

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 RADNOR ROAD DISTRIBUTION CENTRE, TYGERBERG PROPERTY

1. INTRODUCTION

Shareholders are advised that on 12 April 2019, the Company entered into a sale of letting business agreement ("**Agreement**") with Capital Propfund Proprietary Limited ("**Seller**"), in terms of which the Company will acquire erf 24264 Parow in the City of Cape Town, Cape Division, Province of the Western Cape, situated at 20 Radnor Road, Tygerberg, measuring 2,0151 hectares ("**Property**") and the rental enterprise conducted by the Seller on the Property ("**Rental Enterprise**"), as a going concern, for a purchase consideration of R112 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 exposure to modern industrial assets in Cape Town.

3. PURCHASE CONSIDERATION

The Purchase Consideration shall be payable by the Company, in cash, on the date of registration of transfer of the ownership of the Property into the name of the Company ("**Transfer Date**"). The Company may, at any time prior to the Transfer Date undertake an equity capital raise in the form of a vendor consideration placing, issue of shares for cash, a rights offer and/or any other share issue or placing, in order to fund or refinance up to 100% of the Purchase Consideration.

If the Transfer Date occurs after 31 July 2019, interest will accrue on the Purchase Consideration.

4. CONDITION PRECEDENT

The Acquisition is subject to the fulfilment of the outstanding condition precedent ("**Condition Precedent**") that the Seller resolves to approve the conclusion and implementation of the Acquisition by no later than Thursday, 18 April 2019.

The parties to the Agreement may extend the date for fulfilment of the Condition Precedent to such further date/s as they may agree to in writing.

5. EFFECTIVE DATE OF THE ACQUISITION

The effective date of the Acquisition will be the Transfer Date.

6. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Seller has warranted to the Company that it will be able to grant transfer of ownership of the Property to the Company on the Transfer Date.

Save for the aforementioned warranty, the Rental Enterprise and the Property are sold "voetstoots".

The Seller shall provide the Company with a maximum amount of R300 000 (excluding value added tax) as consideration towards future rental in respect of the Property.

7. THE PROPERTY

Details of the Property are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m2)	Weighted Average Gross Rental / m2
Erf 24264 Parow in the City of Cape Town, Cape Division, Province of the Western Cape, situated at 20 Radnor Road, Tygerberg	Parow, Cape Town	Industrial	12 880	R66

Additional details regarding the Property are set out below:

Purchase Yield Attributable to Shareholders	Weighted Average Escalation	Weighted Average Lease Duration (years)	Vacancy % by Gross Lettable Area
9.1%	7%	3	0%

Notes:

- a) In addition to the Purchase Consideration, the costs associated with the Acquisition are estimated at R2 000 000. No agents' commission is payable in respect of the Acquisition.
- 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 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 financial periods ending 29 February 2020 and 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.

	Forecast for the 9-month period ending 29 February 2020 (R)	Forecast for the 12-month period ending 28 February 2021 (R)
Revenue	9 213 547	12 729 750
Straight-line rental accrual	(382 631)	(49 704)
Gross revenue	8 830 916	12 680 046
Property expenses	(1 596 871)	(2 247 249)
Net property income	7 234 045	10 432 797
Administrative expenses	-	-
Operating profit	7 234 045	10 432 797
Finance cost	(7 561 936)	(10 082 582)
Profit before taxation	(327 891)	350 215
Taxation	-	-
Net profit after taxation	(327 891)	350 215
Adjusted For:		
Straight-line rental accrual	382 631	49 704
Distributable profit	54 740	399 919

Notes:

- a) Property expenses include all utility and council charges applicable to the Property.
- b) The forecast information for the 9-month period ended 29 February 2020 has been calculated from the anticipated Transfer Date, being on or about 1 June 2019.
- c) Contractual rental revenue constitutes 100% of the revenue for the 9-month period ended 29 February 2020 and 100% of the revenue for the 12-month period ended 28 February 2021.
- d) There is no uncontracted revenue.
- e) There is no near-contracted revenue.

9. CLASSIFICATION OF THE ACQUISITION

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

15 April 2019

Sponsor and Corporate Advisor

PSG Capital



PSG CAPITAL