

INVESTEC AUSTRALIA PROPERTY FUND

Incorporated and registered in Australia in terms of ASIC (ARSN 162 067 736)

Registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No. 45 of 2003 and operated by Investec Property Limited (ACN 071 514 246; AFSL 290 909) ("**Responsible Entity**")

Share code: IAP

ISIN: AU60INL00018

("the Fund")

ACQUISITION OF NEW PROPERTY, PROPOSED RIGHTS OFFER AND RENEWAL OF CAUTIONARY

1. Introduction

Unitholders of the Fund ("**Unitholders**") are hereby advised that the Fund has entered into an agreement with Ann St 757 Pty Ltd as trustee for the 757 Unit Trust ("**Vendor**") to acquire a newly completed office development ("**Acquisition**") situated in Brisbane at 757 Ann Street, Fortitude Valley ("**Property**").

2. Description of the Property

The Property is a newly constructed, 9125 m2 office building completed in July 2014, comprising 10 levels of office accommodation, two retail shops on the ground level and 45 basement car parks. The Property is located in the Fortitude Valley area of the Brisbane CBD. It benefits from excellent road access to the Brisbane CBD and Brisbane Airport and is well served by various public transport options. The area is characterised by newer office buildings, significant newly developed high-density residential accommodation and good quality restaurants and cafes.

The Property will be 100% income-producing. The tenant composition is comprised as follows:

- six office levels (5,185m2) will be leased to Ventyx Pty Ltd (a subsidiary of the NYSE-listed ABB Group) for a period of 10 years;
- two office levels (1,761m2) will be leased to Corporate House Services Pty Ltd ("CHS") for a period of 5 years. CHS is an operating business which provides an efficient alternative to traditional office spaces for small to medium users by offering potential tenants ready-to-go workspaces with complimentary support services;
- two office levels (1,742 m2) and the two retail shops (437 m2) will be leased to SIP Australia Pty Ltd ("**SIP**"). The SIP lease is supported by a cash backed guarantee for the full 5 year lease period and also includes provisions relating to potential deferred payments to the Vendor, the mechanics of which are detailed in paragraph 4.

Both CHS and SIP are associated entities of the Vendor. The weighted average lease expiry (by income) on acquisition will be 7.54 years and contracted annual rental growth will be a minimum of 3%.

The Property is architecturally designed to a very high standard to achieve a 4.5 star NABERS and 5 star Green Star rating, which makes it well positioned to attract future tenants, including government and large corporate tenants.

3. Rationale for the Acquisition

The Acquisition is consistent with the Fund's strategy of investing in high-quality office assets that are well located in major metropolitan areas. The Acquisition represents an attractive investment for the Fund as:

- (a) the Property is well located in Brisbane in a newly developed office node within close proximity to the Brisbane CBD and with good access to public transport and car parking;
- (b) the Property is fully let with income underpinned by good quality tenants and contractual annual growth;

- (c) there are medium to long term lease expiries with a weighted average lease expiry of 7.54 years;
- (d) there is limited short term capital expenditure required; and
- (e) there is substantial depreciation which will provide a tax shield on distributions payable to Unitholders.

The Acquisition is an off-market transaction which was sourced through the Investec Property Limited network.

The Responsible Entity is actively seeking opportunities to grow and diversify the Fund's asset base, enhance Unitholder value and contribute to sustainable income growth.

4. Purchase Consideration and Proposed Rights Offer

The purchase consideration for the Acquisition is AUD 65,500,000 ("**Purchase Consideration**"), which represents an annualised property yield of 8.34% (7.85% post all transaction costs, which costs include stamp duty of AUD 3,746,775 and lodgement fees of AUD 201,349).

In addition to the Purchase Consideration, the Fund may be required to make further payments of up to AUD 4,000,000 ("**Deferred Payments**") to SIP, an associated entity of the Vendor on the re-leasing of areas rented by SIP, being 1,742 m² of office and 437 m² of retail, to third party tenants at rentals which are in excess of those on which the Purchase Consideration was calculated. The re-leasing of these areas and the terms thereof will be subject to the approval of the Fund. Should the full amount of the Deferred Payments become due, this will result in a revised annualised property yield of 7.86% (7.42% post all transaction costs).

The Purchase Consideration, the Deferred Payments and all associated costs are proposed to be funded by way of a renounceable rights offer to existing Unitholders ("**Proposed Rights Offer**"). Unitholders will be advised in due course of the salient features and timing of the Proposed Rights Offer as well as the salient dates and documentation pertaining thereto.

The effective date of the Acquisition is expected to be before the end of October 2014, subject to the fulfilment of the conditions precedent set out in paragraph 6 below.

5. Specific information relating to the Property

Registered description	Lot 20 on Registered Plan 172270, County of Stanley, Parish of North Brisbane, Title Reference 16125088
Location	757 Ann Street, approximately 2 kms from the Brisbane CBD
Leased area (m ²)	Office: 8,688 Retail: 437
Car parks	45 basement
Weighted average rental per m ² (AUD)	Office: 560 per annum Retail: 950 per annum
Vacancy (%)	0

The Property is being valued by Savills Valuations Pty Ltd. The independent valuer, Paul Robbins, is a Certified Practising Valuer with the Australian Property Institute and is registered as a valuer with the Valuers Registration Board of Queensland in accordance with section 36 of the Valuers Registration Act 1992 (Qld). The details of the valuation will be included in the category 1 circular referred to in paragraph 9.

6. Conditions precedent

The Acquisition is subject to the following conditions precedent:

- (a) the Fund being satisfied with its due diligence investigations;
- (b) registration and commencement of all leases at the Property;
- (c) Australian Foreign Investment Review Board approval for the Acquisition;
- (d) Unitholder approval for the Acquisition;

- (e) the Fund raising the requisite funding in terms of the Proposed Rights Offer;
- (f) South African Reserve Bank approval of the Proposed Rights Offer.

7. Warranties

The Vendor has provided warranties and indemnities to the Fund that are standard for a transaction of this nature.

8. Pro forma financial effects and forecast information

The pro forma financial effects and forecast information in relation to the Acquisition are still in the process of being finalised and will be published in due course.

9. Categorisation of the Acquisition

The Acquisition is classified as a category 1 transaction in terms of the JSE Listings Requirements and requires approval by Unitholders. A circular detailing the terms of the Acquisition and convening a general meeting will be distributed to Unitholders in due course.

10. Renewal of cautionary

Unitholders are referred to the cautionary announcement published on SENS on 15 July 2014 and in the press on 16 July 2014. Further to this and in light of paragraph 8 above, Unitholders are advised to continue to exercise caution when dealing in the Fund's units until such time as the forecast information and pro forma financial effects of the Acquisition and further details relating to the Proposed Rights Offer are disclosed.

Sydney
21 July 2014

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Investec Corporate Finance

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