

MEDIA RELEASE

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### **Investec Australia Property Fund makes first investment in New Zealand**

Investec Australia Property Fund (IAPF or Fund) today announced the acquisition of a prime grade office building in the heart of the Wellington CBD's 'Golden Mile' for a total purchase price of NZD 123 175 000.

The property, known as The Majestic Centre, is located at 100 Willis Street and is a landmark building on the Wellington skyline. The property has a commanding presence with ground floor retail and 21 levels of office accommodation. The property enjoys good accessibility to Wellington's public transport network which includes bus, train and pedestrian linkages all located within a short walking distance. The property will be acquired on an initial yield of 7.1% with average annual contractual rental escalations of approximately 2.75%. The property is 98% occupied and has a long weighted average lease expiry of 6.6 years.

Commenting on the acquisition, which takes the Fund's total portfolio value to approximately AUD 910 million, IAPF CEO Graeme Katz said "this is the Fund's first acquisition in New Zealand, although we have been actively looking at the market there for some time. We believe the yields achievable for quality prime grade office assets in Wellington are compelling when compared to the equivalent yields on similar assets in Australia, and the acquisition rate per square metre of the Property of approximately NZD 5 000 is significantly below the rates per square metre of similar quality properties in key Australian CBD markets. In addition, the property has a replacement value almost 30% greater than the purchase price and we think the acquisition demonstrates management's commitment to seeking out opportunities that represent relative value."

The property comprises 2 322m<sup>2</sup> of retail space and 22 147m<sup>2</sup> of office accommodation with large average floor plates of approximately 1 000m<sup>2</sup>. The property has recently undergone a NZD 87 500 000 seismic upgrade program which has resulted in the office tower component of the property achieving a 100% New Building Standards (NBS) rating. This makes the property highly attractive to large corporate and government occupiers who require an NBS rating of at least 80%. The property is leased to good quality tenants including: NZ Trade and Enterprise, a New Zealand Government agency responsible for the international growth of local companies; Opus International, an international infrastructure advisory and project management services company listed on the NZX; Ernst & Young, one of the largest multinational professional services firms in the world; and Cigna Life Insurance, a Fortune 500 company that is a specialist provider of insurance products. Close to 40% of the income is underpinned by New Zealand Government tenants.

"The fundamentals of the prime grade Wellington office market make this a very attractive acquisition for the Fund. Current vacancy in prime grade office assets sits at around 0.4%, tenant incentives are typically between 7% - 8% and are falling and there is no meaningful uncommitted new supply on the horizon. In addition, a significant amount of the Wellington office market has been either permanently withdrawn or requires significant structural engineering strengthening due to recent seismic activity, which will likely place upwards pressure on rents and help maintain strong tenant retention rates." Katz added.

"The acquisition aligns well to the Fund's strategy of investing in well-located, high quality assets. We are genuinely excited about the prospects for this property, particularly given the sound underlying fundamentals of both the Wellington market and the property itself. We are also very pleased to create a new relationship with Kiwi Property Group Limited (NZX: KPG), the parent company of the vendor of the property, who we will retain to provide property management services in relation to the property." Mr Katz said.

IAPF, listed on the Johannesburg Stock Exchange, provides South African investors with direct access to the Australian commercial property market.