

## EQUITES PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2013/080877/06)

Share code: EQU

ISIN: ZAE000188843

JSE alpha code: EQUI

(Approved as a REIT by the JSE)

("Equites" or "the Group")



---

## SALE OF TWO DISTRIBUTION CENTRES IN PETERBOROUGH, UNITED KINGDOM

---

### 1 INTRODUCTION

Equites has sold two high-quality distribution centres in the United Kingdom ("UK") (with remaining lease periods of 5.4 years and 6.3 years) to a commingled investment fund managed by Clarion Partners Europe, ("purchaser" or "Clarion") for a cash consideration of £51,810,523, equating to a transaction yield of 4.49% (the "Transaction").

The Transaction will release net cash proceeds of approximately R1 billion to Equites. The Transaction will also lower the loan-to-value ("LTV") ratio across its portfolio, increase the weighted average lease expiry ("WALE") of the portfolio, and enhance the growth profile of distributable earnings per share over the long term.

### 2 DETAILS OF THE TRANSACTION

Equites, through its Isle of Man based wholly owned subsidiary, Equites International Limited ("Equites International"), concluded a share purchase agreement ("SPA") in terms of which Equites International will be selling the entire share capital held in each of Equites UK SPV 7 Limited ("Equites SPV 7") and Equites UK SPV 8 Limited ("Equites SPV 8") to Clarion.

Equites SPV 7 owns the property known as Unit 3, Artemis Way, Alwalton Hill, Peterborough PE7 3FU with title number CB435811. The property comprises of warehouse and office components totalling 302,723 square feet and is let to DSV Solutions Limited until 22 August 2028 ("DSV property").

Equites SPV 8 owns the property known as Unit 2, Artemis Way, Alwalton Hill, Peterborough PE7 3FU with title number CB432483. The property comprises of warehouse and office components totalling 135,721 square feet and is let to Coloplast until 23 June 2029 ("Coloplast property").

### 3 RATIONALE FOR THE SALE OF PROPERTIES IN PETERBOROUGH

The Equites board continuously evaluates its portfolio and applies a range of investment criteria against every property in the portfolio to determine a specific strategy in respect of each property. Factors considered include, *inter alia*, length of lease, rental growth prospects, the desirability of location, expectations of the tenant renewing their lease, potential selling price, and the potential of recycling proceeds from a sale into superior product and/or at superior returns.

The board decided to dispose of the two properties for the following reasons:

- the remaining lease lengths in respect of the DSV property and the Coloplast property (5.4 years and 6.3 years respectively) are significantly below the WALE of the UK portfolio of 15.6 years (as of 31 August 2022);
- proceeds will be reinvested in the development pipeline in South Africa, which consists of pre-let development agreements with blue-chip tenants on long-term leases, increasing the WALE of the portfolio and enhancing the growth profile of distributable earnings per share over the long term; and
- the properties were acquired in 2018 on a forward-funded basis at a combined cost of £43,061,000, equating to a blended acquisition yield of 5.4%. The Transaction crystallises a geared internal rate of return in excess of 13%, which excludes any exchange rate gains over the last five years.

#### **4 TERMS OF THE TRANSACTION**

- 4.1 Equites International will be selling the entire issued share capital of both Equites SPV 7 and Equites SPV 8 to Clarion.
- 4.2 The purchase price of £51,810,523 will be funded by Clarion through existing cash resources.
- 4.3 All the conditions precedent have been fulfilled and the Transaction exchanged and completed on Wednesday, 22 March 2023.
- 4.4 Under the SPA, Equites International has given a suite of warranties and tax covenants, which are considered standard in transactions of this nature. Apart from a very limited number of warranties, the liability of Equites International for a breach of warranty or tax covenants is limited to £1.00, with the purchaser having obtained warranty and indemnity insurance for the Transaction at its cost.

#### **5 DESCRIPTION OF THE PURCHASER**

Clarion focuses on investing in logistics and industrial properties located across Germany, the Netherlands, France, Spain, Italy and other European countries. Clarion Partners LLC ("**Clarion Partners**"), a SEC registered investment adviser, owns a majority stake in Clarion.

**Clarion Partners** and **Clarion** collectively manage a property portfolio in the U.S. and Europe consisting of more than 2,123 million square feet (c. 197 million square metres), with more than \$84 billion of assets under management.

#### **6 VALUATION**

The independent valuations of the properties were undertaken by Cushman & Wakefield in August 2022, an independent external valuer, in accordance with the "RICS Valuation – Professional Standards, the 2012 Edition" (the "Red Book"). This is an internationally accepted basis of valuation. The independent valuations were in line with book values as set out in section 7 below.

## 7 FINANCIAL EFFECTS AND DETAILS OF THE PROPERTIES

At 31 August 2022, the fair value of the property assets less the deferred tax liabilities in the target companies amounted to £56,282,347, based on property values of £40,580,000 for the DSV property and £19,438,807 for the Coloplast property. The contribution to net profit after tax (including fair value adjustments and finance costs) for the six months ended 31 August 2022 amounted to £895,425.

Property Name	Geographical Location	GLA (m <sup>2</sup> )	Property type	Weighted average rental per square metre per month*
DSV property	Peterborough, UK	28 124	Logistics	R105.47
Coloplast property	Peterborough, UK	12 609	Logistics	R112.51

\*Assuming a GBP/ZAR exchange rate of 22.60.

The purchase price of £51,810,523 equates to a 7.95% discount on the carrying value of the assets, as of 31 August 2022.

This information has not been audited and was extracted from the Group's interim results for the six months ended 31 August 2022, which were prepared in terms of International Financial Reporting Standards.

## 8 CATEGORISATION

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

23 March 2023

---

Corporate advisor and sponsor to Equites

JAVACAPITAL

Debt sponsor

