

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 PORTIONS OF THE NORTHGATE SECTIONAL TITLE SCHEME

1. INTRODUCTION

Shareholders are advised that on 21 November 2018, the Company entered into an agreement ("**Agreement**") with Tremtrust 1 ("**Seller**"), in terms of which the Company will acquire 30% of block 1 and 100% of blocks 2, 3 and 4 of the property known as Northgate Island, erf 168886 Cape Town, situated at Brooklyn in the City of Cape Town, Administrative District of the Cape Province of the Western Cape, measuring 2,857 hectares and the letting enterprise conducted by the Seller on the property (together, the "**Property**"), as a going concern, for a purchase consideration of R313 000 000 ("**Purchase Consideration**") ("**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.

3. PURCHASE CONSIDERATION

The Purchase Consideration shall be payable by the Company against registration of transfer of the ownership of the Property into the name of the Company. The Company may, at any time prior to or after the Transfer Date (as defined below) undertake an equity capital raise in the form of a vendor consideration placing, issue of shares for cash, a rights offer to its shareholders and/or any other share issue or placing in order to fund or refinance the Purchase Consideration.

If registration of transfer of the ownership of the Property into the name of the Company ("**Transfer**") occurs after 31 March 2019, the Purchase Consideration will increase by an amount determined by applying to the Purchase Consideration the percentage rate obtained by multiplying the prime rate calculated and expressed as an effective daily rate, by the number of days elapsed between 1 April 2019 and the Transfer Date (as defined below), excluding the first day and including the last day of that period.

4. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment of the condition precedent ("**Condition Precedent**") that before the 28 February 2019, the Acquisition is unconditionally approved by the Competition Authority or is approved on terms and conditions reasonably acceptable to the parties.

The Condition Precedent must be fulfilled by not later than the aforementioned date, which date may be extended by the parties in writing.

5. EFFECTIVE DATE OF THE ACQUISITION

The effective date of the Acquisition will be the date of registration of Transfer, which is anticipated as being 28 February 2019 or as soon as reasonably and practically possible thereafter (“**Transfer Date**”).

If the Transfer Date does not occur before 30 June 2019, either the Seller or the Company will have the right, exercisable during the period from 30 June 2019 to 31 July 2019 (“**Cancellation Period**”) to cancel the Agreement on 5 days written notice to the other. Upon such cancellation, neither party shall have a claim against the other for any damages or losses suffered as a result of such cancellation and both parties shall be restored to the same position as they were prior to the Agreement becoming final and binding. If neither the Seller nor the Company exercise its right to cancel the Agreement during the Cancellation Period, the Agreement shall continue to be binding on both parties, who shall use their reasonable commercial endeavours to procure that Transfer is occurs as soon as possible.

6. WARRANTIES

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

Subject to such warranties, the Property is sold “*voetstoots*”.

7. OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Seller provides a rental guarantee to the Company for 18 months from the Transfer Date for the existing vacancies in the amount of R128 312.30 per month (“**Rental Guarantee**”).

As security for the Rental Guarantee, the Seller shall, no later than the Transfer Date, cause a financial institution to issue a bank guarantee in favour of the Company for the sum of R3 000 000 in a form and on terms and conditions reasonably acceptable to the Company.

8. THE PROPERTY

Details of the Property are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m2)	Weighted Average Office Rental / m2
Northgate Island, 20 Section Street, Paarden Eiland	Northgate Estate, Cape Town	Commercial	17 002	R148

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

Purchase Yield Attributable to Shareholders	Weighted Average Escalation	Weighted Average Lease Duration (years)	Vacancy % by Gross Lettable Area
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9.45%	8.6%	3	5.4%
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Notes:

- a) In addition to the Purchase Consideration, the costs associated with the Acquisition are estimated at R3 000 000. No agents' commission is payable in respect of the Acquisition.
- b) The Purchase Consideration payable in respect of 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.

9. FORECAST FINANCIAL INFORMATION OF THE ACQUISITION

The forecast financial information relating to the Acquisition for the financial periods ending February 2020 and February 2021 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 Limited Listings Requirements and is the responsibility of the Company's directors.

	Forecast for the 12-month period ending 29- Feb-2020 (R)	Forecast for the 12-month period ending 28-Feb-2021 (R)
Revenue	36 080 974	39 067 971
Straight-line rental accrual	2 656 618	543 069
Gross revenue	38 737 592	39 611 040
Property expenses	- 6 055 529	- 6 477 016
Net property income	32 682 063	33 134 024
Administrative expenses	- 451 012	- 488 350
Operating profit	32 231 051	32 645 674
Finance cost	- 28 057 813	- 28 057 813
Profit before taxation	4 173 238	4 587 861
Taxation	-	-
Net profit after taxation	4 173 238	4 587 861
Adjusted For:		
Straight-line rental accrual	- 2 656 618	- 543 069
Distributable profit	1 516 620	4 044 792

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 12-month period ended February 2020 has been calculated from the anticipated Transfer Date, being on or about 01 March 2019
- d) Contractual rental revenue constitutes 92% of the revenue for the 12-month period ended February 2020 and 87% of the revenue for the 12-month period ended February 2021.

- e) Uncontracted rental revenue constitutes 5% of the revenue for the 12-month period ended February 2020 and 5% of the revenue for the 12-month period ended February 2021. Please note that the uncontracted revenue is the amount guaranteed by the Rental Guarantee. The Rental Guarantee ends at the end of August 2020 and renewed rental of 2-year leases have been assumed on each vacant space.
- f) Near-Contracted rental revenue constitutes 3% of the revenue for the 12-month period ended February 2020 and 8% of the revenue for the 12-month period ended February 2021.

10. CLASSIFICATION OF THE ACQUISITION

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

21 November 2018

Sponsor and Corporate Advisor



Legal Advisor

