

INVESTEC PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Reg. No: 2008/011366/06)

Approved as a REIT by the JSE

Share Code: IPF

Bond Code: INV

ISIN: ZAE000180915

("Investec Property Fund" "IPF" or "the Fund")

TRADING UPDATE FOR THE FINANCIAL YEAR ENDING 31 MARCH 2023

The Fund's board of directors (Board) is pleased to give a trading update for the financial year ending 31 March 2023 (FY2023).

The operations of both the South African and European businesses remain strong and are well positioned to withstand the prevailing global macro-economic volatility.

1. Group

- a. Expect distributable income per share ("**DIPS**") of between 104.4 cps to 105.5 cps (Mar 22: 107.61 cps) - in line with updated guidance provided in November 2022;
- b. The updated guidance reflects a decline in DIPS of 2% - 3% year-on-year ("**yoy**") - this was driven primarily by adverse interest rate movements in Europe; and
- c. Loan to value ("**LTV**") remains stable, before any impact of the transactions announced today, and interest rates across SA and Europe remain well hedged.

2. South Africa

- a. Portfolio continuing its positive trajectory, despite challenging macro-economic factors;
- b. Expected to deliver between 4% to 6% like for like ("**LFL**") net property income ("**NPI**") growth (Mar 22: 9.6%);
- c. Vacancies expected to reduce to c. 5% (Sep 22: 7.1%) with continued reduction in office vacancies to c. 7.5% (Sep 22: 10.3%);
- d. Significant letting activity during the year (c. 140 000m²), with c. 90% of space expiring re-let;
- e. Negative reversions persist, given lack of market growth, with the fund expected to achieve 18% – 20% negative reversions on new lets, albeit at very low incentive levels of c. 3.0% of lease value;
- f. Portfolio weighted average lease expiry ("**WALE**") expected to be maintained at c. 3 years (Sep 22: 3.0 years); and
- g. Valuations expected to remain in line with prior year carrying values.

3. Europe

- a. Underlying fundamentals continue to deliver with demand still outstripping supply;
- b. Acceleration in top line rental growth, with contractual rental growing c. 10% yoy – reflects the impact of indexation and PEL's ability to capture positive rental reversions;
- c. Portfolio remains c. 10% below estimated rental value ("**ERV**"), further indicating potential room for headline rental growth;
- d. Pan European Logistics Platform ("**PEL**") expected to deliver strong LFL NPI growth of between 8% to 9%;
- e. All space expiring during the year, re-let at 6% to 7% average positive reversions;
- f. Portfolio WALE of c. 5.0 years (Sep-22: 5.2 years) provides PEL with the ability to capture near term rental growth, which is an important offset to potential cap rate expansion;
- g. Strong leasing activity across the portfolio has driven vacancies to below 1% (Sep-22: 1.2%);
- h. The material shift in Euribor of c. 1.5% since July 2022 will, as highlighted in November 2022, adversely affect full year earnings with the majority of the impact reflecting in H2;

- i. 80% of PEL interest rate risk is capped at an average rate of 1.12% for a further c. 2.5 years;
- j. IPF has identified and actioned cost containment initiatives to simplify the corporate structure and unlock cost savings within PEL. The Fund expects to deliver c. €2mn (40%) savings over the next two years, with at least half of this reflecting in the next financial year.
- k. The Fund expects a c. 5% decline in headline valuation as a result of cap rate expansion in Europe (reflecting a expected revised carrying yield of c. 4.9% at March 23) (4.6% Sep 22);
- l. Expected LTV at PEL level to remain at c. 52% (Sep-22: 50%).

The forecast and financial information included in this announcement has not been reviewed or reported on by IPF's auditors and reporting accountants.

Investec Property Fund will release its results for the financial year ended 31 March 2023 on 17 May 2023.

Johannesburg
01 March 2023

Sponsor
Investec Bank Limited