MEDIA RELEASE

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Portfolio in strong position supported by sound underlying fundamentals

Australia and New Zealand remain attractive for South African investors given the region's favourable macroeconomic conditions

Highlights

- Total portfolio value of AUD 1 billon, growth of 7.8x since listing
- 27 quality properties, 99% occupancy rate (0.5% improvement since March 2018)
- Weighted average lease expiry of 5.1 years, almost half of all leases expiring after five years
- Improved weighted average debt expiry profile, extended by one year to 4 years
- Strong balance sheet management, 3.91% all in funding rate, 85% of debt hedged for 5.7 years
- Interim distribution of 5.05 AUD cents per unit pre-withholding tax
- Distribution growth guidance for FY2019 maintained at 2.0% to 2.5% pre-WHT
- Management continuing to work towards an ASX listing and associated capital raising

Investec Australia Property Fund (IAPF or the Fund), the only inward-listed Australian REIT on the JSE, today announced an interim distribution of 5.05 AUD cents per unit (cpu) pre-withholding tax (WHT) and 4.65 cpu post-WHT (2017: 4.95 cpu pre-WHT and 4.64 cpu post-WHT). This represents 2.0% growth in distribution, which is in line with expectations. Guidance for the full year is maintained in the range of 2.0% to 2.5% pre-WHT.

Commenting on the performance of the Fund, IAPF CEO Graeme Katz said: "Operationally the Fund is in good shape. There has been limited transaction activity during the six months under review, but we are committed to maintaining a disciplined approach to acquisitions by seeking out opportunities that represent relative value. We continue to focus on underlying property fundamentals to ensure that we acquire the right assets at the right price."

Australia and New Zealand remain an attractive destination for global capital, supported by sustainable growth, a stable economic environment, high transparency and relatively strong population growth compared to other advanced economies. The volume of capital from both global and domestic sources seeking to invest in property in the region is in excess of available product. This contributed to strong direct asset pricing in both markets.

The majority of the Fund's assets are located in the region's two best performing economies - New South Wales and Victoria. These two states represent 57% of the portfolio by asset value. Maintaining its bias towards office markets, the Fund's exposure to this sector represents 76% of the portfolio by asset value.

"We believe that the investment case for investing in good quality properties in Australia and New Zealand remains attractive for South African investors given the region's favourable macroeconomic conditions, property yield spreads over historically low funding costs and revenue returns in a hard currency," added Katz.

Reflecting the quality and sustainability of the Fund's revenue base, its lease expiry profile remains solid with a weighted average lease expiry of 5.1 years by revenue with 48.7% of leases expiring after five years.

Management continues to work towards an ASX listing and associated capital raising in line with the approvals granted by unitholders on 5 September 2018. The proceeds of the listing will primarily be used to make further property acquisitions in line with the Fund's current investment strategy and may also be used to pay down debt.

Commenting on the prospects of an Australian listing, Katz said: "The rationale for the ASX listing remains sound, particularly off the back of recent increased corporate activity in the small cap REIT sector. These transactions could result in an increase in liquidity for the sector. The timing of an ASX listing will depend on finding an appropriate asset to support a meaningful capital raising."