

news release

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EQUITES FOCUS ON LOGISTICS PROPERTIES CONTINUES TO DELIVER EXCEPTIONAL RETURNS

Cape Town, 13 October 2016 – The JSE’s only listed specialist logistics property developer and landlord, Equites Property Fund Limited, today announced a 20% increase in half year distributions to 54.44 cents per share. Equites CEO, Andrea Taverna-Turisan, said that *“the continued strong financial results are a reflection of persistent demand for modern, well located, logistics facilities and the company’s focus on institutional tenants and sound property fundamentals.* Equites has achieved rapid growth in its property portfolio, from R1 billion at listing in June 2014, to R5.9 billion in just over two years.

Other highlights

- NAV per share growth of 5% to R13.54, for the 6 month period since financial year-end.
- A strategic JV concluded with Attacq Limited, which included the acquisition of eight logistics facilities in Waterfall, Gauteng, valued at R733 million.
- The acquisition of the company’s first international property, a Tesco distribution facility in Hinkley, England, for £28 million.
- The post period-end acquisition of a £17 million, Amazon distribution centre in Stoke-on-Trent, England.

The results were achieved through healthy escalations and a 100% occupancy rate in its industrial portfolio. This was further buoyed by the inclusion of yield accretive acquisitions and developments that were completed during the prior year, as well as reduced finance costs following the R1.5 billion accelerated book build in November 2015. The company also benefited from the acquisition of the Tesco Distribution centre at an accretive yield and the completion in March 2016 of its first significant development – the TFG distribution centre in Midrand. Despite a large increase in the portfolio size, the company achieved a nominal increase in administrative costs, which further benefited the results.

Equites’ strong property fundamentals are reflected in its weighted average lease expiry which is in excess of 5 years, its 88% blue chip tenant component, healthy lease escalations, near 0% vacancies and a 100% tenant retention rate since listing. The company said the latter is indicative of the quality and desirable locations of the Company’s properties.

The company's growth strategy is to develop and acquire A-grade logistics and distribution facilities, let to quality tenants on long-term leases. Equites has considered various opportunities to scale up its portfolio while mitigating the risks of its emerging market focus and remaining mindful of the scarcity of suitable high quality assets within its area of specialisation available for acquisition in the South African market. In the current period, the company has broadened its focus to also include the UK, which is a stable developed market with a thriving logistics sector. Equites' management also has a wealth of experience and a successful investment track record in the UK logistics property market through prior business ventures.

The company continues to see strong demand locally for modern distribution centres in major logistics nodes, supported by the continuing centralisation of distribution by major retailers, increased levels of imports into South Africa and a shift towards online retailing. Equites has significant undrawn loan facilities, which positions it well to pursue opportunities locally to acquire logistics properties that meet its investment criteria and that are expected to contribute to long-term, predictable distribution growth. This will be complemented by a measured diversification into the United Kingdom, which will be limited to 25% of the portfolio value in the medium term.

Recent transactions

The company has recently concluded the following significant transactions:

- a strategic partnership with Attacq to jointly pursue industrial developments and initially resulting in the acquisition of eight completed industrial properties for R733 million at Waterfall, Midrand, at an acquisition yield of 8% and an average lease expiry profile of 8.4 years.
- the acquisition of a Tesco Distribution Centre in Hinckley, England for a purchase consideration of £28 million at an acquisition yield of c.7.2%, based on the first year's rental income of £2.016 million. The property is located in a strategic position in the Golden Triangle, which is the logistics hub in the United Kingdom. There is 7.5 years remaining on the lease with Tesco Distribution Limited
- the acquisition of a 20 410 m² distribution centre in Trentham Lakes, Stoke-on-Trent, UK, which is let to Amazon on a 10-year lease that commenced in July 2016. The acquisition yield was c.6.14%, based on the first year's rental income of £1.044 million. The property is in the centrally located Midlands, which benefits from continued strong demand from logistics users in the UK.

Developments

Equites has strong in-house development expertise and owns a portfolio of strategic land holdings for future developments. Current developments include:

- The new 17 000 square meter Africa head office and lead distribution centre in Durbanville, for the global footwear and apparel company Puma. The development is expected to be completed in December 2016.

- The development of a new 25 000m² distribution centre and head office for Rohlig-Grindrod on land the company already owns in Meadowview Business Estate, Gauteng. This is expected to be completed by mid-2017.
- The construction of a 3 300m² speculative development in Meadowview Business Estate.

Disposals

In line with the Equites' strategy of focusing solely on the logistics sector, it has commenced the disposal of its five commercial office properties, and has concluded sales agreements on its Belvedere and Execujet office buildings in Cape Town during the period. The capital raised from the sale of these assets will be reinvested into higher growth logistics focused acquisitions and developments.

Prospects

Equites had previously forecast full year distribution growth for the year ended 28 February 2017 to be 10 – 12% higher than the previous financial year. The company has now revised its full year distribution growth forecast to 12 – 14% higher than the prior year, given the better than expected trading performance and yield accretive acquisitions concluded in the United Kingdom.

Taverna-Turisan concluded: *“We see strong demand for further development leases on our existing land and will continue to pursue opportunities to acquire logistics properties that meet our investment criteria locally and in the UK. This should continue to provide robust growth to the portfolio value, as well as the distributions. “*

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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 majority of property management is also performed internally.

The company aims to provide investors with pure exposure to high quality logistics properties let to investment grade tenants both in South Africa and in the United Kingdom. The company has a proven ability to identify and acquire well located logistics assets that meet the requirements of large, institutional investors. In South Africa, this is complemented with the in-house development of modern logistics facilities, enabled by strategic land holdings.

The company focuses exclusively on proven logistics nodes near large population centres and major transport links that have predictable patterns of strong rental growth. In South Africa, the Company's portfolio is spread between Cape Town and Gauteng. In the UK, the company focuses on premium "big-box" distribution centres, let to investment grade tenants on long-dated "triple net" leases, in proven logistics nodes and built to institutional specifications. The locations of preference are the central Midlands and "last-mile" fulfilment centres close to major metropolitan areas.