

## **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

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## **ACQUISITION OF THE LIBERTY LIFE BUILDING, CENTURY CITY, CAPE TOWN**

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### **1. INTRODUCTION**

Shareholders are advised that on the 31 October 2019, the Company entered into a sale of letting enterprise agreement ("**Agreement**") with Liberty Group Limited and 2 Degrees Properties Proprietary Limited (together, the "**Sellers**"), in terms of which the Company will acquire the property known as The Liberty Life Building, Century City Boulevard, situated at Erf 6281 Montague Gardens, City of Cape Town, Cape Division, Western Cape Province and held by the Sellers under Title Deeds T86167/2005, T9011/2019 and T9012/2019, with all improvements thereon ("**Property**"), and the rental enterprise conducted by the Sellers on the Property ("**Rental Enterprise**"), as a going concern ("**Acquisition**"), for a purchase consideration of R370 000 000 ("**Purchase Consideration**").

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

The Acquisition is in line with Spear's stated strategy to own high quality assets within well-established nodes in Cape Town. Century City stands out positively amongst many other factors as a sought-after commercial office precinct attracting high quality corporate office users within the highly successful mixed use environment. The Liberty Life Building is a AAA grade, green star rated office building with premium grade tenancies in occupation for the long term.

Spear will continue to invest into high quality nodes within the Western Cape that offer value and that will be accretive to the fund on a sustainable basis.

### **3. PURCHASE CONSIDERATION AND VALUE-ADDED TAX**

The Purchase Consideration is an amount of R370 000 000 and is inclusive of value-added tax at a rate of 0%.

If registration of transfer of ownership in the Property into the name of the Company ("**Transfer**") does not occur within 90 calendar days of the date on which the Conditions Precedent (as defined in paragraph 4 below) are fulfilled or, where permissible, waived ("**Escalation Date**"), due to delays outside of the Company's or its financiers control, then the Purchase Consideration will escalate at a rate of 0.5% per month calculated from the Escalation Date up to and including the date of Transfer ("**Additional Amount**"), provided that the Additional Amount shall not exceed R175 000 000.

The Purchase Consideration will be secured by a bank guarantee and will be paid to the Sellers or their nominee in cash on the date of Transfer.

In terms of the Agreement, the Company may, at any time up to 10 business days after the date on which the Conditions Precedent (as defined in paragraph 4 below) are fulfilled or, where permissible, waived, undertake an equity capital raise in order to raise or refinance an amount of up to 100% of the Purchase Consideration.

#### 4. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment (or, where permissible, waiver) of the following conditions precedent ("**Conditions Precedent**"):

- the parties to the Agreement ("**Parties**") obtaining, within 90 business days of the date of signature of the Agreement ("**Signature Date**"), the written and unconditional approval for the Acquisition from the relevant competition authorities in accordance with the Competition Act, No. 89 of 1998; and
- the Sellers ensuring that, within 10 calendar days of the Signature Date, or such longer period as the Parties may mutually agree to in writing, an addendum to the Liberty Group A and B leases (attached as an annexure to the Agreement), is signed by the relevant parties and a copy thereof is transmitted to the Company.

The Conditions Precedent must be fulfilled by not later than the aforementioned dates, which dates may be extended by written agreement amongst the Parties.

#### 5. EFFECTIVE DATE OF THE ACQUISITION

The effective date of the Acquisition will be the date of Transfer, which date shall be as soon as practically possible after the date on which the Conditions Precedent are fulfilled or, where permissible, waived and which date is anticipated as being 1 January 2020.

#### 6. WARRANTIES, INDEMNITIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

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

Subject to such warranties, the Rental Enterprise and the Property are sold "*voetstoots*".

#### 7. THE PROPERTY

Details of the Property are as follows:

<b>Property Name and Address</b>	<b>Geographical Location</b>	<b>Sector</b>	<b>Gross Lettable Area (m2)</b>	<b>Weighted Average Gross Rental / m2</b>
The Liberty Life Building, Century City Boulevard, situated at Erf 6281 Montague Gardens, City of Cape Town, Cape Division,	Century City, Cape Town	Commercial	18 244	R171

Western Cape Province				
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Details regarding the Property, as at the anticipated date of Transfer, are set out below:

<b>Purchase Yield Attributable to Shareholders</b>	<b>Yield to</b>	<b>Weighted Average Escalation</b>	<b>Weighted Average Lease Duration (years)</b>	<b>Vacancy % by Gross Lettable Area</b>
9.31 %		7%	4.3	0%

Notes:

- The Liberty Group lease will be extended in order to run for a full 5-year period from Transfer, with a further renewal option to be negotiated between the parties at the time.
- In addition to the Purchase Consideration, the costs associated with the Acquisition are estimated at R5 500 000. No agents' commission is payable in respect of the Acquisition.
- 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 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.

## 8. FORECAST FINANCIAL INFORMATION OF THE ACQUISITION

The forecast financial information relating to the Acquisition for the 2-month period ending 29 February 2020 and the 12-month period ending 28 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.

	<b>Forecast for the 2-month period ending 29-Feb-20 (R)</b>	<b>Forecast for the 12-month period ending 28-Feb-21 (R)</b>
Revenue	8 543 710	52 288 020
Straight-line rental accrual	944 040	5 050 636
Gross revenue	9 487 750	57 338 656
Property expenses	(2 613 433)	(16 761 306)
Net property income	6 874 317	40 577 350
Administrative expenses	(128 156)	(784 320)
Operating profit	6 746 161	39 793 030
Finance cost	(5 278 281)	(31 669 688)
Profit before taxation	1 467 880	8 123 342
Taxation	-	-
Net profit after taxation	1 467 880	8 123 342
Adjusted For:		
Straight-line rental accrual	(944 040)	(5 050 636)

Distributable profit	523 840	3 072 706
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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 2-month period ended 29 February 2020 has been calculated from the anticipated date of Transfer, being on or about 1 January 2020.
- d) Contractual rental revenue constitutes 100% of the revenue for the 2-month period ended 29 February 2020 and 94% of the revenue for the 12-month period ended 28 February 2021.
- e) Near-contracted revenue constitutes 0% of the revenue for the 2-month period ended 29 February 2020 and 6% of the revenue for the 12-month period ended 28 February 2021.
- f) There is no uncontracted revenue.

## 9. CLASSIFICATION OF THE ACQUISITION

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

Cape Town  
1 November 2019

Corporate Adviser and Sponsor  
PSG Capital



Legal Advisor  
STBB



Funder  
Standard Bank

