

MEDIA RELEASE

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IAPF achieves AUD1.0bn portfolio value milestone through acquisitions and active asset management

Investec Australia Property Fund ("IAPF" or the "Fund") is pleased to announce a final distribution of 5.08 cents per unit ("cpu") pre-withholding tax ("WHT") and 4.65 cpu post-WHT (2017: 4.93 cpu pre-WHT and 4.60 cpu post-WHT).

Highlights

- AUD 1 billion total portfolio value
- Valuable platform comprising 27 properties supported by strong underlying property fundamentals and an established track record of delivering on strategic objectives
- 11.1% NAV per unit growth driven by revaluation uplift
- 7.7x growth since listing
- Total distribution of 10.03 cents per unit (cpu) pre WHT – growth of 3% in AUD
- Long WALE of 5.2 years with 44% of leases expiring after five years
- 98.5% occupancy, 3.9% improvement since 31 March 2017
- Strong balance sheet management - 3.68% all in funding rate; 87% hedged for 6.2 years

Investec Australia Property Fund ("IAPF" or the "Fund") is pleased to announce a final distribution of 5.08 cents per unit ("cpu") pre-withholding tax ("WHT") and 4.65 cpu post-WHT (2017: 4.93 cpu pre-WHT and 4.60 cpu post-WHT). This brings the total distribution for the year to 10.03 cpu pre-WHT and 9.29 cpu post-WHT (2017: 9.74 cpu pre-WHT and 9.24 cpu post-WHT) and represents growth for the full year of 3.0% pre-WHT and 0.6% post-WHT which is in line with guidance given to the market.

The performance of the Fund is a result of the continued successful implementation of the Fund's strategy to seek out and create value for unitholders – whether in the context of exploring new markets (such as New Zealand), making acquisitions that represent relative value compared to other available opportunities or by improving the quality of the underlying portfolio through active asset management. These efforts have contributed to an increase in the Fund's net asset value of 11.1% for the year ended 31 March 2018, supported by a valuation uplift of AUD73.2mn over the same period.

Management has also been focused on improving the weighted average lease expiry of the portfolio. This has been achieved through strategic acquisitions of properties with long dated lease expiries and an increased focus on tenant engagement. Commenting on the improvement, IAPF CEO Graeme Katz said:

"We are continually looking at ways to improve the tenant experience. The ability to retain and attract tenants is key to driving revenue growth and we have made it a priority to ensure early engagement. This helps us understand our tenants' medium to long-term occupancy requirements, and where possible, agree lease extensions in advance of the contractual expiry dates. This process has been assisted by re-investment into the portfolio in the form of both offensive and defensive capital expenditure."

Despite the competitive market dynamics, the Fund completed the acquisition of three quality properties in the period. This included the Fund's first property located in New Zealand in December 2017. The iconic Majestic Centre office building, located in the heart of the Wellington CBD, offered compelling value enhancing opportunities. Many of these have been realised with vacancy decreasing and real rental growth delivered. In addition to the Majestic Centre, the Fund acquired two Melbourne industrial properties in the neighbouring suburbs of Hallam and Dandenong South, approximately 30km south east of the Melbourne CBD. Both properties provide long-term sustainable revenue for the Fund with lease expiries in excess of seven years.

"We continue to look for opportunistic acquisitions, both within Australia and New Zealand, that offer the quality property fundamentals that underpin the portfolio, at the right price. The Fund remains among the best performing inward listed REITs and Australia continues to be an attractive destination for investors given the favourable macro-economic conditions, property yield spreads over historically low funding costs and revenue returns in a hard currency. We believe IAPF represents an attractive investment opportunity for South African investors given the current disconnect between the unit price and the underlying performance of the property portfolio which has delivered a 16% total return for the year, taking into account both the income return and the valuation uplift on the property portfolio," added Katz.

IAPF's gearing ratio as at 31 March 2018 was 34.8% (35.8% following the acquisition of 36-42 Hydrive Close in Melbourne). The Fund's long-term strategy is to maintain gearing between 35% and 40% however, the Fund will manage gearing levels to take advantage of attractive acquisition opportunities.

As flagged at the half year, the Fund is considering a dual listing on the Australian Securities Exchange, subject to favourable market conditions. Since that time there has been a shift in the price of global bonds and corresponding weakness in the Australian REIT market. As a result, market conditions have not been conducive to a listing as yet. Management continues to explore the possibility of a dual listing and preparatory work is progressing ahead of a return to more favourable market conditions.

The Fund's distribution guidance is for FY 2019 is expected to be between 2% and 2.5% pre-withholding tax.