

# Fortress retains full ownership of Pick n Pay super distribution centre in Gauteng

Fortress Real Estate Investments Limited is to retain 100% ownership of the newly developed Pick n Pay super distribution centre at Eastport Logistics Park, which is situated along the Albertina Sisulu Freeway - a major arterial route in Gauteng linking Pretoria to the East Rand.



Pick n Pay super distribution centre in Eastport Logistics Park. Source: Provided

The 164,000m<sup>2</sup> distribution centre is situated in the north-eastern part of Eastport Logistics Park, with its own access off the R21 Expressway. The distribution centre will house groceries in an ambient environment of approximately 95,000m<sup>2</sup> and cold storage of approximately 48,000m<sup>2</sup>. The remainder of the space comprises returns, offices, gatehouse and aerosol storage.



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23 Mar 2023



## Initial agreement amended

The initial agreement would have seen Pick n Pay purchase a 60% undivided share in the distribution centre through a separate special purpose company, with Fortress retaining a 40% undivided share. Pick n Pay would then have entered into a lease agreement with the co-owners with rental payable based on an initial 7.0% yield on total development cost. The parties initially agreed to a lease term of 15 years with an escalation of 6% per annum. The parties originally agreed to reciprocal put and call options, on different dates, over Fortress' 40% undivided share.

The details of this transaction have subsequently been amended and will now see Fortress retaining 100% of the asset, and Pick n Pay will pay rental based on an initial yield of 8.5% on total development cost as of 1 June 2023. The current

estimated total cost of the development, including capitalised interest, which will be determined once the final accounts have been received and settled, is approximately R2.13bn and in line with initial cost estimates.



Pick n Pay super distribution centre in Eastport Logistics Park. Source: Provided

## Put and call options no longer in place

The initial term of the lease will remain at 15 years with a 6% per annum escalation and the reciprocal put and call options will no longer be in place. Pick n Pay will retain a right of first refusal on any potential disposal of the asset outside of the Fortress Group.

As such, Fortress will not receive a cash payment of R1.3bn from the sale of 60% to Pick n Pay under the original agreement. However, Fortress' loan-to-value ratio is expected to remain at approximately the same level of 37.5% reported as of 31 December 2022.

Pick n Pay's decision to amend the nature of its financing decision was driven by the company taking a more prudent approach to its capital investment, partly driven by the impact of load shedding costs on the business.

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