collaboration with the provincial and local authorities to fast track the first phases of this development.

The number of air passenger arrivals in King Shaka International Airport has continued to improve. Durban's attractiveness to international markets has been boosted during the period under review through the commencement of further new airline routes linking to King Shaka International Airport and increasing capacity and frequency on existing routes. The KwaZulu-Natal Route Development Committee is in negotiations with further airlines to secure new services directly to Durban. The new routes are a significant determinant of destination choices by international tourists and are significant in the growth potential of tourism in KwaZulu-Natal.

Durban's sustained ability to attract international and regional conferences and events such as the International AIDS Conference and the World Economic Forum has boosted local and international tourism and demand for hotel accommodation in the region.

The KwaZulu-Natal Provincial **Government's tourism vision correctly** identifies coastal and beach attractions as central to tourism development. The 70 kilometre stretch of coastline from uMhlanga to the Thukela River constitutes a unique opportunity to pursue this

Key tourism-related sub markets with their underlying dynamics are as follows:

CITY HOTELS AND RESIDENCES

The uMhlanga node represents 4 percent of the country's market, 28 percent of the KwaZulu-Natal provincial market and has outperformed the national and provincial markets in terms of revenue per available room. The hotels in uMhlanga are primarily in the economy hotel segment (typically defined as three star) with lesser representation by full service hotels.

The sustained growth in the office market in uMhlanga has resulted in this region being the preferred location for City Hotels in Durban. This has fuelled growth in demand in individual corporate and leisure travel into the uMhlanga node. According to STR Global, in 2016, the uMhlanga Hotels recorded an occupancy of 71 percent, consistent with 2015. Average room rate growth was 11 percent, which resulted in an 11 percent growth in revenue per available room compared to 2015. The sustained positive performance in uMhlanga has continued to fuel interest in the area from both South African and international hotel brands that seek to operate a fresh, contemporary, full or select service offering with quality meeting facilities that cater for both corporate and leisure travellers.

Given the projected increase in demand for corporate office space and the area's projected economic growth, it is realistic that the market can continue to absorb an increase in hotel room inventory of between eight to ten percent over the next five years.

The primary short term opportunities are situated within Ridgeside and the westward expansion of the uMhlanga Ridge Town Centre into Cornubia, which are both mixed use highintensity precincts. Research undertaken indicates that over and above the recent announcement of a 200 bed premium branded hotel in the uMhlanga Arch mixed use development and the 206 keys Radisson Blu Hotel, uMhlanga has capacity to support additional hotel room inventory within the next three

to five years. Ridgeside Precinct 1 is well positioned to offer this opportunity.

uMhlanga has capacity to support additional hotel room inventory within the next three to five years

Hotel usage is capable of generating returns per hectare consistent with other high density, urban mixed uses. It is not likely to take up large numbers of hectares, but serves more importantly as a benchmark of amenity, brand and value for the region and surrounding land assets.

COASTAL RESORTS CATERING TO DOMESTIC AND FOREIGN MEETINGS, CONFERENCES, INCENTIVES, **EXHIBITIONS AND LEISURE MARKETS**

This is a lower-intensity land use than the city hotels. There is currently no truly integrated beach resort in KwaZulu-Natal or South Africa. The KwaZulu-Natal coastline has been identified by global tour and resort operators as South Africa's foremost opportunity to compete with other global beach resort destinations, provided critical mass can be achieved.





Tinley North is being designed as a pilot location for an integrated coastal resort to act as a catalyst for more instances of this type of development on the North Coast. Negotiations with an international resort operator that has expressed interest in developing South Africa's first 20 hectare beach resort at Tinley are well advanced.

Resorts as a Demand Driver are likely to require a structured capital investment model. The strategic objective is to create enhanced value in surrounding land assets benefiting from proximity to and association with the resort and higher pricing premiums as destination value is established in the area.

Negotiations with an international resort operator that has expressed interest in developing South Africa's first 20 hectare beach resort at Tinley are well advanced



For the past decade, growth in Durban's office market has been low, averaging 2,4 percent per annum, however over the past five years the growth rate has increased to around 3,5 percent per annum with a take-up of approximately 40 000 square metres per annum. This is attributed largely to KwaZulu-Natal becoming more attractive for Business Processing Outsourcing uses owing to its competitiveness with domestic and international players in this sector.

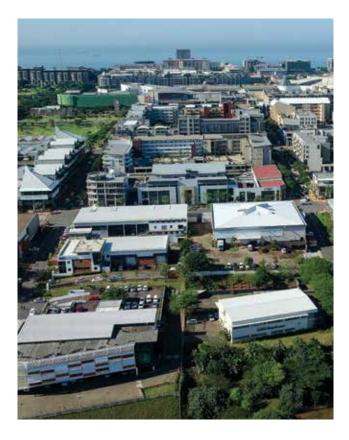
The uMhlanga/La Lucia area is currently the largest decentralised office node in Durban. The area offers 370 000 square metres of office space with a vacancy rate averaging between five and seven percent. Despite the restrained economic environment, demand for premium grade office space is still robust and supply lags demand, with little to no speculative development activity. Rental premiums and low vacancy rates in prime locations indicate that tenants are willing to pay a premium for quality, well located spaces. The short supply of this product is likely to drive rental rates upwards and lead to increased demand as new office nodes are opened at Sibaya Coastal Precinct, Ntshongweni and within the emerging Aerotropolis around the Dube TradePort and King Shaka International Airport .



WAREHOUSING, LOGISTICS, INDUSTRIAL, **BUSINESS PARK, MANUFACTURING AND BIG BOX RETAIL**

The area between Durban and Richards Bay, given that they constitute the dominant sea ports serving Southern Africa, is the most attractive location for new industrial and logistics facilities in the region. This sector has historically been an important component of Tongaat Hulett's land conversion activities. Response to demand is currently severely restricted by a lack of shovel-ready land supported by the necessary infrastructure in Tongaat Hulett's land portfolio. This is a key area of focus, wherein the solution lies in collaboration with relevant government authorities.

The land preparation and zoning is similar for a wide range of uses, however there are a number of Demand Drivers applicable to the establishment of such industrial / business park land.



INDUSTRIAL AND MANUFACTURING

The manufacturing sector has continued to show constrained growth during the period in review. Durban's key location as a gateway for the country's trade activity and the strong demand for limited space in the area around the King Shaka International Airport and Dube TradePort points to the potential for rapid recovery when macro conditions turn. The long term potential of this sector in the region is largely linked to the port activities and the primary logistics corridors of the N2 and N3 and efficient linkages to the ports and major domestic and neighbouring markets will become key drivers of value creation in this sector. The current demand for land for manufacturing and industrial uses is still constrained at between 30 and 45 hectares per annum, with growth hampered by the lack of appropriately located and serviced industrial land in the region. The interest from industry continues to be predominantly on the N3 corridor between Durban and Gauteng where significant industrial activity is planned. Opportunities within Ntshongweni therefore have significant potential given that it is the best located land on the western corridor to unlock demand in this area.

On the northern corridor, the proximity to the airport and Dube TradePort will be leveraged to drive demand for industrial and manufacturing uses in this area. UShukela, Compensation and iNyaninga are located within good proximity to King Shaka International Airport's trade activities and present real opportunities for unique large scale greenfield industrial developments to cater for a range of manufacturing subsectors.

WAREHOUSING AND LOGISTICS

Durban is experiencing increased interest in logistics facilities. As the centres of trade activity in Durban, the Durban Port and increasingly the King Shaka International Airport have continued to be key drivers of demand for industrial and logistics accommodation in the region.

Demand for land is likely to grow with policy support for exports, companies seeking to maximise supply chain efficiencies, and South Africa seeking to solidify its position as a platform to access SADC markets. The expansion of international retailers into the South African market is also expected to continue to contribute positively to demand for industrial warehousing and logistics services.

Ntshongweni is well positioned to strengthen eThekwini's logistics. distribution and warehousing capacity due to its proximity to the port and easy access to the N3

Opportunities in the portfolio catering to the warehousing and logistics sector have been identified along the N3 corridor linking the Durban sea port to Gauteng and surrounding economies. Located on the SIP2 economic hub along the N3 corridor, Ntshongweni is well positioned to strengthen eThekwini's logistics, distribution and warehousing capacity due to its proximity to the port and easy access to the N3. On the northern corridor, opportunities exist in the medium term within iNyaninga which is positioned as a unique multi-modal facility offering seamless integration of sea, air, road and rail to strengthen the logistics capabilities in the region to serve southern and sub-equatorial and intercontinental markets.



The logistics sector closely follows GDP trends in terms of growth and decline. The cost of logistics within South Africa is currently 12,5 percent of GDP, with a total cost of R423 billion in 2013, with warehousing being one component of this overall logistics cost. South Africa ranks 34th out of 160 countries in terms of logistics performance, according to the World Bank. The sector is likely to continue to grow, as government continues to put in place policies to stimulate exports and the productive side of the economy, while companies seek to maximise supply chain efficiencies, and South Africa seeks to solidify its position as a platform to access SADC markets.

Current demand for land in Durban for warehousing and logistics, together with manufacturing and industrial subsectors, is between 30 and 45 hectares per annum. Currently logistics and warehousing operators appear to favour the western corridor (on the N3 route between Durban and Gauteng) to opportunities to the north of Durban. A priority objective is to accelerate the processes towards shovel-ready land at Ntshongweni that is the best located land on the western corridor for this use. To the north of Durban, key activities are to enhance competitiveness through leveraging off new supply chains created by the proximity to air, rail and road infrastructure and the growing labour and skills base in the region.

The recent EIA approvals at Compensation and iNyaninga are critical milestones enabling focus to shift to stimulating industrial demand north of Durban

BIG BOX RETAIL

Large platformed areas, particularly those with good access and exposure also accommodate large destination and "big box" retail facilities and showrooms. This remains an area for further growth, including the introduction of international operators increasing their footprint in Africa and the provision of retail facilities serving a broader African market with air and highway accessibility. Similar locations are potentially attractive for the self-storage sector, which is a niched real estate use showing interesting prospects for expansion in South Africa.







The size and location of Tongaat Hulett's land assets allow for experimentation with niched uses and for clustering of complementary uses at scale.

A particular opportunity relates to various clusters of uses associated with the airport, combined with the good access to road, rail and port activity. Collaboration with the KwaZulu-Natal Provincial Government, Dube TradePort, the municipalities and other regional development agencies is continuing to develop this opportunity.

The clustering of high-tech uses, incubators, innovation and technology parks is being considered and there is currently interest in establishing a Business Process Outsourcing (BPO) park in the region. Research conducted by provincial government indicates that there is a need for a 10 000 seater (1,5 square metres to 2 square metres per seat) BPO park to unlock underlying demand for well-located BPO facilities that meets the requirements of this market. eThekwini offers a cost competitive BPO value proposition due to lower office rental, telecommunication and labour costs which are approximately 30 percent lower than Cape Town and Johannesburg. The current focus is to work with government partners to develop BPO incentives and to jointly develop the City's BPO value proposition to drive demand in this sector.

Opportunities such as large-scale multi-campus tertiary educational facilities serving national, regional and international markets and research and development facilities have potential to attract new end users and complement other, more traditional land uses. Interest has been experienced from a number of tertiary institutions and educational service providers across a range of concepts from large campuses through to executive education and Technical and Vocational Education and Training (TVET) facilities catering for diverse technical skills linked to local industries. Such clusters have potential medium to long term benefits in accelerating a number of other demand drivers.

Other possible unique clusters are medical, wellness and healthcare complemented by education and medical tourism; a creative arts cluster including colleges, film studios, broadcasting technology and entertainment, combined with tourism and a biotech / biopharma cluster including technology, medicine, pharmaceutical research and development through to manufacturing.

eThekwini offers a cost competitive BPO value proposition due to lower office rental, telecommunication and labour costs

DEVELOPMENTAL PROCESS TO UNLOCK VALUE CREATION FOR ALL STAKEHOLDERS

Using 7 709 developable hectares of strategically located land as an enabler, Tongaat Hulett's developmental process creates value for multiple stakeholders

SOCIETAL STAKEHOLDERS

NATIONAL GOVERNMENT

PROVINCIAL GOVERNMENT

MUNICIPAL **GOVERNMENT**

OTHER PUBLIC **SECTOR PARTNERS**

LOCAL COMMUNITIES

BROAD BASED **BEE PRIORITY GROUPS** IN PROPERTY SERVICES. **DEVELOPMENT** AND OWNERSHIP

PROPERTY DEVELOPERS

END USERS FOR PROPERTIES IN **VARIOUS MARKETS**

INVESTORS IN DIRECT PROPERTY IN KWAZULU-NATAL

PRELIMINARY ASSESSMENT

Land asset data collection and site analysis

Consultation with key stakeholders through internal processes to align with provincial and municipal plans and objectives

Tongaat Hulett internal planning for orderly and gradual transition out of agriculture

DRAFT SPATIAL DEVELOPMENT PROPOSAL

Greater understanding of specific context enabling refinement of development concept

Iterative drafting process to respond to specific community, infrastructural and market dynamics

Ongoing assessment of development potential and probability of value realisation based on key value drivers

Early collaborative planning with municipal officials

These first 2 stages take a long period of time, during which the land asset can be comprehensively assessed and understood, stakeholders engaged in collaborative planning and broadly aligned concept plans created that will enable the formal, statutory processes to be commenced with, with a reasonable degree of certainty. These initial stages are critical to ensure the appropriate spatial and land use planning response and given the extent of stakeholder engagement, can take a number of years.

DEMAND DRIVERS

Assess market demand opportunities



Medium and high-intensity urban mixed use



Residential neighbourhoods



Urban amenities



Retirement



Tourism



Office market



Warehousing, logistics, industrial, business park, manufacturing and big-box retail



Unique clusters

RELEASE FROM AGRICULTURE

Formal application to the National Department of Agriculture, Forestry and Fisheries to release the land from agriculture in terms of the Subdivision of Agricultural Land Act (70 of 1970). New planning and development of Agricultural Land Bill proposal to replace Act 70 of 1970. Process runs in parallel to EIA and can take 18 months or more.

3 582 developable hectares have Act 70 of 1970 approval which represents 46 percent of the Land Portfolio.

INFRASTRUCTURE

Planning infrastructure requirements, negotiating funding arrangements and collaboration with government on implementation runs in parallel to planning processes.

OPTIMUM LAND **MANAGEMENT** AND USE

Land is strategically planned, intensively managed and optimally used, with Tongaat Hulett having a track record of successful implementation of various land reform initiatives throughout the land conversion process.

Following the allocation of land from the far north of the portfolio for cane development, developable hectares subject to gazetted land claims have reduced to 540, all of which were owned by Tongaat Hulett prior to 1913.

WITH MUNICIPAL **ROLE-PLAYERS**

FORMAL ENGAGEMENT Ongoing consideration of long-term development objectives of the region. Alignment of draft spatial development proposal with municipal Spatial Development Framework (SDF). Ongoing collaborative planning with municipal officials. Consistent, ongoing engagement with many stakeholders over time, including surrounding communities, public sector organisations and authorities.



ENVIRONMENTAL IMPACT ASSESSMENT (EIA)

Formal statutory process required for any greenfield development administered by the Provincial Department of Economic Development, Tourism and Environmental Affairs

Extensive consultative process which can take about two years or longer depending on the circumstances

Current EIA approvals of 1 314 hectares with a further 1 100 hectares in an EIA process

18 - 24 MONTHS

FINAL DETAILED PLANNING / SPATIAL PLANNING AND LAND USE MANAGEMENT ACT (SPLUMA) **APPLICATION**

Engagements based on responses from stakeholders through the EIA process, including surrounding communities and public sector role-players

Receipt of formal municipal comments on development proposal details, including land use, development controls, rezoning and subdivision

Finalisation of detailed zoning and layout plans and submission in terms of SPLUMA

332 developable hectares are currently in this stage

8 - 12 MONTHS

SHOVEL READY

Alignment with relevant planning frameworks and legislation achieved

Release from Agriculture achieved

EIA and SPLUMA sufficiently far advanced with support from key stakeholders

Clear programme for sales process and development activation based on key value drivers

208 developable hectares are currently shovel ready or beyond

3 MONTHS

FINAL APPROVAL AND COMMENCEMENT **OF CONSTRUCTION OF BUILDINGS AND INFRASTRUCTURE**

Approval in terms of SPLUMA

The land can be formally transferred to a purchaser to commence development

SOCIO-ECONOMIC OUTCOMES

- Attraction of fixed investment to the region
- Urban spatial integration linking communities, jobs and amenities
- Integrated inclusionary residential neighbourhoods
- Investment in new / additional agricultural development and enhanced rural livelihoods
- Sustained public sector income generation through rates, taxation and user
- · Catalysing local socioeconomic development
- Job creation, skills transfer and enterprise development during construction phase
- Creation of permanent jobs
- Organised and empowered communities
- Co-ordinated and efficient infrastructure roll-out
- Efficient return on infrastructure investment
- Property solutions that enable new markets to be developed



PACE OF LAND CONVERSION ACTIVITIES OVER THE NEXT 5 YEARS

PACE OF SALES

The pace of sales has the following key drivers:

- · Progress in moving land to a shovel ready status
- Availability of metropolitan and regional scale infrastructure
- Demand arising from the various Demand Drivers described on pages 9 to 19
- Selection and successful conclusion of the sales transaction approach most appropriate for each specific set of circumstances

Tongaat Hulett's land conversion process creates significant value over time for a wide array of stakeholders, based on pace of sales

Consideration of planned progress on these key drivers, under current business conditions, leads to the following range of sales over five years:

	RANGE OF SALES OVER 5 YEARS		AS COMMUNICATED AT MAY 2016				RANGE OF SALES AS AT MAY 2017				
			DEMAND DRIVER		Developable Developable Hectares Hectare YEAR TO		SOLD IN THE	Range of Developable Hectares		Range of Profit per Developable Hectare	
			From	То	From	То		From	То	From	То
	Medium and High Intensi Urban Mixed Use	ty	75	120	22	39	3	48	118	19,2	42
	Predominantly residential neighbourhoods	High-end residential neighbourhoods	65	120	6	12	49	92	186	5,6	16,7
		Mid-market neighbourhoods	125	175	3,5	7,5	-	56	90	3,2	6,6
♠		Integrated affordable neighbourhoods	50	250	2,5	3,8	3	91	199	2,5	5,8
		Public sector facilitated residential neighbourhoods	150	450	2	2,4	-	80	240	2,2	3
兪	Urban Amenities for Residential Neighbourho	ods	60	115	3,8	6	8	41	61	3,2	6
^	Retirement		-	-	-	-	6	49	59	3,8	12
Æ	Tourism Markets Coa cate	City hotels and residences	6	16	12	25	-	4	5	12,5	15
₩		Coastal resorts catering to domestic, charter markets	10	50	3,5	5	-	15	42	3,5	6
- - -	Office Market		20	50	6	15,4	-	12	22	7,5	21,5
***	Warehousing, logistics, in park, manufacturing and	ndustrial, business big-box retail	100	300	5	9,5	6	94	233	4,8	9,5
**	Unique Clusters of oppor	tunity	25	100	4	7,4	-	25	56	5	12

SOCIO-ECONOMIC VALUE UNLOCKED FOLLOWING **LAND CONVERSION SALES**

Tongaat Hulett's land conversion process creates significant value over time for a wide array of stakeholders, based on pace of sales.

The high level assessment of these outcomes is based on research and empirical evidenced-based forecasting which is conservatively estimated and shown for each of the Demand Drivers in the table below. These socio-economic outcomes are typically unlocked over a number of years following sales.

The Total Real Estate Investment Value is an indication of the collective market value of all land and buildings on completion of construction activities for each Demand Driver and is estimated in current-day terms.

Municipal rates income is generated across the real estate value chain throughout the development cycle. The table below shows an estimation of the rates income generated by the various Demand Driver uses once the buildings have been completed.

Development activity, by its very nature, provides an ideal environment to create jobs, transfer skills and facilitate enterprise and supplier development as it stretches over the full real estate value chain. This applies to both construction activity (construction jobs) which occurs both at the infrastructure installation phase and the top-structure construction phase and operational activity (permanent jobs) which commences once the buildings are completed and occupied.

RANGE OF SOCIO-ECONOMIC OUTCOMES THAT WILL BE UNLOCKED OVER TIME FOLLOWING THE SALES

	DEMAND DRIVER		Range of Developable Hectares		Total Real Estate Investment Value (R million)		New Municipal Rates generation (R million per annum)		Permanent Jobs generated in above ground development	
				То	From	То	From	То	From	То
	Medium and High Int Urban Mixed Use	ensity	48	118	7 344	18 054	159	391	8 568	21 063
	Predominantly residential neighbourhoods	High-end residential neighbourhoods	92	186	5 474	11 067	52	105	1 877	3 794
		Mid-market neighbourhoods	56	90	1 428	2 295	14	22	393	631
♠		Integrated affordable neighbourhoods	91	199	3 094	6 766	29	64	619	1 353
		Public sector facilitated residential neighbourhoods	80	240	1 088	3 264	-	-	544	1 632
兪	Urban Amenities for Residential Neighbor		41	61	2 509	3 733	36	54	8 364	12 444
个	Retirement		49	59	3 749	4 514	81	98	9 996	12 036
	Tourism Markets	City hotels and residences	4	5	578	723	13	16	1 088	1 360
₽		Coastal resorts catering to domestic, charter markets	15	42	1 594	4 463	35	97	3 060	8 568
	Office Market		12	22	979	1 795	21	39	2 448	4 488
<u></u>	Warehousing, logisti park, manufacturing	cs, industrial, business and big-box retail	94	233	4 700	11 650	131	326	3 760	9 320
*	Unique Clusters of opportunity		25	56	1 913	4 284	41	93	1 275	2 856
	Total socio-economic unlocked over time f		607	1 311	34 449	72 607	613	1 305	41 991	79 546

AREAS WITHIN WHICH THE ANTICIPATED LAND CONVERSION ACTIVITIES OVER THE NEXT 5 YEARS ARE EXPECTED TO TAKE PLACE - AS AT 31 MARCH 2017

Page	Area	Demand Driver	Hectares under current negotiation	Developable hectares
26	Ridgeside - Remaining Precinct 1	具合分录	3	6
27	Ridgeside - Precinct 2	■合个承由	17	31
28	uMhlanga Ridge Town Centre - Commercial	具介录	1	1
29	uMhlanga Ridge Town Centre - Residential	■合金	3	3
30	Kindlewood	^	9	9
31	Cornubia - Town Centre	國合企會 論等	25	25
32	Cornubia - uMhlanga Hills	^	43	43
33	Cornubia - Marshall Dam Residential	**	12	12
34	Cornubia - Blackburn Extension	ተ	14	14
35	Sibaya - Node 1	■☆个粂	6	22
36	Sibaya - Node 5	合 会个牵挙	16	27
37	Sibaya - Node 4	命命个曲	62	103
38	Bridge City	具介 公曲	2	6
39	Tinley - North Resort	*	20	77
		TOTAL	233	379

ARE	AREAS WHERE ENQUIRIES ARE BEING RECEIVED AND NEGOTIATIONS ARE EXPECTED TO COMMENCE						
Page	Page Area Demand Driver Developable hectares						
40	Cornubia - N2 Business Park		2				
41	uShukela Drive	≘ ⊞¥	49				
42	Compensation - East	冷念 會論	73				
43	Ntshongweni - Retail and Urban Core	國 合企會	64				
		TOTAL	188				

AREAS FROM WHICH REMAINING SALES ARE EXPECTED TO COME OVER THE NEXT 5 YEARS					
Page	Area	Demand Driver	Developable hectares		
45	Izinga - Future Phases	合企	60		
45	Cornubia - Marshall Dam Town Centre and Consolidating Urban	■合会学	82		
46	Cornubia North - Integrated Affordable Neighbourhood and Business Precinct	冷公 會曲	172		
46	Sibaya - Nodes 2 & 3	合金 華	134		
47	Amanzimnyama	●論 学	345		
47	Compensation West	合企 論	152		
48	iNyaninga - East	具介介自	550		
48	iNyaninga - West	合金	187		
49	Lindokuhle	合金	52		
49	Aberfoyle	合金	231		
50	Dudley Pringle	冷 会承樂	86		
50	Ntshongweni - Residential	合 会个承挙	57		
51	Ntshongweni - Logistics and Business Park		161		
51	Ntshongweni - Integrated Residential	合金	185		
52	Tinley - South	命金个桑龜	270		
52	Remaining Sites on Nearly Completed Developments	介雪 鼬	22		
		TOTAL	2 745		

GRAND TOTAL	3 312



DETAILED SHEETS FOR AREAS:

- WHERE SALES NEGOTIATIONS ARE CURRENTLY UNDERWAY ON 233 DEVELOPABLE HECTARES (Pages 26 - 39)
- WHERE ENQUIRIES ARE BEING RECEIVED AND NEGOTIATIONS ARE EXPECTED TO COMMENCE (Pages 40 - 43)

NAVIGATION

Areas where sales or negotiations have commenced or are about to commence

Areas from which remaining sales are expected to come over the next 5 years

Areas where sales are anticipated beyond 5 years

DEMAND DRIVER ICONS



HIGH-INTENSITY URBAN MIXED USE



PREDOMINANTLY RESIDENTIAL NEIGHBOURHOODS



URBAN AMENITIES FOR RESIDENTIAL NEIGHBOURHOODS





RETIREMENT



TOURISM



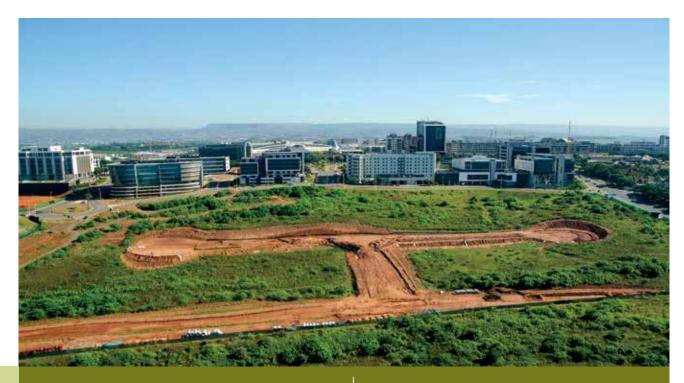
OFFICE MARKET



WAREHOUSING, LOGISTICS, INDUSTRIAL, BUSINESS PARK, MANUFACTURING AND BIG-BOX RETAIL



UNIQUE CLUSTERS OF OPPORTUNITY



RIDGESIDE REMAINING PRECINCT 1

Greater uMhlanga

6 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 3 HECTARES

OVERVIEW

- Prime location in highly sought-after region with scarcity of available sites
- Installation of remaining services has commenced
- Intense interest in the prime property has led to recent sales at record profitability

DEMAND DRIVERS



- High-intensity urban mixed use
- High-end residential
- City hotels and residences
- Premium-grade corporate offices and high-end retail
- **Urban** amenities

COMMERCIAL TRANSACTIONS

 Current negotiations underway on a mixed use opportunity equivalent to Melrose Arch's One-on-Whiteley

SOCIETAL VALUE CREATION

- Durban's best opportunity for an iconic development precinct to match other examples nationally
- Sales to date represent real estate investment of between R5 and R7 billion
- Future sales are anticipated to unlock a further R2,5 to R3 billion in real estate investment

DEVELOPMENT PROGRESS

- Shovel ready
- An application is well advanced to modify the mix of uses in line with market demand and to optimise value

- Internal infrastructure due for completion in the first half of 2018
- Construction of over R2 billion real estate about to commence on uMhlanga Arch and The Skye luxury apartments





RIDGESIDE PRECINCT 2

Greater uMhlanga

31 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 17 HECTARES

OVERVIEW

- · Prime location in highly sought-after region
- High-end residential with access to all amenities and main access routes
- Ideal location for high-end retirement

DEMAND DRIVERS



- · High-end residential
- Medium intensity mixed use
- Hotels, hospitality and other tourism
- Limited office and retail uses
- Retirement

COMMERCIAL TRANSACTIONS

Current negotiations underway on a retirement village of 15 hectares for some 600 units

SOCIETAL VALUE CREATION

- This landholding extends Durban's offering as a lifestyle and investment destination. Total fixed investment in the precinct is expected to exceed R10 billion
- A number of inclusionary residential units have been incorporated in co-operation with the municipality to enable people working in the area to live here
- Ridgeside ensures the upgrading and sustainability of over 40 hectares of coastal forest and open space

DEVELOPMENT PROGRESS

Shovel ready

INFRASTRUCTURE

Roll out of infrastructure to align with development of the precinct





UMHLANGA RIDGE TOWN CENTRE COMMERCIAL

Greater uMhlanga

<1 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 1 HECTARE

OVERVIEW

- Prime location of the last two remaining sites in a highly sought-after region
- Location directly on GO!Durban route and future bus station

DEMAND DRIVERS







- High-intensity urban mixed use
- · Prime mid-market to high-end residential
- Prime site for a city hotel, with residences
- Premium-grade corporate offices

COMMERCIAL TRANSACTIONS

Current negotiations on a mixed use development well advanced

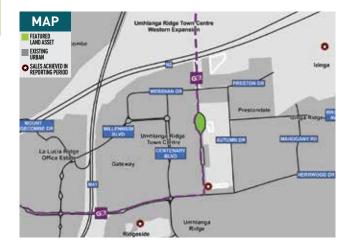
SOCIETAL VALUE CREATION

- uMhlanga Ridge Town Centre is a successful pilot for the country of a high-intensity, integrated, mixed use urban new town
- The area is being evaluated as a case study of successful urban development to unlock future collaboration
- This final opportunity alone is expected to generate 1 200 permanent jobs

DEVELOPMENT PROGRESS

· Shovel ready

- Infrastructure fully installed
- Installation of the GO!Durban transport system will further enhance attractiveness of the sites and the potential to densify
- N2 and Cornubia Boulevard linkage to be fully operational by early 2018





UMHLANGA RIDGE TOWN CENTRE RESIDENTIAL

Greater uMhlanga

<3 DEVELOPABLE HECTARES

■ NEGOTIATIONS UNDERWAY: 3 HECTARES

OVERVIEW

- The limited development opportunities in uMhlanga are driving demand for remaining sites
- Affordable and mid-market medium to high-density residential in developing town centre
- · Limited available opportunities and increasing scarcity

DEMAND DRIVERS



- Residential precinct in high-intensity mixed use area
- Prime mid-market residential
- **Urban** amenities

COMMERCIAL TRANSACTIONS

Current negotiations underway on the remaining residential properties

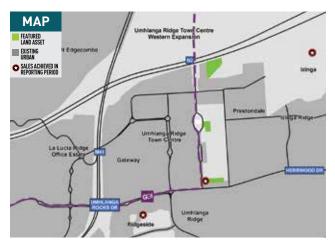
SOCIETAL VALUE CREATION

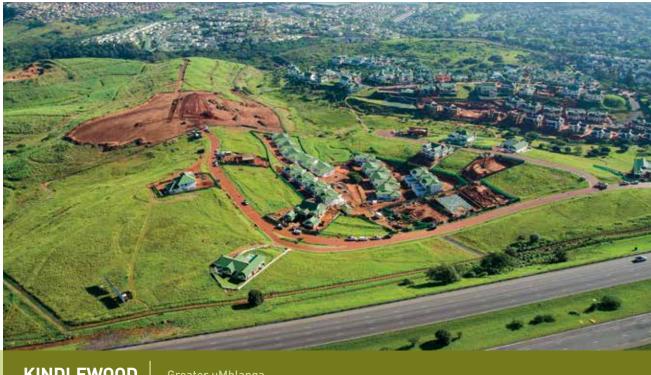
- Yield of over 4 500 homes in an integrated, inclusionary precinct catering to a mixed range of affordability
- An integrated urban development where homes, jobs and amenities are within walking distance of each other
- High-intensity development, where infrastructure investment has been highly leveraged

DEVELOPMENT PROGRESS

- Shovel ready
- Majority of developable bulk sold application for additional residential units well advanced

- Infrastructure fully installed
- Installation of the GO!Durban transport system will further enhance attractiveness of this development
- N2 and Cornubia Boulevard linkage to be fully operational by early 2018





KINDLEWOOD

Greater uMhlanga

9 DEVELOPABLE HECTARES

OVERVIEW

- · Current phase sold out
- Final phase in the market to take advantage of increasingly scarce high quality residential living close to all amenities

DEMAND DRIVERS



- Mid-market to high-end residential
- Low to medium density, well located with substantial amenities
- Retirement

COMMERCIAL TRANSACTIONS

Current negotiations on the last phase of Kindlewood as a single package

SOCIETAL VALUE CREATION

- The development has delivered a residential neighbourhood substantially integrated across a diverse demographic profile
- The development has yielded a significant open space system, successfully rehabilitated and sustainably maintained

■ NEGOTIATIONS UNDERWAY: 9 HECTARES

DEVELOPMENT PROGRESS

- Shovel ready
- Additional residential units being applied for to provide for demand

INFRASTRUCTURE

Major infrastructure and amenities complete





CORNUBIA TOWN CENTRE

Greater uMhlanga

25 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 25 HECTARES

OVERVIEW

Prime, strategic location sandwiched between uMhlanga Ridge Town Centre, the N2 and Cornubia Shopping Centre

DEMAND DRIVERS



- High-intensity urban mixed use
- Prime mid-market and affordable residential neighbourhood
- Premium and A-grade offices and BPO facilities
- Opportunity for city hotels
- High-intensity transit oriented development based on road and public transport accessibility
- High visibility and accessibility showroom and destination retail

COMMERCIAL TRANSACTIONS

Current negotiations underway around a single structured transaction, with high transformation potential

SOCIETAL VALUE CREATION

- Major impact in linking surrounding communities
- Sales to date include significant black economic empowerment transactions
- Anticipated to yield over 3 000 well located, affordable and mid-market high density residential units
- Expected to generate over 8 000 permanent jobs with a total investment value of over R12 billion

DEVELOPMENT PROGRESS

Shovel ready

- Three new interchanges providing major new access infrastructure currently under construction
- Construction of Cornubia Retail Park nearing completion, acting as a catalyst to development
- Further expansion of GO!Durban transit route is required to realise the full potential of the development





CORNUBIA UMHLANGA HILLS

Greater uMhlanga

43 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 43 HECTARES

OVERVIEW

- High-quality, affordable, well-located residential, close to multiple amenities
- Accessibility improving with new roads and interchanges currently being constructed
- Walking distance from the new Cornubia shopping centre, opening in September 2017

DEMAND DRIVERS







- Affordable medium to high-density residential, with associated urban amenities
- · Transit-oriented development possibilities
- Affordable education serving surrounding residential
- Retirement

COMMERCIAL TRANSACTIONS

 Current negotiations underway with a number of national affordable housing developers and educational institutions, on four individual precincts separately as well as providing for a potential single transaction

SOCIETAL VALUE CREATION

- Expected to yield some 2 500 well located and affordable homes on completion
- Opportunity to create a high-density residential neighbourhood designed to integrate optimally with GO!Durban public transport system

DEVELOPMENT PROGRESS

Shovel ready

- Construction of new interchange on M41 due for completion in July 2017
- GO!Durban route between Bridge City and uMhlanga detailed design being completed for implementation





NEGOTIATIONS UNDERWAY: 12 HECTARES

12 DEVELOPABLE HECTARES

- High-quality, affordable, well located medium to high-density residential, close to multiple amenities
- High amenity value associated with the unique location adjacent to the Marshall Dam

DEMAND DRIVERS



OVERVIEW

- Affordable neighbourhood, medium to high-density residential
- **Urban amenities**

COMMERCIAL TRANSACTIONS

Current negotiations underway for a single transaction with national affordable housing developers and institutional finance companies

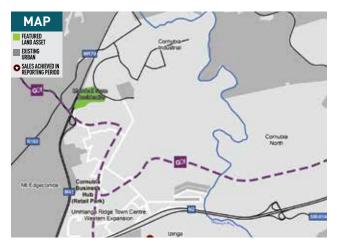
SOCIETAL VALUE CREATION

Will yield 1 100 affordable homes within an integrated neighbourhood

DEVELOPMENT PROGRESS

Shovel ready

- Infrastructure fully installed
- Value of the land will be enhanced by improved road linkage to the GO!Durban route and major road network
- Road linkage between Cornubia Industrial and Business Estate and social housing development completed





CORNUBIA BLACKBURN EXTENSION

Greater uMhlanga

14 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 14 HECTARES

OVERVIEW

- High-density affordable, well-located residential
- Adjacent to high-end residential suburb (Izinga) and N2 Business Estate

DEMAND DRIVERS



Affordable neighbourhoods, medium to high-density residential, with associated urban amenities

COMMERCIAL TRANSACTIONS

· A strategic partnership with a wholly black-owned development company has been formed around the development of 1 700 affordable housing units

SOCIETAL VALUE CREATION

- Upgrading and integration of the existing neighbouring informal settlement will form part of the development plan, thereby improving the lives of over 2 500 families living in the area currently, and facilitate a truly integrated inclusionary, mixed-use neighbourhood
- The development of an affordable residential neighbourhood immediately adjacent to new employment opportunities being created

DEVELOPMENT PROGRESS

- EIA approved
- Detailed planning underway

INFRASTRUCTURE

Extension of and linkage into services currently being installed for Retail Park and N2 Business Park





SIBAYA NODE 1

Greater uMhlanga

22 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 6 HECTARES

OVERVIEW

- Prime coastal location in sought-after region within close proximity to uMhlanga and the King Shaka International Airport
- Substantial momentum established, development visually commenced, with many early market successes

DEMAND DRIVERS



- Mid-market and high-end residential
- High-end city hotels and residences
- Medium to high-intensity urban mixed use
- Retirement
- **Urban** amenities

COMMERCIAL TRANSACTIONS

- Current negotiations underway on remaining few individual properties
- Larger central mixed-use core being packaged for a single transaction opportunity

SOCIETAL VALUE CREATION

- Enhances Durban's coastal tourism offerings
- Upgrades and ensures future sustainability of a unique coastline and coastal forest
- Collaboration with development value chain to ensure meaningful opportunities and localisation of jobs generated
- Total investment within the node of R6 billion
- Expected to create 2 045 permanent jobs

DEVELOPMENT PROGRESS

- Shovel ready
- Amendment to existing rights in support of market requirements underway

INFRASTRUCTURE

- Main boulevard through the node under construction along with all services
- Three top structure developments also under construction representing over R1 billion in new investment





SIBAYA NODE 5

Greater uMhlanga

27 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 16 HECTARES

OVERVIEW

- Prime coastal location in sought after region within close proximity to King Shaka International Airport, eMdloti and uMhlanga
- Following strong market interest in Node 1, 48 hectares sold in Node 5 over the last period predominantly for high-end residential uses
- Significant transaction concluded for a major new educational facility (primary and secondary school) - the first in the region in over 14 years

DEMAND DRIVERS



- Mid-market and high-end residential, high-end city hotels and residences
- Unique clusters of opportunity
- **Urban** amenities
- Retirement

COMMERCIAL TRANSACTIONS

Current negotiations underway on a variety of opportunities including educational, commercial and residential

SOCIETAL VALUE CREATION

- Collaboration with development value chain to ensure meaningful opportunities and localisation of jobs generated
- Total investment of R11 billion
- Expected to generate 1 868 jobs

DEVELOPMENT PROGRESS

- Shovel ready
- Final processes towards creating transferable properties underway

INFRASTRUCTURE

Will see extension of and linkage to Node 1 infrastructural services currently being installed





SIBAYA NODE 4

Greater uMhlanga

103 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 62 HECTARES

OVERVIEW

- · High visibility and accessibility of this landholding making it an ideal location to attract new investment of a diversified nature into the region
- With the significant market success of both Nodes 1 and Node 5, Node 4 offers complementary products catering to different market sectors including lower density retirement and commercial uses

DEMAND DRIVERS







- Mid-market to high- end residential
- **Urban** amenities
- Office
- Retirement

COMMERCIAL TRANSACTIONS

Current negotiations underway with a number of major national developers for mid-market residential, retirement and educational uses

SOCIETAL VALUE CREATION

Expected to generate 4 504 permanent jobs and total investment of over R6 billion

DEVELOPMENT PROGRESS

- EIA well advanced
- Detailed planning underway

INFRASTRUCTURE

Synergies with infrastructure installation for Node 1 and Node 5





BRIDGE CITY

Greater uMhlanga

6 DEVELOPABLE HECTARES

OVERVIEW

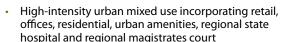
- Joint venture project with eThekwini Municipality
- Critical mass has been achieved. Calgro M3 in partnership with Chartwell have aquired land for affordable housing
- Development now has direct access to and from the M25
- New multi-modal public transport gateway to Durban, linking the city centre and uMhlanga Ridge

DEMAND DRIVERS









- Centrally located and accessible business estate
- Integrated affordable neighbourhoods

COMMERCIAL TRANSACTIONS

Current negotiations underway with national developers around additional affordable housing opportunities and limited remaining business park sites

SOCIETAL VALUE CREATION

- The development is a leading example nationally of an integrated development in a former underdeveloped region
- Private investment in a 48 000 square metre shopping centre and a 32 000 square metre private hospital, bringing amenities and jobs to a former township area

NEGOTIATIONS UNDERWAY: 2 HECTARES

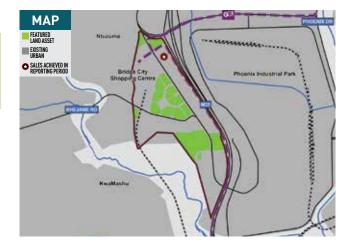
- Enabled public investment in amenities and residential in a high-quality, well located, well managed, new urban precinct
- Development on recent sales expected to create 1 084 permanent jobs and R13 million in municipal rates annually

DEVELOPMENT PROGRESS

Shovel ready

INFRASTRUCTURE

- Half Diamond interchange completed
- Value of the land has been enhanced by improved linkage to the GO!Durban public transport route (expected to be operational in early 2018), PRASA rail line and major road network





TINLEY NORTH RESORT

Ballito and Surrounds

77 DEVELOPABLE HECTARES

NEGOTIATIONS UNDERWAY: 20 HECTARES

OVERVIEW

- This unique landholding incorporates 1,5 kilometres of pristine beach, a safe swimming area and a registered skiboat launch site
- Unique opportunity for an international brand integrated coastal resort, based on intent expressed by an international operator
- Project enjoys support from local municipalities and provincial government and strengthens economic sectoral diversity in the region

DEMAND DRIVERS



Coastal resort catering to domestic and international tourism markets

COMMERCIAL TRANSACTIONS

Current negotiations being framed around a formal expression of interest received from a global resort operator

SOCIETAL VALUE CREATION

- Anticipated to act as a catalyst for accelerated tourist related development on the KwaZulu-Natal north coast
- Increase in tourism will catalyse ancillary economic activities
- Mutual efforts in collaboration with the KwaZulu-Natal Provincial Government present the opportunity to solicit national and international brands looking at opportunities to establish themselves in KwaZulu-Natal

DEVELOPMENT PROGRESS

- Release from agriculture approval pending
- EIA underway

INFRASTRUCTURE

Detailed design for bulk infrastructure requirements underway





CORNUBIA N2 BUSINESS PARK

Greater uMhlanga

2 DEVELOPABLE HECTARES

OVERVIEW

- Last remaining opportunity along the N2 commercial corridor
- Earthworks by Fortress Income Fund / Giuricich well advanced on sold portion of the precinct

DEMAND DRIVERS



 Warehousing, logistics, industrial, business park, manufacturing and big box retail

COMMERCIAL TRANSACTIONS

 Commercial strategy is pending consolidation with an adjacent property to create a more meaningful and sizeable opportunity

SOCIETAL VALUE CREATION

 Mixed commercial land use, in close proximity to existing and planned residential neighbourhoods

DEVELOPMENT PROGRESS

Shovel ready

INFRASTRUCTURE

 Primary road access under construction linking the precinct to uMhlanga Ridge Town Centre, N2 and M41





USHUKELA DRIVE

Airport Region

49 DEVELOPABLE HECTARES

OVERVIEW

- The development is in a prime location in the soughtafter airport region with scarcity of appropriately zoned sites
- Excellent connectivity to the airport and the N2

DEMAND DRIVERS







- Warehousing, logistics, industrial, business park, manufacturing
- Destination warehouse retailing
- Offices
- Unique clusters of opportunity related to airport linkage

COMMERCIAL TRANSACTIONS

- This opportunity is being introduced to investors, large-scale developers and selected end-users. A flexible approach is being adopted to cater for sales of individual sites, various sub-precincts or the entire land asset
- Partnership opportunities with major players also under consideration

SOCIETAL VALUE CREATION

- Leverage and enhancement of government-led initiatives related to the airport and Dube TradePort
- Creation of 60 000 full-time equivalent construction jobs and over 4 000 permanent jobs in a region with current high unemployment rates
- Will see new investment of over R6 billion

DEVELOPMENT PROGRESS

- EIA in advanced stage in collaboration with **Dube TradePort**
- Zoning application in pre-submission stage

INFRASTRUCTURE

Engagements ongoing with government authorities to ensure timeous implementation





COMPENSATION EAST

Airport Region

73 DEVELOPABLE HECTARES

OVERVIEW

- · This land is unique in the portfolio in its suitability for large-scale manufacturing and industrial uses due to its physical topography of flat sites and accessibility
- Offers earliest opportunity for unlocking scarce industrial land in the region
- Potential for factories to be rail-served
- Forms a strategic hub for expansion of airport-linked industrial into the area around Ballito

DEMAND DRIVERS







- Manufacturing, warehousing, logistics, industrial, business park and warehouse retail
- Offices
- Residential with associated amennities

COMMERCIAL TRANSACTIONS

• The commercial strategy is centred on positioning the opportunity optimally for a range of manufacturing and industrial activities

SOCIETAL VALUE CREATION

- Addresses scarcity of large industrial sites suitable for large scale manufacturing and logistics around Durban
- Anticipated to be a significant employment centre for KwaZulu-Natal providing 3 900 permanent jobs
- Opportunity for diversity of employment and enterprise potential in the region

DEVELOPMENT PROGRESS

- **EIA** approved
- Zoning application in pre-submission stage

INFRASTRUCTURE

- Service level agreements reached with authorities
- Bulk water and services to be linked to existing services





NTSHONGWENI RETAIL AND URBAN CORE

Greater Hillcrest

64 DEVELOPABLE HECTARES

OVERVIEW

- The launch of the shopping centre is scheduled to take place in September 2017 at the South African Council of Shopping Centres Conference.
- High-intensity urban mixed use and business activities to follow the regional retail development
- Identified as a catalytic project by municipal and provincial government

DEMAND DRIVERS







- High-intensity urban mixed use
- **Urban** amenities
- **Business** park
- Offices
- Various residential markets in an urban setting

COMMERCIAL TRANSACTIONS

This property represents a unique opportunity for structured transaction(s) leading to a new urban core west of Durban similar to uMhlanga Ridge to the north

SOCIETAL VALUE CREATION

This land asset is expected to see a total investment of over R10 billion, generating 45 000 full time equivalent construction jobs and 6 000 permanent jobs

DEVELOPMENT PROGRESS

- Released from agriculture
- **EIA** approved
- Zoning process well advanced

INFRASTRUCTURE

- Engagements with service providers being progressed in line with planning process
- Steering Committee facilitated by Kwazulu-Natal Economic Development Tourism and Environmental Affairs comprising key government departments at all three spheres to accelerate the unlocking of infrastructure





DETAILED SHEETS FOR AREAS FROM WHICH REMAINING SALES ARE EXPECTED TO COME OVER THE NEXT 5 YEARS

NAVIGATION

Areas where sales or negotiations have commenced or are about to commence

Areas from which remaining sales are expected to come over the next 5 years

Areas where sales are anticipated beyond 5 years

DEMAND DRIVER ICONS



HIGH-INTENSITY URBAN MIXED USE



PREDOMINANTLY RESIDENTIAL NEIGHBOURHOODS





URBAN AMENITIES FOR RESIDENTIAL NEIGHBOURHOODS



RETIREMENT







WAREHOUSING, LOGISTICS, INDUSTRIAL, BUSINESS PARK, MANUFACTURING AND BIG-BOX RETAIL



UNIQUE CLUSTERS OF OPPORTUNITY



IZINGA FUTURE PHASES

60 DEVELOPABLE HECTARES

OVERVIEW

- Last remaining phase of Izinga building on established brand, infrastructure and amenity
- Prime for mid-market residential, commercial and urban amenities

DEMAND DRIVERS

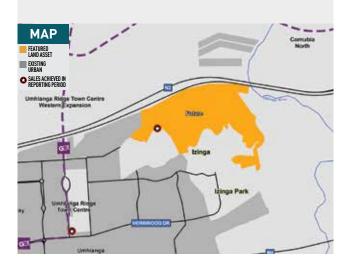


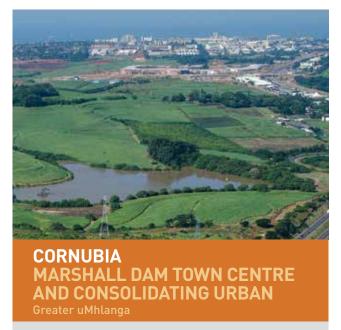
DEVELOPMENT PROGRESS

- EIA being amended to provide for a wider range of uses and additional units
- Major infrastructure and amenities completed

SOCIETAL VALUE CREATION

Yield of high value, high amenity residential neighbourhood that is integrated with surrounding communities





82 DEVELOPABLE HECTARES

OVERVIEW

- Strategically located on two GO!Durban routes linking Bridge City and the Airport to uMhlanga and the city centre
- Envisaged nexus of a high-intensity urban mixed-use node comprising offices, retail, hotels and urban amenities

DEMAND DRIVERS

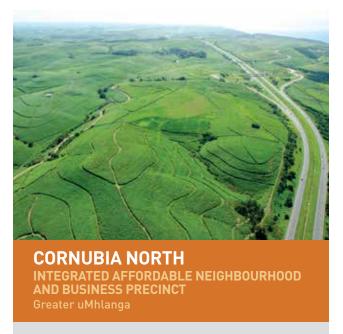


DEVELOPMENT PROGRESS

- EIA approved
- Detailed planning underway

- This development will fully integrate living and working opportunities within walking distance
- The nature and intensity will ensure that the public transportation system is fully leveraged





172 DEVELOPABLE HECTARES

OVERVIEW

- Opportunity for mid-market residential neighbourhoods, office, business park and industrial uses, with further urban growth along key transport
- First phase to be accelerated around the existing N2 interchange at Sibaya to build on demand for additional business park development along the N2

DEMAND DRIVERS





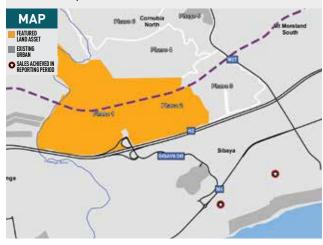


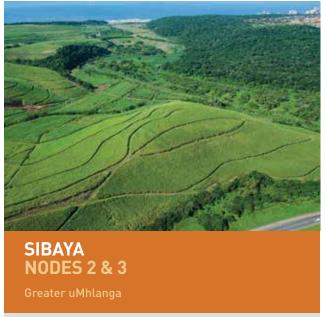
DEVELOPMENT PROGRESS

- Released from agriculture
- Framework plan being reviewed to align with Aerotropolis master plan
- Located on the primary GO!Durban link between uMhlanga and the airport

SOCIETAL VALUE CREATION

- Potential to accelerate fixed investment in this priority urban corridor through business park, commercial and integrated residential uses
- Allows for the extension of the existing successful Cornubia collaboration to establish significant scale and impact





134 DEVELOPABLE HECTARES

OVERVIEW

- Well located, gently sloping land with extensive estuary and ocean views surrounded by pristine natural environment
- Unique opportunities for high-end, low-density residential, city hotels and residences and urban amenities

DEMAND DRIVERS









DEVELOPMENT PROGRESS

- Release from agriculture application to be prepared in conjunction with provincial and municipal authorities
- Shovel ready concept plan being initiated from within an existing overall framework plan
- Service infrastructure from Node 1 will unlock these assets

SOCIETAL VALUE CREATION

Significant opportunity to add unique real estate offering to the region





AMANZIMNYAMA

345 DEVELOPABLE HECTARES

OVERVIEW

Demand for warehousing, logistics, industrial, business park, manufacturing, big box retail and offices in the emerging Aerotropolis

DEMAND DRIVERS

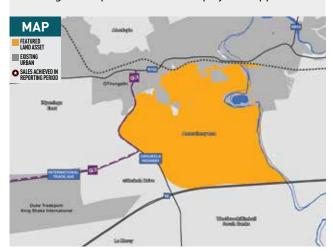


DEVELOPMENT PROGRESS

- Release from agriculture application to be prepared for submission in conjunction with provincial and municipal authorities
- Shovel ready framework being reviewed in collaboration with provincial and municipal stakeholders in support of the aerotropolis and municipal local area plan initiatives

SOCIETAL VALUE CREATION

- The large and interconnected green linkages will provide environmental, educational and recreational opportunities supported by integrated social programmes
- Significant potential for new employment opportunities





152 DEVELOPABLE HECTARES

OVERVIEW

- Scarce industrial land between 40-60 hectares on a single platform, well serviced by higher-order roads and close to the King Shaka International Airport
- Prime for large-scale manufacturing use

DEMAND DRIVERS

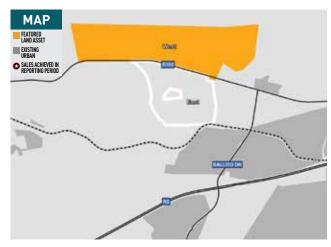


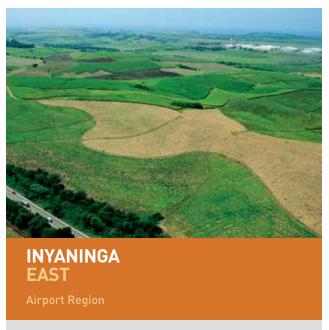


DEVELOPMENT PROGRESS

- · Released from agriculture
- EIA approved
- Re-zoning application in pre-submission stage
- Resolution on the existing land claim is very close

- The only land to be zoned 'general industrial' in the region which permits heavy industry developments to be rolled out in support of the National **Development Plan**
- Opportunity to enhance the economic sectoral diversity of the region with significant employment opportunities





550 DEVELOPABLE HECTARES

OVERVIEW

- The project has been identified as 'catalytic' by both municipal and provincial government
- Lying on major access infrastructure (road and rail) and between the airport and the town of oThongathi, this location offers unique opportunities for multi-modal logistics and manufacturing, as a key element of the Aerotropolis

DEMAND DRIVERS







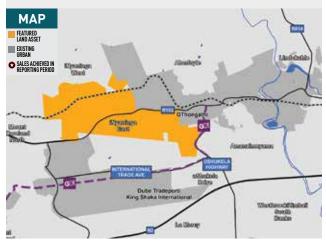


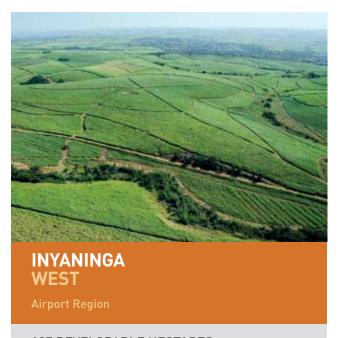
DEVELOPMENT PROGRESS

- Released from agriculture
- **EIA** approved
- Rezoning and subdivision application being finalised for submission

SOCIETAL VALUE CREATION

This development plays a key role in stitching together the existing established nodes of Verulam, oThongathi and the airport, thereby providing greater economic integration and substantial new employment and economic opportunities





187 DEVELOPABLE HECTARES

OVERVIEW

- The project has been identified as 'catalytic' by both municipal and provincial government
- Collaboration with relevant stakeholders to deliver an integrated government assisted, affordable to mid-market neighbourhood to enable expansion of oThongathi and address aerotropolis residential demand

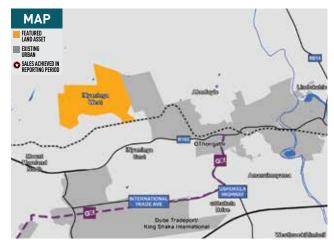
DEMAND DRIVERS



DEVELOPMENT PROGRESS

- Released from agriculture
- **EIA** approved
- Detailed planning underway

- This development has the potential to yield approximately 10 000 residential units
- Supporting the adjacent commercial and industrial growth nodes within the broader aerotropolis area





LINDOKUHLE

52 DEVELOPABLE HECTARES

OVERVIEW

Collaboration with multiple stakeholders to deliver a range of inclusionary residential options, from public sector facilitated to affordable

DEMAND DRIVERS

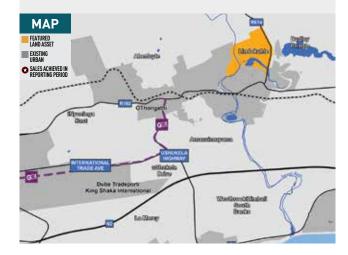


DEVELOPMENT PROGRESS

- Released from agriculture
- EIA in process

SOCIETAL VALUE CREATION

- Has the potential to deliver up to 4 000 units across a range of affordability, tenure and typologies
- This will provide much needed residential solutions to support the adjacent commercial and industrial/ logistics growth nodes





ABERFOYLE

231 DEVELOPABLE HECTARES

OVERVIEW

- Ideally located as future western expansion of oThongathi town
- Collaboration with multiple stakeholders to deliver a range of inclusionary residential options, from public sector facilitated through to mid market

DEMAND DRIVERS



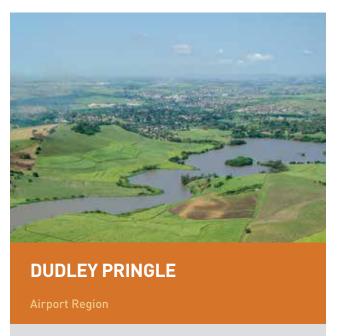
DEVELOPMENT PROGRESS

- Release from agriculture application to be prepared for submission in conjunction with provincial and municipal authorities
- Shovel ready framework being reviewed in collaboration with provincial and municipal stakeholders in support of the aerotropolis and municipal local area plan initiatives

SOCIETAL VALUE CREATION

Has the potential to deliver over 6 000 residential units across a range of affordability, tenure and typologies





86 DEVELOPABLE HECTARES

OVERVIEW

- Ideally located as a northern expansion of oThongathi
- Collaboration with a range of stakeholders to deliver a unique integrated residential neighbourhood

DEMAND DRIVERS







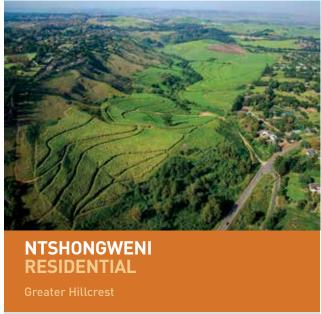
DEVELOPMENT PROGRESS

- Released from agriculture
- EIA application underway
- Development framework being aligned with municipal strategic spatial concept plans

SOCIETAL VALUE CREATION

- Has the potential to deliver up to 3 000 homes in a uniquely integrated community
- Intensifying interim use of the Dudley Pringle Dam will generate further local tourism and provide an enhanced amenity to local communities





57 DEVELOPABLE HECTARES

OVERVIEW

- Prime piece of infill land within the heart of Hillcrest. Ideal for a broad range of residential opportunities
- Identified as a catalytic project by municipal and provincial government

DEMAND DRIVERS



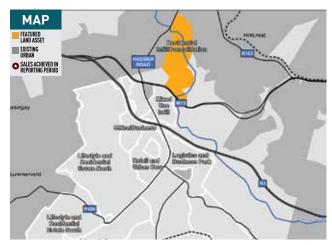


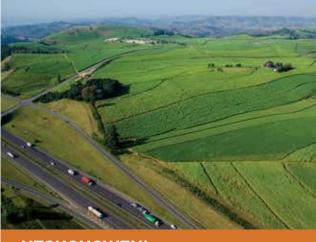


DEVELOPMENT PROGRESS

- Released from agriculture
- **EIA** underway
- Development framework being aligned with municipal strategic spatial concept plans

- This development will extend Durban's offering as a lifestyle, investment and retirement destination in its outer west area
- The open space system offers the opportunity for social activity and community-oriented programs to benefit the surrounding communities





NTSHONGWENI LOGISTICS & BUSINESS PARK

161 DEVELOPABLE HECTARES

OVERVIEW

- Strategic location on the N3 SIP2 corridor
- Next major node out of Durban
- Substantial demand for logistics, warehousing, light industrial and big box retail uses
- Identified as a catalytic project by municipal and provincial government

DEMAND DRIVERS



DEVELOPMENT PROGRESS

- Released from agriculture
- **EIA** underway
- Development framework being aligned with municipal strategic spatial concept plans

SOCIETAL VALUE CREATION

- The development would play a key role in the SIP2 corridor from Durban to Gauteng, strengthening the logistics capacity due to easy national freeway access
- Substantial new employment opportunities within a region currently experiencing high unemployment





NTSHONGWENI INTEGRATED RESIDENTIAL

185 DEVELOPABLE HECTARES

OVERVIEW

- The project is ideally located for a catalytic, large-scale integrated residential development and processes are underway to position the opportunity with relevant stakeholders
- Identified as a catalytic project by municipal and provincial government

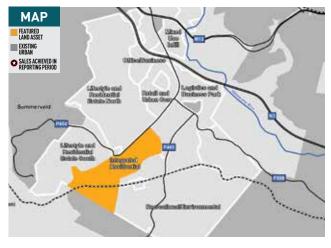
DEMAND DRIVERS



DEVELOPMENT PROGRESS

- · Released from agriculture
- Development framework being aligned with municipal strategic spatial concept plans

- This precinct has the potential to deliver between 10 000 and 15 000 units of well located, quality residential opportunities for a diverse range of typologies, affordabilities and tenure options
- The scale, nature and spatial planning will ensure that this precinct will be well integrated into the broader region





TINLEY SOUTH

270 DEVELOPABLE HECTARES

OVERVIEW

- Unique coastal property for high-end residential, retirement, resort and tourism
- Good progress has been made in profiling this land asset in terms of its attraction to internationally branded hotels and resorts

DEMAND DRIVERS



DEVELOPMENT PROGRESS

- EIA at advanced stage
- Detailed planning underway

SOCIETAL VALUE CREATION

- Diversified development and economic opportunities along the northern coastal belt anchored by the development of an integrated coastal resort
- The integration of a broad range of residential opportunities and urban amenities into the emerging sub-regional node





ON NEARLY COMPLETED DEVELOPMENTS

22 DEVELOPABLE HECTARES

OVERVIEW

- Niche opportunities for developers or acquisition opportunity for adjacent landholders
- Includes Mount Moriah, Riverhorse Valley, Mt Moreland North, Kindlewood South

DEMAND DRIVERS





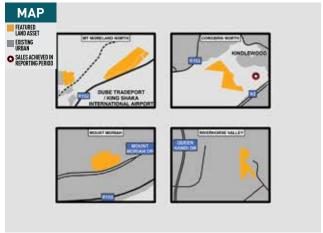


DEVELOPMENT PROGRESS

· Generally to be sold 'as is'

SOCIETAL VALUE CREATION

The remaining sites act as niche opportunities for densification, small development and integrating neighbouring land uses





AREAS WHERE SALES ARE **ANTICIPATED BEYOND 5 YEARS**



AREAS WHERE SALES ARE **ANTICIPATED BEYOND 5 YEARS**

The commercial strategies in an ever changing environment are being positioned to allow for development opportunities that are likely to occur beyond five years. Emerging opportunities to drive demand and value are being taken as they emerge, together with the development approval processes and infrastructural requirements to optimise eventual returns. Opportunities for value realisation at an earlier stage are continuously assessed. The following table summarises the broad factors relevant to each of these land assets:

AREAS

DEVELOPABLE HECTARES

OPPORTUNITY



452

Situated within the heart of the emerging aerotropolis, this land asset represents the natural extension of Cornubia. It will offer a range of integrated residential neighbourhoods with associated urban amenities together with industrial and commercial opportunities.



202

These land assets will see further growth and consolidation of the Sibaya economic hub within an attractive natural environment and outlook and will incorporate high-end markets, hotels and commercial opportunities. Catalysed by the development momentum of Nodes 1, 4 and 5 and planned expansion of Afrisun's Sibaya Casino and Entertainment Kingdom.



422

Incorporating high-end markets, retirement, high-intensity urban mixed use, office, hotel and warehouse, logistics, industrial and manufacturing uses, this development will provide the infill gap between the Ballito/Zimbali southern expansion and the uMhlanga and Airport area's northern expansion.



279

This land asset represents an infill between the northern expansion of Cornubia and the southern expansion of King Shaka International Airport and Dube TradePort with envisaged uses incorporating offices, high-intensity urban mixed use, integrated residential neighbourhoods, warehouse, and logistics, industrial and manufacturing.



615

The emerging aerotropolis will require this land asset to incorporate high-end markets, office and warehouse, logistics, industrial and manufacturing, governmentsubsidised, affordable and mid-market housing and associated residential services. Exposure and access from the N2 freeway are key drivers of usage and value.



This land asset will incorporate high-end markets, highintensity urban mixed use, office, affordable and mid-market housing and represents the logical growth and expansion of Tinley Manor. The successful conclusion of agreements leading to the establishment of an integrated beach resort is likely to catalyse acceleration of these developments.

DEVELOPABLE HECTARES

OPPORTUNITY

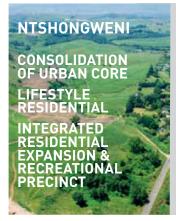


1 448

These land assets will incorporate high-end markets and tourist-related activities due to unique beachfront location.



This land asset offers the potential opportunity for public sector facilitated, integrated, affordable and mid-market residential and associated urban amenities.



Consolidation of Urban Core (82 developable hectares)

Natural growth and consolidation of the Ntshongweni retail and urban core is centred around the N3 and M13 regional road networks, with opportunities for high-intensity urban mixed use and offices.

Lifestyle Residential (429 developable hectares)

This is a natural extension of the Summerveld equestrian and high-end residential environment with a mix of densities and typologies.

Integrated Residential Expansion and Recreational Precinct (108 developable hectares)

This offers longer-term integrated residential opportunities within a broader recreational and environmental precinct, in close proximity to existing peri-urban settlements.

At 31 March 2017 - Areas where sales are anticipated beyond 5 years

AREA	Developable hectares
Cornubia North - Remaining	452
Sibaya - Nodes 6&7	202
Westbrook / Zimbali South Banks ¹	422
Mt Moreland South	279
La Mercy	615
Tinley North	311
Zinkwazi / Thukela²	1 448
Descroilles	48
Ntshongweni - Consolidation of Urban Core	82
Ntshongweni - Lifestyle Residential	429
Ntshongweni - Integrated Residential Expansion and Recreational Precinct	108
GRAND TOTAL	4 396

^{1.} Area increased by 211 hectares in terms of an agreement with IFA to dispose of Tongaat Hulett's remaining interests in the Zimbali properties in exchange for a cash component and their 50 percent interest in these properties.

^{2.} Area reduced by 346 developable hectares following a reassessment of land subject to a gazetted land claim and previously identified for eco-tourism potential as being of greater value, as part of a much larger cane and rural development initiative.

AREAS WITHIN WHICH THE ANTICIPATED LAND CONVERSION ACTIVITIES OVER THE NEXT 5 YEARS WERE EXPECTED TO TAKE PLACE - AS AT 31 MARCH 2016

	AREA	Developable hectares	
	URBAN GROWTH AND CONSOLIDATION - UMHLANGA REGION	927	
	Ridgeside Remaining Precinct 1	8	
	Ridgeside Precinct 2	31	
	Ridgeside Precinct 4	0	
	uMhlanga Ridge Town Centre - Commercial	1	
	uMhlanga Ridge Town Centre - Residential	4	
	Izinga	64	
	Kindlewood	11	
	uMhlanga Ridge Extension - Cornubia New Town Phase 2	178	
	uMhlanga Ridge Town Centre Western Expansion	25	
	N2 Business Park	23	
	uMhlanga Hills	43	
	Marshall Dam Residential	12	
	Marshall Dam Town Centre	39	
	Consolidating Urban	43	
	Integrated Residential	14	
	Cornubia Industrial	6	2 942
URBAN	Cornubia North	624	developable
TO	Integrated Residential	200	hectares from
BALLITO	Medium Density Residential	100	a total of 4 384
	Consolidating Urban	85	4 004
	N2 Business Park	69	
	COASTAL / LIFESTYLE / LEISURE / HIGH-END RESIDENTIAL	256	
	Zimbali Lakes	48	
	Sibaya Node 1	30	
	Sibaya Node 5	76	
	Sibaya Node 4 AIRPORT REGION BUSINESS AND RESIDENTIAL	103 1 725	
	uShukela Drive - Airport Linked Industrial, Retail and Logistics	49	
	Amanzimnyama - Office / Business / Industrial and Logistics Park	345	
	Compensation (East) - Industrial and Manufacturing	73	
	Compensation Western Expansion - Industrial and Manufacturing	152	
	iNyaninga East - Industrial / Logistics / Manufacturing	550	
	iNyaninga West, Lindokuhle, Aberfoyle, Dudley Pringle -	330	
	Residential and Urban Expansion of oThongathi (Tongaat)	556	
	REMAINING SITES ON NEARLY COMPLETED DEVELOPMENTS	34	
	URBAN EXPANSION WEST OF DURBAN	467	467
WEST OF	Ntshongweni - Residential Infill / Consolidation	57	developable hectares from
DURBAN	Ntshongweni - Retail and Urban Core	64	a total of
	Ntshongweni - Logistics and Business Park	161	1 086
	Ntshongweni - Integrated Residential	185	
COASTAL NORTH	COASTAL NORTH OF BALLITO	270	270 developable hectares
OF BALLITO	Tinley Manor South Banks – Resort	270	from a total of 2 500
	GRAND TOTAL	3 679	3 679 developable hectar from a total of 7 970

SALES CONCLUDED AND REASSESSMENTS FROM 1 APRIL 2016 TO 31 MARCH 2017

		H1 (to 30 September 2016)			H2 (to 31 March 2017)		
	AREA	Reassesment (See note 2 to 5) hectares	Sold (hectares)	Profit per developable hectare (R million)	Reassesment (See note 2 to 5) hectares	Sold (hectares)	Profit per developable hectare (R million)
	URBAN GROWTH AND CONSOLIDATION - UMHLANGA REGION						
	Ridgeside Remaining Precinct 1		1,4	44,3		0,5	32,
	Ridgeside Precinct 2						
	uMhlanga Ridge Town Centre - Commercial						
	uMhlanga Ridge Town Centre - Residential		0,7	28,3		0,3	28
	Izinga		0,9	5,3		3,0	3
	Kindlewood		0,6	4,1		1,7	3
	uMhlanga Ridge Town Centre Western Expansion - Cornubia Phase 2						
	uMhlanga Ridge Town Centre Western Expansion						
	N2 Business Park						
	uMhlanga Hills						
	Marshall Dam Residential						
	Marshall Dam Town Centre						
	Consolidating Urban						
	Integrated Residential (Blackburn Extension)						
	Cornubia Industrial		6,1	10,0			
	Cornubia North ⁴						
DUDDAN	Integrated Residential ⁴	-200					
DURBAN TO	Medium Density Residential ⁴	-100					
BALLITO	Consolidating Urban ⁴	-85					
	N2 Business Park ⁴	-69					
	Industrial ⁴	-170					
	Integrated Affordable Neighborhood and Business Precinct ⁴	172					
	COASTAL / LIFESTYLE / LEISURE / HIGH-END RESIDENTIAL						
	Zimbali Lakes ⁵				-47,8		
	Sibaya Node 1		7,0	14,0		1,0	12
	Sibaya Node 5					48,6	6
	Sibaya Node 4						
	Sibaya Node2 ³	96					
	Sibaya Node 3 ³	38					
	AIRPORT REGION BUSINESS AND RESIDENTIAL						
	uShukela Drive - Airport Linked Industrial, Retail and Logistics						
	Amanzimnyama - Office / Business / Industrial and Logistics Park						
	Compensation (East) - Industrial and Manufacturing						
	Compensation Western Expansion - Industrial and Manufacturing						
	iNyaninga East - Industrial / Logistics / Manufacturing						
	iNyaninga West, Lindokuhle, Aberfoyle, Dudley Pringle -	-556					
	Residential and Urban Expansion of oThongathi (Tongaat) ² iNyaninga West ²	187					
	Lindokuhle ²	52					
	Aberfoyle ²	231					
	Dudley Pringle ²	86					
		00	2.0	10.2	(2.5)	0.0	,
	REMAINING SITES ON NEARLY COMPLETED DEVELOPMENTS 1&5		2,0	10,3	(3,5)	0,8	4,
	URBAN EXPANSION WEST OF DURBAN						
WEST OF DURBAN	Ntshongweni - Residential Infill / Consolidation						
	Ntshongweni - Retail and Urban Core						
	Ntshongweni - Logistics and Business Park						
	Ntshongweni - Integrated Residential						
COASTAL	COASTAL NORTH OF BALLITO						
NORTH OF	Tinley Manor South Banks – Resort						
BALLIT0	Tinley Manor North (portion of) 3	77					
	GRAND TOTAL 6	-241	18,7	14,4	-51	55,9	6,

Sale of land in Bridge City
 Finer-grained detail given for Inyaninga West, Lindokuhle, Aberfoyle and Dudley Pringle
 Additional assets brought into the land identified for sale within 5 years. Sibaya Nodes 2 and 3 and portion of Tinley Manor North
 Cornubia North assets reassessed and reprioritised in light of current public sector appetite for housing and infrastructure delivery
 Net move of 452 developable hectares to land where sales are expected to commence beyond five years
 Restructuring of assets as part of the transaction where Tongaat Hulett's remaining interests in the Zimbali Properties (51 developable hectares) were disposed of to IFA for a cash componant and an exchange for their joint venture share of the Westbrook / Zimbali South Banks land (as provided for in the beyond 5-year period)
 Overall impact of all reassessments is a shift of a net 241 developable hectares into land where sales are expected to commence beyond five years

NOTES

PORTFOLIO OVERVIEW MAP

