news release

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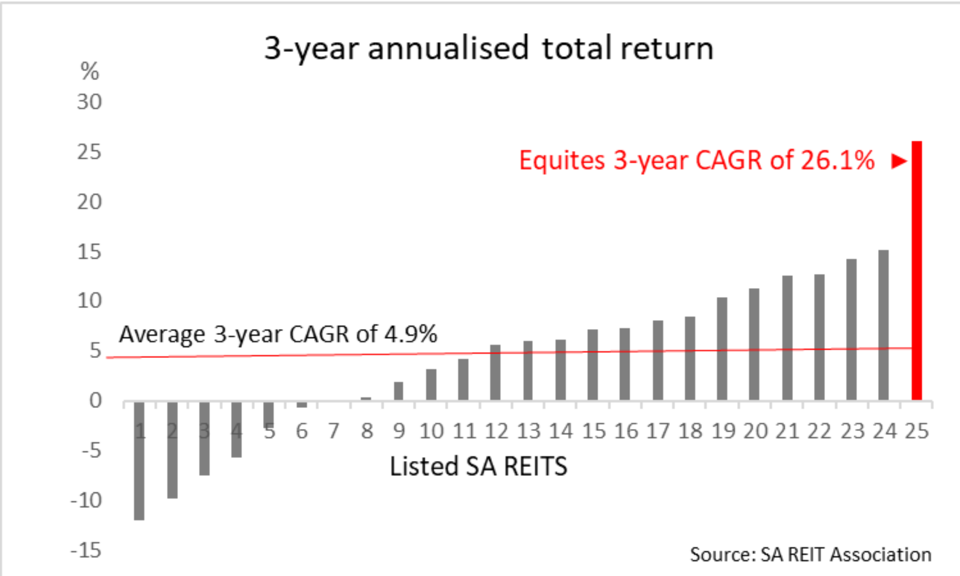
EQUITES' LOGISTICS FOCUS PROVES ITS METTLE

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

Cape Town, 10 May 2018 – Equites Property Fund Limited today announced growth in distribution per share for the year ended 28 February 2018 of 12.2% to 123.86 cents, as well as a 30% growth in the fair value of its property portfolio from R6.2 billion to R8.1 billion. Equites remains the only specialist logistics property fund listed on the JSE, focusing on the top-end of the logistics property market in key logistics nodes which generate sustainable returns. The track-record of strong distribution and net asset value growth has catapulted the company to top performing Real Estate Investment Trust, when measured by its annualised total return of 26.1% per year over the past three years, significantly more than the sector.



Equites CEO, Andrea Taverna-Turisan, commented that the company's resilient performance reflects the quality of assets in its portfolio, which is reinforced by Equites' proven ability to develop A-grade logistics buildings internally and unlock key logistics nodes. Despite the uncertainty in the South African market, the group remained insulated from many of the shocks to the economy due to its continued focus on strong property fundamentals, which resulted in no tenant defaults across the portfolio and very low vacancies at year end. The group also used the prime conditions in global markets to further expand its international business in a continued effort to diversify from the emerging market risks and capitalise on opportunities to build a high-quality logistics portfolio in one of the most sophisticated markets in the world.

Other highlights during the period included:

- NAV per share growth of 8.8% from R14.12 to R15.36 for the year, supported by significant yield compression in the UK logistics assets;
- R1.015 billion of capital raised through an accelerated book-build in August 2017;
- Further expansion into the UK through the acquisition of a completed warehouse in Coventry and entering into two development funding agreements for the construction of warehouses in Reading and Peterborough, UK; and
- A significant increase in the acquisition and development pipeline to R1.8 billion at year-end.

The financial results were achieved through a solid operational performance which included strong like-for-like rental growth contributing 9% to overall distribution per share growth. Benefits were also derived from the disposal of three commercial properties and raising capital at a premium to NAV, which created a differential between the marginal cost of debt and the effective yield of the equity price achieved.

Equites stated that the strong property fundamentals across the portfolio are testament to the quality of the assets. 89% of revenue is derived from blue chip tenants on long leases, with 76% of leases expiring more than four years into the future. Following the disposal of the three commercial properties during the current year, the portfolio comprises 99% industrial properties.

Total vacancy across the portfolio was low at 2%. Seven leases were due for renewal in the year ended February 2019 which have all been renewed. On aggregate, these renewals were negotiated at 6% above the exit rentals, which reflects the company's ability to sustain rental growth with well located, high-specification logistics properties.

Portfolio highlights during the year were:

- Equites disposed of three of its multi-let commercial properties and one single-let commercial property, in line with the group's strategic decision to provide investors with pure exposure to the buoyant logistics sector, both in SA and the UK;

- Equites completed its third acquisition in the UK when it acquired a 19 511m² distribution centre let to DSV Solutions Ltd in Stoke-on-Trent, England for GBP18.1 million;

- The group acquired a recently developed, 19 909m² cross-docking distribution centre situated in Coventry, England for a consideration of GBP41.0 million. The property is let on a 15-year lease to Kuehne + Nagel Limited and is situated in one of the most coveted logistics nodes in the UK.

- Equites entered into an agreement to develop a distribution centre to be let to DHL situated in Reading, England. The agreement consisted of the acquisition of 7.96 acres of vacant land for GBP 11.6 million and a development funding agreement in terms of which Equites will fund the development of a 9 325m² 'last-mile' distribution warehouse to the value of GBP 17.4 million. The expected completion for this warehouse is December 2018.

- Equites entered into an agreement to develop a distribution centre to be let to DSV Solutions Limited situated in Peterborough, UK. The agreement consisted of the acquisition of 13.26 acres of vacant land for GBP 4.9 million and a development funding agreement in terms of which Equites will fund the development of a 27 781m² distribution warehouse to the value of GBP 25.3 million. The expected completion for this warehouse is August 2018.

- Equites completed construction of a 28 527m² state-of-art distribution centre and offices for Rohlig-Grindrod Proprietary Limited (Grindrod). The warehouse was originally to be owned in equal shares by Equites and a subsidiary of Grindrod, but an agreement was reached for Equites to retain the entire property. Equites subsequently disposed of a 50% undivided half-share of the property to the Michel Lanfrachi Foundation ("the Foundation"), which is a broad-based ownership scheme established for the advancing of educational and social ventures. Equites funded this transaction by advancing a loan equal to the purchase price. The rationale for the sale is to allow the Foundation to generate a sustainable source of income which will be applied to charitable causes in line with a clearly defined mandate.

- Equites concluded an agreement with Federal Mogul South Africa Proprietary Limited, a global supplier of quality products to the automotive industry, to develop a 10 147m² warehouse valued at R95 million. The development lease includes an option to extend the warehouse by a further 5 000m² at the option of the tenant. The warehouse and office will serve as the South African headquarters of the global business and estimated completion will be February 2019.

- Equites has strong in-house development expertise and owns a portfolio of strategic land holdings for future developments. The group has acquired additional land holdings of 9.6 ha in Meadowview and 12.1 ha in Lords View, both in Gauteng, with a strong conviction that these will continue to be strong logistics nodes. Following these acquisitions, the group has 49.5 hectares of prime, serviced industrially zoned land available for development between Cape Town and Gauteng. Equites is pursuing several opportunities for distribution centres on these parcels of land which will continue to contribute to a healthy development pipeline. The group has also commenced construction on three speculative units at Equites Park Atlantic Hills, Cape Town, and one at Lords View in Gauteng. As at year end, one of the speculative units in Atlantic Hills has been let to an existing tenant, JF Hillebrand, who currently occupies the adjacent property. The remaining speculative builds are being actively marketed and we have received strong interest from prospective tenants.

Funding

The group targets a conservative loan-to-value (LTV) of between 25% and 35%, which balances financial gearing with a robust balance sheet. To fund its growing development and acquisition pipeline, the company raised R1.015 billion in a heavily oversubscribed accelerated book build in August 2017. Consequently, the LTV at 23.5% was slightly below the target range at year-end.

The company continues to take a prudent approach to interest rate risk, maintaining a policy of hedging at least 80% of its exposure to interest rate fluctuations. At year-end, 100% of the SA and UK interest-bearing debt was hedged at an average effective all-in rate of 9.03% and 2.86% respectively. The current LTV levels also provide an opportunity to exploit lower interest rates in SA.

The group has improved its liquidity risk management by extending the debt maturity profile and augmenting borrowing facilities to complement its growth plan. Current undrawn borrowing facilities at year-end increased to R1.05 billion, which when combined with low gearing, 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

The company aims to continue providing investors with pure exposure to modern logistics properties, an asset class which has proven its resilience and is growing exponentially globally. Equites has positioned itself as a low risk, high growth fund in this top performing sector and has a committed development and acquisition pipeline of R930 million in South Africa and R855 million in the UK demonstrating the commitment to this asset class.

Taverna-Turisan added: "*Equites continues to see strong demand for modern distribution centres in the major logistics nodes in both SA and the UK. This growth is driven by the evolution of the retail supply chain, which places emphasis on modern logistics facilities driving efficiencies in the process and the accelerating impact of e-commerce. Equites has positioned itself as a logistics asset provider of choice in South Africa as it has demonstrated the ability to meet major tenants' requirements to upgrade to modern facilities with high specification levels, which improve the efficiency of their operations.* "

Equites expects to achieve between 10-12% distribution growth per share over the next financial year should stable macro-economic conditions prevail. Taverna-Turisan concluded: "*Our conservative approach and focus on strong property fundamentals should enable Equites to continue delivering sector beating returns, despite low economic growth 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 completed properties with a gross lettable area of 444 175m² and a portfolio value of R8.1 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.