

16.12.16

## Investa Office Fund (ASX:IOF)

### Strong Valuation Uplift Expected for IOF Portfolio

As foreshadowed in the Chairman's letter of 8 December 2016, Investa Listed Funds Management Limited (ILFML), the responsible entity of Investa Office Fund (IOF), today announced the indicative external valuation uplifts for the portfolio expected as at 31 December 2016.

The draft external valuations show an indicative increase of \$150 million to \$160 million, or 8.0% to 8.6% over book value, driven by the continued strength of the Sydney office leasing market, capitalisation rate compression and value accretive leasing transactions.

In accordance with IOF's valuation policy, external valuations are being completed across 11 of 22 assets in IOF's portfolio, reflecting 51% of the portfolio by value. External valuations of the balance of the portfolio will be considered in due course, in accordance with IOF's valuation policy.

Subject to an audit review and formal ILFML Board confirmations post 31 December 2016, it is expected the external valuations will result in an NTA increase of between 24 cents per unit and 26 cents per unit. This is in addition to the 2 cents per unit increase in NTA expected from the sale of 800 Toorak Road, Melbourne, which will also be recognised in the December 2016 half year.

#### Highlights:

- In Sydney, where nearly 60% of IOF's portfolio is located, assets revalued are expected to increase 10.8% over book value. Barrack Place, IOF's prime office development at 151 Clarence Street, is expected to increase by approximately 35% over book value reflecting the strengthening Sydney office market and strong investment demand for prime Sydney CBD office assets. This expected increase accounts for approximately 23% of the indicative increase in book values of the assets subject to external valuation.
- B grade assets in Sydney also experienced strong uplift and are expected to increase by approximately 13% over book value, off the back of effective market rental growth and tightening capitalisation rates.
- 242 Exhibition Street in Melbourne and 836 Wellington Street in Perth were both revalued following significant de-risking achieved in the past six months. These properties significantly contributed to a total expected weighted average capitalisation rate (WACR) compression of 39 basis points on the 11 assets externally valued. Excluding these two properties, the expected WACR compression of the externally valued assets is 21 basis points.

The WACR across IOF's total portfolio is expected to compress by 19 basis points from 6.20% to 6.01%. Further detail on the key external valuation metrics and the composition of expected capitalisation rate movements is provided in the tables attached.

Penny Ransom, IOF Fund Manager said: "IOF continues to benefit from its high allocation to the Sydney office market and the strong individual performance of its high quality assets.

"IOF's Sydney portfolio is experiencing strong, effective market rental growth driven by improving tenant demand and declining market vacancy in both the A and B grade office markets.

"Capitalisation rates are continuing to tighten in Sydney, Melbourne and Brisbane supported by transactional evidence and we anticipate investment demand for high quality assets to remain strong in these markets."

Further information on the external valuations will be provided to the market as part of IOF's results on Thursday 23 February 2017.

**-ENDS-**

**Key 31 December 2016 External Valuation Metrics**

Property	City	Grade	Cap Rate (Jun 16)	Cap Rate (Dec 16)	Change	Discount Rate (Jun 16)	Discount Rate (Dec 16)	Change
10 - 20 Bond St	Sydney	A & B	5.54%	5.38%	-0.16%	7.04%	6.88%	-0.16%
6 O'Connell St	Sydney	B	6.00%	5.75%	-0.25%	7.25%	7.00%	-0.25%
Piccadilly Complex	Sydney	A & B	5.99%	5.84%	-0.15%	7.40%	7.15%	-0.25%
Barrack Place	Sydney	A	n/a	n/a	n/a	n/a	n/a	n/a
99 Walker St	North Sydney	A	6.00%	5.88%	-0.12%	7.50%	7.25%	-0.25%
111 Pacific Hwy	North Sydney	A	6.50%	6.25%	-0.25%	7.75%	7.50%	-0.25%
140 Creek St	Brisbane	A	7.00%	6.75%	-0.25%	7.75%	7.50%	-0.25%
295 Ann St	Brisbane	B	7.50%	7.00%	-0.50%	7.75%	7.50%	-0.25%
232 Adelaide St	Brisbane	B	8.00%	7.75%	-0.25%	8.00%	8.00%	0.00%
242 Exhibition St	Melbourne	A	6.25%	5.00%	-1.25%	7.50%	6.75%	-0.75%
836 Wellington St	Perth	A	7.50%	6.75%	-0.75%	8.00%	7.75%	-0.25%
<b>Weighted Avg</b>			<b>6.31%</b>	<b>5.92%</b>	<b>-0.39%</b>	<b>7.49%</b>	<b>7.18%</b>	<b>-0.31%</b>

**31 December 2016 External Valuation Capitalisation Rates by Market**

	Cap Rate (Jun 16)	Cap Rate (Dec 16)	Change
Sydney	5.83%	5.66%	-0.17%
North Sydney	6.22%	6.05%	-0.18%
Brisbane	7.23%	6.89%	-0.34%
Melbourne	6.25%	5.00%	-1.25%
Perth	7.50%	6.75%	-0.75%
<b>Weighted Avg</b>	<b>6.31%</b>	<b>5.92%</b>	<b>-0.39%</b>

**31 December 2016 External Valuation Capitalisation Rates in Sydney by Grade**

	Cap Rate (Jun 16)	Cap Rate (Dec 16)	Change
Sydney A grade	5.70%	5.56%	-0.13%
Sydney B grade	6.10%	5.83%	-0.27%
<b>Weighted Avg</b>	<b>5.83%</b>	<b>5.66%</b>	<b>-0.17%</b>

**Note:** All of the above 31 December 2016 metrics are subject to completion of the external valuations post 31 December 2016 and may be subject to change.

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## Disclaimer – Forward Looking Statements

In light of the acceleration of the property valuation process, and given that the audit and formal ILFML board confirmations have not completed, ILFML notes the following.

This announcement has been prepared by Investa Listed Funds Management Limited (ACN 149 175 655 and AFSL 401414) (the **IOF RE**) as responsible entity for the Investa Office Fund (ASX: IOF) (**IOF**), which comprises the Prime Credit Property Trust (ARSN 089 849 196) and the Armstrong Jones Office Fund (ARSN 090 242 229). Information contained in this announcement is current as at the date of publication unless otherwise stated.

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Any investment in IOF is subject to investment and other known and unknown risks, some of which are beyond its control. ILFML does not guarantee the performance of the group, any particular rate of return, the repayment of capital or any particular tax treatment.

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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. IOF has total assets under management of AU\$3.6 billion with 22 investments located in core 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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