

## MEDIA RELEASE

16 November 2022

### Investec Property Fund delivers resilient half year performance

*Quality assets, considered capital recycling and experienced teams underpin the Fund's defensive positioning*

#### Highlights

- Strong portfolio metrics in both South Africa and Europe
- Defensive SA portfolio maintained strong growth momentum
- Underlying PEL portfolio continues to outperform
- Achieved 2.7% DIPS growth to 53.78cps
- 51.09cps H1 dividend declared (+2.7% yoy)
- 95% dividend payout ratio
- Strong balance sheet with 38.3% LTV
- R5.3bn debt refinancing nearing completion
- Debt rating reaffirmed and stable outlook maintained
- ESG strategy on track to meet targets

Investec Property Fund, (“**IPF**”, or “**the Fund**”) today announced a resilient set of results for the half year ended 30 September 2022, achieving 2.7% year on year growth in DIPS to 53.78cps (Sep-21: 52.39cps). The results reflect the strength of the Fund’s underlying asset base in both Europe and South Africa, with South Africa and Europe delivering like-for-like NPI growth of 8.3% and 2.7% respectively and showcases the benefits of the Fund’s sectoral and geographic diversity.

The stability of both portfolios, together with the proactive asset management strategies and strength of the balance sheet, see the business in a strong enough position to maintain the dividend payout ratio at 95%, resulting in the declaration of a 51.09cps (R411m) dividend for the six months ended 30 September 2022 (Sep-21: 49.77cps; R401m).

Commenting on the Fund’s performance, CEO Andrew Wooler said, “*We are exceptionally proud of the Fund’s performance over the past six months. It has been a period of increasing unpredictability globally, however, our deliberate strategy to sell out of risk and recycle capital into top quality assets sees IPF well positioned to withstand the prevailing volatility. This is backed up*

*by the hands-on efforts of our skilled management teams, all of which have first-hand experience of leading through uncertainty.”*

Consistent with IPF’s disciplined approach to balance sheet management, the current LTV ratio of 38.3% has remained relatively stable since FY22 year end, (Mar-22: 38.2%). Going into H2 FY23, the Fund will have significantly reduced refinancing risk following a R5.3bn group debt refinance that will be completed in Nov-22. The refinance will have the effect of extending IPF’s debt maturity by around two years and includes a significant ESG element.

In South Africa, economic activity continued to increase over the half-year, and the REIT sector progressed its recovery at a slow pace, navigating the extended period of volatility. Strong industrial performance, supported by steady retail recovery contributed to strong base NPI growth driven by lower yoy vacancy (9.8% in Sep-21 to 7.1%), which has reduced further to 5.2% post the half-year end, and strong letting activity which has seen 88% of all space expiring during the period being relet. Cost control remains a key focus and expenses were well managed and tightly controlled for the period, with active management contributing to a strengthened financial performance.

Although the Eurozone has begun to feel the impacts of the Ukraine war, energy crisis and inflation, there has been limited impact on the logistics sector to date with the strong momentum displayed in 2021 continuing into the first half of 2022. The portfolio continues to capture rental growth, supported by a resilient occupier market, positive rental reversions, robust demand and rising indexation. With quality assets and strong tenant covenants as the foundation of the portfolio, the business is well positioned to absorb potential future impacts of inflation and cost pressures on the occupier base.

*“The rising interest rate environment, both in SA but specifically in Europe, is expected to impact earnings in the second half. The pace and quantum of the increases in Europe, off the previously negative interest rate base has created pricing volatility in asset markets with a yet uncertain impact on long-term valuations in the sector. While this will undoubtedly have an impact on second half earnings, opportunity exists to take advantage of the current dislocation through the hands-on management of our on-the ground team as they seek to unlock further value,”* concluded Wooler.

Looking ahead, second half NOI across both regions is anticipated to be consistent with H1 FY23, given the stable performance of the SA business and continued sector tailwinds underpinning the growth of PEL NOI. In the absence of any external macro-economic factors, the Fund would have expected to achieve its previous full year guidance of low single-digit DIPS growth. However, given the significant change in interest rates since May, H2 earnings will be adversely impacted, and the Fund has tempered its full year guidance to marginally negative earnings growth.

## **ENDS**

### **About Investec Property Fund**

Investec Property Fund Limited is a South African Real Estate Investment Trust, having listed on the JSE Limited ("JSE") in 2011 and obtaining REIT status on 1 April 2013. The Fund pursues a bi-regional investment strategy, focused on building scale and relevance in its core geographies of South Africa and Western Europe. IPF's investment portfolio is currently comprised of R22.5 billion of direct and indirect real estate investments located across these regions. In South Africa, the Fund directly owns a sizeable and diversified portfolio of 82 properties in the retail, industrial and office sectors valued at R14.6 billion c.48% of the Fund's balance sheet is comprised of foreign investments, namely an effective 65% interest in a Pan-European logistics portfolio. This portfolio consists of 48 logistics properties that are located in the major logistics corridors of 7 European countries, including the core countries of Germany, France and Netherlands, which together comprise c.80% of the portfolio. This provides the Fund with geographic diversification and exposure to quality real estate in the developed markets of Western Europe. In both regions, the manager has a presence on-the-ground with in-country expertise and therefore adopts a hands-on approach to managing the properties.

The objective of the Fund is to optimise capital and income returns over time for shareholders by investing in best of breed income-producing properties in the office, industrial and retail sectors in South Africa and in big-box logistics properties in Western Europe. Effectively, all rental income, less operating costs and interest on debt, is distributed to shareholders semi-annually. For more about Investec Property Fund please visit: [www.investecpropertyfund.com](http://www.investecpropertyfund.com)