

8.05.17

Investa Office Fund (ASX:IOF) Portfolio Valuation Update

Further to IOF's ASX announcement on 7 April 2017, the Independent Directors of Investa Listed Funds Management Limited (ILFML), the responsible entity of IOF, have commissioned independent property valuations for all of IOF's 20 properties as at 30 April 2017.

The independent valuations have resulted in an increase of \$182.9 million or 5.0% over book value, driven mainly by uplifts on properties with near term enhancement potential, the continued strength of the Sydney office leasing market and further capitalisation rate compression supported by market evidence.

IOF's net tangible assets (NTA) at 31 December 2016 was \$4.49. The independent valuations will increase NTA by 30 cents per unit, reflecting a pro-forma NTA of \$4.79¹.

Highlights:

- **A \$35.3 million or 7.3% uplift in aggregate for 388 George Street and 347 Kent Street in Sydney** reflecting both properties' enhancement potential and positive movement in the Sydney leasing and capital markets. The independent valuations resulted in a compression in the weighted average capitalisation rate (WACR) across both properties of 55 basis points, with both properties last independently valued in November 2015. The independent valuations incorporate the impact of the upcoming lease expiries in financial year 2019 and significant capital allowances and downtime provisions to refurbish and lease the properties;
- **A \$91.8 million or 5.1% uplift on the remainder of the Sydney/North Sydney portfolio** largely resulting from capitalisation rate compression as well as continued positive movement in market rents and incentives. The increase includes an \$11.1 million uplift on 151 Clarence Street, driven predominantly by a 12.5 basis point improvement in the capitalisation rate, with other key inputs remaining consistent with the previous independent valuation;
- **A \$33.2 million or 6.3% uplift in the Brisbane portfolio** predominantly due to compression in the WACR of 47 basis points supported by recent market evidence;
- **A \$16.6 million or 5.5% uplift for 567 Collins Street, Melbourne** predominantly due to capitalisation rate compression of 25 basis points; and
- **A -\$0.3 million or -0.2% change in the Perth portfolio** with 66 St Georges Terrace decreasing by \$3.1 million due to continued softness in the Perth leasing market. This was partially offset by an increase in 836 Wellington Street resulting from continued demand for properties with long term leases to high quality tenants.

The WACR across the portfolio as at 30 April 2017 is 5.74%, compressing by 27 basis points from 6.01% at 31 December 2016. Excluding the impact of 388 George Street and 347 Kent Street, the WACR across the portfolio compressed by 21 basis points. The WACR movement for the 11 properties independently valued in December 2016 was 14 basis points.

Penny Ransom, IOF Fund Manager said: "IOF's portfolio continues to benefit from its weighting towards the strong performing Sydney market and the opportunity that exists within the portfolio to add value when market fundamentals are positive.

"Recent sales evidence has demonstrated continued tightening of capitalisation rates in Sydney, Brisbane and Melbourne and we anticipate investment demand for high quality properties to continue."

¹ Proforma NTA is calculated by adjusting IOF's NTA as at 31 December 2016 to reflect the impact of the 30 April 2017 independent property valuations.

Further detail on the independent valuation metrics is provided below.

Key Independent Valuation Metrics

Property	Prior Independent Valuation Date	April 17 Independent Valuation (\$m)	Net Change in Fair Value ² (\$m)	Net Change in Fair Value ²	Prior Independent Valuation Cap Rate	April 17 Independent Valuation Cap Rate	Prior Independent Valuation Discount Rate	April 17 Independent Valuation Discount Rate
388 George St, Sydney	30 Nov 15	\$229.5	\$19.2	9.1%	6.00%	5.38%	7.50%	7.00%
10-20 Bond St, Sydney	31 Dec 16	\$284.5	\$17.6	6.6%	5.38%	5.27%	6.88%	6.77%
567 Collins St, Melbourne	30 Jun 16	\$320.0	\$16.6	5.5%	5.25%	5.00%	6.88%	6.75%
140 Creek St, Brisbane	31 Dec 16	\$221.5	\$16.5	8.1%	6.75%	6.38%	7.50%	7.25%
347 Kent St, Sydney	30 Nov 15	\$292.0	\$16.1	5.8%	6.13%	5.63%	7.50%	7.00%
6 O'Connell St, Sydney	31 Dec 16	\$223.0	\$15.3	7.3%	5.75%	5.75%	7.00%	7.00%
Piccadilly Complex, Syd.	31 Dec 16	\$294.8	\$14.3	5.1%	5.84%	5.69%	7.15%	7.00%
111 Pacific Hwy, North Sydney	31 Dec 16	\$208.0	\$11.7	5.9%	6.25%	6.13%	7.50%	7.25%
151 Clarence St, Sydney	31 Dec 16	\$156.5	\$11.1	7.6%	5.38% ³	5.25% ³	7.38% ³	7.25% ³
99 Walker St, North Sydney	31 Dec 16	\$245.0	\$10.3	4.4%	5.88%	5.75%	7.25%	7.00%
295 Ann St, Brisbane	31 Dec 16	\$131.5	\$7.6	6.1%	7.00%	6.63%	7.50%	7.25%
126 Phillip St, Sydney	30 Jun 16	\$248.8	\$7.4	3.1%	4.88%	4.75%	6.75%	6.50%
16 Mort St, Canberra	30 Jun 16	\$101.3	\$6.1	6.4%	6.00%	5.85%	7.50%	7.50%
15 Adelaide St, Brisbane	30 Nov 15	\$59.8	\$4.6	8.4%	8.25%	7.88%	8.75%	8.25%
105 Miller St, North Sydney	30 Nov 15	\$230.0	\$4.3	1.9%	6.75%	6.25%	7.75%	7.25%
239 George St, Brisbane	30 Nov 15	\$131.0	\$2.9	2.2%	7.75%	7.00%	8.25%	7.75%
836 Wellington St, Perth	31 Dec 16	\$75.0	\$2.9	4.0%	6.75%	6.50%	7.75%	7.50%
232 Adelaide St, Brisbane	31 Dec 16	\$18.8	\$1.5	9.0%	7.75%	7.25%	8.00%	7.75%
242 Exhibition St, Melbourne	31 Dec 16	\$275.0	\$0.2	0.1%	5.00%	5.00%	6.75%	6.75%
66 St George's Terrace, Perth	30 Nov 15	\$64.5	-\$3.1	-4.6%	7.75%	7.50%	8.50%	8.00%
Total		\$3,810.4	\$182.9	5.0%	6.01%	5.74%	7.30%	7.05%

². Represents the change in book value resulting from the 30 April 2017 independent valuations.

³. Barrack Place capitalisation rates and discount rates are on the completion valuation for the development.

Independent Valuation Weighted Average Capitalisation Rates (WACR) by Market

CBD	April 17 Independent Valuation (\$m)	Net Change in Fair Value ⁴ (\$m)	Net Change in Fair Value ⁴	Prior Independent Valuation WACR	April 17 Independent Valuation WACR	Variance
Sydney	1,729.0	100.9	6.2%	5.67%	5.41%	-0.26%
North Sydney	683.0	26.2	4.0%	6.29%	6.03%	-0.26%
Melbourne	595.0	16.8	2.9%	5.13%	5.00%	-0.13%
Brisbane	562.5	33.2	6.3%	7.24%	6.77%	-0.47%
Perth	139.5	-0.3	-0.2%	7.23%	6.96%	-0.27%
Canberra	101.3	6.1	6.4%	6.00%	5.85%	-0.15%
Total	3,810.4	182.9	5.0%	6.01%	5.74%	-0.27%

⁴ Represents the change in book value resulting from the 30 April 2017 independent valuations.

Independent WACR by Valuation Date

	Number of Properties	Prior Independent WACR	April 17 Independent WACR	Variance
Properties <u>last</u> independently valued at 30 November 2015	6	6.70%	6.14%	-0.56%
Properties <u>last</u> independently valued at 30 June 2016	3	5.22%	5.04%	-0.18%
Properties <u>last</u> independently valued at 31 December 2016	11	5.92%	5.78%	-0.14%
Total Portfolio	20	6.01%	5.74%	-0.27%

Note: IOF has only adopted independent valuations over the above mentioned periods and has not adopted internal valuations as the carrying value.

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About Investa Office Fund

Investa Office Fund (ASX code: IOF) is an ASX-listed real estate investment trust (A-REIT) and is included in the S&P/ASX100 index. IOF is a leading owner of investment grade office buildings and receives rental income from a tenant register comprised predominately of Government and blue chip tenants. As at 30 April 2017, IOF had total assets under management of AU\$3.8 billion with 20 investments located in CBD markets throughout Australia. IOF's focus is on delivering attractive risk-adjusted returns to its unitholders from a portfolio of high quality assets located in the key CBD office markets of Australia..

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