

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

1. ACQUISITION OF NEW PROPERTY

1.1. Acquisition

Unitholders are advised that the Fund has entered into the following agreements:

- (a) a contract for sale with Griffin Development Pty Ltd (ACN 057 253 086) as trustee under instrument 713571084 and Tina Danali Pty Ltd (ACN 083 706 692) as trustee under instrument 705919457 ("**Garden City Vendor**") to acquire the property located at Building 20, Garden City Office Park, 2404 Logan Road, Eight Mile Plains QLD 4112 ("**Garden City Property**"); and
- (b) a contract for sale with OPD Developers Pty Ltd (ACN 077 119 110) ("**Car Park Vendor**") to acquire 77 car parks located at Building 5, Garden City Office Park, 2404 Logan Road, Eight Mile Plains QLD 4112 ("**Car Park Property**"),

together "**the Acquisition**".

The effective date of the Acquisition will be the settlement date under the contracts for sale which, subject to fulfillment of the conditions precedent set out in 1.5 below, is expected to be on or before 14 March 2014.

1.2. Purchase consideration

The aggregate purchase consideration for the Acquisition is AUD 20,953,350, which represents an annualised property yield of 8.25% (7.74% post all transaction costs).

The Fund will be required to pay stamp duty of AUD 1,185,346 on the Acquisition and there will be transfer lodgement fees of \$61,703.

The purchase consideration and all costs will be funded through the existing debt facility with Westpac Banking Corporation. The Responsible Entity intends to hedge at least 75% of the debt at fixed interest rates in accordance with the Fund's stated hedging policy.

1.3. 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 Responsible Entity is actively seeking opportunities to grow and diversify the Fund's asset base, enhance unitholder value and contribute to sustainable income growth. The Acquisition represents an attractive investment for the Fund as:

- (a) the income is underpinned by good quality tenants with contracted annual growth;
- (b) there are medium to long term lease expiries;
- (c) there is limited short term capital expenditure required;
- (d) it provides for broader geographic diversification across the Fund's portfolio; and

- (e) there is substantial depreciation which will provide a tax shield on distributions payable to unitholders.

The Garden City Property is an A-grade office building providing modern architectural design and high quality finishes. It is located in the Garden City Office Park approximately 15 kms from the Brisbane CBD in one of Queensland's fastest growing precincts and is strategically located along major road networks with excellent access to the Pacific Motorway (which connects Brisbane and Gold Coast), the Gateway Motorway and Logan Road. The Westfield Garden City Shopping Centre is conveniently located 5 minutes away and the Eight Mile Plains Bus Terminal, which provides public transport connections to the Brisbane CBD, is only 800m from the Garden City Property. The Garden City Property is 100% occupied by good quality tenants (including Healthscope, Australia's largest healthcare provider specialising in private hospital, medical centre and pathology services; and Medicare Local, a government funded health and community services provider) with medium to long term lease expiries and contracted annual rental growth of approximately 3%.

The Car Park Property is located immediately adjacent to the Garden City Property and provides for additional car parks utilised by tenants of the Garden City Property.

1.4. Specific information relating to the property

Details regarding the Garden City Property are set out below:

Registered description	Lot 1 on SP 203730, County of Stanley, Parish of Bulimba, Title reference 50773071
Location	Garden City Office Park, 15 kms from the Brisbane CBD
NLA (m ²)	3,568m ²
Car parks	72 basement; 38 on-grade
Weighted average rental per m ² (AUD)	421 p.a
Vacancy (%)	0

Details regarding the Car Park Property are set out below:

Registered description	Lot 1 on SP 266319, County of Stanley, Parish of Bulimba, Title reference 50773075
Location	Garden City Office Park, 15 kms from the Brisbane CBD
Car parks	77
Weighted average rental per car park (AUD)	1,106 p.a
Vacancy (%)	0

The Acquisition has been valued at AUD 20,954,000 as at 14 February 2014 by CBRE Valuations Pty Limited. The valuer, Craig Guinane, is an independent valuer and is registered as a certified practicing valuer with the Australian Property Institute and the Valuers Registration Board of Queensland (Registered Valuer No.2731).

1.5. Conditions Precedent

The Acquisition is subject to the following conditions precedent:

In respect of the Garden City Property

- (a) the satisfactory completion of a due diligence investigation to be performed by the Fund; and
- (b) settlement of the acquisition of the Car Park Property.

In respect of the Car Park Property

- (a) the satisfactory completion of a due diligence investigation to be performed by the Fund; and
- (b) settlement of the acquisition of the Garden City Property.

1.6. Warranties

The Garden City Vendor and the Car Park Vendor have provided warranties and indemnities to the Fund that are standard in a transaction of this nature.

1.7. Pro forma financial effects of the Acquisition

The *pro forma* financial effects of the Acquisition on the Fund's net assets and net tangible assets per unit, based on the *pro forma* statement of financial position as disclosed in the pre-listing statement dated 25 September 2013, are not significant and have not been presented.

1.8. Forecast information on the property

The forecasts have been prepared on the assumption that the Acquisition will be implemented with effect from 1 March 2014 and include forecast results for the 1 month ending 31 March 2014 and the year ending 31 March 2015.

The forecasts, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the board of directors of the Responsible Entity. The forecasts have not been reviewed or reported on by the independent reporting accountants.

The forecasts presented in the table below have been prepared in accordance with the Fund's accounting policies and in compliance with IFRS.

	Forecast 1 month ending 31 March 2014 AUD'000	Forecast 12 months ending 31 March 2015 AUD'000
Revenue, including straight line adjustment	166	2,060
Total property expenses	(15)	(185)
Net property income	151	1,874
Fund management fees	(10)	(126)
Fund operating costs	(7)	(84)
Net operating income before finance charges	134	1,665
Finance costs	(91)	(1,089)
Net profit attributable to equity holders	43	576
Less: straight line revenue adjustment	(12)	(125)
Distributable income pre-withholding tax	31	451
Distributable income post-withholding tax	31	451

Notes:

1. All revenue for the reporting periods shown is contracted and is based on lease agreements that will be in place on settlement.
2. The annual escalations embedded in the leases are approximately 3% on average. Escalations occur between October and January each year.
3. Distributions payable to unitholders attributable to the Acquisition are shielded from additional withholding tax in Australia as a result of interest expense on debt funding and depreciation allowances on the Acquisition.

1.9. Categorisation and cautionary

The Acquisition is a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by unitholders.

Johannesburg
27 February 2014

Investment Bank and Sponsor
Investec Corporate Finance