Investec
Property Fund

OUT OF THE ORDINARY

Pre-close trading update

for the six months ending

30 September 2021

30 Jellicoe - Rosebank

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
Bond code: INV
ISIN: ZAE000180915
("Investec Property Fund" or "the Fund")

Group highlights

- Continued delivery against core strategy – stabilised diversified business in South Africa and growth focus in Western European logistics
- H1 FY22 distributable income per share expected to be up 10%-12% year-on-year ("yoy")
- Consistent dividend pay-out policy of 90%-95% which is expected to continue
- Balance sheet strength maintained with loan-to-value of approximately 38% (Mar-21: 38.3%)
- Offshore exposure maintained at 44% based on proportionate ownership of gross asset value (Mar-21: 44%)
- Achieved Level 1 broad-based black economic empowerment (BBBEE) contributor rating – significant benefit to IPF client base
- Advanced ESG strategies across both regions

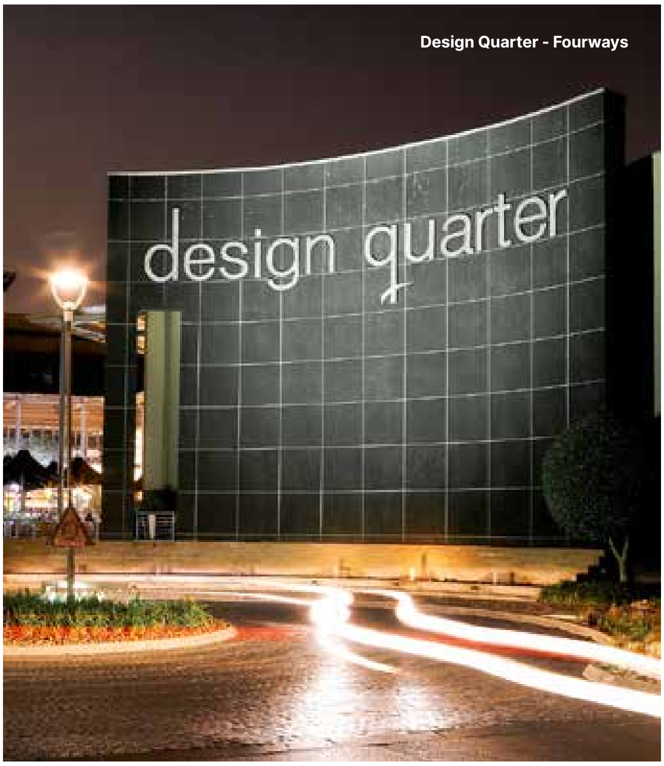
Carpiano - Italy

South Africa:

- Improvement in SA base net property income ("NPI") by 9%-11% on a like-for-like basis
- Stabilised operational performance
- Strong leasing activity with vacancy reduced over the period
- Material reduction in COVID-relief relative to prior year

Europe:

- Continued strong performance from Pan-European logistics ("PEL") portfolio with 3%-4% EUR growth in distributable income per share ("DIPS") and 5%-6% in ZAR
- Significant outperformance since original investment in 2018 – 55% uplift on gross asset value
- Underlying market rental growth continues to be captured
- Continue to explore introduction of third-party capital to support growth and simplify investment structure
- Well-positioned to take advantage of strong market conditions



Design Quarter - Fourways

Key strategic focus

South Africa

- SA business stabilised through the downturn - current environment requires very hands-on active management of assets and a measured approach
  - Leasing and tenant retention remain a key priority
  - Continued emphasis on client experience as a key differentiator
- Remain confident in our sector strategies and positioning
  - **Retail:** market dominant or niched assets with robust performance that have rebounded well after initial COVID disruption
  - **Industrial:** quality, functional assets in established nodes that remain in-demand
  - **Office:** defensive assets with relatively small pockets of vacancies (12,300m^2 in aggregate) spread across stagnant nodes of Sandton and Rosebank
  - Fund will continue to acquire and invest in quality assets, with a preference for retail and industrial / logistics assets that align with existing strategy
- Execute on redevelopment assets (Design Quarter, Balfour Mall and the Firs): R240m committed at an investment yield of 8.3% with delivery expected during FY23

Europe

- Capitalise on the Fund's strategic investment into Western Europe
- Currently exploring strategic partnerships and introduction of third-party capital to facilitate platform growth and simplify shareholding structure
  - Unlock development pipeline
  - Pursue accretive acquisition activity
- Maintain stability of portfolio and take advantage of market rental growth

Balance sheet

- Further reduce gearing – targeting 30-35%
- Active asset recycling to support earnings and quality enhancement, together with expansion of European logistics, whilst remaining opportunistic in SA
  - c.R500m-R1bn local assets identified for sale
  - Exploring regional recycling in Europe
  - Izandla seeking to simplify capital structure through sale of non-core assets

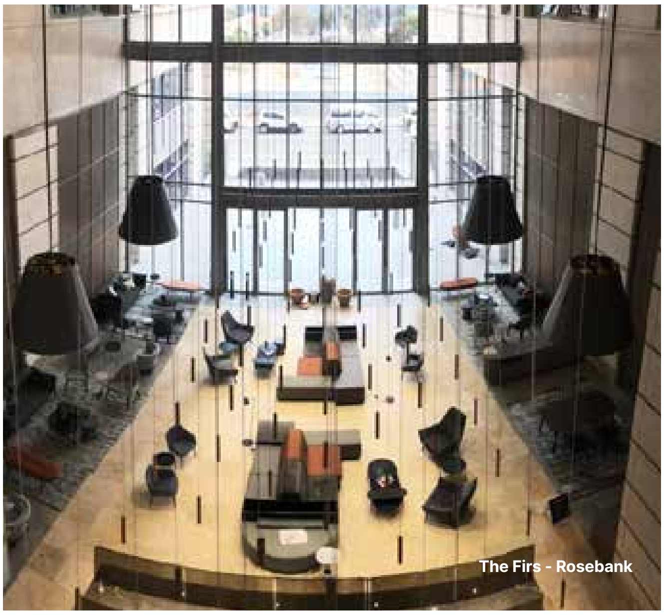
South African portfolio performance highlights

(56% of balance sheet)

- Economic recovery and business confidence hampered by Level 4 lockdown and recent civil unrest
- SA business stabilised with anticipated like-for-like NPI growth between 9%-11% (Sep-20: -24.4%)
  - strong letting activity following very deliberate leasing strategies
- Vacancy reduced to 9.2% (Mar-21: 11.4%) and on track to achieve the single-digit vacancy target set at FY21 close
  - expected to trend down further in H2 but already tracking ahead of expectations
- Successfully renewed or re-let 86% (71,000m^2) of space expiring in H1 FY22 at an average negative reversion of c.9% (Mar-21: -17.7%) and relatively low average incentive level of 2%
  - a further 35,000m^2, comprising c.40% of opening vacancy, was also let
  - total leasing includes 19 deals in office sector amounting to 10,000m^2 at a weighted average lease expiry **("WALE")** of 4 years, despite a challenging office market
  - minimal rental reversions experienced in industrial and retail sectors with large reversions and/or high incentives anticipated in office sector to secure new tenants in the current market
- Reduction in COVID-relief programme – R8m relief granted in H1 FY22 (Sep-20: R55m)
- Significant reduction in property expenses due to material improvement in bad debt provisions
- Civil unrest
  - Total damage to portfolio of c.R50m (0.3% of SA portfolio value)
  - Largely isolated to a single logistics warehouse in Riverhorse Valley
  - Fully covered by insurance and construction has commenced with property to be reinstated by December 2021

Retail (40% of SA portfolio by value):

- Strong rebound with base NPI expected to deliver between 30%-33% growth yoy (Sep-20: -34.3%)
  - Notable increase in trading activity with trading density for the 12 months to Jul-21 increasing by 8.6% yoy compared to the 12 months ended Jul-20
  - Annual footcount continues to trend upwards, having recovered from a low of -19% yoy growth for the 12 months ended Mar-21 vs. 12 months to Mar-20, to -2% yoy growth for the 12 months ended Jul-21 vs. 12 months ended Jul-20
- Vacancy maintained at similar levels to year-end at c.4% (Mar-21: 4.3%)
  - Almost half of these vacancies are within the Balfour Mall and Design Quarter assets, which we expect will largely be addressed following the refurbishment that has commenced
  - WALE maintained at similar level to FY21 year end (Mar-21: 3.2 years) at 3.3 years


The Firs - Rosebank

Office (38% of SA portfolio by value):

- Expect solid base NPI growth of c.7%-10% yoy (Sep-20: -21.4%)
- Although vacancy increased to c.14% (Mar-21: 9.7%), this was isolated to the expiry of a single-tenant lease (15,500m^2) on 31-Aug-21 in Randburg. The Fund is targeting to reduce this to c.11% by year end
- Office portfolio largely defensive
  - c.70% of the R5.7bn portfolio (by value) has average WALE of 5.6 years, underpinned by quality tenants and strong cash flows
  - Of the balance, c.20% of portfolio (48,300m^2) has average WALE of 2 years and are considered best of breed assets within their nodes with manageable risk (comprises 1.3% of office vacancy)
  - Only the remaining assets (33,000m^2) are considered 'at risk' – comprising 3 assets located in nodes where leasing activity is challenging and where oversupply is prevalent i.e. 3 and 4 Sandown Valley Crescent (Sandown) and 192 Bram Fischer Drive (Randburg) (comprises 9% of office vacancy)

Industrial (22% of SA portfolio by value):

- Likely to achieve low single-digit base NPI growth (Sep-20: -13.3%) hampered by extended void periods
- Vacancy reduced to 10% (Mar-21: 17.2%) and forecast to reduce further by year end, as highlighted earlier in the year
- WALE of +4 years achieved on 90,000m^2 of lettings secured during the period – will enhance WALE to 3.1 years when these come into effect over H2 (Mar-21: 2.9 years)


Dortmund - Germany

PEL portfolio performance highlights

(44% of balance sheet)

- Sector continues to benefit from favourable market dynamics – robust demand, restricted supply, scarcity of land, historic low vacancy levels and record levels of investment into logistics sector
- Demand is expected to remain strong, driven by, amongst other things:
  - double-digit growth in online retailing and reassessment of supply chains as on-shoring or near-shoring becomes more favourable;
  - reconfiguration of supply chains and distribution hubs of European and UK distributors following Brexit; and
  - the need to secure infill logistics real estate for better services to end consumers and to lower costs, and further strengthened by reduced land availability
- Prime logistics witnessed continued yield compression over the year and up to Q2 2021, reflecting continued demand for the sector
- PEL performance expected to be consistent with strong base NPI growth between 7%-9% (Sep-20: 2.7%) driven by improvement in service charge recoveries, reduction in bad debt provision related to COVID-19 periods and positive rental reversions, but partially offset by increased void periods due to refurbishment works in Hanover and Carpiano assets
- Anticipate DIPS growth of between 3%-4% in EUR impacted by timing of tax provisions in prior year
  - Translates into 5%-6% growth in ZAR with c.2% blended FX uplift achieved; FX enhancement on hedged returns offset by impact of spot rate applied on unhedged EUR interest costs paid at stronger ZAR
- Strong letting performance:
  - Vacancy reduced to c.4% (Mar-21: 4.3%) and expected to reduce further in H2
  - 46% of opening vacancy let
  - 52% of space expiring in H1 FY22 renewed or let at a positive reversion between 2%-3% and 57% of space subject to break options during H1 FY22 re-let
  - WALE maintained at 4.0 years to break (Mar-21: 3.8 years) and 5.0 years to expiry (Mar-21: 5.0 years)
- Average rental collections remain strong at almost 100% and arrears position reduced since year end to €2.1m (Mar-21: €3.7m)
- Continue to target platform LTV between 55%-60% due to lower risk operating environment, strong underlying cash flows and persisting low interest rates:
  - Supported by continued rental growth prospects driven by strong occupier demand
  - Significant headroom in debt yield and LTV covenants
  - Funding strategy enhances shareholder returns
- Strong development pipeline, of which 3 assets have been targeted to commence work in H2
  - 3 sites expected to deliver 64,000m^2 of GLA
  - Development cost of €40m over the next 12-18 months
  - Development yields accretive to portfolio
- Remain confident in the outlook for the PEL portfolio and will seek to further grow this platform and capitalise on the favourable market dynamics

Venlo Vida - Netherlands

Balance sheet highlights

- Balance sheet strength maintained with gearing at similar levels to year-end around 38% (Mar-21: 38.3%) and well-positioned to support future growth
- Further deleveraging of SA balance sheet and restructuring of swaps has resulted in lower cost of debt with significant savings in finance costs over the half-year
- Total debt maturing over the next 12 months is R1.8bn
    - With R2.0bn of unutilised committed facilities, the Fund has sufficient cash / facilities to settle these upcoming maturities should it choose to do so
- 84% of the interest rate risk hedged currently (Mar-21: 83%) with weighted average swap maturity of 3.3 years (Mar-21: 3.5 years)

Trading update

- Expect distributable income per share for H1 FY22 of 51.70 to 52.50 cents per share, representing DIPS growth of 10%-12%, driven by:
    - Stabilisation of SA business
    - Major renewals concluded and limited leasing risks anticipated across both portfolios; and
    - Consistent performance from PEL platform in line with expectations

The above voluntary trading update is based on the assumption that current normalised trading conditions will persist and does not take into account the impact of any unforeseen circumstances, further COVID-19 lockdowns and restrictions, potential business failures or the occurrence of any other factors that are beyond the Fund's control. This trading update has not been reviewed or reported on by the Fund's auditors.

The Fund intends to continue to apply a consistent dividend pay-out policy of between 90%-95% as a result of strong underlying cash flows and visibility thereof and having achieved comfortable levels of gearing. Maintenance capex and tenant incentives will be adequately covered by earnings not paid out, with no adverse tax consequences for the Fund. Project capex is expected to be accretive to earnings and will accordingly be debt funded.

Investec Property Fund will be releasing its results for the half-year ended 30 September 2021 on 17 November 2021.

Sandton – 22 September 2021
Sponsor: Investec Bank Limited