Investec Property Fund

MEDIA RELEASE

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Investec Property Fund's core property approach delivers attractive growth in challenging times

Highlights

- Dividend growth of 9.1%
- Strong base portfolio net property income growth of 8.8%
- Acquisitions of R7.9 billion announced – Fund portfolio doubled to R16.4 billion of best of breed real estate
- Vacancy rate of 2.8% - one of the lowest in the sector
- 62 000m2 space let with positive reversions and attractive escalations
- Long WALE of 4 years - 40% expires after 5 years
- R2.6 billion rights issue announced
- Investment and management decisions focused on long term value creation

Performance

Investec Property Fund has delivered attractive growth for the six months ended 30 September 2015. Growth in underlying property performance included portfolio net property income growth of 8.8%, an accretive contribution from the R1.9 billion of acquisitions made in 2015, and 9.4% growth in distribution from the investment in Investec Australia Property Fund. Further to this, the positive reversions seen by the Fund across all sectors, as well as the reduced year on year vacancy rate and contractual escalations of 8.1% are indicative of sustainable income growth.

Investec Property Fund's CEO Nick Riley said the latest set of results demonstrated the quality and robustness of the asset base and the benefits of its approach of focusing on property fundamentals:

"The Fund delivered a solid performance despite an uncertain economic outlook, highly competitive landscape and upward pressure on statutory, regulated and other operating costs. The fact that our vacancy remained flat from the prior period at 2.8% and positive reversions were achieved across all sectors on the 62000 m2 of renewed or re-let space demonstrates the benefits of sticking to our strategy of investing in quality income generating properties. This consistency helps provide visibility and sustainability of earnings and capital growth over the long term to our investors.

The Fund's investment in IAPF has also delivered impressive growth, thanks to the latter's disciplined investment and management approach, which is similar to that of IPF. We continue to view IAPF and Australia as an attractive investment destination relative to other markets based on the direct property yields, cost of funding, and embedded contractual income growth."

A transformative year for acquisitions

The Fund has enjoyed a transformative year from an acquisition perspective with the Fund's asset portfolio base due to almost double to R16.4 billion.

On 5 June 2015 the Fund announced the acquisition of the Griffin industrial property portfolio consisting of 22 properties for an aggregate value of R826 million and at a blended yield of 9.3%. This was followed by the acquisition of the iconic Zenprop portfolio of 26 properties for an aggregate value of R7.1 billion at a blended yield of 7.5%.

On 14 October 2015 shareholders approved the Zenprop acquisition, which is still subject to approval by the competition authorities. The transaction is to be funded from a combination of 50% debt and 50% equity. The equity component includes an underwritten cR2.57 billion rights offer set at a price of R15.00 per share, which is attractively priced at a discount to its NAV of R15.15.

According to Riley, the Fund has received irrevocable undertakings and letters of support from its major shareholders to participate in the rights offer. Any shortfall in funding from the rights offer is underwritten by Zenprop itself.

Commenting on the acquisitions, Riley said: "Since listing in 2011 the Fund has grown its property portfolio over nine times with properties that maintain or enhance the quality of the portfolio. The latest acquisitions will not only double the size of the Fund, thereby improving scale and liquidity, but also enhance the quality of the existing portfolio, allowing us to offer best of breed product to existing and prospective tenants in a competitively bid and challenging operating environment."