

SPEAR REIT LIMITED
(previously Arrow 2 Investments Proprietary Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2015/407237/06)
(Share Code: SEA, ISIN ZAE000228995)
("Spear" or "the Company")

ACQUISITION OF ADDITIONAL EDWARD STREET PROPERTY IN TYGERVALLEY

1. INTRODUCTION

Shareholders are hereby advised that the Company, through its wholly-owned subsidiary Spear Holdco Proprietary Limited ("**Purchaser**"), has entered into a sale of letting enterprise agreement with Ingenuity Property Investments Limited ("**Seller**") dated 25 November 2016 ("**the Agreement**"). In terms of the Agreement, the Purchaser will acquire the property situated on Erf 38063 Bellville, City of Cape Town, known as 142 Edward Street, Tygervalley ("**the Property**") and the letting enterprise conducted by the Seller as a going concern ("**Letting Enterprise**") in respect of the Property ("**the Acquisition**").

2. RATIONALE FOR THE ACQUISITION

The Acquisition is in line with Spear's strategy to increase its investments in Edward Street and the surrounding Tygervalley node and is at a yield that is accretive to shareholders. The Property is in very close proximity to Spear's existing properties on Edward Street and will allow Spear to enhance value to the Property given Spear's acute understanding of tenant demands in the area.

3. PURCHASE CONSIDERATION

- 3.1. In terms of the Agreement, the purchase price for the Letting Enterprise is R41 200 000 (inclusive of VAT at a rate of 0% (zero percent)) ("**Purchase Consideration**").
- 3.2. The Purchase Consideration will be paid by the Purchaser on the date of transfer of the Property into the name of the Purchaser, following the fulfilment or waiver of the conditions precedent ("**Transfer Date**").
- 3.3. The Purchaser will furnish the Seller with an irrevocable and unconditional bank guarantee for payment of the Purchase Consideration on or before 20 January 2017.
- 3.4. The Purchase Consideration will be funded by debt and/or equity raised through a vendor consideration placing.

4. CONDITIONS PRECEDENT

- 4.1. The Acquisition is subject to the fulfilment or waiver by no later than 21 December 2016 of the following conditions precedent:

- 4.1.1. the Purchaser being satisfied with the results of the due diligence investigation in respect of the Letting Enterprise (which includes the Property) and delivering written notice to the Seller of its satisfaction; and
- 4.1.2. the investment committee of the Purchaser approving the Acquisition and delivering written notice to that effect to the Seller.
- 4.2. The conditions precedent set out above are expressed solely for the benefit of the Purchaser, who shall be entitled to waive or relax fulfilment thereof upon written notice to the Seller.

5. EFFECTIVE DATE

The Acquisition will become effective on the Transfer Date, which is intended to be as close to 31 January 2017 as possible.

6. WARRANTIES AND OTHER TERMS

- 6.1. The Agreement contains representations and warranties by the Seller in favour of the Purchaser which are standard for a transaction of this nature.
- 6.2. Subject to such warranties, the Letting Enterprise is sold "voetstoots", including the Property which is sold as it stands at the date of signature of the Agreement and the Transfer Date.
- 6.3. In terms of the Agreement, the Seller has indemnified the Purchaser against all liabilities, actual or contingent, of howsoever cause arising in respect of the Letting Enterprise and the Property, accrued or for which the cause of action arose prior to the Transfer Date.

7. THE PROPERTY

7.1. Details of the Property are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m²)	Weighted Average Gross Rental/m² (R)
142 Edward Street, Tygervalley	Bellville, City of Cape Town	Commercial	2 609m ²	R 123/m ²

7.2. Details regarding the Property, as at the anticipated Transfer Date, are set out below:

Purchase Yield	Average Escalation Rate	Weighted Average Lease Duration (years)	Vacancy % by Gross Lettable Area
9,7%	7,8%	2 years	16%

Notes:

Notes:

- a) The costs associated with the Acquisition are estimated at R100 000.
- b) The Purchase Consideration payable in respect of the Letting Enterprise (which includes the Property) is considered to be its fair market value, as determined by the directors of the Company. The directors of the Company are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000.
- c) A rental guarantee to the value of R500 000 is in place relating to the vacancies (uncontracted revenue), which is payable by the Seller to the Purchaser on registration of the transfer of the Property.

8. FORECAST FINANCIAL INFORMATION OF THE ACQUISITION

The forecast financial information relating to the Acquisition for the financial periods ending 28 February 2017 and 28 February 2019 are set out below. The forecast financial information has not been reviewed or reported on by a reporting accountant in terms of section 8 of the JSE Listings Requirements and is the responsibility of Spear's directors.

	Forecast for the 1-month period ending 28 February 2017 (R)	Forecast for the 12-month period ending 28 February 2018 (R)
Revenue	430 315	5 302 698
Straight-line rental accrual	(8 724)	(227 624)
Gross revenue	421 591	5 075 073
Property expenses	(103 250)	(1 267 910)
Net property income	318 341	3 807 163
Finance cost	(317 583)	(3 811 000)

Profit before taxation	758	(3 837)
Taxation	0	0
Net profit after taxation	758	(3 837)
Adjustment: Straight-line rental	8 724	227 624
Distributable profit	9 482	223 788

Notes:

- a) Revenue includes gross rentals and other recoveries, but excludes any adjustment applicable to the straight-lining of leases.
- b) Property expenses include all utility and council charges applicable to the Property.
- c) The forecast information for the 1-month period ended 28 February 2017 has been calculated from the anticipated Transfer Date, being on or about 31 January 2017.
- d) Non-rental revenue constitutes 14% of the revenue for the 1-month period ended 28 February 2017 and 14% of the revenue for the 12-month period ended 28 February 2018.
- e) Uncontracted revenue constitutes 12% of the revenue for the 1-month period ended 28 February 2017 and 12% of the revenue for the 12-month period ended 28 February 2018. A rental guarantee to the value of R500 000 is in place relating to the vacancies (uncontracted revenue), which is payable by the Seller to the Purchaser on registration of the transfer of the Property.
- f) Near-contracted revenue constitutes 0% of the revenue for the 1-month period ended 28 February 2017 and 0% of the revenue for the 12-month period ended 28 February 2018.
- g) Leases expiring during the forecast period have been assumed to renew at the future value of current market related rates.
- h) This forecast has been prepared on the assumption that 100% of the Purchase Consideration is funded initially through debt facilities available to the Company. The Company may elect to partially or fully fund the Acquisition through the issue of new equity in terms of a vendor consideration placing.

9. CATEGORISATION

The Acquisition constitutes a Category 2 transaction in terms of the JSE Listings Requirements.

Cape Town
29 November 2016

PSG Capital Proprietary Limited: Transaction Adviser and Sponsor