

## MEDIA RELEASE

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### **Successful degearing and continued dividend payments has allowed Investec Property Fund to continue rewarding shareholders**

*The focused portfolio and resilient balance sheet allows the Fund to remain strategically opportunistic*

#### Highlights

- Investment portfolio simplified following the exit of minority positions in UK, Australia and the Pan-European light industrial platform (“PELI”)
- Balance sheet position significantly enhanced – LTV of 38.3%
- Completion of the de-gearing flightpath and active capital recycling program
- Continued payment of dividends through the pandemic
- Full year distributable earnings of 97.08 cents per share – 33.8% decrease versus prior year
  - SA heavily impacted by COVID-19, with LFL NOI down 21.2%
  - Pan-European logistics (“PEL”) portfolio continued to benefit from structural tailwinds in Europe – distributable earnings up 9.2%
- Final dividend of 47.71 cps takes full year dividend to 92.23 cps, reflecting a 95% pay-out ratio
- First SA REIT to issue sustainability-linked bond
- IPF approaches FY22 with cautious optimism

Investec Property Fund, (“IPF”, or “the Fund”) today announced a resilient set of results, with the full year reflecting the impact of the COVID-19 pandemic which brought with it unprecedented socio-economic and market conditions, economic weakness and uncertainty in the business environment. While the financials depict a 33.8% decline in distributable earnings yoy to 97.08cps, (Mar-20: 146.64cps) the Fund ended the year with a gearing position of 38.3%, allowing IPF to continue paying out dividends throughout the pandemic and leaving it well positioned for future growth.

Despite facing COVID-19-related challenges in H1, the Fund’s operational and cashflow performance metrics showed signs of stabilisation in H2, enabling the Fund to deliver a respectable set of results overall. Commenting on the Fund’s performance, joint CEO Andrew Wooler said: *“The numbers reflect a divergent set of results, with the South African portfolio weathering a greater Covid impact. Europe, however, saw further tailwinds with logistics demand and structural changes accelerating through the pandemic, underpinning the Fund’s stability through the downturn. Despite unprecedented levels of global uncertainty and volatile operating environments, we made significant progress in delivering on our stated strategy. This included the successful completion of the de-gearing flightpath following the conclusion of the PEL debt refinance in H2 and exiting of our minority positions in Australia, UK and PELI. This resulted in further strengthening of the balance sheet, which together with our simplified portfolio, contributed to a resilient performance from the Fund.”*

In response to the pandemic, IPF committed to ZAR62m of rental relief to local tenants, while achieving a 96% cash collection rate in South Africa. The Fund concluded significant lease re-gears on c. 100,000m<sup>2</sup> of space that, while contributing to the decline in DEPS and having a short-term impact of NPI, served to improve the Fund’s WALE and promote long-term income sustainability. Although SA performance recovered marginally in H2, this has been offset by the lower accretion from the reduced ownership in PEL and the Belgium assets and no dividend income from the UK Fund. The Fund also incurred higher costs linked to the refinancing and restructuring that occurred within the PEL platform during the year.

The European portfolio continues to perform well, benefitting from the acceleration of growth drivers in the sector as a result of global lockdowns, with strong rent collection rates (99%), low tenant defaults and high occupancy rates maintained through the period. The PEL portfolio delivered distributable earnings growth of 9.2%, largely driven by underlying rental growth, where the Fund achieved 8.5% average positive reversions, together with the accretive nature of acquisitions concluded in FY20.

*“We are pleased with the performance of our assets in our core geographies of South Africa and Western Europe. South Africa remains a core focus for the Fund, with the local portfolio comprising of 90 high-quality properties in strategic, well-located nodes. Despite an under-pressure economy, H2 saw a moderate recovery in the SA business, depicted by an improvement in the debtors’ position, stronger rental collections, recovery of rental deferral concessions previously granted and no insolvencies,”* commented joint-CEO Darryl Mayers.

The IPF balance sheet now comprises 44% of offshore investments, namely the strategic interest in the PEL portfolio, giving the Fund exposure to the European logistics market. The diversified South African asset base makes up the remaining 56%. This sectoral and geographical focus has allowed the Fund to deliver returns throughout the cycles despite negative reversions in the domestic market.

*“While the performance of REITs is impacted by the operating climate, it is the quality of IPF’s underlying assets, hands-on asset management approach and strong balance sheet that will continue to hold the Fund in good stead,”* added Wooler.

As such, the Board has resolved to declare a dividend of 47.71cps for the six months ended 31 March 2021, bringing the full year dividend to 92.23cps, representing a pay-out ratio of 95% of distributable earnings.

## **Outlook**

It is expected to take time for the property sector’s performance and growth to return to pre-COVID levels and risks to the Fund persist, particularly in South Africa where the short-term economic outlook remains muted, and the low growth environment is likely to persist for the near term. Management’s focus in South Africa will be to maintain the stability and quality of the portfolio so that it is well-placed to benefit when the cycle turns.

Europe, however, continues to see structural tailwinds in the logistics sector with continued demand and lack of supply contributing to a positive outlook. As a result, positive momentum is likely to be sustained going forward with continued rental growth and yield compression expected, together with the roll-out of the development pipeline.

*“The IPF management team has been encouraged by the strength and resilience that the Fund has displayed through the turmoil of the last year, which resilience can largely be attributed to the quality of the underlying portfolios and strength of the Fund’s balance sheet”* said Mayers.

## **ENDS**

### **About Investec Property Fund**

Investec Property Fund Limited is a South African Real Estate Investment Trust, having listed on the JSE Limited (“JSE”) in 2011 and obtaining REIT status on 1 April 2013. The Fund pursues a bi-regional investment strategy, focused on building scale and relevance in its core geographies of South Africa and Western Europe. IPF’s investment portfolio is currently comprised of R22.1 billion of direct and indirect real estate investments located across both these regions.

In South Africa, the Fund directly owns a sizeable and diversified portfolio of 90 properties in the retail, industrial and office sectors valued at R15.2 billion and a 35% interest in Izandla Property Fund Pty Ltd valued at R0.3 billion.

c.44% of the Fund’s balance sheet is comprised of foreign investments, namely a 65% interest in a Pan-European logistics portfolio. This portfolio consists of 47 logistics properties that are located in the major logistics corridors of 7 European countries, including the core countries of Germany, France and

Benelux. This provides the Fund with geographic diversification and exposure to quality real estate in the developed markets of Western Europe. In both regions, the manager has a presence on-the-ground with in-country expertise and therefore adopts a hands-on approach to managing the properties.

The objective of the Fund is to optimise capital and income returns over time for shareholders by investing in best of breed income-producing properties in the office, industrial and retail sectors in South Africa and in big-box logistics properties in Western Europe. Effectively, all rental income, less operating costs and interest on debt, is distributed to shareholders semi-annually. For more about Investec Property Fund please visit: [www.investecpropertyfund.com](http://www.investecpropertyfund.com)

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