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

ACQUISITION OF TWO BELGIUM LOGISTICS PROPERTIES

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1. INTRODUCTION

Shareholders are advised that Investec Property Fund, through its wholly-owned subsidiary Investec Property Fund Offshore Investments Proprietary Limited ("**IPFO**"), reached agreement on 10 December 2019 to acquire two logistic properties located in Belgium, from Intervest Offices & Warehouses NV (the "**Vendor**") for a purchase consideration of EUR70.4 million (inclusive of all acquisition costs) (the "**Acquisition**" or "**Properties**").

The Acquisition consists of two properties, namely Opglabeek and Houthalen, both of which are located in Flanders, Belgium, with a total combined GLA of 105,000m^2. The Properties are expected to generate an unlevered entry yield of 6.0% (including rental guarantees on vacant space provided by the Vendor) and an anticipated average EUR and ZAR denominated investment return[1] of approximately 7.9% and 9.5%, respectively and total returns that exceed the Fund's cost of capital.

2. RATIONALE

The Acquisition is an example of the attractive opportunities available in the region, for which a clearly defined acquisition pipeline is in place. The Acquisition forms part of IPF's existing Pan-European logistics real estate strategy.

The investment case is also supported by the following positive characteristics:

- Tapping into a thriving logistics sector in Belgium, driven by e-commerce and steady economic growth;
- Belgium's strategic location and ports, rapidly advancing technology and favorable market demand / supply dynamics are key growth drivers underpinning logistics sector performance;
- The Properties are well-located in a European logistics hub, given that they are situated within a logistics corridor that offers quick multi-modal access to major neighbouring countries;
- Initial acquisition yields being based on individual asset acquisitions presents potential for uplift through portfolio value yield compression;
- The Properties are competitively priced offering tenants rentals at EUR38/m^2 with the rates in surrounding markets ranging from EUR45-50/m^2;
- Strong tenant covenants including Stanley Black & Decker Logistics, Scania, Kuehne & Nagel, Nike, Janssen Pharma, Henkel and DSV Solutions; and
- Earnings and distribution accretive from inception.

3. DESCRIPTION OF THE PROPERTIES

3.1. Opglabbeek

The property was constructed between 1999 and 2003, with further units added in 2007 and 2012. The property comprises c.78,000m^2 of lettable area across ten units and solar which provides an ancillary income stream for the property.

3.2. Houthalen

The property was constructed in 2001 and comprises c.27,000m^2 of lettable area across four units which are fully occupied by a single tenant, Neovia, who undertakes third-party logistics for Harley Davidson.

In addition, the property features development land with the opportunity to build 6,480m^2 of warehouse space, thus providing upside from this future rental income.

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[1] Determined as distributable earnings divided by equity invested

4. KEY ACQUISITION TERMS

The Opglabeek transaction remains conditional on approval by the relevant authorities of the municipality of Oudsbergen.

The Acquisition agreements contain undertakings, warranties and indemnities which are normal for an acquisition of this nature.

5. FUNDING OF THE ACQUISITION

The purchase consideration will be funded 60% with in-country bank debt and 40% with equity provided by IPFO. The Fund will utilise Euro and existing ZAR debt facilities to fund the initial equity component (including transaction costs).

6. SALIENT PROPERTY INFORMATION

Details of the Properties are set out in the table below

Name	Geographic location	Sector	GLA (m^2)	Weighted average rental per month (EUR/m^2)	WAULT (years)	Purchase price (EURm)[1,2]
Opglabeek	Flanders, Belgium	Industrial	78,000	3.3	4.0	44.0
Houthalen	Flanders, Belgium	Industrial	27,000	3.5	4.9	19.3
Total			**105,000**	**3.4**	**4.2**	**63.3**

Notes:

1. Excludes acquisition costs (i.e. stamp duty and due diligence costs) and is net of purchase price deduction in respect of rent guarantees. Gross purchase price is EUR70.4m.
2. The purchase consideration is considered to be in line with the fair market value of the Properties. The directors of the Fund are not independent and are not registered as professional valuers or professional associate valuers in terms of the Property Valuers Act, No. 47 of 2000.

7. FINANCIAL INFORMATION

Set out below is the net rental income, net operating income, net profit after tax and earnings available for distribution in respect of the Acquisition ("**the Forecast**") for the 3 months ending 31 March 2020 and the year ending 31 March 2021.

The Forecast has been prepared on the assumption that the Acquisition is effective from 1 January 2020 (notwithstanding the effective date is expected to be on or about 20 December 2019).

The Forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the Fund. The forecast has not been reviewed or reported on by independent reporting accountants.

The Forecast presented in the table below has been prepared in accordance with the Fund's accounting policies, which are in compliance with International Financial Reporting Standards.

	Forecast for the 3 months ending 31 March 2020 ZARm	Forecast for the year ending 31 March 2021 ZARm
Net rental income	14.9	62.2
Net operating income	14.9	62.2
Net profit after tax	12.3	49.7
Earnings available for distribution	12.3	49.7

The Forecast incorporates the following material assumptions in respect of revenue and expenses:

1. Contracted revenue is based on existing lease agreements (including rental guarantees and stipulated increases).
2. Rental top ups will be provided on the vacant space in Opglabeek, by the Seller, for a period of 24 months from the effective date, to the value of EUR1.6 million per annum (plus all void costs).
3. Assumptions regarding lease expiration and new leases during the forecast period is based on historical evidence and current market dynamics. Where it has been assumed that vacant space will be let in future, the rental income for that space is based on an ERV rate and rent-free periods have been applied based on market convention.
4. Of the rental income for the 3 months ending 31 March 2020, 87% relates to contracted rental income (of which 29% is derived from the rental guarantee), 6% to near-contracted rental income and 7% to uncontracted rental income.
5. Of the rental income for the year ending 31 March 2021, 63% relates to contracted rental income (of which 7% is derived from the rental guarantee), 7% to near-contracted rental income and 30% to uncontracted rental income.
6. The Forecast has been prepared in ZAR, based on forward conversion rates of ZAR/EUR 16.84 for the 3 months ending 31 March 2020 and ZAR/EUR 18.20 for the year ending 31 March 2021.
7. Management fees payable have been calculated at a rate of 0.5% of the value of the initial investment.
8. Funding costs comprise ZAR funding at a cost of 9.1% per annum and EUR funding at a fixed cost of 2.00% per annum.
9. No unforeseen economic factors are anticipated that will affect the lessees' ability to meet their commitments in terms of existing lease agreements.

8. CATERGORISATION OF THE ACQUSITION

The Acquisition is classified as a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, it is not subject to approval by the Fund's shareholders.

9. DIVIDEND GUIDANCE

The Acquisition has no impact on the dividend guidance for the year ending 31 March 2020.

Sandton
12 December 2019

Financial Advisor and Sponsor
Investec Bank Limited