REAL ESTATE
In 2019, the Real Estate cluster’s occupancy improved across main properties, resulting in an increase of 31% over last year. This was achieved mainly as a result of a focused strategy on transforming Phoenix Central into an innovative office destination and improving the rental yield across all properties. This contributed to a higher operating profit of Rs 58M compared to Rs 45M in 2018.

OPERATING ENVIRONMENT IN 2019

• The real estate sector in Mauritius has maintained a positive growth over the last three years, growing at an average of 3.4% annually. Foreign Direct Investment in real estate activities has also increased drastically, growing from Rs 9.1bn in 2018 to reach Rs 13.6bn (for the period Jan to Sep 2019 only). In 2019, the share of PDS, SCS and other schemes captured no less than 77.6% of FDI. This implies a very high concentration of FDI (mainly from France and South Africa) in the real estate sector, which makes Mauritius significantly vulnerable to external shocks. The demand for space in the rental market is growing at a slower pace compared to the supply of such spaces, leading to pressure on rental rates with a reduced rate of spaces uptake.

• The rise of smart cities, which bring with them a plethora of incentives, is continuing to create cut-throat competition. The development of office and commercial spaces has accelerated, and along with it, consumers’ spending power. We are faced with the challenge of competing against not only other real estate companies, but also upcoming retailers, which will demand an upgrade of our value proposition.

• The ongoing development of the South of Mauritius presents a great opportunity for CJ, particularly as we detain around 100 acres of land in the region. The construction of a new airport terminal, new road networks and better logistics facilities is fostering an environment in which our Real Estate sector is poised to thrive.

• The highly incentivised smart city projects represent an unfair level playing field for traditional property owners and developers with a portfolio presence in existing towns and cities and who are also not large landowners. An extension of these incentives to traditional property players for schemes such as urban regeneration is required.

• Being concentrated in the city centre has also led us to initiate discussions about the rejuvenation of city centres and other smaller developments. The Metro Express is currently connecting towns and cities in which we operate, which, in theory, should present great opportunities for urban regeneration around this transit system. However, the metro project is being viewed as an isolated project rather than a growth enabler with the potential to drive economic activity. We strongly believe that improved transportation could breathe new life into our cities, regenerate entire neighbourhoods, create employment and drive waves of economic and social development. This calls for an integrated planning system put in place by the relevant authorities and the articulation of a vision in which the Metro is viewed as a key anchor in transforming our towns and communities.

• The introduction of the REIT framework and the Airport City, as mentioned in the last budget speech, provides for new opportunities to modernise the Real Estate Investment Environment and opportunities in the South for the Group. The details of the above need to be clearly defined by the relevant authorities.

• Given that construction materials are imported, material prices are steadily increasing. Builders and contractors are faced with the challenge of containing their costs and reducing their margins in an industry that is already extremely competitive, even more so since the enactment of the Workers’ Rights Act.
In 2019, we undertook a strategic exercise to review our current portfolio of properties and determine how to extract more value from it. Ultimately, our goal is to improve the customer experience, maximise our shareholders’ return on investment and enhance the value of our properties. After successfully transforming Quay11 into a mixed-use destination and Phoenix Central into an office destination, we have embarked on an ambitious strategy to double our growth in the next 5 years. We aim to achieve this by:

- Moving undeveloped or underdeveloped properties to the yielding category by focusing on organic growth within our current portfolio. We focused on the development of new projects, the redevelopment of brownfield sites, and we have introduced an asset management framework to generate more value to our yielding properties. Over the year under review, our developed and underdeveloped property yield increased from 3.8% in 2018 to 4.4% in 2019.
- In addition to organic growth, we are in a unique position to leverage CIL, a listed company, to raise capital so we can either develop more existing properties within the Group or acquire external ones.
- Greater operational efficiency and digitalisation are critical in maximising our growth. We are steadily integrating technology at every link of our supply chain, from the conceptualisation and construction phases to property management:
  ° We began by implementing MRI Real Estate, a property management software so as to manage our properties in a more efficient manner and support our Asset Management Framework. Real-time data helps us determine how each property is performing financially, while decreasing wait times in the areas of maintenance, complaint management and facilities. With greater visibility into our portfolio, at any given time, we can now manage our properties more efficiently and engage with our tenants in a more meaningful way.

To support our strategy, we need to have the right set of tools and, most importantly, the right team to deliver on our objectives. We have reviewed our business structure in line with this strategy and have reinforced our team on the Marketing front with the recruitment of a new resource. The latter shall, over and above overseeing our marketing and leasing strategies, develop and implement our digital marketing presence. The Asset Management function will also be reinforced internally. Our team is geared up with stronger acumen to address upcoming challenges.

Increased competition from smart cities and other retailers has led us to pursue a diversification strategy:
- Beyond high-street retail and offices, we are looking to venture into the industrial space, which demands lower investments while generating higher returns.
- Our diversification is also taking on a geographic dimension. With a solid footprint in Curepipe and Port Louis, we are now seeking to expand our activities in the South of Mauritius, where a number of government-led and CJ-led initiatives are contributing to the development and dynamism of the region.
## Performance in 2019

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<th>Performance in 2019</th>
<th>How it contributes to the Group strategy</th>
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<td>• We are currently engaged in extending our office environment following the new trend of incorporating social places within the work space fabric. To this end, we have catered for a cafe and restaurant at Phoenix Central and are progressively creating additional living spaces to foster a sense of wellbeing and collaboration, and eventually generate premium rentals.</td>
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<td>• The occupancy at Phoenix Central increased to 80% during the course of 2019.</td>
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<td>• During the course of 2019, we have successfully re-developed our property at John Kennedy Street in Port Louis into a human size mixed-use development with retail and a food hall branded Quay 11. Quay 11 was successfully launched in July 2019 at near 100% occupancy.</td>
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<td>• Over and above Quay 11, the Development team also managed the refurbishment of the Currimjee Jeewanjee’s Head Office, which opened its doors in January 2020.</td>
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OUTLOOK AND PRIORITIES IN 2020

- Our focus for next year will be to restructure the entire Real Estate cluster by bringing certain companies from the Holding level down to Compagnie Immobilière Ltée. We have yet to finalise the new structure, but are aiming to carry it out in various phases between 2020 and 2022.

- Faced with the challenge of being concentrated in high-street retail and the commercial space, we aim to prioritise our diversification strategy in 2020 / 2021.

- We aim to reinforce our Asset Management Framework as we progress into the deployment of our strategic plan to generate more value from our existing portfolio and refurbish the same to achieve this objective. A comprehensive review of tenants mix, especially in our retail properties, will be undertaken.

- With the new Marketing Function in place, we intend to increase our proximity to our tenants/customers through digital platforms and the introduction of a CRM process so that our customers can be central to our operations.

- Going forward, we will expand our digital capabilities to our Projects Department with tools such as Revit, a sophisticated software that designs structures in 3D. Through one unified interface, it encourages more collaboration between our multidisciplinary teams, eliminates redundant work and increases efficiency across the project lifecycle.

- Within the highly competitive environment, we will focus on formulating dynamic marketing plans to keep pace with the new consumer trends.

- We aim to gradually transform Phoenix Central into a smart facility, with enhanced sustainability and digital capabilities. Once this is achieved, we intend to replicate this to other properties.

- Development Feasibility studies will be initiated on the greenfield sites within the Cluster’s portfolio. We shall investigate development possibilities on our land at Plaisance.

- We shall continue to scan for development opportunities within the urban fabric where we are strategically positioned. This could be in the form of self-development initiatives or partnerships. By nature of its history and property locations, the Real Estate Cluster shall reinforce its position as a major Urban Regeneration Player in the future.

- The Covid-19 pandemic is expected to affect our overall profitability with a significant impact geared more towards our retail properties, where most of the retail tenants experienced complete closure. We are working closely with our tenants in providing safe operating environments and defining relief measures to strengthen our relationships. Finally, we are exploring possibilities to reposition and improve our product offering e.g. through brand reinforcement and renovations to better serve our tenants and customers.