

Irongate Group (JSE: IAP)

Comprising Irongate Property Fund I (**IPF I**, ARSN 162 067 736) and Irongate Property Fund II (**IPF II**, ARSN 644 081 309), established in Australia and registered with ASIC as managed investment schemes

Operated by Irongate Funds Management Limited (ACN 071 514 246; AFSL 290 909) (**Responsible Entity**)

IPF I is registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No.45 of 2002

ISIN: AU0000046005

(**IAP** or the **Fund**)

SENS ANNOUNCEMENT

12 August 2021

Voluntary Announcement – Acquisition of Brisbane office building with 10 year lease

Acquisition

Securityholders are advised that IAP¹ has entered into agreements to acquire an office building to be constructed at 34 Southgate Avenue, Cannon Hill QLD (**Property**). The Property is being acquired on a fund-through basis. IAP has entered into:

- a contract for commercial land and buildings with Anthony John Group Pty Ltd and Cannon Hill Developments Pty Ltd (**Seller**); and
- a development agreement with the Seller under which the Seller will undertake the development of the Property on behalf of IAP.

The effective date of the acquisition of the Property is the settlement date under the contract for commercial land and buildings which is anticipated to occur on 17 August 2021.

Purchase Consideration

The total purchase consideration is A\$36,000,000 which represents an initial yield of 5.0%. The purchase consideration comprises an initial payment of A\$3,897,000 to the Seller under the contract for commercial land and buildings, with the balance to be progressively paid to the Seller under the development agreement². Construction is due to complete in July 2022 and IAP will earn a coupon of 5.0% during the construction period.

The purchase consideration and all transaction costs will be funded through IAP's existing debt facility.

¹ Through a wholly-owned sub trust, Irongate Property Sub Trust No.27

² The payment obligations under the development agreement have been guaranteed by the Responsible Entity as responsible entity for IPF I

Rationale for the Acquisition

The acquisition of the Property represents an attractive investment for IAP for the following reasons:

- Brand new, high quality office building comprising 3,520m² of lettable area and two levels of underground car parking
- 10 year lease to ASX-listed Michael Hill (ASX:MHJ), an international multi-channel retail jewellery chain with 285 stores across the globe – the building will be used by Michael Hill as its global head office and will also provide the tenant with manufacturing and distribution capabilities
- Annual fixed escalations of 3.0%
- Fund-through acquisition structure is stamp duty efficient, saving approximately 25 basis points
- IAP will earn a coupon of 5.0% on the initial payment to the Seller under the contract for commercial land and buildings and the amounts progressively paid to the Seller under the development agreement from the effective date until commencement of the lease to the tenant (anticipated to be in July 2022)
- Depreciation benefits from new construction with no near-term capital expenditure forecast
- The acquisition continues the recent theme of acquiring assets in Brisbane – together with the industrial acquisitions in Brendale, Pinkenba, Kingston and Morningside, IAP has deployed close to A\$100 million over the past 6 months in Brisbane at an average yield of 5.5% with a weighted average lease term of more than 8 years

Specific Information Relating to the Property

Registered description	Lot 5 on SP253176 (title reference 50893326) and Lot 6 on SP253176 (title reference 50893327)
Title	Freehold
Sector	Office
Location	6 kms east of the Brisbane CBD
Year built	New construction (due for completion July 2022)
Site area	2,598m ²
Lettable area	3,520m ²
Net rent per m ²	A\$430 (excluding car park rental)
Vacancy	0%

Categorisation

The acquisition is not a categorised transaction in terms of the JSE Listings Requirements. This announcement is voluntary and for information purposes only.

Johannesburg

Sponsor
Investec Bank Limited