

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
Approved as a REIT by the JSE
("Spear" or "the Company")

ACQUISITION OF MWPROP RENTAL ENTERPRISE

1. INTRODUCTION

Shareholders are hereby advised that the Company has entered into a sale agreement ("**the Agreement**") with MWProp Proprietary Limited ("**Seller**"), KLT Holdings 1 Proprietary Limited ("**KLT**"), Buffet Investment Services Proprietary Limited ("**Buffet**") and the Trustees for the time being of the Fynbos Trust on 19 September 2017. In terms of the Agreement, Spear will acquire Erf 23427 Parow, measuring 2.2322 hectares, held by deed of transfer T42314/2017 situated at 100 Fairway Close, Parow ("**the Property**") and the rental enterprise conducted by the Seller in respect of 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.

3. PURCHASE CONSIDERATION

- 3.1. In terms of the Agreement, the total acquisition costs (which includes the purchase price and agent's commission payable by Spear) for the Rental Enterprise, including the Property, is R145 000 000 ("**Total Acquisition Cost**").
- 3.2. The Total Acquisition Cost will be settled on the date of transfer of the Property into the name of Spear, following the fulfilment or waiver of the conditions precedent ("**Transfer Date**").
- 3.3. In terms of the Agreement, the purchase price payable to the Seller, in the amount of R142 100 000 ("**Purchase Price**"), will be settled as follows:
 - 3.3.1. by Spear assuming certain liabilities of the Seller owing to KLT, Buffet and Investec Bank Limited, amounting to approximately R116 509 198 ("**Assumed Liabilities**"), with effect from the Transfer Date; and
 - 3.3.2. by way of the allotment and issue by Spear of such number of its ordinary shares to the Seller at an issue price of R10.30 per share, as is equal to the Purchase Consideration less the Assumed Liabilities on the Transfer Date ("**Consideration Shares**").

3.4. In addition, the agent's commission payable in terms of the Agreement ("**Agent's Commission**") will be settled directly by Spear to the agent on the Transfer Date.

4. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment or waiver of the following outstanding conditions precedent that:

- 4.1. within a period of 21 business days following the signature date of the Agreement, Investec Bank Limited ("**Investec**") agrees in writing, on terms acceptable to Spear, to the assumption by Spear of the liability for all of the obligations of the Seller under the loan owing by the Seller to Investec, with effect from the Transfer Date; and
- 4.2. within a period of 120 days after the signature date of the Agreement, the Acquisition and all transactions contemplated in the Agreement are approved by the competition authorities in terms of the Competition Act No 89 of 1998, either conditionally or, in the event of a conditional approval, on terms acceptable to the parties to the Agreement.

5. EFFECTIVE DATE

The Acquisition will become effective on the Transfer Date.

6. WARRANTIES AND OTHER MATERIAL TERMS

- 6.1. The Agreement contains warranties by the Seller in favour of Spear which are standard for a transaction of this nature.
- 6.2. Subject to such warranties, the Rental Enterprise is sold "voetstoots".
- 6.3. The Agreement stipulates that, within 10 days after the Transfer Date, the Seller shall pay to Spear, by way of interim adjustment, an amount equal to 50% of all rentals received in respect of the leases over the Property for the month in which the Transfer Date occurs and all tenant deposits and interest accrued thereon.

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
100 Fairway Close, Parow	Parow, City of Cape Town	Commercial	11 195m ²	R106.74

7.2. 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
9,6%	9.0%	2.5	0.0%

Notes:

- a) The costs associated with the Acquisition are estimated at R3 600 000, including the Agent's Commission.
- 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 2018 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 2018 (R)	Forecast for the 12-month period ending 28 February 2019 (R)
Revenue	1 974 823	24 517 761
Straight-line rental accrual	94 624	124 941
Gross revenue	2 069 447	24 642 702
Property expenses	(780 476)	(9 777 050)
Net property income	1 288 971	14 865 652
Administrative expenses	(39 496)	(490 355)
Operating profit	1 249 475	14 375 297
Finance cost	(895 569)	(10 746 828)
Profit before taxation	353 906	3 628 469
Taxation	0	0

Net profit after taxation	353 906	3 628 469
Adjusted For:		
Straight-line rental accrual	(94 624)	(124 941)
Distributable profit	259 282	3 503 528

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 ending 28 February 2018 has been calculated from the anticipated Transfer Date, being on or about 1 February 2017.
- d) Contractual rental revenue constitutes 100% of the revenue for the 1-month period ending 28 February 2018 and 100% of the revenue for the 12-month period ending 28 February 2019.
- e) Uncontracted revenue constitutes 0% of the revenue for the 1-month period ending 28 February 2018 and 0% of the revenue for the 12-month period ending 28 February 2019.
- f) Near-contracted revenue constitutes 0% of the revenue for the 1-month period ending 28 February 2018 and 0% of the revenue for the 12-month period ending 28 February 2019.
- g) Leases expiring during the forecast period have been assumed to renew at the future value of current market related rates.
- h) No rental guarantee has been provided to Spear in respect of the Rental Enterprise.

9. CATEGORISATION

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

Cape Town
19 September 2016

PSG Capital Proprietary Limited: Transaction Advisor and Sponsor

Cliffe Dekker Hofmeyr: Legal Advisor