

MEDIA RELEASE

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### **Investec Australia Property Fund Reports Strong Full Year Results**

IAPF well positioned to deliver double digit growth in FY16

Full year highlights:

- Successful execution of strategy as outlined at listing
- Final distribution of 4.15 cents per unit (cpu) pre WHT - 9.1% annualised growth
- Full year distribution of 8.18 cpu pre WHT - 7.6% annualised growth
- Portfolio growth of 178% - 2.8x growth since listing
- Strongly acquisitive in very competitive market - 77% of rights offer capital deployed in six months
- Fund geared at 27% - geared growth effect materialised and headroom for growth maintained
- Strong underlying property fundamentals:
  - o 6.4 year WALE with 64% of leases expiring after five years
  - o quality tenant base to support sustainable earnings
  - o 98.7% occupancy
- 9.7% (pre-transaction costs) NAV growth since listing - driven by underlying property performance
- Conservative balance sheet management - historically low funding rates locked in
- All in funding rate of 4.15% and 100% hedged
- Full year guidance for 2016 year end - 10 to 12% growth pre WHT

Investec Australia Property Fund ("IAPF") today reported its financial results for the year ended 31 March 2015, highlighting the strong performance of its property portfolio and its success in a competitive market.

IAPF, the first Australian real estate focused REIT inward-listed on the JSE, currently comprises 17 properties with a total gross lettable area of 125,118m<sup>2</sup> and a portfolio value of AUD361.3 million. The strength of the property fundamentals is evidenced by a long dated weighted average lease expiry of 6.4 years with 64% of leases expiring after five years. The portfolio currently has 98.7% occupancy, strong tenant covenants and attractive average rental escalations of approximately 3.4% per annum.

The pre withholding tax final distribution for the half year ended 31 March 2015 was 4.15 cpu, delivering 9.1% annualised second half growth. The result brings the total distribution for the year ended 31 March 2015 to 8.18 cpu pre withholding tax (2014: 7.60 cpu annualised), representing 7.6% annualised growth.

IAPF CEO Graeme Katz said: "This is a great result. Our performance is underpinned by the strength of the portfolio's real estate fundamentals, cost containment and the efficient management of capital and interest rates, which positions IAPF well to continue to deliver long-term capital and sustainable income growth to investors."

IAPF's average level of gearing during the year was 17.4% (2014: 2.9%) which, when combined with the spread of property yields over cost of debt of approximately 4%, has supported the 7.6% distribution growth for the year.

IAPF also recorded good asset value growth on the back of strong revaluations across the portfolio (7.8% uplift year on year). This, along with the strong performance of the property portfolio as a whole, has translated into NAV growth of 8.7% year on year and 9.7% since listing (pre transaction costs).

During the year IAPF completed AUD183.7 million of property acquisitions and has completed a further AUD21.5 million acquisition post year end, increasing the portfolio value by 122% for the year and 2.8x since listing in October 2013.

The acquisitions comprise a mix of high quality office and industrial properties which are well located and have strong tenant covenants. They also reflect management's strategic focus and ability to unlock off-market transactions through the Investec network in a very competitive market.

Yields have continued to tighten across all market sectors over the year which is reflected in the recent acquisitions. The weighted average property yield of the portfolio is now 8.23% (31 March 2014: 8.44%; on listing: 8.59%). This yield compression has however had a positive effect on property valuations.

IAPF's balance sheet remains well positioned for growth with gearing currently at 27%, post the recent Glendenning acquisition. At IAPF's target gearing ratio of up to 40% this gives IAPF up to AUD67.0 million in debt capacity to continue to aggressively pursue attractive acquisition opportunities.

Commenting on IAPF's future prospects Katz said: "IAPF continues to perform strongly. The current favourable interest rate

environment means we are able to fund acquisitions at an attractive spread over funding costs. IAPF is well positioned to deliver pre withholding tax distribution growth of 10% for the 2016 year assuming no change to the current portfolio, and up to 12% assuming deployment of the debt capacity into similar yielding assets. This significantly exceeds the consensus distribution growth for our peer set within the Australian REIT sector of approximately 4%.”