

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 Company” or “the Group”)



SALE OF DISTRIBUTION WAREHOUSE IN HINCKLEY, UNITED KINGDOM

1 SALE TRANSACTION

Shareholders are advised that Equites, through its Isle of Man based wholly owned subsidiary, Equites International Limited (“**Equites International**” or “**the Seller**”), concluded an agreement of sale (“**Sale Agreement**”), in terms of which it sold the freehold property known as land on the north west side of Dodwells Road, Hinckley being the whole of the land registered under title number LT206751 (“**the Property**”) to Relif UK I B.V. (“**the Purchaser**”), a legal entity incorporated in the Netherlands which forms part of Realterm Europe Logistics Income Fund (“**Realterm**”), for a purchase consideration of £29,750,000 (“**Purchase Consideration**”) (“**Transaction**”).

Equites International owned the Property which comprises a warehouse and office component totalling 27,725m². The Property is let to Tesco Distribution Limited until 24 December 2023.

The Property was unencumbered, and the Transaction released net cash proceeds of R684 million to Equites. The Transaction also lowered the loan-to-value (“**LTV**”) ratio of Equites by 1.7% on a *pro-forma* basis and increased the weighted average lease expiry (“**WALE**”) of the portfolio.

2 RATIONALE FOR THE SALE OF THE PROPERTY

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 Property for the following reasons:

- the remaining lease length in respect of the Property is three months, which is well below the UK portfolio WALE of 15.8 years (as of February 2023);
- notwithstanding several approaches from Equites, the tenant has not yet communicated an intention to renew the lease. The disposal has therefore de-risked the portfolio from a potential significant vacancy;
- the Transaction has lowered the Group’s LTV ratio by 1.7%, on a *pro-forma* basis;
- a portion of the proceeds will be utilised to settle further pound-denominated debt facilities, supporting the strategic rebalancing of the LTV ratios between the two jurisdictions. The remainder of the 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;

- the Transaction crystallised a geared internal rate of return in respect of the Property of 12.1%, in pound terms (*assuming an initial LTV ratio of 35% and a weighted average cost of debt of 3.0% over the investment horizon*); and
- the Purchase Consideration represents a 16.2% premium to the last reported book value, in pound terms.

3 TERMS OF THE TRANSACTION

Equites International sold the Property to the Purchaser for £29,750,000. The Transaction exchanged and completed on 21 September 2023; on which day the Purchaser became the lawful owner of the Property against the payment of the Purchase Consideration.

All conditions precedent were duly met, and the Transaction was implemented in accordance with the Sale Agreement. Rent in respect of the day on which the Transaction was implemented was shared equally between the Seller and the Purchaser.

4 DESCRIPTION OF THE PURCHASER

Realterm focuses exclusively on acquiring and managing mission critical transportation-advantaged logistics real estate with high-flow-through characteristics.

John William Cammett, Kenneth Stuart Code and Robert George Fordi are the ultimate beneficial owners of Realterm.

5 VALUATION

The independent valuation of the Property was recently undertaken by Cushman & Wakefield, 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 valuation of £25,600,000 was in line with the book value as set out in paragraph 6 below.

6 FINANCIAL EFFECTS AND DETAILS OF THE PROPERTY

At 28 February 2023, the fair value of the Property amounted to £25,600,000. The contribution to distributable earnings for the twelve months ended 28 February 2023 amounted to £2,475,858, with a net loss after tax of £17,912,131.

Property Name	Geographical Location	GLA (m ²)	Property type	Weighted average rental per square metre per month*
Tesco property, Dodwells Road	Hinckley, United Kingdom	27,725	Logistics	R171.16

*Assuming a GBP/ZAR exchange rate of ZAR23.00.

The Purchase Consideration of £29,750,000 equates to a 16.2% premium to the book value of the asset, as of 28 February 2023, resulting in the Transaction being marginally accretive to Equites’ net asset value per share.

This information was extracted from the Company's audited year-end results for the twelve months ended 28 February 2023, which were prepared in terms of Equites' accounting policies and International Financial Reporting Standards.

7 TRANSACTION CATEGORISATION

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

26 September 2023

Corporate advisor and sponsor to Equites

JAVACAPITAL

Debt sponsor

