

news release

15 October 2015

SIGNIFICANT GROWTH AND EXPANSION CHARACTERISES EQUITES' INTERIM RESULTS

Highlights:

- Distribution of 45.42 cents per share for the 6 months ended to 31 August 2015, 11.5% higher than the corresponding financial period on an adjusted 6-month basis.
- Forecast forward yield of 8.6% - 8.8% at share price as at 31 August 2015 (R 12.30).
- Interim distributions exceed forecast in the pre-listing statement by 4.7%.
- Net asset value per share growth of 10.7% to R12.59 for the 6 months to August 2015, which equates to a 28.3% growth since listing in June 2014.
- Fair value of the property portfolio as at 31 August 2015 exceeds R3.4 billion and is expected to exceed R4 billion by 29 February 2016.
- Acquisition of the R1.9 billion portfolio from Intaprop concluded and successfully implemented.
- Further acquisitions and development leases concluded with a capital value of more than R700 million.
- Construction of new 22 227 m² TFG distribution centre at Lords View (Midrand) well under way with completion expected in early 2016 at an initial yield of approximately 9%.
- Capital raise of up to 120 million new shares announced.

Cape Town 15 October 2015. Specialist industrial property developer and landlord, Equites Property Fund Limited ("Equites"), today announced total distributions to shareholders of 45.42 cents per share for the 6 months ended 31 August 2015, 11.5% higher than the corresponding financial period, on an adjusted 6 months basis, and exceeding the pre-listing forecasts by 4.7%. Net asset value per share at R12.59, increased by 10.7% in the reporting period and by 28,3% since listing in June 2014. Last week, the company also announced a capital raise of up to 120 million shares for cash, in order to initially reduce the company's gearing and subsequently finance Equites' pipeline of developments and acquisitions.

Equites CEO, Andrea Taverna-Turisan, said that *"Our company remains largely insulated from the weak economic climate due to strong property fundamentals, with almost all our earnings being derived from blue chip tenants on long leases in Cape Town and Gauteng. Combined with our proven ability to unlock key logistics nodes, we are confident that we will be able to create sustainable income growth for our shareholders in the medium to long term."*

During the past six months, the company concluded transactions of more than R2.6 billion in acquisitions and new developments, including -

- the R1.9 billion Intaprop portfolio, consisting primarily of quality, recently completed, industrial properties and undeveloped industrial land in Gauteng and Cape Town;
- the R137 million, 13 808m² Tunney Ridge portfolio of four industrial buildings with long-term leases in Gauteng;
- the R52 million acquisition of the 7 hectare Atlantic Hills Industrial Park, situated on the N7 highway in Cape Town, which include a 3 499m² distribution centre, currently being developed for JF Hillebrand; and
- the R180 million acquisition of the 25% interest of their joint venture partner in the 22 227m² distribution centre currently being developed for The Foschini Group (“TFG”) as well as 17 hectares of vacant industrial land at the Lords View Industrial Park in Gauteng.

Taverna-Turisan said that these acquisitions are consistent with Equites’ strategy of building a portfolio of A-grade, modern logistics facilities in key nodes. He further commented that the company continued to see strong demand in this sector as a result of the continued centralisation of distribution by major retailers, increased level of imports into South Africa and a shift towards online retailing. growth and investment strategy of building a quality industrial portfolio that promotes capital growth and increasing income returns in the medium to long-term for shareholders. The acquisitions will add to the quality, defensiveness and income predictability of Equites.

Besides the development of the TFG distribution centre, Equites has concluded a development lease with Puma Sports Distributors Proprietary Limited for the construction of a new 16 262m² distribution centre and head office on the Atlantic Hills property in Cape Town with a capital value of R155 million and a lease of 9 years and 11 months. This development should be completed in August 2016.

The Equites board has also approved the company’s first speculative project which is the construction of a new 8 500m² distribution centre with a capital value of R72 million in Epping Industria, Cape Town. Construction commenced in October 2015 with completion expected in August 2016. There is high demand for A-grade industrial space in Epping Industria and the market is currently experiencing very low vacancy levels.

After the recently concluded transactions, the company has 38,2 hectares of prime vacant land in 4 logistics nodes (2 in Gauteng and 2 in the Western Cape) at its disposal for development. Equites envisages developing this land through a low risk strategy of a series of development leases for distribution centres to A-grade clients. The unlocking of all these nodes is expected to increase the value of properties in the fund by approximately R1.8 billion.

Taverna-Turisan said that Equites was maintaining a keen pace with acquisitions and developments, while keeping a sharp eye on managing its existing business. The current portfolio has a negligible vacancy rate of 0.17%, with more than 90% of the properties leased to A-grade tenants with long-term leases. The weighted average lease expiry is 5.8 years. Equites also increased the geographic diversification in the portfolio from purely Western Cape based, to an almost event split between Gauteng and the Western Cape.

The debt assumed for the acquisition of Intaprop was refinanced in the period, resulting in a 50 basis point reduction in the average cost on this debt and adding to the yield accretive impact of the Intaprop acquisition.

Prospects

Equites is proactively marketing the vacant land with a view to conclude further development leases for the construction of new distribution centres. The focus remains on blue chip tenants that require modern logistics facilities and the company said it is confident that a number of such development leases will be concluded in the near future.

Equites also believes that market conditions are favourable to pursue further portfolio acquisitions. Such acquisitions will be aimed at growing the portfolio of A-grade industrial properties and accelerating distribution growth in a sustainable manner.

Taverna-Turisan concludes: “We have a high quality portfolio with a considerable pipeline of new developments, as well as a range of potential acquisitive opportunities. We look forward to continuing to add substantial value for our shareholders.”

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About Equites Property Fund

Equites Property Fund is the only specialist industrial fund listed on the JSE and is focused on quality industrial assets in the top end of the logistics sector with a selected exposure to office properties. Its portfolio consists of 28 prominent industrial and 5 office properties is valued at approximately R3.5 billion. The majority of the properties are situated in key logistics nodes in Gauteng (55%) and Western Cape (45%).

Equites is structured as a Real Estate Investment Trust (REIT). The fund is internally asset and property managed.

The portfolio properties are situated in prime locations and have low vacancies with occupancy in excess of 99%. More than 60% of the portfolio has leases expiring in 2020 and beyond, with healthy escalations averaging approximately 8%. Major tenants include Simba, Foschini, Execujet, Digistics, Imperial, Puma, UTI , UTi Pharma, Avery Dennison, Courier-IT, Kuehne & Nagel AG, NGK Ceramics, Corvest, Triton, Premier Foods, Wasteman, Esco, Dole South Africa and Barloworld.

Andrea Taverna-Turisan, *Chief Executive Officer*