

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")



SPEAR
REIT LIMITED

CATEGORY 1 ACQUISITION ANNOUNCEMENT – WESTERN CAPE REAL ESTATE PORTFOLIO

1. INTRODUCTION

Shareholders are advised that on 28 March 2024 ("**Signature Date**"), Spear entered into two inter-conditional sale of rental enterprise agreements ("**Agreements**") with Emira Property Fund Limited, registration number 2014/130842/06, a limited liability public company incorporated in South Africa listed on the Main Board of the JSE Limited ("**Emira**"), and several wholly owned subsidiaries of Emira, namely Lowmer Investments Proprietary Limited, Freestone Property Investments Proprietary Limited, Monagon Properties Proprietary Limited and Rapidough Prop 509 Proprietary Limited (collectively the "**Sellers**"), in terms of which Spear will purchase the Western Cape property portfolio ("**Target Property Portfolio**"), comprising of the properties listed in paragraph 4 below ("**Properties**") and the rental enterprises conducted by the Sellers on the Properties ("**Rental Enterprises**"), as going concerns, in one indivisible transaction ("**Acquisition**").

2. RATIONALE FOR THE ACQUISITION

The Acquisition of the Target Property Portfolio provides Spear with a strategic opportunity to meaningfully increase its market share within the Western Cape, with a complementary high quality diversified property portfolio comprising industrial, retail, mixed-use and commercial assets. In addition, it also offers an entry point into long-dated medical and life sciences related facilities.

The Acquisition not only facilitates revenue and long-term growth prospects for Spear, but also creates operating efficiencies, enabling Spear (being a fully internally managed REIT) to increase operating profit margins and drive sustained profitability, by leveraging combined expertise and resources to reduce costs through economies of scale.

The Acquisition of the Target Property Portfolio enables Spear to materially scale its current property portfolio, in a real estate market that would otherwise be challenging to scale through piece-meal acquisitions or organic growth, given the current market conditions and the strong real estate fundamentals in the Western Cape. The Acquisition will increase Spear's assets under ownership from 29 to 40 high quality real estate assets and will enhance Spear's portfolio diversification and geographical spread of assets within the Western Cape, while maintaining its bias towards the Cape Town Metropole.

The Target Property Portfolio is acquired at no premium to its market value and is accretive to Spear shareholders, from a distributable profit perspective, from the date of transfer.

The Target Property Portfolio is anticipated to generate an initial net operating income yield of 9,46% prior to the once-off transaction fee ("**Once-off Amount**") payable by Emira to Spear, as detailed in paragraph 7 below. Post recognition of the Once-off Amount, the anticipated initial yield generated by the Target Property Portfolio will be 10,1%.

The Acquisition of the Target Property Portfolio is aligned with Spear's investment strategy from an income, asset value growth, asset type and geographical perspective. Furthermore, Spear will implement its PV solar strategy across the Target Property Portfolio, in line with Spear's "People, Planet, Profit" approach to sustainability. Spear will invest circa R20 million across the Target Property Portfolio to reduce the overall reliance on fossil fuel generated electricity supply through its renewable energy program. To date, in excess of 60% of the current Spear portfolio has PV solar installed, with the commissioned capacity generating just under 8 MW of PV solar electrical supply, supplying up to 25% of Spear's total energy demands. Management is confident that the planned PV solar installations at the Target Property Portfolio, once implemented, will increase the total installed and commissioned PV solar capacity to in excess of 10 MW across the enlarged Spear portfolio.

Spear's growth strategy is to remain exclusively invested in the Western Cape with aspirations to becoming a meaningful mid-cap sized REIT, with assets under ownership of circa R15 billion and a market capitalisation of R8 billion over the next 7 to 10 years. Spear's growth strategy will not be rushed and must at all times comply with its strict investment criteria.

Post the implementation of the Acquisition and the recent disposals by Spear (including the disposal of the Liberty Life Building), Spear's assets under ownership will increase to *circa* R5,4 billion and the gross lettable area of its portfolio will increase to *circa* 502 000 m² within the Western Cape. The property type, size and quality of the Target Property Portfolio displays strong similarities to the current Spear portfolio and given Spear's exclusive Western Cape focus, managements' ability to replicate Spear's active asset management approach in respect of the Target Property Portfolio is clear and executable.

The proposed Acquisition aligns firmly with Spear's three-pronged capital allocation strategy and its asset acquisition strategy.

3. PURCHASE CONSIDERATION

The aggregate purchase consideration payable for the Target Property Portfolio (which include the Properties and the Rental Enterprises) is an amount of R1 146 000 000, subject to the adjustment set out below ("**Purchase Consideration**") and is inclusive of value added tax ("**VAT**") at a rate of 0%.

The Purchase Consideration in respect of certain Rental Enterprises were reduced by agreement between the parties prior to the Signature Date to take into account certain capital expenditure that Spear anticipated would be required in respect of the applicable buildings and Properties in the future. In the event that any Seller elects to incur any capital expenditure in respect of the applicable buildings and/or Properties before the effective date of the Acquisition, and provided that Spear consents thereto in writing, the Purchase Consideration will be increased by an amount equal to the capital expenditure so incurred, subject to a total maximum amount of R15 000 000.

As security for the payment of the Purchase Consideration in respect of each Property, Spear shall, within 7 days after the date on which the Conditions Precedent (as defined below) are fulfilled, furnish the Sellers' conveyancers with bank guarantees, payable to the respective Sellers upon the date of registration of transfer of ownership of such Property to Spear ("**Transfer Date**").

In the event that the Transfer Date of any Property occurs after 1 October 2024, otherwise than as a result of any delays caused by the Sellers (or any of them) or by any other cause not within the reasonable control of the parties, the portion of the Purchase Consideration attributable to that Property shall be increased by a factor of 0.5% per month (not compounded and reduced *pro rata* for any period of less than 1 month).

4. PROPERTY SPECIFIC INFORMATION

The details of the Properties forming part of the Target Property Portfolio, which will be acquired by Spear in terms of the Acquisition, are set out below as at the date of this announcement:

Rental Enterprise Name	Property Description	Location	Sector	Total Gross Lettable Area ¹	Weighted average gross rental per m ² per month ²	Purchase Consideration
Northpoint Industrial Park	Erf 23210, Brackenfell, in the City of Cape Town, Stellenbosch Division, Western Cape Province, in extent 3 1566 hectares	Brackenfell, Cape Town	Industrial	16,415 m ²	R81,22	R141 000 000
14 – 16 Boston Circle	Erf 4643 Matroosfontein, in the City of Cape Town, Cape Division, Western Cape Province, in extent 1 5001 hectares	Airport Industria, Cape Town	Industrial	7,899 m ²	R70,29	R57 000 000

The Studios	Section 1 as shown on sectional plan number ss 110/2009, in the scheme known as STUDIOS, in respect of the land and building or buildings, situate in Durbanville, City of Cape Town, Western Cape Province, 4971 square meters in extent; Section 2 as shown on sectional plan number SS 110/2009, in the scheme known as STUDIOS, in respect of the land and building or buildings, situate in Durbanville, City of Cape Town, Western Cape Province, 4257 square meters in extent, Comprising all of the sections in the above scheme.	Atlas Gardens, Cape Town	Industrial	9,251 m ²	R71,14	R64 500 000
Steelpark Industrial Park	Erf 35609 Bellville, in the City of Cape Town, Cape Division, Western Cape Province, in extent 1 4609 hectares	Bellville, Cape Town	Industrial	9,362 m ²	R58,72	R54 000 000
Freeway Business Park	The notarial deed of lease in respect of certain portions of Erf 15334, Cape Town measuring 14,920 and 4,144 square metres respectively	Maitland, Cape Town	Industrial	7,862 m ²	R102,17	R69 000 000
Boundary Terraces	Erf 159023 Cape Town, in the City of Cape Town, Cape Division, Western Cape Province, in extent 8037 square meters	Newlands, Cape Town	Office	8,676 m ²	R229,74	R210 500 000
Waterside Place	Erf 38527, Portion of ERF 37298 Bellville, Cape Town, in the City of Cape Town, Cape Division, Western Cape Province, in extent 4460 square meters	Tyger Valley, Cape Town	Office	4,944 m ²	R147,67	R90 500 000
Newlands Terraces	Remainder Erf 96678, Cape Town, in the City of Cape Town, Cape Division, Western Cape Province, in extent 2302 square meters	Newlands, Cape Town	Office	5,217 m ²	R136,76	R73 600 000
9 Long Street	Erf 9596 Cape Town, in the City of Cape Town, Cape Division, Western Cape Province, in extent 2164 square meters	CBD, Cape Town	Retail / Office	10,135 m ²	R139,88	R133 150 000
Chiappini House	Erf 583, Cape Town, in the City of Cape Town, Cape Division, Western Cape Province, in extent 248 square meters Erf 571, Cape Town, in the City of Cape Town, Cape Division, Western Cape Province, in extent 220 square meters	De Waterkant, Cape Town	Retail / Office	1,024 m ²	R183,09	R20 000 000
Hamilton House	Erf 568, Cape Town, in the City of Cape Town, Cape Division, Western Cape Province, in extent 496 square meters Erf 569, Cape Town, in the City of Cape Town, Cape Division, Western Cape Province, in extent 496 square meters	De Waterkant, Cape Town	Retail / Office	3,453 m ²	R169,74	R60 750 000

Parklands Health Centre	Erf 32909 Milnerton, in the City of Cape Town, Cape Division, Western Cape Province, in extent 7601 square meters	Parklands, Cape Town	Retail / Medical	2,594 m ²	R199,04	R49 500 000
The View, Tygervalley	Erf 39248 (Portion of ERF 29818) Bellville, in the City of Cape Town, Cape Division, Western Cape Province, in extent 5081 square meters	Tygervalley, Cape Town	Retail / Medical	6,659 m ²	R189,64	R122 500 000
Total				93,491 m²		R1 146 000 000

Notes:

1. Total Gross Lettable Area includes storage, patio and balcony m².
2. Weighted average gross rental per m² for April 2024, excluding parking rental and recoveries but inclusive of assessment rates.
3. In addition to the Purchase Consideration, the costs associated with the Acquisition (including, inter alia, the cost of the due diligence investigation and the fees of the legal advisors, JSE sponsor, reporting accountants and external independent valuer), to be incurred by Spear, are estimated at R6 000 000. Introductory agent's commission is payable by the Sellers in respect of the Acquisition; however, no agent's commission is due by Spear in respect of the Acquisition.
4. The Purchase Consideration payable in respect of each of the Rental Enterprises comprising the Target Property Portfolio 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 ("PVP Act"). The Target Property Portfolio is currently being valued by an external independent property valuer, registered as a professional valuer in terms of the PVP Act, and the independent valuation amounts and reports will be disclosed in the circular to shareholders containing the full details of the Acquisition.

5. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment of the following outstanding conditions precedent ("**Conditions Precedent**"), that:

- Spear has complied with all JSE Listings Requirements in respect of the Acquisition and has, to the extent required, obtained the necessary approvals of its shareholders as may be required in terms of the JSE Listings Requirements;
- the Acquisition is approved by the applicable competition authorities in terms of the Competition Act, No. 89 of 1998 either unconditionally or, in the event of a conditional approval, on terms acceptable to the parties;
- the owner of the Freeway Business Park consents in writing to the assignment of the notarial lease in respect thereof to Spear; and
- Spear receives final confirmation of the approval of funding in respect of not less than 50% of the Purchase Consideration against security of a first mortgage bonds over the Properties (or some of them), on such terms upon which financial institutions or banks ordinarily grant loans to purchasers entering into transactions similar to the Acquisition, which approval has already been granted in principle.

The Conditions Precedent must be fulfilled by not later than 120 days following the Signature Date, which date may be extended by the parties in writing, provided that the longstop date for the fulfilment of the Conditions Precedent is 31 March 2025.

6. EFFECTIVE DATE OF THE ACQUISITION

The effective date of the Acquisition will be the Transfer Date, which date shall be as soon as practically possible after the date on which the Conditions Precedent are fulfilled, and which date is anticipated as being on or about 31 December 2024.

7. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

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

Emira has agreed to pay the Once-off Amount to Spear, as part of the overall transaction structure. Emira will, on the effective date of the Acquisition (being the Transfer Date of the Target Property Portfolio) pay the Once-off Amount to Spear, equal to R22 500 000. Spear will utilise the Once-off Amount at its discretion to achieve an initial Target Property Portfolio yield of 10,1%.

Emira has agreed to pay certain guaranteed rentals to Spear, with effect from the Transfer Date of the Property known as 9 Long Street, to the extent that such Property is vacant or in the event of such Property becoming let, to top up the rentals contracted in respect thereof to the extent that there is any shortfall between the rentals contracted by Spear and the guaranteed rentals, during the period of 24 months commencing on the Transfer Date of such Property.

8. CLASSIFICATION OF THE ACQUISITION AND CIRCULAR

The aggregate Purchase Consideration represents more than 30% of Spear's market capitalisation as at the Signature Date and accordingly the Acquisition constitutes a category 1 transaction as contemplated in section 9 of the JSE Limited Listings Requirements.

As a result, the Acquisition is required to be approved by an ordinary resolution of the Spear shareholders and accordingly a general meeting of the Spear shareholders will be convened.

A circular containing the full details of the Acquisition, incorporating a notice convening the required general meeting of Spear shareholders, will be distributed to shareholders in due course, at which time the salient dates and times of the Acquisition, including the date of the general meeting, will be announced on SENS.

9. FINANCIAL INFORMATION AND CAUTIONARY ANNOUNCEMENT

A further announcement incorporating the forecast financial information relating to the Acquisition will be released on SENS in due course. Shareholders are advised to exercise caution when dealing in the Spear's securities until a further announcement is made.

Cape Town
2 April 2024

Sponsor and Corporate Adviser
PSG Capital



Legal Adviser
Cliffe Dekker Hofmeyr

