INVESTEC AUSTRALIA PROPERTY FUND
Incorporated and registered in Australia in terms of ASIC (ARSN 162 067 736)
Registered in terms of the Collective Investment Schemes Control Act No.45 of 2003
Operated by Investec Property Limited (ACN 071 514 246; AFSL 290 909) ("**Responsible Entity**")
Share code: IAP
ISIN: AU60INL00018
("**IAPF**" or the "**Fund**")

ACQUISITION OF NEW PROPERTY

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1. Introduction

The Fund is pleased to advise unitholders that it has entered into a contract for sale with associated entities of Dexus Property Group and Brookfield to acquire a 50% share in the property located at 324 Queen Street, Brisbane (**Property**) with Abacus Property Group (ASX: ABP) (**Abacus**).

Abacus, which is well known to the Fund and the Investec Group, is a leading diversified property group with a market capitalisation of AUD 1.65 billion and specialises in investing in core plus property opportunities in Australia.

The Property is located in a premier position at the tightly held and highly sought after junction of Queen Street and Creek Street in the Brisbane CBD's Golden Triangle and has a commanding street presence and strong retail component.

The total purchase consideration is AUD 132 million, the Fund's share being AUD 66 million. This equates to a 12 month forward passing yield of 7.2%* (pre transaction costs), with the potential to increase the yield to 8.9% on a fully leased basis. This represents attractive value and upside at an acquisition cost per m² of AUD 6,642. The purchase consideration including transaction costs will be funded through the Fund's existing syndicated debt facility with Westpac and ANZ at an expected all in funding cost of 3.35%. The initial yield spread of circa 3.85% results in significant accretion to the Fund's earnings.

The Fund has successfully demonstrated its ability to enhance value through the acquisition of properties with vacancy and the subsequent letting up of that space. The acquired vacancies in the Fund's properties at Solent Circuit and King Street are now virtually fully let resulting in a material increase to the initial yields of those properties.

2. Rationale for acquisition of the Property

The acquisition of the Property is consistent with the Fund's strategy of investing in well located, high quality assets. The acquisition of the Property represents an attractive investment for the Fund for the following reasons:

- The Property is located in a prime position within the Brisbane CBD's Golden Triangle.
- The Property benefits from good accessibility to Brisbane's public transport network with bus, train, ferry and city cycle services all located in close proximity.
- Both the Fund and Abacus have an in depth understanding of the Brisbane CBD occupier market based on recent letting and transaction activity, providing an opportunity to enhance the initial forward yield of 7.2%* to 8.9% (fully leased) through an active strategy to reposition and lease up the existing vacancy.
- The Brisbane CBD office market appears to turning with the most recent data showing an increase in effective rents and net positive absorption.
- Significant life cycle and repositioning capital has been spent by the vendors, future proofing the Property and providing a high quality modern office building with 17 of the 23 office floors refurbished between 2011 and 2016.
- The Property is multi-tenanted with 87% (by income) of current tenants being either global or national operators including Allianz, ANZ, Multiplex, North Queensland Bulk Ports, Asciano, American Express and Link Market Services.
- Average contracted rental escalations of 3.9%, enhancing the funds current portfolio escalation of 3.3%.

* Includes escalations on existing leases and leases scheduled to commence within 12 months

- The acquisition represents attractive relative value at a rate per m² of $6,642, which is below recent comparable sales in the immediate vicinity (most notably 300 Queen Street – $9,709; 215 Adelaide Street – $7,695; 313 Adelaide Street – $8,566).
- There is an ability to achieve reduced outgoings with a view to enhancing returns to the Fund through improved property management.
- Signage rights are available but have not been monetised, which provides an opportunity to enhance yield and/or assist in attracting appropriate tenants.
- The acquisition of the Property provides an opportunity to create a new investment partnership with Abacus, who the Fund considers to be a very complimentary partner.

3. Specific information relating to the Property

Registered description	Lots 1 and 2 on RP 887, County of Stanley, Parish of North Brisbane with title references 50473645 and 50473646
Title	Freehold
Sector	Office
Location	Brisbane CBD
Year built	1975 with extensive refurbishment in 2001
Site area	1,821m^2
GLA	19,874m² (18,832m² office; 1,042m² retail)
Rent per m^2	AUD 644/m² office; AUD 1,374/m² retail
Vacancy	20%
WALE	3.2 years

The Property has been valued at AUD 132 million as at 2 September 2016 (by CBRE Valuations Pty Limited (ABN 15 008 912 641). The valuer, Tristan Gasiewski, is an independent valuer and is an Associate of the Australian Property Institute and a Certified Practicing Valuer (registration no.2564).

4. Forecast information on the acquisition of the Property

The forecasts have been prepared with effect from 1 December 2016 and include forecast results for the periods ending 31 March 2017 and 31 March 2018.

The forecasts, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the board of directors of the Responsible Entity. The forecasts have not been reviewed or reported on by the independent reporting accountants.

The forecasts presented in the table below relate to the Property only and have been prepared in accordance with the Fund's accounting policies and in compliance with IFRS.

	Forecast 4 months ending 31 March 2017 AUD'000	Forecast 12 months ending 31 March 2018 AUD'000
Revenue (including straight line revenue adjustment)	2,135	7,177
Total property expenses	(463)	(1,427)
Net property income	1,672	5,750
Fund and asset management fees	(132)	(396)
Net operating income before finance charges	1,504	5,354
Finance costs	(784)	(2,351)
Net profit attributable to equity holders	756	3,002
Less: straight line revenue adjustment	(113)	(287)
Distributable income pre-withholding tax	643	2,716
Distributable income post-withholding tax	643	2,612

* Includes escalations on existing leases and leases scheduled to commence within 12 months

Notes:

1. Distributions are payable to unitholders attributable to the acquisition of the Property and are partially shielded by depreciation allowances.

2. Material expenditure items relate to Fund and asset management fees (approximately 22% of total expenses).

3. No material expenditure items have been increased in the forecast period ending 31 March 2018 by more than 15% over the previous financial period.

4. The finance costs assume an all in cost of funds of 3.35% with 75% of the cost of funds fixed via interest rate swaps (in accordance with the Fund's interest rate hedging policy) for 7, 8, 9 and 10 years.

5. Condition precedent

The acquisition of the Property is conditional on approval from the Australian Foreign Investment Review Board (**FIRB**), which is expected to be received by no later than 31 October 2016.

The effective date of the acquisition of the Property is the settlement date under the contract for sale, which is scheduled for the later of 1 December 2016 and 5 business days after FIRB approval.

6. Categorisation

The acquisition of the Property is a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by unitholders.

Johannesburg
10 October 2016

Investment Bank and Sponsor
Investec Bank Limited

* Includes escalations on existing leases and leases scheduled to commence within 12 months