

**SPEAR REIT LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 2015/407237/06)

Share Code: SEA

ISIN: ZAE000228995

LEI: 378900F76170CCB33C50

Approved as a REIT by the JSE

("Spear" or "the Company")



**SPEAR**  
REIT LIMITED

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**SPEAR OVERVIEW - COVID-19**

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**Introduction**

Spear supports the decisive action taken by government in curbing the impact of COVID-19 on all South Africans. Of primary importance is the health and safety of our staff and their families, our tenants and service providers. Given Spear's Western Cape only regional investment strategy, management are able to play a focussed and very active role in property, asset and finance management during this time.

Spear has been monitoring the COVID-19 reports closely and assessing the impact that the Coronavirus will have on our business operations and staff, as well as on our properties and our tenants.

The position we all find ourselves in is unique and we will continually re-assess and update our response to the situational changes as they arise.

**Spear portfolio and cash flow**

The Spear portfolio is a high quality, well diversified real estate portfolio within the Western Cape. Spear's 436 436m<sup>2</sup> portfolio comprises of 454 tenants, of which, 60% (by gross lettable area) is occupied by large national, large listed companies and government. In excess of 56% of Spear's gross lettable area (GLA) is industrial, with a large percentage being single tenanted.

The portfolio is underpinned by the following factors:

- Western Cape only asset base, allowing for immediate and hands on action where required;
- high quality and diverse tenant base with strong covenants;
- strong balance sheet with an LTV below 40%;
- sufficient liquidity and healthy cashflows with an interest cover ratio of 2.59 times which meets all financial obligations;
- a 97% occupancy rate as at the date of this announcement; and
- substantial bad debt provisions, well in excess of actuals.

Management also advises that, as at the date of this announcement, the April 2020 rental collection has exceeded 60% of revenue billed for the month. The Company remains well capitalised, cash generative and has sufficient access to facilities to withstand disruptions caused during this period.

### **Distribution growth forecast**

Management wishes to confirm that its distribution growth forecast for the 2020 financial year remains unchanged and that the 2020 financial year results will be announced 14 May 2020.

### **Hotel Update – Double Tree by Hilton and 15 on Orange, Autograph Collection, Cape Town**

Management wishes to advise that its hotel specific revenue is 7.50% of group revenue (excludes non-hotel fixed rental agreements on commercial & retail premises located inside the hotel properties), in the previous financial year. Both hotels remain closed in line with the 21 day lockdown decree issued by Government on the 26<sup>th</sup> of March 2020, which will impact rental revenue going forward. Unlike other asset types, it is anticipated that the hotels may not endure a prolonged lower vacancy rate, given the nature of the hotel business and the notion that people will start to travel and conference again soon after the pandemic is under control.

#### **Double Tree by Hilton, Cape Town**

Management is taking a proactive approach in dealing with the hotel challenges brought on by COVID-19. A contingent of staff remain actively marketing both accommodation and conference opportunities for the latter parts of 2020 as the globe emerges from a post COVID-19 lockdown.

#### **15 on Orange, Autograph Collection, Cape Town**

The hotel is under lease agreement with Marriott. Spear has no exposure to any hotel overheads. Rental is calculated on a revenue basis only. Marriott plans a highly proactive reactivation when permitted by Government.

### **Non-Hotel Portfolio**

As part of Spear's historical and current strategy, retail investments have only ever been made into the convenience retail sub-sector. The latter has during the current environment proven to be very defensive. Spear owns two convenience retail centres, both anchored by a Pick n Pay supermarket. The aforementioned is classified as an essential service and continues to trade daily. Numerous other essential services continue to trade within the retail portfolio being all South African banks and Clicks.

The retail portfolio constitutes 16% of revenue for the business. There will be, without a doubt, a period of rental relief provided by Spear for certain retail specific tenants based upon a triage approach. A revenue downturn across the entire retail real estate sector will be unavoidable in the current environment. As a hands on asset management team, we believe the retail portfolio will require our closest attention during and post the COVID-19 pandemic.

The bulk of relief requests have been received by our retail tenants. The Spear portfolio has no exposure to Edcon, TFG and Truworths. We note with much appreciation that Adidas global has reversed their decision to withhold rental payments to landlords and on behalf of the real estate sector and expect all large national retailers to honour rental commitments to their respective landlords.

Spear's industrial portfolio is highly defensive, comprising 30% of revenue for the business, with a high percentage of logistics centric, single blue chip tenanted properties. A low percentage of relief requests has been received from industrial tenants.

Spear's commercial office portfolio comprises 42% of revenue for the business. The bulk of office tenants have activated a work from home strategy and are able to function, be it at constrained capacity. A low percentage of relief requests have been received from office tenants.

Management and all of our colleagues have been working tirelessly through this challenging and uncertain time to maintain, secure and operate our real estate assets and business effectively, often under very difficult circumstances.

### **Conclusion**

Based on the above, management believes that the Spear portfolio has a strong enough base to manage through the COVID-19 challenges.

The Company will continue to keep stakeholders updated and informed as the situation evolves.

Cape Town  
2 April 2020

Sponsor  
PSG Capital

