

# TRANSCEND RESIDENTIAL PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

Registration number 2016/277183/06

JSE share code: TPF ISIN: ZAE000227765

(Approved as a REIT by the JSE)

(“Transcend” or “the Company” or “TPF”)

---

## ACQUISITION OF TWO PORTFOLIOS AND CAUTIONARY ANNOUNCEMENT

---

### 1. INTRODUCTION

Transcend is pleased to advise shareholders that, on 21 September 2021 (“**Signature Date**”), it entered into sale and purchase agreements (“**SPAs**”) with:

- IHS Fund II SA Rental Trust 2 (“**IHS Fund II**”), for the acquisition of a stabilised rental enterprise located in Bester Road, Unclear, Cape Town, Western Cape consisting of 253 residential sectional title units in the scheme known as the Block (“**the Block**” or “**the Block Portfolio**”) for a cash consideration of R151.50 million (“**the Block Purchase Consideration**”) (“**the Block Transaction**”); and
- Renico Construction Proprietary Limited (“**Renico**”), for the acquisition of 189 residential sectional title units located in North Boundary Road, Helderwyk, Brakpan, Gauteng in the scheme known as Stoneleigh (“**Stoneleigh**” or “**the Stoneleigh Portfolio**”) for a cash consideration of R102.00 million (“**the Stoneleigh Purchase Consideration**”) (“**the Stoneleigh Transaction**”),

(collectively, “**the Properties**”).

The Block Transaction and the Stoneleigh Transaction (collectively, “**the Proposed Transactions**”) comprise a total of 442 residential units (“**the Units**”) in aggregate and, if implemented, will increase the value of Transcend’s total property portfolio to approximately R2.78 billion (comprising 4,615 residential units with a total GLA of 259,084m<sup>2</sup>). The Proposed Transactions are not inter-conditional.

### 2. RATIONALE FOR THE PROPOSED TRANSACTIONS

The Proposed Transactions are consistent with Transcend’s stated growth and investment strategy of acquiring residential properties which are affordable, lifestyle-enhancing and located in well-situated, high-growth urban areas. The Proposed Transactions will add 442 additional leases to Transcend’s existing portfolio (representing a 10.59% growth in number of units).

The Properties offer a stable and secure income stream and further diversify Transcend’s residential portfolio with 57.20% of the Units being located in the Western Cape and 42.80% in Gauteng.

### 3. SALIENT TERMS OF THE BLOCK TRANSACTION

#### 3.1. Details of the Block Portfolio

The Block Portfolio comprises a mix of one bedroom and two bedroom units. The Block Portfolio has a blended acquisition forward yield of 10.04% based on the Block Purchase Consideration. The average budgeted gross rental income of the Block Portfolio is R6,756 per Unit per month. A valuation performed by an independent professional valuer will be published in the circular referred to in paragraph 6 below and in the announcement referred to in paragraph 7 below.

Further information regarding the Block Portfolio is set out in the table below:

Portfolio name	Geographical location	Vendor	Number of units	Gross Lettable Area (m <sup>2</sup> )	Weighted average gross rental income per square metre (monthly)	Rolling 12-month net operating income (Rmil)*	Total consideration payable (Rmil)	Acquisition yield
<b>The Block</b>	Bester Rd, Unclear, Cape Town, Western Cape	IHS Fund II	253	10,988	R155.55/m <sup>2</sup>	15.21	151.50	10.04%

\*The rolling 12-month net operating income from 1 December 2021 incorporates the following assumptions in respect of revenue:

1. Net rental revenue is secured by a 12-month rental guarantee.
2. Net rental revenue is defined as gross rental income less bad debts and vacancies.

The rolling 12-month net operating income has not been reviewed or reported on by independent reporting accountants.

#### 3.2. Effective date

Transcend will acquire the Block Portfolio with effect from the date of registration of transfer of the Units comprising the Block Portfolio into the name of Transcend (“**Transfer Date**”), from which date all benefits and risks of ownership of each Unit shall pass to Transcend, which will be following the fulfilment of all the suspensive conditions set out in paragraph 3.3 below.

#### 3.3. Conditions Precedent

The Block Transaction is subject to fulfilment of, *inter alia*, the following suspensive conditions:

3.3.1. by no later than 30 days from the Signature Date:

3.3.1.1. IHS Fund II having obtained consent from its bondholder for the sale and transfer of the Block;

3.3.2. by no later than 90 days from the Signature Date:

3.3.2.1. Transcend having received approval from its shareholders in respect of all resolutions necessary to implement the Block Transaction;

3.3.2.2. receipt by the parties of relevant regulatory approvals, including that of the Competition Authorities, to the extent required; and

- 3.3.2.3. Transcend having raised the necessary equity and/or debt funding and executed binding funding agreements in order to fund the Block Transaction and such funding agreements becoming unconditional.

#### 3.4. Other significant terms

- 3.4.1. IHS Fund II has agreed to guarantee the monthly rental income for the Block for a period of 12 (twelve) months from Transfer Date;
- 3.4.2. The Block Purchase Consideration is payable by Transcend to IHS Fund II on the Transfer Date; and
- 3.4.3. The SPA for the Block Transaction includes warranties, undertakings and indemnities to Transcend which are normal for a transaction of this nature.

#### 3.5. Funding of the Block Purchase Consideration

The Block Purchase Consideration will be funded through the raising of debt and equity in the ratio of approximately 40% debt and 60% equity, which equity will be raised pursuant to a vendor consideration placement of new Transcend ordinary shares (“**Transcend Shares**”).

#### 3.6. Categorisation

The Block Transaction constitutes a Category 2 related party transaction for Transcend, due to the fact that Transcend is acquiring the Block Portfolio from IHS Fund II, which is managed by International Housing Solutions, a material shareholder (11.50%) of the Company. In terms of the JSE Listings Requirements, the Block Transaction is subject to the approval by a simple majority of Transcend shareholders voting on the Block Transaction, excluding the related parties and their associates.

### 4. SALIENT TERMS OF THE STONELEIGH TRANSACTION

#### 4.1. Details of the Stoneleigh Portfolio

The Stoneleigh Portfolio comprises a mix of one bedroom, two bedroom and three bedroom Units. The Stoneleigh Portfolio has a blended acquisition forward yield of 10.85% based on the Stoneleigh Purchase Consideration. The average budgeted gross rental income of the Stoneleigh Portfolio is R6,455 per Unit per month. The directors’ valuation of the Stoneleigh Portfolio is R102.00 million, equalling its purchase price.

Further information regarding the Stoneleigh Portfolio is set out in the table below:

Portfolio name	Geographical location	Vendor	Number of units	Gross Lettable Area (m <sup>2</sup> )	Weighted average gross rental income per square metre (monthly)	Rolling 12-month net operating income (Rmil)*	Total consideration payable (Rmil)	Acquisition yield
Stoneleigh	North Boundary Road, Helderwyk,	Renico	189	12,984	R94.16/m <sup>2</sup>	11.07	102.00	10.85%

\*The rolling 12-month net operating income from 1 December 2021 incorporates the following assumptions in respect of revenue:

1. Rental revenue is secured by a rental guarantee up to a minimum 92% occupancy.
2. Rental escalations have been forecasted at an average of 2.00% per annum and have been applied from 1 February 2021.
3. Bad debts have been provided for at a rate of 1.50% of gross rental income.
4. Vacancies have been forecasted at 4.00% of gross rental income.

The rolling 12-month net operating income has not been reviewed or reported on by independent reporting accountants.

#### 4.2. **Effective date**

Transcend will acquire the Stoneleigh Portfolio with effect from 1 December 2021 or the 1st day of the month following the fulfilment of all the suspensive conditions set out in clause 4.3 below ("**Stoneleigh Effective Date**").

#### 4.3. **Conditions Precedent**

The Stoneleigh Transaction is subject to fulfilment of, *inter alia*, the following suspensive conditions:

##### 4.3.1. by no later than 30 days after the Signature Date:

- 4.3.1.1. Transcend having concluded a satisfactory closing financial model reflecting all updated information in relation to the purchase of Stoneleigh;
- 4.3.1.2. Renico having ensured that (i) an audit is conducted of the relevant design documents of the Units comprising the Stoneleigh Portfolio to ensure that they meet the required EDGE certification standards and (ii) submits the recommendation of the EDGE auditor to the Green Building Council of South Africa for the Green Design Certificates in respect of the Units comprising the Stoneleigh Portfolio to be issued;
- 4.3.1.3. Transcend having conducted and concluded a technical assessment of Stoneleigh, including but not limited to, product designs/section layout plans and building plans, the title deeds, the township establishment conditions, specifications and finishes, the result of which shall be to its satisfaction (acting reasonably);

##### 4.3.2. by no later than 90 days after the Signature Date:

- 4.3.2.1. Transcend having raised the necessary equity and/or debt funding and executed binding funding agreements in order to fund the Stoneleigh Transaction and such funding agreements becoming unconditional; and
- 4.3.2.2. receipt by the parties of relevant regulatory approvals, including that of the Competition Authorities, to the extent required.

#### **4.4. Other significant terms**

- 4.4.1. Within 20 business days of the last condition precedent being met, Transcend is to deliver to the conveyancers irrevocable bank guarantees acceptable to Renico and pay a deposit amount to the conveyancers. Settlement of the Stoneleigh Purchase Consideration will occur within two business days after date of transfer of the Units comprising the Stoneleigh Portfolio into the name of Transcend.
- 4.4.2. Renico has agreed to guarantee the monthly rental income for Stoneleigh from the date on which the property transfers to Transcend until Renico has concluded valid leases in respect of no less than 92% (ninety two percent) of the Units comprising the Stoneleigh Portfolio.
- 4.4.3. The SPA for the Stoneleigh Transaction includes warranties, undertakings and indemnities to Transcend which are normal for transactions of this nature.

#### **4.5. Funding of the Stoneleigh Purchase Consideration**

The Stoneleigh Purchase Consideration will be funded through the raising of debt and equity in the ratio of approximately 40% debt and 60% equity, which equity will be raised pursuant to a vendor consideration placement of new Transcend Shares.

#### **4.6. Categorisation**

The Stoneleigh Transaction is a Category 2 transaction for Transcend in terms of the JSE Listings Requirements and accordingly does not require approval by Transcend shareholders.

### **5. VALUATION**

- 5.1. Details of an independent valuation for the Block will be included in the circular (referred to in paragraph 6 below) that will be distributed to shareholders in due course.
- 5.2. No independent valuation has been carried out on Stoneleigh.

### **6. CIRCULAR**

A circular setting out the full details of the Block Transaction and containing a notice of general meeting will be distributed to Transcend shareholders in due course.

### **7. CAUTIONARY ANNOUNCEMENT**

Shareholders are advised to exercise caution until the financial information relating to the Proposed Transactions is announced.

---

Bryanston  
22 September 2021

**Corporate Advisor and Bookrunner**

Tenurey BSM Proprietary Limited

**JSE Sponsor and Transaction Sponsor**

Questco Proprietary Limited

**Legal Advisor**

Tonkin Clacey Incorporated

**Independent Reporting Accountants and Auditors**

KPMG