

Out of the Ordinary®



INVESTEC PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 2008/011366/06)
Share code: IPF ISIN: ZAE000180915
("Investec Property Fund" or "the Fund")

ACQUISITION OF PROPERTY PORTFOLIO FROM GRIFFIN HOLDINGS

1 THE GRIFFIN PORTFOLIO ACQUISITION

The board of directors of Investec Property Fund is pleased to announce that the Fund has entered into agreements with Griffin Holdings Proprietary Limited and various of its subsidiaries (collectively "**Griffin**") for the acquisition of a portfolio of 22 properties (collectively the "**Griffin Property Portfolio**") for an aggregate acquisition value of R826 million ("**Purchase Consideration**") at a blended yield of 9.3% based on contractual rentals and 8.6% excluding a portion of the contractual rentals which are above market and which have been priced in terms of a "top slice" ("**Griffin Acquisition**").

In addition, as part of the Griffin Acquisition, options and rights of first refusal have been granted to Investec Property Fund in relation to a substantial portion of the remaining land and properties owned by Griffin amounting to GLA in excess of 150,000m².

The Griffin Acquisition will be implemented by means of:

- the subscription by the Fund of ordinary shares in a newly incorporated entity, Listani Proprietary Limited ("**Listani**"), on the first business day after the transfer of at least 80% of the Griffin Property Portfolio to Listani ("**Effective Date**"); and
- the repurchase by Listani of all ordinary shares in Listani other than those owned by the Fund.

Griffin was established in 1993 as a privately-held property company focusing on the South African industrial, commercial and retail sectors and has since evolved into a multi-dimensional real estate group with offices in Johannesburg, Cape Town and London.

2 OVERVIEW OF THE GRIFFIN PROPERTY PORTFOLIO

The Griffin Property Portfolio is an attractive, well-located portfolio with strong property fundamentals which consists of 22 properties: 18 industrial properties, 2 office properties, and 2 motor dealerships. The portfolio has contractual in force escalations of 8.6%, a 3.2 year weighted average lease expiry ("**WALE**"), and no vacancies (after taking into account the rental guarantee referred to in paragraph 4).

Considering the quality of the portfolio, the Purchase Consideration has been priced at an attractive yield of 9.3% based on contractual income. The implied yield is 8.6% excluding the portion of the contractual rentals which are above market and which have been priced in terms of a "top slice" of R21.3 million.

2.1 Industrial

The Griffin Property Portfolio is dominated by quality industrial properties, representing 71% by value, and which properties are situated in the following prime industrial nodes: Longmeadow (2 properties); Spartan (8 properties); Isando (3 properties); Linbro Park (1 property); Epping (1 property); Pomona (1 property); Germiston (1 property) and Milnerton (1 property).

The industrial portfolio tenant base consists of 80% national and / or multi-national tenants, with a WALE of 3.7 years and average contractual escalations of 8.7%.

The properties in Longmeadow, representing approximately a quarter of the Griffin Property Portfolio value, are located in the Longmeadow Business Estate. The 200 hectare estate has become one of the primary industrial addresses on the reef and benefits from its central location within 15 minutes of Sandton, Midrand, Johannesburg and the East Rand industrial basin including the OR Tambo International Airport. The estate offers excellent access being adjacent to both the N3 highway and R25 Modderfontein Road. Both the Kevro (one of the leading manufacturers and wholesale suppliers of branded and corporate clothing in South Africa) and Rohlig Grindrod (a subsidiary of Grindrod Limited) properties front onto the N3 highway and provide prime visibility and signage opportunity for tenants. The Longmeadow industrial node has a 0% vacancy, and has experienced improved average rental growth of c. 7.1% according to the April 2015 IPD Industrial Vacancy Report.

The properties in Isando and Spartan are single tenanted light industrial units with the majority ranging from between 2000 m² – 4000 m². Isando and Spartan offer easy access to the R21, N12 and R24 and are ideally positioned next to OR Tambo International Airport, within easy reach of the airport cargo terminals via the highways and back routes. Isando is home to the Rhodesfield Gautrain Station, part of the rapid rail network linking the Johannesburg CBD, Sandton, Rosebank, Midrand, Centurion, Hatfield, Isando and OR Tambo International Airport. 85% of the tenants in these properties are in occupation of the premises for a second lease term.

Pomona is similarly well located relative to the OR Tambo International Airport, and offers efficient access to all the major transport routes. The property in Pomona, tenanted by AGCO, is a newly developed A grade warehouse which fronts onto the R21 highway offering prime visibility. AGCO is a global manufacturer of agricultural equipment and is listed on the NYSE with a market capitalisation of approximately US\$4.5bn.

The remaining properties in Linbro Park, Epping, Germiston and Milnerton are well located in their respective industrial nodes with good access and A grade tenants including Consol Glass, Kevro and Premier Foods. The property in Linbro Park is a newly developed A-grade warehouse for Kevro.

2.2 Motor dealerships

The two motor dealerships represent 21% of the Griffin Property Portfolio value and are well established in their respective nodes, with the joint dealership / workshop of Sabaru / Danmar (wholly owned subsidiary of Imperial Holdings Limited) located in the heart of Longmeadow and the CMH Nissan dealership located on New Road in Midrand.

2.3 Offices

The two office properties which represent 8% of the Griffin Property Portfolio value were acquired as part of the packaged transaction. The Midrand property is located at Grand Central Airport and is tenanted by International SOS, a company providing health and security risk management services to international travellers. Commerce Corner is a 3 321 m² multi-tenanted office property in Randburg the anchor tenant of which is Advanced Debt Recovery Solutions Proprietary Limited, is one of the leading debt collection and debt collection management operations in South Africa. These properties were valued by the directors at a blended yield of 12.5%, and the Fund will look to recycle its capital on these properties in the near to mid-term.

Snapshot of the Griffin Property Portfolio

Property name	Location	Sector	Tenant	GLA (m ²)	Rental/ m ²	WALE (by Revenue)	Net income from 1 July 2015 to 30 June 2016 (Rm) ²	Purchase Consideration (Rm)
Consol Glass	Germiston, Gauteng	Industrial / Storage	Consol Glass	21,331	38.1	2.5	7.7	
Kevro - Longmeadow	Longmeadow, Gauteng	Industrial	Kevro	10,852	102.9	4.2	13.1	
Grindrod	Longmeadow, Gauteng	Industrial	Rohlig Grindrod	7,540	108.4	2.0	8.8	
AGCO	Pomona, Gauteng	Industrial	AGCO	6,888	76.3	7.4	5.8	
Kevro - Longlake	Linbro, Gauteng	Industrial	Kevro	4,914	62.7	4.2	3.3	
National Urethane Industries (New)	Isando, Gauteng	Industrial	National Urethane Industries	3,628	36.3	4.2	1.4	
North Safety Products	Isando, Gauteng	Industrial	North Safety	3,000	34.0	4.3	1.1	
National Urethane Industries (Old)	Isando, Gauteng	Industrial	National Urethane Industries	3,000	33.4	4.2	1.0	
MTU	Spartan, Gauteng	Industrial	MTU South Africa	3,384	46.7	4.4	1.6	
Coastal Air Couriers	Spartan, Gauteng	Industrial	Coastal Air, GTD Express, VDN Carriers and Logistics	3,240	50.8	3.6	1.7	
Jotun Paints	Spartan, Gauteng	Industrial	Jotun Paints	2,600	45.8	0.9	1.2	
Armadillo	Spartan, Gauteng	Industrial	Armadillo Concepts	2,081	50.3	6.2	1.1	
Thistle Bakery	Spartan, Gauteng	Industrial	Thistle Bakery	1,850	49.1	1.4	0.8	
Plastichem	Spartan, Gauteng	Industrial	Plastichem	1,753	56.1	0.8	1.0	
Baldwin Filters	Spartan, Gauteng	Industrial	Baldwin Filters	1,450	57.0	5.7	0.9	
Aluminco	Spartan, Gauteng	Industrial	Aluminco	400	49.7	0.8	0.2	
Premier Food CT	Epping, Cape Town	Industrial	Premier Foods	7,250	55.7	0.5	4.9	
So - So Trading	Milnerton, Western Cape	Industrial	Eurotiles	3,190	23.5	1.0	0.7	
International SOS	Midrand, Gauteng	Office	SOS International	5,822	83.7	2.3	5.4	
Commerce Corner	Randburg, Gauteng	Office	Advanced Debt Recovery Solutions, Hospitality Professionals SA, Junk Mail Publishing, Rubi Blue IT Solutions, and others	3,321	91.7	1.6	2.6	
Subdan	Longmeadow, Gauteng	Retail (motor dealership)	Subaru, Danmar Autobody	12,000	54.8	3.2	7.0	
CMH	Midrand, Gauteng	Retail (motor dealership)	Combined Motor Holdings	3,918	135.5	2.7	6.0	
Total				113,412	63.6	3.2	77.0	805.1[^]

Notes:

- The rental per m² reflects the gross rental income, including operational costs but excluding utility recoveries, per m²
- The net income shown is for the period 1 July 2015 to 30 June 2016. This forecast has not been reviewed or reported on by the Fund's auditors
- The income excluding the contractual rental in excess of market is R71.5m which implies an acquisition yield of 8.6%

^ Reconciliation of the Purchase Consideration

	R'm	Income	Yield (%)
Market value	805.1		
Top slice	21.3		
Portfolio value	826.4	77.0	9.3%³
Less: Property fees reimbursed (see paragraph 4)	(3.0)		
Purchase price less reimbursements	823.4		

3 RATIONALE FOR THE GRIFFIN ACQUISITION

The Griffin Acquisition is consistent with the Fund's growth and investment strategy of building a quality portfolio by investing in well-priced income producing properties that optimise capital and income returns over the medium to long-term for shareholders. The Griffin Acquisition introduces a quality portfolio of income producing properties into the Fund's asset base and, in particular enhances the real estate fundamentals of the Fund's existing industrial portfolio. The Griffin Acquisition also increases the Fund's assets to R9.5 billion, providing further scale and diversification to the Fund.

The industrial sector is well understood by Investec Property Fund and its management team, and the Fund has created significant value from its own industrial portfolio as a result of cost efficiency initiatives and well executed letting and renewals.

Griffin has also granted options to the Fund over a further portfolio of properties and a right of first refusal in respect of the remaining properties owned by Griffin comprising approximately 156,184m² of GLA. This provides the Fund with an attractive opportunity to acquire further quality properties from Griffin in future.

4 PURCHASE CONSIDERATION AND KEY TERMS

The Purchase Consideration will be settled in cash and will be funded either through debt and/or equity. The Fund is conservatively geared with a gearing ratio of 23.6% and has significant headroom in terms of funding capacity and available facilities to fund the purchase consideration.

Griffin and the Fund have agreed to, *inter alia*, the following additional commercial terms:

- Griffin has agreed to re-imburse the Fund an amount of R3.0 million in respect of property management fees for two years from the Effective Date which will be deducted from the Purchase Consideration;
- Griffin has granted the Fund a two year rental guarantee in respect of 433m² of vacant space, and certain storage income and parking income in Commerce Corner. The income in respect of the rental guarantee is included in the net income for Commerce Corner shown above;
- Griffin has granted the Fund a rental guarantee totalling R900,000 in respect of Premier Cape Town where the lease expires on 1 December 2015; and
- the Fund has agreed to pay Griffin an agterskot in respect of 5,000m² of vacant office space which adjoins the Consol Glass industrial facility should the space be let within 24 months of the Effective Date. The agterskot payment will be calculated using a capitalisation rate of 10.5% on the 12 month forward net income (after direct property related expenses and property management expenses).

5 CONDITIONS PRECEDENT

The Griffin Acquisition is subject to, *inter alia*, the fulfilment (or waiver, where applicable) of the following conditions precedent:

- i. at least 80% of the Griffin Property Portfolio by value, or a lesser percentage of the properties acceptable to IPF, transferring into the name of Listani; and
- ii. the approval of the Griffin Acquisition in terms of the Competition Act within 180 days from the signature date of the transaction agreements.

6 OPTIONS AND RIGHTS OF FIRST REFUSAL

As part of the Griffin Acquisition, the Fund has been granted options to acquire certain of the remaining properties owned by Griffin (“**Option Properties**”). The options allow the Fund to purchase the properties at an agreed forward yield and provide the Fund with an attractive pipeline of additional quality properties.

The Option Properties comprise, *inter alia*:

Property name	Location	Sector	GLA	Lease expiry	Escalation	Purchase yield ¹	Option period ⁵
Sasfin Property	Pomona Extension ³	Industrial	8,972	31 Dec 2018	7.0%	8.5% ⁴	January 2016 ²
Serioplast Property	Anderbolt	Industrial	6,605	31 Oct 2026	7.5%	8.5% ⁴	June 2019 ²

Notes:

1. Based on the 12 month forward net rental income from the date of transfer of the property (after all direct property and property management expenses)
2. In terms of the lease, the tenant has an option to purchase the property, and the Fund’s option applies to the extent that the tenant does not exercise their option
3. The Sasfin Development is a new facility located next to the AGCO building in Pomona
4. The purchase yield will be adjusted for movements in SWAP rates between signature date and the date of exercise of the option
5. The option period is 90 days from the option commencement date

Investec has the right to conduct a due diligence on each of the Option Properties prior to exercising its option, and the exercise of the options will be conditional on the Fund obtaining the necessary regulatory approvals.

In addition, Griffin has granted the Fund a right of first refusal (subject to other existing options and rights of first refusal granted to tenants) over the remaining properties and developments owned by Griffin, comprising approximately 156,184m² of GLA. Most of these properties are single tenanted, with Unilever, Sasfin, Brait and Eskom amongst the list of national anchor tenants.

The Unilever property is a newly developed 105,932m² distribution facility in Anderbolt.

7 WARRANTIES

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

8 VALUATION

The board of directors of the Fund is satisfied that the aggregate value of the Griffin Property Portfolio as shown above is in line with the directors own assessment of the aggregate value of the portfolio.

9 CATEGORISATION

The Griffin Acquisition is classified as a category 2 transaction in terms of the JSE Listings Requirements and, accordingly, is not subject to approval by the Fund’s shareholders.

Johannesburg
5 June 2015

Investment Bank and Sponsor
Investec Bank Limited

Legal advisor
Fluxmans Inc.