

## MEDIA RELEASE

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### **Investec Property Fund internalises its asset management functions in South Africa and Europe, increases its stake in the Pan European Logistics (PEL) Platform and enters into a joint venture with Irongate Funds Management as part of its growth and diversification strategy**

Investec Property Fund (“**IPF**” or “**the Fund**”) today announced that it has entered into separate binding agreements in respect of three individual transactions, as part of its growth and diversification strategy.

The three transactions are namely:

- The internalisation of its asset management functions in South Africa and Europe for R975 million, and will be settled as follows:
  - asset consideration of R390 million;
  - upfront cash payment of R260 million; and
  - deferred consideration of R325 million.
- The acquisition of an additional 19% stake in the Pan European Logistics (PEL) Platform for €95,760,000 (R1,860 million) with the Entrepreneurship Development Trust (EDT) acquiring the remaining 6% stake to fully exit the existing joint venture partner; and
- Entering into a JV with the Australian-based real estate manager, Irongate Management Fund, with the original management team led by Graeme Katz, and the acquisition of a stake in one of the related property funds.

The transactions, which will result in a fully integrated international real estate fund and asset management company will, on a consolidated basis, be earnings accretive and keep the loan-to-value (LTV) below 40%.

Furthermore, the transactions will deliver the following strategic objectives:

- an internalised management function, with deeply experienced management teams across South Africa and Europe, that is fully aligned with the interests of shareholders;
- a geographically and sectorally diversified portfolio of assets;
- diversified, quality assets in South Africa with excellent operating metrics;
- a well positioned, 1m sqm+ quality European logistics portfolio with high rental growth;
- an attractive entry point into Australia; and
- the introduction of a capital light funds management strategy.

Investec Property Fund CEO, Andrew Wooler said: *“As part of our growth strategy this announcement sees IPF become even better aligned to becoming an international fund and asset*

*management business that is able to generate returns through the property life cycle, leveraging both its capital and people in a more efficient and effective way.”*

The combined entity, 53% of which will be offshore and 47% in South Africa, and which will have R35 billion in gross asset value (GAV) across 9 countries, and A\$450 million of equity under management, will provide IPF with new avenues for growth and even greater flexibility to unlock further value for its stakeholders.

*“Combining these businesses demonstrates IPF’s commitment to growing its offshore strategy. We are partnering with trusted management teams, with whom we have strong relationships, and who have credible track records and on-the-ground presence in our target regions,”* added Wooler.

### **Acquiring an additional 19% stake in PEL:**

Despite global macro-economic volatility and rising European interest rate outlooks, the PEL platform continues to provide superior growth with increased economic exposure to the market. This allows IPF to continue to execute on its intended strategy of investing in long-term, geographic specific, structural real estate opportunities.

Furthermore, the additional stake also enables IPF to make more direct strategic decisions about the direction of the business.

*“Whilst global interest rates remain uncertain, the decision to increase our exposure to the PEL platform was premised on the strength of the underlying real estate fundamentals that continue to underpin the valuation and long-term returns. The PEL portfolio continues to outperform with rental growth accelerating over recent months. Over the last 12 months, the PEL platform has delivered c. 8% NOI growth on the back of 6-7% positive rental reversions, with top line contractual rentals growing by 10.5% over the same period.”*

*“We are also excited to be able to work with Paul Rodger and the team on the ground in Europe as we explore capital light opportunities together with further strategic partnerships with global capital,”* continued Wooler.

Once the PEL transaction is complete, IPF will have an 84% shareholding in the PEL platform. The Entrepreneurship Development Trust (EDT) will own a 6% interest, while the remaining 10% will be a passive holding by various private clients of Investec Wealth and Investment.

### **Acquiring Irongate Funds Management together with management:**

Further, IPF has entered into a 50/50 joint venture with Irongate Australia, the management team of Irongate Australia Fund Management. The transaction will lead to a buyout of Irongate Australia Fund Management from Charter Hall. Simultaneously, IPF will acquire a 18.67% stake in the Templewater Australia property fund which is managed by Irongate Australia Fund Management.

The Irongate management team is well known to IPF, JSE and ASX investors given the exceptional performance delivered by Investec Australia Property (IAP) whilst listed in both South Africa and Australia, where it delivered a total return of 211%.

*“IPF’s future strategic direction includes Fund Management and we have always been a strong supporter of the Australian real estate market. We are incredibly excited to be partnering up with Graeme Katz and the core team again, having worked so closely and successfully together since 2013. We’re looking forward to building a scalable platform together and providing meaningful balance sheet support,”* remarked Wooler.

Irongate has successfully returned all capital plus profits through the cycle over the past 15 years, having built a track record for working challenging assets and unlocking value. The Irongate transaction includes a profitable real estate funds management business with c.A\$450 million equity under management in assets, a gross realizable value of c.A\$2,75 billion, and a reputable management team correctly incentivised and aligned with the co-owners of the new business.

*“We are looking forward to this exciting next step in our journey. At its culmination we will become a standalone fully integrated international real estate company, delivering attractive returns for our investors and sustainable outcomes for the communities in which we invest,”* concluded Wooler.

### **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. IPF’s investment portfolio is currently comprised of R22.5 billion of direct and indirect real estate investments located across South Africa and Europe. 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.53% 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.70% 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)

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