

## REDEFINE PROPERTIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1999/018591/06)

JSE share code: RDF ISIN: ZAE000190252

Debt company code: BIRDF

(Approved as a REIT by the JSE)

("Redefine" or "the company")



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## DISPOSAL OF REDEFINE'S AUSTRALIAN STUDENT ACCOMMODATION PORTFOLIO

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### 1. INTRODUCTION AND RATIONALE FOR THE TRANSACTION

1.1. Shareholders are advised that:

1.1.1. Evolution Trustees Limited, as trustee for the Journal Student Accommodation Fund ("**JSAF**") which holds the property known as Uni Place, Leicester Street ("**Leicester Street**") in which Redefine has a 90% beneficial interest; and

1.1.2. Journal Property Pty Ltd, as trustee for the Journal Swanston Sub Trust ("**JSST**"), which holds the property known as Central, Swanston Street ("**Swanston Street**") in which Redefine has a 90% beneficial interest (collectively "**the Properties**"),

have on 26 June 2020 (the "**effective date**") entered into sale agreements with ARE Funds AZL GmbH and ARE Funds APKV GmbH, indirectly wholly-owned subsidiaries of Allianz SE (a multinational financial services company headquartered in Munich, Germany and listed on the Frankfurt Stock Exchange) (the "**Purchasers**") in terms of which the Purchasers will acquire the land and property letting enterprise known as Leicester Street and Swanston Street for an aggregate disposal consideration of A\$459 million ("**Purchase Price**"), to be settled in cash (the "**Transaction**").

1.2. During 2017, Redefine acquired a 90% beneficial interest in JSAF and during the following year JSST in order to develop the Properties in Melbourne, Australia as purpose built student accommodation and associated retail ("**PBSA**"). Development of Leicester Street, an 804-bed PBSA was completed in 2018 whilst the development of Swanston Street, a 587-bed PBSA was completed in May 2020.

1.3. The PBSA market in Australia is a relatively new sector with limited supply and has recently attracted significant investor interest. The Transaction concludes the sale process for the Properties launched during November 2019 and in terms of which the Purchase Price was determined through a highly competitive open-market sale process.

1.4. A portion of the proceeds from the disposal will be used to settle the loan facilities on the Properties amounting to *circa* A\$132 million and the remaining proceeds will be utilised to reduce the Redefine's interest-bearing borrowings and enhance its liquidity.

1.5. The Transaction is an integral part of Redefine's Loan-to-Value improvement plan, which includes the disposal of approximately R8 billion of non-core assets across Redefine's property asset platform in order to right size its asset footprint to its constrained capital base.

1.6. The Transaction will also secure the release of 60 million Cromwell Property Group shares from an encumbrance with Redefine's intention that such Cromwell Property Group shares be sold on the open market to further advance Redefine's stated intention to strengthen its balance sheet and bolster liquidity.

1.7. By exiting the Australian real estate market Redefine will simplify its investment proposition and eliminate a risk universe.

## 2. TERMS OF THE TRANSACTION

- 2.1. On the effective date JSAF entered into a sale agreement on in terms of which it agreed to sell Leicester Street, as a going concern to the Purchasers, in consideration for A\$269 million. Concurrently, JSST entered into a sale agreement (on substantially similar terms and conditions as those entered into by JSAF) in terms of which it agreed to sell Swanston Street, as a going concern, to the Purchasers for A\$190 million.
- 2.2. Subject to the fulfilment of the condition precedent to both sale agreements, the Leicester Street sale agreement is expected to be completed 30 business days after the conditions precedent are fulfilled (the "**Leicester Street settlement date**") and subject to paragraph 2.3 below, the Swanston Street sale agreement is expected to be completed on or about 15 January 2021 ("**Swanston Street settlement date**").
- 2.3. In relation to Swanston Street, settlement is subject to COVID-19 pandemic travel restrictions, in relation to persons travelling to Australia with an Australian Student Visa from specified countries, being lifted with a long-stop date of 30 June 2021 or as otherwise agreed by the parties.
- 2.4. The Purchase Price includes income guarantees in respect of Leicester Street amounting to circa A\$17.2 million per annum for an income guarantee period from the Leicester Street settlement date and ending on 15 January 2022; and Swanston Street amounting to circa A\$11.8 million per annum for an income guarantee period of 12 months from Swanston Street settlement date, adjusted by the net revenue received by the Purchasers during the relevant income guarantee period. The income guarantee amounts will be held in escrow and a portion thereof will be settled each calendar quarter to JSAF, JSST and/or the Purchasers, as required, based on adjustments to the net revenue due to the Purchasers during the relevant income guarantee period with a final reconciliation on a property portfolio basis to occur following the expiry of the income guarantee period.
- 2.5. Prior to the settlement date, JSAF and JSST and/or Journal Student Living, as property manager, have undertaken to assign or novate, in so far as they are legally capable of doing so, to the Purchasers the right, title and interest in and under key agreements as agreed to between the parties, including *inter alia*, the construction contracts and service and maintenance agreements with key service providers for the Properties.
- 2.6. The sale agreements contain settlement Purchase Price adjustments provisions and contain warranties and indemnities standard for a transaction of this nature.

## 3. CONDITION PRECEDENT

- 3.1. The Transaction remains subject to the receipt of written confirmation that the Treasurer of the Commonwealth of Australia has no objection to the acquisition of the Properties by the Purchasers pursuant to the provisions of the Foreign Acquisitions and Takeovers Act 1975 within six months of the day of lodgement of the application in terms of the Foreign Acquisitions and Takeovers Act 1975 ("**FIRB approval**").
- 3.2. If the condition precedent has not been satisfied or waived (as the case may be) within 6 months of receipt of FIRB approval, then any of the parties to the sale agreements may terminate the sale agreements in accordance with their terms.

#### 4. PROPERTY SPECIFIC INFORMATION

Details of the Properties, including the name, geographical location, sector, gross lettable area (“GLA”), weighted average rental per bed, the net operating profit, and the value attributed to the Properties, are set out below:

	Property name	Geographical location	Sector	GLA (m <sup>2</sup> ) <sup>#</sup>	Weighted average weekly rental per bed <sup>3</sup>	Net operating profit <sup>1</sup>	Purchase Price <sup>2</sup>
1	Uni Place, Leicester Street	16-32 Leicester Street, Carlton, Victoria, 3053, Melbourne, Australia	Residential	15,053	A\$475/ R4 764.25	A\$4 282 906.96/ R42 957 556.81	A\$269 000 000/ R3 184 502 700
2	Central, Swanston Street*	500 Swanston Street, Carlton, Victoria, 3053, Melbourne, Australia	Residential	12,499	A\$485/ R4 864.55	n/a*	A\$190 000 000/ R2 249 277 000

#### Notes:

1. Extracted from Redefine’s unaudited interim results for the six months ended 29 February 2020 which was prepared in terms of International Financial Reporting Standards (“IFRS”) and translated at an average exchange rate of A\$1:R10.03 for the six months from 1 September 2019 to 29 February 2020.
2. The Purchase Price payable for the Properties is considered to be in line with fair market value, as determined by the directors of the company and has been translated at an exchange rate of A\$1:R11,8383, being the A\$/R spot rate on 25 June 2020. 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. As at 29 February 2020, the net asset value of Redefine’s interest in Leicester Street was A\$164 721 011.79/R1 678 507 110.09 and in Swanston Street was A\$115 225 886.77/R1 174 151 786.14 and was extracted from Redefine’s unaudited interim results for the six months ended 29 February 2020 which was prepared in terms of IFRS and has been translated at an exchange rate of A\$1:R10.19, being the A\$/R spot rate on 28 February 2020.
3. Translated at an average exchange rate of A\$1:R10.03 for the six months from 1 September 2019 to 29 February 2020.
  - \* Newly developed property, not yet let. It is expected that Swanston Street will commence operations in January 2021.
  - # includes retail space of 141m<sup>2</sup> and 222m<sup>2</sup> respectively.

#### 5. CATEGORISATION OF TRANSACTION

The Transaction is classified as a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, it is not subject to approval by shareholders.

#### 6. CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary announcement published on 8 June 2020 and are advised that this Transaction constitutes only a part of the potential disposals referred to in the cautionary announcement. Accordingly, shareholders should continue to exercise caution when dealing in Redefine’s securities until a further announcement is made.

Corporate Advisor and Sponsor

