news release

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EQUITES' LOGISTICS FOCUS PROVES ITS METTLE

Photographs of Equites' property portfolio and management, can be accessed here. Alternatively, please contact Investorsense at the details below.

Cape Town, 12 October 2017 – Equites Property Fund Limited today announced a 12.02% increase in half year distributions to 60.98 cents per share, which is at the upper end of its guidance of 10%-12% distribution growth for the 2018 financial year. Equites is the only specialist logistics property fund listed on the JSE. Since listing in 2014, the company has increased its portfolio of high quality industrial mainly logistics assets in South Africa and the United Kingdom, from R1.0 billion to R6.8 billion and has become one of the top Real Estate Investment Trusts listed on the JSE, when measured by its annualised return of 28% per year over the past three years.

Equites CEO, Andrea Taverna-Turisan, said that the company's continued strong financial results reflects its focus on sound property fundamentals, efficient capital management and effective use of operational and financial gearing. He said that Equites has experienced continued demand for modern, well located, logistics facilities, as retailers aim to improve supply chain efficiency and third-party logistics services become increasingly important. This demand, as well as the quality and resilience of Equites' assets, have culminated in a fully let portfolio with a weighted average lease expiry in excess of seven years, as well as no material negative reversions or defaults in the period, despite tough economic conditions. More than 91% of the company's income is derived from A-grade tenants.

Other highlights during the period included:
- Fair value of investment property increased by 8.58% to R6.8 billion
- Net asset value per share increased by 7.4% to R15.22
- Completed developments totalling 68 916m² of GLA and valued at R832 million
- Three office buildings sold in Cape Town
- Concluded a development lease for a new R165 million distribution centre
- Development pipeline in progress of R1.3 billion
- Acquired a GBP41 million distribution centre in Coventry (UK)
- Raised R1.015 billion through an accelerated book build.

The financial results were achieved through a solid operational performance which included strong contractual escalations averaging 7.95% across the South African portfolio. Benefits were also derived from increased scale and a focus on costs, as well as savings in finance costs following the R1.015 billion of capital raised in August 2017. This was further buoyed by the inclusion of yield accretive acquisitions and recently completed developments.

Acquisitive and development highlights during the period were:

- The £18.1 million acquisition of a 19 511m² distribution centre developed by Prologis in Stoke-on-Trent, England and let to DSV UK for a lease term of 10 years;
- The £41 million acquisition of a 19 909m², recently developed cross docking distribution centre, situated in Coventry, England and let to Kuehne + Nagel Ltd on a 15-year lease. The property is located immediately adjacent to Jaguar Land Rover's World Headquarters and global engineering campus in Coventry in the industrial 'golden triangle' which is the most important logistics hub in the UK.
- Completion of a 3 280m² speculative development in Meadowview, Gauteng, let to Imperial Managed Logistics on a three-year lease;
- Completion of the 28 527m² distribution centre and head office for Rohlig-Grindrod in Meadowview, let to the tenant on a 10-year lease;
- Completion of a 17 598m² distribution centre and head office for Puma South Africa in Equites Park, Atlantic Hills, Cape Town, let to the tenant on a 10-year lease.

Equites has strong in-house development expertise and owns a portfolio of strategic land holdings for future developments. In addition to the recently completed developments, the company has concluded a development lease for a 15 155m² modern logistics facility and offices for Premier, valued at R165 million and has embarked on three speculative developments at Atlantic Hills, Durbanville with a combined GLA of 14 956m² and a capital value of R152 million. Equites has a further 31 hectares of prime, serviced industrially zoned land available for development in Cape Town and Gauteng and is pursuing various opportunities for distribution centres on these parcels of land, which will continue to contribute to a healthy development pipeline.

The company has indicated that it would reduce its non-core office properties at the appropriate time and has concluded transactions to sell three office buildings situated in Cape Town, as well the small office previously occupied by Puma, for R234 million. More than 97% of total revenue is now derived from industrial and logistics assets. Equites expects to dispose of its last two remaining office buildings in the near future.

Strategy

Equites' growth strategy in South Africa is focused on the development of high quality assets on its vacant industrial land in strategic nodes, as well as the pursuit of acquisitions of logistics facilities which meet its strict investment criteria either as individual assets or as portfolio acquisitions.

The company has also embarked on a low risk strategy of diversifying into the United Kingdom by focusing on premium logistics distributions centres in key logistics nodes, built to institutional specifications and let to investment grade tenants on long-dated upward-only leases. In line with this strategy, Equites has completed three acquisitions of high quality logistics assets to date, which comprises 15.6% of the total portfolio by rentable area and has concluded a further agreement to acquire a distribution centre in Coventry for GBP41 million.

Funding

Equites currently has a loan to value ratio of 19.8%. The company continues to take a prudent approach to interest rate risk, with 97% of outstanding debt including contracted commitments hedged at period end, against a policy of hedging at least 80% of its exposure to interest rate fluctuations.

Since the expansion in the United Kingdom, the company is exposed to currency risk on its initial capital exposure as well as the underlying earnings from operations in the United Kingdom. Equites has entered into a cross-currency swap with a notional value of £32.905 million to mitigate this risk.

The low gearing, combined with undrawn term loan facilities of R1.4 billion, positions Equites well to pursue opportunities to acquire or develop logistics properties that meet its investment criteria and that are expected to contribute to long-term, predictable distribution growth.

Prospects

Equites had previously forecast full year distribution growth for the 2018 financial year to be 10% – 12% higher than the previous year. In light of a strong first half of the financial year, the company now considers it likely that the full year results will be near the top end of, or slightly exceed this guidance, should stable macro-economic conditions prevail.

Taverna-Turisan concluded: *"Modern logistics properties as an asset class, has proven its resilience and we continue to see strong demand in major logistics nodes. Equites has positioned itself as a low risk, high growth fund in this top performing sector. To be a globally relevant logistics property fund, we will continue to pursue opportunities to develop and acquire logistics properties or portfolios that meet our investment criteria in South Africa and the United Kingdom. Our conservative approach and focus on strong property fundamentals should enable Equites to continue delivering sector beating returns, despite volatile economic markets and political uncertainty."*

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About Equites Property Fund
Equites is the only JSE-listed specialist logistics property fund. The company is a Real Estate Investment Trust ("REIT") and is internally asset managed. The company aims to provide investors with pure exposure to high quality logistics properties, let to investment grade tenants both in South Africa and the United Kingdom.

Equites owns 50 properties with a gross lettable area of 433 410m² and a portfolio value of R6.8 billion. All the company's assets are in proven logistics nodes near large population centres and major transport links that have predictable patterns of strong rental growth. The company focuses on premium "big-box" distribution centres, let to investment grade tenants on long-dated "triple net" leases, built to institutional specifications. The locations of preference are Cape Town and Gauteng in South Africa and the central Midlands and "last-mile" fulfilment centres near major conurbations in the United Kingdom.