

ASX Announcement

26.06.18

Investa Office Fund (ASX:IOF)

Portfolio Valuation Update

Investa Listed Funds Management Limited (**ILFML**), the responsible entity of Investa Office Fund (**IOF** or the **Fund**), today announces the independent valuations of IOF's 20 properties as at 31 May 2018. The Independent Directors of ILFML commissioned the independent valuations in response to the proposal from funds managed or advised by Blackstone Singapore Pte. Ltd. or its affiliates to acquire all of the units in IOF by way of trust scheme.

The independent valuations have resulted in an increase of \$316.1 million or 7.9% over 31 May 2018 book value, driven predominantly by the strength of the Sydney and North Sydney leasing and transaction markets, where the Fund has a large exposure of 65%, significant leasing activity within the portfolio and substantial progression of the Barrack Place development at 151 Clarence Street, Sydney. 72% of the uplift was due to positive leasing outcomes and market fundamentals, while 28% of the total uplift was due to capitalisation rate compression.

IOF's net tangible assets (NTA) at 31 December 2017 was \$4.95 per unit and the independent valuations will increase NTA by 53 cents per unit, reflecting a pro-forma NTA of \$5.48¹ per unit.

Highlights:

- **Sydney CBD portfolio \$217.6 million or 11.6% uplift**, driven by 151 Clarence Street and positive market conditions. Excluding 151 Clarence Street, the Sydney CBD portfolio uplift is \$113.9 million or 6.9% versus book value, and capitalisation rate compression contributed to 41% of the uplift across the Sydney CBD portfolio with the remainder due predominantly to market rental growth. The major contributors were:
 - 151 Clarence Street, Sydney - \$103.6 million uplift due to 83% of total net lettable area (NLA) now committed (excluding Heads of Agreement), following the securing of Pfizer and Mills Oakley, the development entering the final stages of construction and positive market conditions.
 - 347 Kent Street, Sydney - \$54.4 million uplift with ANZ renewing their lease over 68% of total office NLA for five years from expiry in January 2019 and positive market conditions.
 - 10-20 Bond Street, Sydney - \$25.7 million uplift due to positive market conditions since the asset was last independently valued in April 2017.
- **North Sydney portfolio \$50.7 million or 7.4% uplift**. Capitalisation rate compression contributed 23% of the uplift, with the remainder due to other factors including higher market rents and reduced incentives. The major contributors were:
 - 111 Pacific Highway, North Sydney - \$24.7 million uplift with the completion of the lobby refurbishment in January 2018 and re-leasing of the expiring Broadspectrum space to Nokia and NBN with minimal downtime and attractive lease terms.
 - 99 Walker Street, North Sydney - \$23.3 million uplift due to positive market conditions since the asset was last independently valued in April 2017.
- **Melbourne portfolio \$30.6 million or 4.9% uplift**, supported by market rental growth, with capitalisation rates unchanged from the last external valuation. 242 Exhibition Street, in particular, increased by \$21.5 million or 7.1%.
- **836 Wellington Street, Perth \$13.1 million or 17.3% uplift**, reflecting the strong interest in the asset since the asset divestment campaign began in Q2 2018.

¹ Pro-forma NTA is calculated by adjusting IOF's NTA as at 31 December 2017 to reflect the impact of the 31 May 2018 independent property valuations.

The weighted average capitalisation rate (WACR) across the portfolio as at 31 May 2018 is 5.48%, compressing by 17 basis points from 5.65% at 31 December 2017. 95% of the uplift occurred in those assets last revalued in April 2017 comprising \$301.8 million of the total uplift.

Penny Ransom, IOF Fund Manager said, "IOF has benefited from continued strong office market fundamentals, particularly in Sydney, North Sydney and Melbourne where effective rental growth and solid investment demand are driving valuation uplifts. Major leasing transactions and the significant progress of the delivery of IOF's development at Barrack Place have further contributed to value enhancement for the Fund."

Further detail on the independent valuation metrics is provided at Appendix 1.

Ends

About Investa Office Fund

Investa Office Fund (ASX code: IOF) is an externally managed Australian listed real estate investment trust, included in the S&P/ASX 100 index. IOF is governed by the Independent Board of Investa Listed Funds Management Limited as responsible entity, and managed by Investa – one of Australia's largest and most highly regarded office managers. IOF has total assets under management of \$4.3 billion, with 20 investment grade office buildings in core CBD markets across Australia. The Fund receives rental income from more than 400 tenants, including government agencies and blue chip organisations. IOF's strategy is to deliver attractive risk-adjusted returns investing in high quality Australian office buildings, leveraging Investa's fully integrated specialist property sector capabilities to outperform.

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Appendix 1

Key Independent Valuation Metrics

| Investment Property | Prior Independent Valuation | May 18 Independent Valuation (\$m) | Net Change in Fair Value ² (\$m) | Net Change in Fair Value ² | Prior Independent Cap Rate | May 18 Independent Cap Rate | Prior Independent Discount Rate | May 18 Independent Discount Rate |
|--------------------------------|-----------------------------|------------------------------------|---|---------------------------------------|----------------------------|-----------------------------|---------------------------------|----------------------------------|
| 151 Clarence St, Sydney | 30 Apr 17 | 335.0 | 103.6 | 44.8% | 5.25% ³ | 4.875% ³ | 7.25% ³ | 6.75% ³ |
| 347 Kent St, Sydney | 30 Apr 17 | 350.0 | 54.4 | 18.4% | 5.625% | 5.125% | 7.00% | 6.75% |
| 388 George St, Sydney | 30 Apr 17 | 244.0 | 11.9 | 5.1% | 5.375% | 5.125% | 7.00% | 6.875% |
| 126 Phillip St, Sydney | 30 Apr 17 | 258.5 | 5.1 | 2.0% | 4.75% | 4.75% | 6.50% | 6.375% |
| 10-20 Bond St, Sydney | 30 Apr 17 | 310.0 | 25.7 | 9.0% | 5.27% | 5.00% | 6.77% | 6.50% |
| 6 O'Connell St, Sydney | 31 Dec 17 | 275.0 | 10.8 | 4.1% | 5.125% | 5.00% | 6.75% | 6.50% |
| Piccadilly Complex, Syd | 31 Dec 17 | 323.0 | 6.1 | 1.9% | 5.56% | 5.46% | 6.69% | 6.68% |
| 111 Pacific Hwy, North Sydney | 30 Apr 17 | 236.0 | 24.7 | 11.7% | 6.125% | 6.00% | 7.25% | 7.00% |
| 99 Walker St, North Sydney | 30 Apr 17 | 267.0 | 23.3 | 9.6% | 5.75% | 5.625% | 7.00% | 6.75% |
| 105 Miller St, North Sydney | 30 Apr 17 | 233.0 | 2.7 | 1.2% | 6.25% | 5.75% | 7.25% | 7.00% |
| 140 Creek St, Brisbane | 31 Dec 17 | 237.5 | -0.3 | -0.1% | 6.00% | 6.00% | 6.75% | 6.75% |
| 295 Ann St, Brisbane | 31 Dec 17 | 138.6 | -2.3 | -1.6% | 6.25% | 6.25% | 7.25% | 7.25% |
| 232 Adelaide St, Brisbane | 31 Dec 17 | 20.5 | 0.0 | 0.1% | 7.00% | 7.00% | 7.50% | 7.50% |
| 15 Adelaide St, Brisbane | 30 Apr 17 | 60.5 | -0.1 | -0.2% | 7.875% | 7.50% | 8.25% | 8.00% |
| 239 George St, Brisbane | 30 Apr 17 | 136.0 | 2.3 | 1.7% | 7.00% | 6.50% | 7.75% | 7.50% |
| 567 Collins St, Melbourne | 30 Apr 17 | 331.5 | 9.1 | 2.8% | 5.00% | 5.00% | 6.75% | 6.625% |
| 242 Exhibition St, Melbourne | 30 Apr 17 | 326.5 | 21.5 | 7.1% | 5.00% | 5.00% | 6.75% | 6.50% |
| 836 Wellington St, Perth | 30 Apr 17 | 89.0 | 13.1 | 17.3% | 6.50% | 6.25% | 7.50% | 7.00% |
| 66 St. George's Terrace, Perth | 30 Apr 17 | 65.0 | -1.1 | -1.6% | 7.50% | 7.50% | 8.00% | 7.50% |
| 16 Mort St, Canberra | 30 Apr 17 | 104.5 | 5.6 | 5.7% | 5.85% | 5.85% | 7.50% | 7.50% |
| Total | | 4,341.1 | 316.1 | 7.9% | 5.65% | 5.48% | 6.98% | 6.79% |

² Represents the change in book value resulting from the 31 May 2018 independent valuations. The change is relative to IOF's carrying value at 31 May 2018.

³ Barrack Place capitalisation rates and discount rates are on the completion valuation for the development and are excluded from total weighted average.

Independent Valuation Weighted Average Capitalisation Rates (WACR) by Market

| CBD | May 18 Independent Valuation (\$m) | Net Change in Fair Value ⁴ (\$m) | Net Change in Fair Value ⁴ | Prior Independent WACR | May 18 Independent WACR | Variance |
|--------------|------------------------------------|---|---------------------------------------|------------------------|-------------------------|---------------|
| Sydney | 2,095.5 | 217.6 | 11.6% | 5.30% | 5.09% | -0.21% |
| Nth Sydney | 736.0 | 50.7 | 7.4% | 6.03% | 5.78% | -0.25% |
| Melbourne | 658.0 | 30.6 | 4.9% | 5.00% | 5.00% | 0.00% |
| Brisbane | 593.1 | -0.4 | -0.1% | 6.51% | 6.36% | -0.15% |
| Perth | 154.0 | 12.0 | 8.5% | 6.96% | 6.77% | -0.19% |
| Canberra | 104.5 | 5.6 | 5.7% | 5.85% | 5.85% | 0.00% |
| Total | 4,341.1 | 316.1 | 7.9% | 5.65% | 5.48% | -0.17% |

⁴ Represents the change in book value resulting from the 31 May 2018 independent valuations. The change is relative to IOF's carrying value at 31 May 2018.

Independent WACR by Valuation Date

| | Number of Properties | Value Change (\$m) | Value Change | Prior Independent WACR | May 18 Independent WACR | Variance |
|--|----------------------|--------------------|--------------|------------------------|-------------------------|---------------|
| Properties last independently valued 30 April 2017 | 15 | 301.8 | 9.9% | 5.64% | 5.43% | -0.21% |
| Properties last independently valued 31 Dec 2017 | 5 | 14.3 | 1.5% | 5.68% | 5.60% | -0.08% |
| Total | 20 | 316.1 | 7.9% | 5.65% | 5.48% | -0.17% |

Note: IOF has only adopted independent valuations over the abovementioned periods and has not adopted internal valuations as the carrying value. The change is relative to IOF's carrying value at 31 May 2018.