

MEDIA RELEASE

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Investec Australia Property Fund announces ZAR 690 million rights offer

Investec Australia Property Fund ("IAPF" or the "Fund") today announced its intention to undertake a partially underwritten rights offer to raise up to ZAR 690 million through the issue of 59,566,747 new units in the ratio of 23.54653 new units for every 100 units held.

The rights offer price is set at R11.58 per unit and represents a 7.4% discount to the 30-day volume-weighted average price of the units listed on the JSE as at the close of business on Thursday, 14 January 2016. The rights offer will open on Monday, 8 February 2016 and close on Friday, 19 February 2016.

The announcement follows a successful year of portfolio enhancing property acquisitions for the Fund, which culminated in the acquisition of the property at 266 King Street, Newcastle NSW for AUD 56.7 million in December 2015 at a net yield of 8.3%.

In total the Fund has completed approximately AUD 268 million of acquisitions since the rights offer in October 2014, which were primarily funded with debt, and saw the Fund increase its asset base to AUD 461 million. Proceeds from the rights offer will be used to reduce the Fund's gearing to 31% (if fully subscribed), ensuring the Fund retains its ability to be nimble in pursuing attractive opportunities in the Australian market.

Commenting on the announcement, IAPF CEO Graeme Katz said: "IAPF has had a very successful two years from an acquisition perspective. We have taken advantage of attractive opportunities through the Investec network and the rights issue will allow us to retain this capacity in a very competitive market."

Katz added that: "The Fund's acquisition strategy remains to invest in well-located, high quality assets, as illustrated by the King Street acquisition. The nine storey, A-grade building is centrally located, sitting in the administration hub of Newcastle's CBD. Current tenants include blue chip companies, such as Commonwealth Bank of Australia, the Australian Taxation Office and Employers Mutual, with a weighted average lease expiry of 8.8 years and contracted rental escalations of approximately 3.5%. Such quality acquisitions are the foundation of the Fund's success."

IAPF offers local investors an entry point into a quality real estate portfolio located in a sophisticated and developed market. The portfolio has a secure income stream with a weighted average lease expiry in excess of 6 years underpinned by a tenant base that comprises almost 90% A-grade tenants. Average contractual escalations of 3.14% and a weighted average property yield in excess of 8% represent a significant spread above other developed markets that are currently ex-growth, due to relative attractiveness of Australian pricing and well executed buying by a management team that has a strong track record of delivery.

The Fund also benefits from attractive yield spreads of approximately 300 - 400 basis points due to the favourable Australian interest rate environment. Furthermore the Fund provides investors with a rand hedge which is highly beneficial, especially in the current volatile global environment, given the more than 20% depreciation of the rand against the Australian dollar in the last 12 months.

Unitholders holding approximately 28.5% of the units in issue have provided irrevocable commitments to take up their rights and, in addition, the rights offer is partially underwritten by Investec Property Fund up to a value of ZAR 233 million. The aggregate of the irrevocable commitments to take up rights and the underwritten portion of the rights offer is approximately ZAR 429 million which equates to approximately 62.2% of the rights offer units.

IAPF remains on target to deliver 10 to 12% full year distribution growth (in AUD) for the year ending 31 March 2016 which, when overlayed with the rand's year-on-year depreciation against the Australian dollar, will provide investors with income growth in excess of 20% (in ZAR).