

SA Corporate Real Estate Limited
(Incorporated in the Republic of South Africa)
Share Code: SAC ISIN Code: ZAE000203238
(Registration number 2015/015578/06)
("SA Corporate" or the "Company")
REIT status approved

DISPOSAL OF A PORTFOLIO OF JOHANNESBURG INNER-CITY RESIDENTIAL PROPERTIES, COMMERCIAL RENTAL BUSINESSES AND DEVELOPMENT LAND

1. INTRODUCTION

SA Corporate is pleased to announce that it has, through its group companies, Afhco Holdings Proprietary Limited and Afhco Proprietary Limited (the "**Seller**"), entered into a sale and implementation agreement (the "**Agreement**") with Firstmile Properties JHB CBD Crown Mines Proprietary Limited ("**Firstmile**" or the "**Purchaser**"), ultimately wholly owned by Lonsa Group Limited, to dispose of a property portfolio comprising a number of the Seller's residential properties, commercial rental businesses and development land (the "**Sale Assets**") in the Johannesburg inner-city (the "**Disposal**").

It is anticipated that all conditions precedent will be fulfilled by 31 December 2021, whereafter each of the Sale Assets will be transferred to the Purchaser as soon as reasonably possible thereafter (the "**Effective Date/s**"). However, if any of the Sale Assets have not been transferred twelve months after the signature date of the Agreement (the "**Signature Date**"), either the Seller or the Purchaser may terminate the sale of the Sale Assets that have not yet been transferred.

2. DETAILS AND TERMS OF THE DISPOSAL

2.1 Disposal consideration

SA Corporate will dispose of the Sale Assets to Firstmile for a total consideration of R546.25 million exclusive of value-added tax and transfer duty but inclusive of an amount of R16.25 million in respect of sales commission and transaction costs (the "**Disposal Consideration**"). The Disposal will be implemented through the sale of residential properties and sectional title sections, the sale of residential and commercial rental businesses by a transfer of shareholding of the SA Corporate group companies owning such businesses (the "**Income Generating Assets**") and the sale of development land by the transfer of erven.

The Disposal Consideration will be settled by the Purchaser upon transfer of the Sale Assets net of a R30.00 million "Agterskot" (the "**Agterskot**") payable on the expiry of a 3-year period from the implementation of the various transactions comprising the Disposal. During the aforementioned 3-year period the property management of the Sale Assets will be undertaken by a SA Corporate group company, Afhco Property Management (Pty) Ltd. The Agterskot will be payable if the Income Generating Assets achieve an aggregate actual average net property income ("**Actual NPI**") over the aforementioned 3-year period of at least R54.00 million pro-rated across the Income Generating Assets ("**Target NPI**"). If the Actual NPI is less than the Target NPI, then the following calculation shall be performed to calculate how much of the Agterskot, if any, shall be payable: Actual NPI multiplied by 10.115 less R500.00 million.

2.2 Material terms

The terms of the Disposal contain undertakings, warranties and indemnities which are normal for a transaction of this nature.

2.3 Rationale and use of proceeds

The Disposal is aligned to SA Corporate’s strategy to increase the proportion of its suburban residential portfolio through a partial divestment of non-precinct inner-city properties, and to reduce its exposure to inner-city properties not located in precincts which the Afhco group of companies, wholly-owned by SA Corporate, can ensure accessibility, security and lifestyle amenities.

The Disposal Consideration will be used to strengthen the Company’s financial position.

2.4 Conditions precedent

The Disposal is subject to the following conditions precedent:

- 2.4.1 the Purchaser confirming in writing that it is satisfied with the results of its due diligence investigation within 30 days after the Signature Date (“**1st CP Date**”);
- 2.4.2 the Purchaser procuring debt funding by third party debt providers in order to partly fund the Disposal Consideration in the amount of not more than 75% on such terms and conditions as the Purchaser may determine in its sole discretion (the “Debt Funding”) and all agreements relevant to the Debt Funding having been concluded within 30 days of the fulfilment or waiver of the condition precedent set out in paragraph 2.4.1 (“**2nd CP Date**”);
- 2.4.3 the requisite regulatory approvals to implement the Disposal having been obtained by the 2nd CP Date;
- 2.4.4 consent having been given by the mortgagee to the cancellation of the existing mortgage bonds over certain of the properties included in the Sale Assets within 90 days of the fulfilment or waiver of the last of the conditions precedent set out in paragraphs 2.4.2 and 2.4.3 (“**3rd CP Date**”);
- 2.4.5 the Disposal having been unconditionally approved by the Competition Authorities by the 3rd CP Date; and
- 2.4.6 all agreements relevant to the Debt Funding and the Disposal having become unconditional by the 3rd CP Date.

2.5 Value of the net assets and profits attributable to the net assets of the Disposal

The Income Generating Assets, excluding the development land of the Long Street property (“**Long Street**”), were valued at R561.30 million as at 31 December 2020. The Long Street development land valuation was written down to reflect an earlier contracted value of R45.00 million. The terms of the earlier contract in respect of Long Street were not fulfilled and consequently terminated. The portion of the Disposal Consideration attributable to the Income Generating Assets is R487.89 million and R58.36 million is attributable to Long Street. The annual net property income (“**NPI**”) for the years ended 31 December 2019 and 31 December 2020 attributable to the Income Generating Assets is tabulated below:

	2019 NPI	2020 NPI
NPI including expected credit loss	54 074 266	36 926 476
Expected credit loss	1 932 743	9 330 661
NPI excluding expected credit loss	56 007 009	46 257 138

The annual holding costs associated with Long Street for the year ended 31 December 2020 were R1.77 million. The aforementioned information has been extracted from SA Corporate's audited annual financial statements for the year ended 31 December 2019 and 31 December 2020, which have been prepared in terms of International Financial Reporting Standards.

3. DETAILS OF THE SALE ASSETS

Details of the Sale Assets are as follows:

Property	Location	Sector	Rentable area	Weighted average rental per m ²	Value of the Sale Assets as at 31 December 2020	Disposal consideration
			(m ²)	(R)	(R)	(R)
Cavendish	183 Rahima Moosa Street, Johannesburg	Residential and Retail	5 604	142.41	63 500 000	60 005 846
Greatermans	220 Commissioner Street, City and Suburban, Johannesburg	Residential and Retail	12 435	103.57	112 000 000	105 837 082
Ilanga	131 Pritchard Street, Johannesburg	Residential and Retail	7 325	119.14	71 000 000	67 093 150
Legae	219 Lilian Ngoyi Street, Johannesburg	Residential and Retail	7 109	125.29	68 500 000	64 730 716
Long Street	Margaret Mcingana Street, Spes Bona, Jeppestown South, Johannesburg	Development Land	26 000	N/a	45 000 000	58 359 950
Lustre	114 Goud Street, Johannesburg	Residential and Retail	3 940	117.65	34 100 000	32 223 612
Panama	200 Commissioner Street, City and Suburban	Residential and Retail	8 081	118.98	76 600 000	72 385 005
Queens Court	245 Lilian Ngoyi Street, Johannesburg	Residential and Retail	2 395	186.46	40 200 000	37 987 952
Sambro House	25 – 29 Kruiis Street, Marshalltown	Residential and Retail	5 031	122.21	50 400 000	47 626 687
Total					561 300 000	546 250 000

Note: The valuation of the Sale Assets was undertaken by Quadrant Properties (Pty) Ltd, an independent valuer registered as a professional valuer in terms of the Property Valuers Profession Act, No 47 of 2000.

4. CATEGORISATION

The Disposal constitutes a Category 2 transaction in terms of the JSE Limited Listings Requirements and accordingly, no shareholder approval is required.

Cape Town
16 September 2021

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Legal Advisors: Cliffe Dekker Hofmeyr Inc