

INVESTEC PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Reg. No: 2008/011366/06)

Approved as a REIT by the JSE

Share Code: IPF

ISIN: ZAE000180915

("Investec Property Fund" or "the Fund")

COVID-19 AND EDCON UPDATE

COVID-19

The Fund is actively and intensely keeping abreast of the global COVID-19 pandemic, the commercial and trading impact of which is set out below.

The Fund's management team are engaged daily with tenants on a hands-on and one-on-one basis as required in what is obviously a fluid and unprecedented operating environment. Appropriate risk mitigation measures, based on best practice and in consultation with our specialist service providers, have been put in place throughout the business. Our priority is to ensure the health and safety of all our stakeholders, whilst ensuring we continue to deliver sustainable long-term returns for investors.

As with other landlords, IPF has seen the first economic impacts of the lockdown on our tenants in the April collection rates, and the value of rental concession requests received as a value of annual contracted revenue by region. These concession requests do not specifically relate only to April rental as some tenants have requested relief covering more than one month. A summary is set out below by region.

	April rental collection %	Concession requests as % of contracted annual regional revenue	Concessions		
			% Accepted ¹	% Denied ¹	% Under review ¹
South Africa	71% ² (Office 87%, Industrial 79%, Retail 56%)	9%	27% ³	4%	69% ³
Europe	83% ⁴	33%	33% ^{5,6}	15% ⁶	44% ⁶
UK	87%	1% ⁷	-	6%	94%

Notes:

1. As % of concessions requested
2. Of the remaining 29% uncollected to date, 8% relates to tenants which have requested concessions and the balance largely attributable to rent payable by national retailers, the payment terms of which are still being negotiated
3. Comprised of rental discounts granted (14%) and deferrals (13%). The rental discounts have largely only been provided to SMME retailers. Rental deferment structures range from 1-3 months of net rental deferment with payback periods of 3-6 months with interest accruing on the outstanding balance. Of the concessions under review, materially all of these concession requests relate to rental deferment relief and not discounts.
4. Of the remaining 17% uncollected to date, 3.5% is due to a tenant insolvency, 10% are tenants which have requested concessions, 3.5% where communications with tenants have not led to any concession being requested and the balance attributable to home working restrictions - these tenants have noted administrative difficulties in making payments
5. Comprised all deferrals and change from quarterly to monthly payments (8%). Rental deferment structures range from 1-3 months net rental with recoupment by 31 December 2020
6. The balance of 8% relates to one tenant who has since entered bankruptcy proceedings
7. Based on annualised April rental collection experience

South Africa

In South Africa as in other international markets, retailers are expected to be most heavily impacted over the coming

months because of restrictive Government regulations in response to Covid-19. 83% of the South African retail portfolio is comprised of national tenants with the balance comprised of smaller independent retail businesses that are more likely to be negatively impacted, thus a very nominal portion of the SA balance sheet is considered to be “at risk”.

Going forward, the Fund expects income loss to some extent in the short-term arising from the relief offered to small, medium and micro enterprises (SMMEs) and non-essential businesses in the retail sector based on guidelines proposed by the South African Property Industry Group. Discussions with these national and regional retailers are ongoing. Providing adequate support to SMMEs through the current volatility has been the focus of IPF’s relief initiatives to date and the Fund has worked with its tenants to provide as much relief as possible across all sectors.

Europe

In Europe, performance has been constrained by travel restrictions and the closing of national borders, however there is still movement of goods and people, albeit at a slower pace. There has been consensus in European media that the logistics sector is to profit, at least from an occupational perspective, from an expected uptick in e-commerce and supply chain reconfiguration.

Concessions have typically been negotiated together with an extension of existing leases. Other concessions offered include bringing forward future rent-free periods and adjustments to frequency of payment periods i.e. from quarterly to monthly.

UK

The Fund’s UK portfolio is 66% retail by asset valuation with 38% underpinned by supermarkets and 28% being retail warehousing. A total of 61% of the UK tenant base comprises essential services.

The majority of concessions being negotiated are in respect of an adjustment to payment periods and there has been no income loss to date.

EDCON

Shareholders are referred to the announcement released by the Edcon Group (“Edcon”) on 29 April 2020 relating to Edcon’s intention to file for business rescue.

Edcon is a tenant across 6 of the Fund’s retail properties (excluding Musina Mall, which the Fund has entered into an agreement to dispose of), with GLA exposure of approximately 15,900sqm (1.4% South African GLA). In respect of the restructuring implemented by Edcon in June 2019, IPF elected to contribute to the restructure via the reduced rental option and had anticipated a reduction in rental income of approx. R9.8m commencing on 1 May 2019. As a result, Edcon constitutes a nominal portion of the Fund’s income, representing 0.9% of total SA revenue and 0.6% of Group revenue on a proportionally consolidated basis.

Furthermore, the Fund has alternative leasing strategies in place in respect of space currently occupied by Edcon and has been working with architects to develop options around reconfiguring these spaces to minimize any potential vacancy. As such, Edcon’s decision to commence business rescue proceedings is expected to have a limited impact on the Fund.

Investec Property Fund Limited
Johannesburg

06 May 2020

Sponsor: Investec Bank Limited