

MEDIA RELEASE

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**Investec Australia Property Fund acquires prized Newcastle office building**

Investec Australia Property Fund ("IAPF" or the "Fund") today announced the acquisition of an A-grade nine storey office building with ground floor retail in Newcastle for \$56.7 million.

The office building is situated at 266 King Street in Newcastle, the second most populated area of New South Wales after Sydney. The centrally located property sits in the administration hub of Newcastle's CBD, adjacent to the new State Law Court and close to the University of Newcastle's new city campus.

Significant refurbishment work is currently being undertaken by the vendor including lift upgrades, entrance lobby refurbishment, upgrade and extension of the end-of-trip facilities and amenities upgrades to each floor. The refurbishment work, which is due for completion in March 2016, will reposition the asset to compete with newly built assets in the market.

The site area is 2,703 sqm, with 13,865 sqm of lettable area, 61 car bays and a 5 star NABERS energy rating - an important factor in attracting and retaining government and large corporate tenants.

The property is leased to blue chip tenants including Commonwealth Bank of Australia, the Australian Taxation Office and Employers Mutual, an insurance and management services company established in 1910.

The building is 76% leased with a 12 month vendor rental guarantee over the vacant space from 1 April 2016 to 31 March 2017. As the Newcastle A-grade office market has a vacancy rate of only 2.7%, the building will be attractive to tenants looking for A-grade office space and the Fund is confident the vacant space can be leased up during the term of the vendor rental guarantee.

The weighted average lease expiry is 8.8 years and the contracted rental escalations are approximately 3.5%.

The acquisition will be funded through the existing debt facility with Westpac Banking Corporation and the Fund will be undertaking a renounceable rights offer of between \$40.0 million and \$60.0 million to existing unitholders in early 2016. The effect of the rights offer will be to reduce the Fund's gearing such that it sits within, or just under, the Fund's target gearing range of 35% - 40% and will provide the Fund with some additional capacity for future acquisitions.

IAPF CEO Graeme Katz was pleased to acquire such a highly regarded and hotly contested asset, taking the value of the Fund's total portfolio to over \$460 million.

"The acquisition aligns well to the Fund's strategy of investing in well-located, high quality assets," Mr Katz said.

"The building has four sides of natural light and harbour views from the upper floors, enabling it to attract a strong tenancy mix including the Commonwealth Bank of Australia and the Australian Taxation Office.

"Newcastle is 160 kilometres from Sydney and is emerging as a thriving commercial centre. Substantial government and private sector investment of approximately \$860 million is anticipated to be spent on revitalising Newcastle to reunite the city with the waterfront.

"Given the Newcastle A-grade office market is very tightly held and tenant incentives are significantly lower than other office markets, we believe the building is positioned well to attract tenants looking for quality office space in the Newcastle CBD."

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