Out of the Ordinary®

Investec
Property Fund Limited

MEDIA RELEASE

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Investec Property Fund reports solid H1 performance, driven by the stabilisation of SA business

Results further underpinned by consistently strong performance from Europe

Highlights

- Strong performance achieved with H1 FY22 distributable income per share (DIPS) up 11.8% yoy, driven by stabilisation of SA business and supported by consistent returns from PEL
- H1 FY22 dividend of 49.77021 cents per share (cps) declared
- 95% pay-out ratio for H1 FY22 in line with prior year
- Stabilisation of South African business
    - SA base NPI up 12.8% following reduction in COVID relief
    - SA vacancy reduced from 11.4% (Mar-21) to 9.4%
- PEL portfolio continues to deliver consistent returns
    - 8.3% base NPI growth
    - 3.6% growth in DIPS in EUR and 5.5% growth in DIPS in ZAR
- R1bn of properties identified for sale
- Balance sheet remains robust with LTV of 37.9%
- Confident outlook – FY22 DIPS guidance range of 10% – 12%
- First property fund to achieve Level 1 B-BBEE contributor rating

Investec Property Fund, ("**IPF**", or "**the Fund**") today announced a strong set of H1 results, underpinned by consistently strong performance from Europe and further bolstered by the stabilisation of the SA business. This is reflected in the 11.8% increase in distributable earnings growth, which, together with the continued balance sheet strength and a sustained gearing position of 37.9% has seen the Fund declare an interim dividend of [49.77] cents per share for H1 2022. This represents a 95% dividend payout ratio, which has been maintained since FY21 and through the pandemic, reflecting the resilience of the Fund through the volatility.

Despite continued uncertainty around COVID-19, the macroeconomic environment and disruptions from the July riots in South Africa, the Fund's operational performance is indicative of strong management interventions that have created a solid platform for future growth. Commenting on the Fund's performance, joint CEO Darryl Mayers said: *"Through hands-on active management of assets, and pursuing a focused leasing and client acquisition strategy, we have* *concluded notable lease renewals and materially reduced the vacancy in the SA portfolio. We also continue to improve our assets in line with our commitment to providing a superior client experience and have submitted a proposal for the refurbishment of Balfour Mall, as well as started the refurbishment of Design Quarter. It is this focus on the client, across our portfolio and specifically in the office sector, that will provide a space that breeds positive corporate culture, innovation and collaboration that we believe will contribute to the eventual return to the office."*

The Pan European Logistics portfolio continues to perform well and in line with expectations, delivering base NPI growth of 8.3% (in EUR) for the interim period, driven by positive rental reversions, and DIPS growth of 3.5% yoy in EUR and 5.5% on a like for like basis in ZAR.

European logistics has witnessed very strong yield compression over the last 12 months. Prime yields in key Western markets are converging to record low levels with initial yields now trading in the mid-3%, reflecting a c.100bps contraction from November 2020. A key driver of the compression is the wall of capital competing for this asset class, given potential future rental growth. These pricing levels are unprecedented and set new standards for the sector. The PEL portfolio is well-positioned to take advantage of these favourable market conditions, having captured both positive rental growth and valuation uplift during the interim period. Portfolio metrics remained healthy with vacancy further reduced to 2.8%.

Despite the prevailing macroeconomic uncertainty, the Fund has given cautiously optimistic guidance with joint CEO, Andrew Wooler stating, "*The current environment requires a very measured approach, where the core focus in SA will remain on leasing and active asset management to restore NOI to pre-property cycle downturn and pre-COVID levels, including a high-touch approach to retain tenants. In Europe, the Fund is considering various options to maximise value, including the introduction of third-party capital to support platform growth."*

Should market dynamics remain consistent, the Fund anticipates a similar performance in H2, with expected DIPS growth between 10%-12% for FY22. The SA portfolio remains stable and further uplift is expected in H2 performance relative to H1, driven by reduction in vacancy and shorter void periods relative to prior year. The office sector is expected to remain stagnant with reversions offsetting contractual rental growth. PEL performance is set to remain consistent, with growth driven by positive rental reversions and the commencement of a development in Poland in Q1 2022.

"IPF's key priority is to maintain a well-positioned balance sheet with capacity to support long term growth. Capital recycling remains central to support earnings and quality enhancement and we remain opportunistic to acquisitions that align with our existing strategy and represent value-add opportunities." added Wooler.

"The Fund is committed to weathering the storm and unlocking shareholder value with the portfolio benefitting from the bench strength of our exceptional team. We are proud of the work that is being done in progressing our sustainability strategy as well as our achievement of Level 1 broad-based black economic empowerment (BBBEE) contributor rating, the first in the REIT sector. We believe the Fund is well-placed to achieve our strategic priorities, to the benefit of all stakeholders," concluded Mayers.

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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 R21.3 billion of direct and indirect real estate investments located across both these regions.

In South Africa, the Fund directly owns a sizeable and diversified portfolio of 88 properties in the retail, industrial and office sectors valued at R15.2 billion and a 35% interest in Izandla Property Fund Pty Ltd valued at R0.3 billion.

c.43% 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

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