

## **SPEAR REIT LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 2015/407237/06)

Share Code: SEA

ISIN: ZAE000228995

Approved as a REIT by the JSE

("Spear" or the "Company")



**SPEAR**  
REIT LIMITED

## **ACQUISITION OF NO. 2 ESTUARIES RENTAL ENTERPRISE**

### **1. INTRODUCTION**

Shareholders are hereby advised that the Company concluded a sale of rental enterprise agreement (the "**Agreement**") with Gutsche Investments and Management Company Proprietary Limited (the "**Seller**"), on 4 May 2018. In terms of the Agreement, the Company will acquire the property known as Erf 6498 Montague Gardens, measuring 3,838 square metres in extent, held by the Seller under deed of transfer T34980/2006, situated at The Estuaries, 2 Oxbow Crescent, Century City (the "**Property**") and the rental enterprise conducted by the Seller on the Property ("**Rental Enterprise**"), as a going concern (the "**Acquisition**").

### **2. RATIONALE FOR THE ACQUISITION**

The Acquisition is in line with Spear's strategy to invest into high quality assets within the Western Cape and to furthermore increase its commercial assets in Cape Town. This acquisition is Spear's maiden investment into the Century City Commercial Precinct and further investment into this well-established node will be pursued as and when suitable opportunities present themselves.

### **3. PURCHASE CONSIDERATION AND ADJUSTMENT AMOUNT**

- 3.1. In terms of the Agreement, the purchase price payable for the Rental Enterprise, including the Property, is R98 000 000 (including VAT at the rate of 0%) ("**Purchase Consideration**").
- 3.2. The Purchase Consideration will be paid by the Company in cash on the date of registration of transfer of the Property into the name of the Company, following the fulfilment or waiver (to the extent applicable) of the conditions precedent to the Acquisition ("**Transfer Date**").
- 3.3. Within 14 days of the fulfilment or, where applicable, waiver of the conditions precedent to the Acquisition, the Company shall furnish the Seller with a bank guarantee required and approved by the Seller.
- 3.4. As soon as possible after the Transfer Date (but within 20 days thereafter), the Seller shall, at its cost, prepare an adjustment account in respect of the Rental Enterprise as at the close of business on the day prior to the Transfer Date, reflecting:
  - 3.4.1. as credits to the Seller, any amounts prepaid by the Seller beyond the Transfer Date, in respect of the Rental Enterprise; and
  - 3.4.2. as debits to the Seller, (i) any amounts in respect of rates, taxes or service charges which are in arrears as at the Transfer Date, all tenants' deposits and all rentals or other income prepaid for periods after the Transfer Date.

3.5. If the adjustment account reflects a net balance to the credit of the Seller, the Company shall pay the Seller the amount of such net balance within 14 days of the delivery of the adjustment account and if the adjustment account reflects a net balance to the debit of the Seller, the Seller shall pay the Company the amount of such net balance within such 14 days.

#### 4. CONDITIONS PRECEDENT

4.1. The Acquisition is subject to the fulfilment or, where applicable, waiver of the following outstanding conditions precedent, namely that:

4.1.1. by no later than 10 May 2018, the investment committee of the board of directors of the Company, approves the Acquisition on the terms and conditions set out in the Agreement; and

4.1.2. within 14 days after the fulfilment of the condition precedent in paragraph 4.1.1, the Company obtains a loan from a bank or other financial institution in an amount not exceeding the Purchase Consideration, against security of a first mortgage bond over the Property.

4.2. The conditions precedent have been inserted for the benefit of the Company which will be entitled to waive fulfilment of any such condition precedent.

#### 5. EFFECTIVE DATE

The Acquisition will become effective on the Transfer Date, which is anticipated as being 1 July 2018.

#### 6. WARRANTIES AND OTHER MATERIAL TERMS

6.1. The Agreement contains representations, warranties and indemnities by the Seller in favour of the Company which are standard for a transaction of this nature.

6.2. Subject to such warranties, the Rental Enterprise is sold "voetstoots".

6.3. The Seller shall pay the sum of R37 500 (plus VAT) per month to the Company for a period of 12 months, commencing on the first day of the month immediately following the month in which the Transfer Date occurs, as additional rental payable by the tenant under the current lease agreement in respect of the Property.

#### 7. THE PROPERTY

7.1. Details of the Property are as follows:

<b>Property Name and Address</b>	<b>Geographical Location</b>	<b>Sector</b>	<b>Gross Lettable Area (m<sup>2</sup>)</b>	<b>Weighted Average Gross Office Rental/m<sup>2</sup></b>
The Estuaries, 2 Oxbow Crescent, Century City	Century City, City of Cape Town	Commercial	4 199	165

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

<b>Purchase Yield Attributable to Shareholders</b>	<b>Weighted Average Escalation</b>	<b>Weighted Average Lease Duration (years)</b>	<b>Vacancy % by Gross Lettable Area</b>
9,22	8%	4,3	0

Notes:

- a) In addition to the Purchase Consideration, the costs associated with the Acquisition are estimated at R 2 000 000. No agents' commission is payable in respect of the Acquisition.
- b) The Purchase Consideration payable in respect of the Rental Enterprise (which includes the Property) is considered to be its fair market value, as determined by the directors of Spear. The directors of Spear 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.

## 8. FORECAST FINANCIAL INFORMATION OF THE ACQUISITION

The forecast financial information relating to the Acquisition for the financial periods ending 28 February 2019 and 28 February 2020 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.

	<b>Forecast for the 8-month period ending 28 February 2019 (R)</b>	<b>Forecast for the 12-month period ending 28 February 2020 (R)</b>
Revenue	7 280 206	11 652 860
Straight-line rental accrual	214 389	(155 169)
Gross revenue	7 494 595	11 497 691
Property expenses	(1 312 335)	(2 065 110)
Net property income	6 182 260	9 432 581
Administrative expenses	(36 401)	(58 264)
Operating profit	6 145 859	9 374 317
Finance cost	(5 795 986)	(8 821 285)
Profit before taxation	349 873	533 0312
Taxation	-	-
Net profit after taxation	349 873	553 032
Adjusted For:		
Straight-line rental accrual	(214 389)	155 169
Distributable profit	135 484	708 201

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 8-month period ended 28 February 2019 has been calculated from the anticipated Transfer Date, being on or about 1 July 2018.
- d) Contractual rental revenue constitutes 100% of the revenue for the 8-month period ended 28 February 2019 and 100% of the revenue for the 12-month period ended 28 February 2020.
- e) Uncontracted revenue constitutes 0% of the revenue for the 8-month period ended 28 February 2019 and 0% of the revenue for the 12-month period ended 28 February 2020.
- f) Near-contracted revenue constitutes 0% of the revenue for the 8-month period ended 28 February 2019 and % of the revenue for the 12-month period ended 28 February 2020.

9. CATEGORISATION

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

Cape Town  
8 May 2018

Sponsor and corporate advisor  
PSG Capital

