

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 "the Fund")

ACQUISITION OF NEW PROPERTIES

1. INTRODUCTION

Investec Property Fund shareholders ("**Shareholders**") are hereby advised that Investec Property Fund has entered into agreements for the acquisition of shares in the following property owning companies, the detail of which is set out in the body of this announcement:

- 1.1. Bethlehem Property Development Proprietary Limited ("**BPD**") which owns the Dihlabeng Mall asset, a retail property located in Bethlehem in the Eastern Free State ("**Dihlabeng Mall**") and is currently jointly owned by Bethcas Properties Proprietary Limited (50%) and Investec Property Proprietary Limited (50%) (collectively, "**Dihlabeng Vendors**") ("**Bethlehem Acquisition**"); and
- 1.2. Lekup 6 Proprietary Limited ("Lekup") which owns the Foschini building, a mixed-use office and retail property situated in the heart of the Johannesburg inner city retail node, ("**Foschini Building**") and is currently jointly owned John Alastair Legh and associated entities (50%) and Investec Property Proprietary Limited (50%) (collectively, "**Foschini Vendors**") ("**Foschini Acquisition**").

2. BETHLEHEM ACQUISITION

2.1. Description of Dihlabeng Mall

The property is a new regional centre which opened on 28 March 2013 comprising 26,680m² of retail trading area. Dihlabeng Mall is the only mall of its size in a 300km radius, serving the communities of Bethlehem and surrounding areas. 85% of rental income originates from national retailers with anchor tenants such as Checkers, Pick 'n Pay and Game together constituting 42% of GLA. The property is currently 97.2% occupied with a vacancy of 716m² (2.8%).

The Bethlehem Acquisition also includes, by way of an option, the potential to add an extension on an adjoining separate stand, which will link directly into the existing centre ("**Potential Extension**"). The option is valid until 31 December 2014. The Potential Extension is to cater for the demand from national tenants not currently in the Dihlabeng Mall.

2.2. Rationale for the Dihlabeng Acquisition

The Dihlabeng Mall offers retail dominance in the greater Bethlehem area, as evidenced by the extremely high and strong national tenant base, long dated leases and market related escalations. The building quality and finishes, scarcity value and the strength of the real estate fundamentals contribute to the quality of the existing property portfolio and the Fund's objectives of delivering long term capital and income growth.

2.3. Purchase consideration and settlement

The purchase consideration, equivalent to the directors valuation, is an amount of R357,535,025 and will be settled 100% in cash ("**Bethlehem Purchase Consideration**") on the effective date, which will be the third day following the date on which the last of the conditions precedent are fulfilled. The Bethlehem Purchase Consideration will be deployed first to discharge the entire indebtedness of BPD in terms of the registered mortgage bonds with the remainder being paid to the Dihlabeng Vendors.

The Bethlehem Purchase Consideration will be funded from existing debt facilities.

The Bethlehem Purchase Consideration will be adjusted for any net working capital in the company as at the effective date which will be settled in cash either to or by the Vendors.

The Fund will also pay an agterskot to the Dihlabeng Vendors for any vacancy filled prior to 31 December 2014 provided the terms of the lease are acceptable to the Fund. The value of the agterskot will be determined by capitalizing the net income at the capitalisation rate of 8%. Any remaining vacancies thereafter will be for the benefit of the Fund.

To the extent the option in relation to the Potential Extension is exercised, an amount of R2 million will be paid in cash by the Fund to the Dihlabeng Vendors in order to acquire sufficient of the adjacent land to affect the Potential Extension. The development of the extension will be undertaken by the Fund and managed by Investec Property Proprietary Limited, being the manager of the Fund ("**Manager**").

The Dihlabeng Vendors have also agreed to subsidise transaction costs of up to R400,000 relating to the Bethlehem Acquisition.

2.4. Specific information relating to the Dihlabeng Mall

Erf description:	Erf 3371 and a Ptn of Erf 4752 Bethlehem ext 24
Location:	Corner of Paul Laesecke Ave and Preekstoel Road, Bethlehem
Rentable area:	26,680m ²
Weighted average gross rental per m ² :	R125.26 per m ²
Vacancy by rentable area:	2.8%
Annualised property yield:	8.00%

2.5. Conditions precedent

The Dihlabeng Acquisition is subject to the fulfillment of, *inter alia*, the following conditions precedent:

- The satisfactory completion of a due diligence investigation by the Fund;
- The shareholders of Bethcas Properties Proprietary Limited unanimously passing the necessary special resolution in terms of Section 112 as read with Section 115 of the Companies Act; and
- Confirmation that the transaction has been unconditionally approved by the competition authorities in terms of the Competition Act 89 of 1998.

2.6. Waiver of asset management fee

Investec Property Proprietary Limited has agreed to waive its entitlement to the asset management fee of 50 basis points in respect of the Dihlabeng Mall for a two year period from the effective date of the Bethlehem Acquisition.

3. FOSCHINI BUILDING

3.1. Description of the Foschini Building

The Foschini Building is situated in the heart of the Johannesburg inner city retail node. The Foschini Building enjoys attractive trading conditions based on the exposure to significant sidewalk foot count and the increase in population density in the inner city arising from the increase in residential conversions.

The property consists of 6 305 m² of GLA which is primarily basement, ground and 1st floor retail space with the remainder consisting of storage and office space.

3.2. Rationale for the Foschini Acquisition

The property is being acquired at an attractive yield of 9% and is tenanted by a quality tenant, with 7 years remaining on the lease with market related escalations, offering a stable income stream and yield enhancement to the Fund.

It is fully tenanted by Foschini Retail Group Proprietary Limited. The lease is triple net with the lessee responsible for all expenses.

3.3. Purchase consideration and settlement

The effective date of the Foschini Acquisition is 1 June 2014.

The aggregate purchase consideration for the Foschini Acquisition is equivalent to the directors' valuation, being an amount of R77,407,713 ("Foschini Purchase Consideration") and has been settled as follows:

- 50% in cash, which is funded from existing debt facilities; and
- 50% in Investec Property Fund shares, which number of Investec Property Fund shares were determined based on an issue price of R14.18 being the 30 day volume weighted average traded price prior to the effective date. The shares were issued ex the entitlement to the final distribution for the period ending 31 March 2014, and include an antecedent divestiture of the distribution for the period 1 April to 31 May 2014.

Furthermore, the Foschini Vendors have agreed to subsidise transaction costs of up to R400,000 relating to the Foschini Acquisition.

3.4. Specific information relating to the Foschini Building

Erf description:	Erf 665, Remainder of Erf 666, Erf 4806 and Erf 4805 Johannesburg
Location:	Franwell House, 105 President Street, Johannesburg (Cnr of Eloff & President Street)
Sector:	Retail
Rentable area:	6,305m ²
Weighted average gross rental per m ² :	R101.17
Vacancy by rentable area:	0%
Annualised property yield:	9.00%

4. Financial effects

The Dihlabeng Acquisition and the Foschini Acquisition have no significant effect on the *pro forma* dividend per share per share, *pro forma* headline earnings per share, *pro forma* net asset value per share or *pro forma* tangible net asset value per share of the Fund.

5. Categorisation

The Dihlabeng Acquisition and Foschini Acquisition both constitute small related party transactions in terms of the JSE Listings Requirements, as Investec Property Limited, a wholly-owned subsidiary of Investec Limited, holds 50% of the issued share capital in the holding company of Dihlabeng Mall and the Foschini Building, and is the Manager of the Fund.

An independent valuation of the Dihlabeng Mall and Foschini building have been performed by Mills Fitchet Magnus Penny (Pty) Limited ("**Independent Valuer**"), who is an independent registered valuer as defined in section 13 of the Listings Requirements of the JSE Limited ("**JSE**").

Based on the value of the properties arrived at by the Independent Valuer, the directors of the Fund are of the opinion that the terms and conditions of the Dihlabeng Acquisition and Foschini Acquisition are fair to Shareholders.

The JSE has been provided with summaries of the sworn valuation of the properties by the Independent Valuer. The full valuation report is available for inspection at the registered office of the Fund during normal business hours for a period of 28 days from the date of this announcement.

Johannesburg
27 June 2014

Investment Bank and Sponsor
Investec Bank Limited

Legal advisor
Fluxmans Inc