news release

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EQUITES' LOGISTICS REAL ESTATE FOCUS OUTSHINES

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

Cape Town, 9 May 2019 – Equites Property Fund Limited today announced growth of 11.8% in its distribution per share for the year ended 28 February 2019 to 138.43 cents, along with robust growth in the NAV per share of 10.2% to R16.92. CEO, Andrea Taverna-Turisan, said that he was delighted with what has been a year of outperformance for Equites, with significant progress achieved in operational, financial and strategic spheres.

With the exponential growth in e-commerce globally, rapid delivery is becoming critical to the customer experience and sophisticated logistics and supply chains have become the backbone of every retailer's multi-channel strategy. According to the latest investment surveys, global e-commerce trends and the resultant demand for high-quality logistics assets has not gone unnoticed by investors and property portfolio owners alike, many of whom are re-weighting their portfolios toward these types of assets. Equites remains the only property fund listed on the JSE that offers shareholders pure exposure to prime logistics assets, combined with a proven in-house development expertise. Equites' focus on high quality logistics assets, let to A-Grade tenants on long-dated leases in key logistics nodes, has established the group as a market leader in this space in South Africa, with notable exposure to the United Kingdom, one of the most advanced logistics markets in the world.

Highlights for the year

Financial highlights

- Distributable earnings up 37.2%
- Distributions up 11.8%
- NAV per share up 10.2% to R16.92
- LTV reduced to 26.9% at year-end, 94.5% hedged
- UK exposure now 32.7% of portfolio, 10 new acquisitions and developments at 5.4% yield
- Cost of funding reduced from 8.0% to 6.7%
- Robust first-time issuer national scale credit ratings obtained
- Successful issue of R300 million commercial paper under new R2 billion DMTN programme
- R1.5 billion raised in new equity through two over-subscribed accelerated bookbuilds

Operational highlights

- Portfolio value increased by 47.6% to R12.0 billion
- Total GLA of portfolio increased by 45.0% to 643 965m², with a further 105 235m² under development
- Vacancies increased from 2.0% of GLA at FY18 to 3.9% at year-end, due to completion of speculative developments - current vacancy rate reduced to 0.9%
- Weighted average lease expiry increased from 7.9 years to 8.8 years

Strategic highlights

- Entered strategic joint venture with UK-based development company, Newlands Property Developments LLP
- B-BBEE contributor level 4 achieved
- First 4 star "as-built" green rated building completed
- Increased strategic land holdings in Gauteng to meet ongoing development demand

The group has achieved distribution growth of 11.8% for the 2019 financial year, which was largely underpinned by strong like-for-like rental growth, acquisitions and developments in South Africa and the United Kingdom and a reduction in the overall cost of debt.

Equites CEO, Andrea Taverna-Turisan, commented that "*the group's resilient performance reflects the quality of assets in the portfolio. We have also complemented the ability to build a world-class portfolio of logistics properties with optimising our cost of capital through efficient management of both the cost of debt and equity. The current set of results reflect the culmination of our relentless focus on these elements for the past five years.*"

The group's property fundamentals have improved markedly, with the weighted average lease expiry ("WALE") increasing to 8.8 years and the vacancy rate falling to 0.9%, following the successful letting of two properties shortly after year-end. Nine leases came up for renewal during the current year of which six were renewed with the existing tenants and two were let to new tenants. On aggregate, the rentals on the leases with existing tenants were renewed at 10.1% above the exit rentals. Including the two leases that were let to new tenants, the aggregate positive reversion was 7.0%. Some 92.5% of the group's revenue is now received from A-grade tenants, reducing default risk.

Equites remains strongly committed to transformation within the property sector and has, from inception, implemented a variety of initiatives that have culminated in a largely transformed workforce, a fully implemented learnership programme, a successful enterprise and supplier and development programme and significant investments into under resourced areas. As a result of these initiatives and the continuous focus on transformation, Equites has achieved a level 4 contributor rating with certified black ownership of 53% under the amended property sector code as at 28 February 2019.

Portfolio movements

During the period under review, the group's portfolio has evolved due to a range of acquisitions, developments and disposals. These include the following:

– **Acquisitions**

The group acquired three completed prime logistics properties with a capital value of R1.1 billion and a WALE of 8.5 years. These include a 37 834m² distribution centre let to Nestlé South Africa (Pty) Ltd situated in Longmeadow, Gauteng, a 28 383m² distribution centre let to Pick 'n Pay Retailers (Pty) Ltd situated in New Germany, KwaZulu-Natal and a 40 428m² distribution centre let to Simba (Pty) Ltd situated in Germiston, Gauteng.

– **Developments**

The group completed seven developments in the period; five in South Africa and two in the United Kingdom. Amongst others, this included a 16 000m² prime logistics property for Premier FMCG (Pty) Ltd on a 12-year lease, a 28 124m² development in Peterborough, United Kingdom for DSV on a 10-year lease and construction of a9 626m² last-mile fulfilment centre for DHL International (UK) Ltd in Reading, United Kingdom, with a 15-year lease.

Further ongoing developments include a Federal Mogul development in Gauteng, South Africa for a new 11 000m² distribution centre on a 10-year lease, a 12 609m² development for Coloplast in Peterborough, United Kingdom on a 10-year lease, a new 4 025m² warehouse for DPD Group UK Ltd. in Burgess Hill, United Kingdom on a 25-year lease, as well as a development in Swansea, United Kingdom for a 5 453m² warehouse on a 25-year lease, for the same group.

The group commenced a new speculative development in Bellville, Cape Town for a 6 003m² warehouse with an anticipated capital value on completion of R55 million, as well as two new tenant developments; one at Equites Park-Lord's View with a GLA of 23 280m² and the other at Equites Park-Meadowview, with a GLA of 25 000m².

– **Strategic land holdings**

The group has started to see significant interest for new development leases for large-scale warehouses as part of corporates' supply chain optimisation strategies. Due to this demand, the group has acquired a further 66 hectares of land in key logistics nodes, bringing its total holding to 101 hectares of land available at various stages of zoning and infrastructure development. The group is currently pursuing several opportunities for distribution centres on these parcels of land, which will continue to contribute to a healthy development pipeline.

In addition to its own development land and capabilities, the group has also recently joined forces with UK joint venture partner Newlands Property Developments LLP to further unlock strategic land tracts for development in that region.

– **Disposals**

The group disposed of one of its commercial properties situated in Illovo, Gauteng for R60 million.

Balance sheet

The structure of the balance sheet was an area of substantial strategic progress this year. Equites further diversified its sources of borrowing during the period. The group was awarded a first-time issuer national scale rating of A(za) and A1(za) for the long and short term respectively, with a 'Stable' outlook, allowing the launch of a R2 billion DMTN programme and a debut R300 million issue of 12-month, unlisted, senior unsecured commercial paper, at a margin of 115 basis points over 3m JIBAR. The commercial paper and a new, R200m loan entered into with Investec at prime minus 2.1%, represent the group's first unsecured borrowings since its incorporation in 2014.

Equites also successfully raised R1.5 billion in new equity through two over-subscribed accelerated bookbuilds, which contributed to a decrease in LTV to a conservative 26.9%. The duration of the group's total debt facilities increased from 2.8 to 3.6 years. Cost of funding was reduced from 8.0% to 6.7%, mainly through GBP in-country debt funding. Cross currency interest rate swap utilisation was reduced from 50.9% of UK assets to 36.3%. At the same time, the group introduced a progressive income hedging policy for UK earnings which resulted in positive contributions to distributions and current debt exposures were 94.5% hedged with a weighted average maturity of 4.0 years. All these strategic initiatives, together with undrawn facilities of R0.9 billion and unencumbered assets comprising 18.5% of the total portfolio, have positioned the balance sheet for continued growth with ample head room for acquisitions and the strong development pipeline, at a reduced cost of capital.

Prospects

Equites has made significant progress in implementing its vision to be a globally relevant REIT, focused exclusively on high quality logistics assets. The group has established itself as a developer of choice in South Africa for logistics facilities that meet the exacting requirements of large users with sophisticated supply chains. It has also successfully established itself as a recognised player in the sector in the UK.

Equites' track-record of double-digit distribution growth, as well as strong net asset value growth continues to be acknowledged by investors, again awarding it the position of top performing Real Estate Investment Trust over the past three years, with an annualised total return of 26.8% per year.

In looking at the next financial year, the group said that it expects distribution growth of 8%-10%, taking cognisance of currency fluctuations and other commercial risks.

Taverna-Turisan said: "*The disruptive impact of e-commerce is creating profound structural tailwinds and makes this market increasingly desirable. In SA, prolonged tough business conditions has necessitated innovation from South African retailers, with a focus on supply chains and e-commerce in order to maintain margins. Online sales in SA is forecast to reach R62 billion by 2020, a 36% increase from 2018. In the UK, the growth in online sales has been rapid and is approaching 20% of total retail. Well-located, efficient distribution centres will be essential to maintaining and growing market share in this segment. Equites is ideally placed to take advantage of pent-up demand from occupiers in both these regional nodes.*"

Taverna-Turisan concluded: "*Globally, logistics assets finished 2018 with record levels of demand, vacancies at historic lows, significant yield compression and strong rental growth in the sector. All these fundamentals point to a changing structural landscape with e-commerce and supply chain changes redirecting demand for retail space towards prime logistics space. Equites is strongly positioned to benefit from these positive trends."*

Ends

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About Equites Property Fund

Equites Property Fund Limited listed on the Johannesburg Securities Exchange ("JSE") on 18 June 2014 and has established itself as a market leader in the logistics property space, with a vision of becoming a globally relevant Real Estate Investment Trust ("REIT"), with a footprint in South Africa ("SA") and the United Kingdom ("UK"). Whilst retaining a clear focus on high-quality logistics properties, the value of the fund has grown significantly from R1 billion on listing to R12 billion at 28 February 2019.

All the group's assets are in proven logistics nodes near large population centres and major transport links that have predictable patterns of strong rental growth. The group 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.