

Spear REIT Limited
(previously known as Arrow 2 Investments Proprietary Limited)
Incorporated in the Republic of South Africa
(Registration number: 2015/407237/06)
Share code: SEA
ISIN: ZAE000228995
("Spear" or "the Company")

ACQUISITION OF 2 LONG STREET CAPE TOWN AND CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

- 1.1. Shareholders of the Company are hereby advised that the Company, through its subsidiary, Spear One Proprietary Limited ("Spear One"), entered into an agreement ("Sale of Letting Business Agreement") with Capital Propfund 1 Proprietary Limited ("Seller") to acquire, as a going concern, the letting enterprise operated by the Seller ("Letting Enterprise") on the property on Erf 9363 Cape Town, City of Cape Town, Western Cape, situated at 2 Long Street, Cape Town, Western Cape ("Property") ("Acquisition").
- 1.2. The effective date of the Acquisition shall be the date of registration of transfer of ownership of the Property to Spear ("Effective Date"), which is expected to occur on or about 1 July 2017.
- 1.3. Spear will hold a 70% interest in Spear One on the Effective Date, with the balance being held by acquisition partners.

2. RATIONALE FOR THE ACQUISITION

The Acquisition is in line with Spear's strategy to increase its investments in high quality Western Cape real estate and in this instance the Cape Town central business district. Management is of the opinion that the demand for commercial office accommodation within the Cape Town central business district will continue to grow, given that marginal vacancy reductions in the Cape Town central business district have commenced and are anticipated to continue. The Acquisition is at a yield that is accretive to shareholders.

3. PURCHASE CONSIDERATION

- 3.1. The purchase consideration for the Acquisition is R395 000 000, which includes VAT at the rate of 0% ("Purchase Consideration"), payable on the Effective Date.
- 3.2. The Purchase Consideration shall be settled in cash and shall be funded in the manner stated below -
- 3.3.1 R217 000 000 will be funded by loan funding ("**Loan Funding**"); and
- 3.3.2 the balance of the Purchase Consideration will be settled through a vendor placement.
- 3.3. Spear shall be entitled to raise additional equity to pay down the Loan Funding by way of a vendor placement.
- 3.4. If the registration of transfer of ownership of the Property occurs after 30 June 2017, interest will accrue on the Purchase Consideration (excluding VAT) at a rate of 0.67% per month from 1 July 2017 to the date on which the transfer of ownership of the Property is registered, calculated daily and compounded monthly in arrears.

4. THE PROPERTY

Details of the Property are as follows:

Property Name and Address	Geographical Location	Sector	GLA (m²)	Weighted Average Gross Rental/m² (R/m²)
2 Long Street, Erf 9363, Cape Town, Western Cape	2 Long Street, Cape Town, Western Cape	Retail	23,671	120.3

5. PROPERTY SPECIFIC INFORMATION

Details regarding the Acquisition, as at the expected Effective Date, are set out below:

Property Name and Address	Weighted Average Escalation	Lease Duration (years)	Vacancy % by GLA

2 Long Street, Erf 9363, Cape Town, Western Cape	8%	2	13%
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Notes:

- a) The costs associated with the Acquisition of the Property are estimated at R3,500,000.
- b) The cost 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.

6. FINANCIAL INFORMATION IN RESPECT OF THE ACQUISITION

The financial information relating to the Acquisition is still being prepared and will be published in due course.

7. CONDITIONS PRECEDENT

- 7.1. The Acquisition is subject to fulfilment of the following conditions precedent -
 - 7.1.1. Spear confirms in writing to the Seller that it is satisfied with the results of the due diligence investigation by Wednesday, 15 March 2017;
 - 7.1.2. Spear resolves to approve the implementation of the Acquisition and delivers a copy of the resolution to this effect to the conveyancers and the Seller by Friday, 7 April 2017;
 - 7.1.3. Spear procures written confirmation from a financial institution that it has been granted loan funding for no less than R217 000 000, by Tuesday, 18 April 2017;
 - 7.1.4. the Seller resolves to approve the conclusion and implementation of the Acquisition by Wednesday, 22 March 2017;
 - 7.1.5. the Competition Commission or the Competition Tribunal, if applicable, unconditionally approves the implementation of

the Acquisition, evidenced by a merger clearance certificate, by Wednesday, 31 May 2017; and

7.1.6. Spear notifies the Seller that the balance of the Purchase Consideration has successfully been procured through a vendor placement and delivers confirmation to the Seller and the conveyancers confirming that all the regulatory approvals, including any approvals required by the JSE Limited in respect of such vendor placement, have been obtained, by Wednesday, 7 June 2017.

7.2. Certain conditions precedent are capable of waiver by either the Spear or the Seller, as the case may be.

7.3. The parties to the Acquisition may extend the date for fulfilment of any of the conditions precedent to such further date/s as they may, in writing, agree. In respect of the condition precedent in paragraph 7.1.5, should the required approval not be obtained by 31 May 2017, the period for fulfilment of such condition precedent shall automatically be extended by an additional 30 days.

8. RENTAL GUARANTEE

The Seller has provided Spear with a rental undertaking in respect of certain vacant premises within the Property. The undertaking is limited to R110 per square meter gross rental per month, excluding VAT for a maximum period of 18 months from the Effective Date.

9. OTHER TERMS OF THE SALE OF LETTING BUSINESS AGREEMENT

The Seller has provided the Company with limited warranties in relation to the transfer of the Property.

10. CATEGORISATION

The Acquisition qualifies as a Category 2 acquisition for the Company in terms of the JSE Listings Requirements.

11. CAUTIONARY

As indicated above, the financial information relating to the Acquisition is still being prepared and will be published in due course. Accordingly, shareholders are advised to exercise

caution when dealing in Spear's securities until the financial information relating to the Acquisition is published.

3 March 2017

Cape Town

Sponsor and Corporate Advisor

PSG Capital