



Balwin Properties Limited
(Incorporated in the Republic of South Africa)
Registration Number: 2003/028851/06
Share code: BWN
ISIN: ZAE000209532
("Balwin" or the "group")

ACQUISITION OF ZONED AND SERVICED LAND IN WESTOWN

1. INTRODUCTION

Shareholders are hereby advised that Balwin has concluded a Sale and Development Agreement (the "**Agreement**"), with Fundamentum Dev Co Proprietary Limited (the "**Seller**"), beneficially owned by Sean Bergsma and Donovan Bergsma, in terms of which Balwin has agreed to purchase the development rights in respect of Lease 14 on the Remainder of Erf 1 Ntshongweni (the "**Property**") for a total purchase price of R133,700,000.00 (the "**Transaction**") on a "pay-as-you register" basis.

2. OVERVIEW OF THE PROPERTY

- 2.1. The Property measures 13.41 hectares in extent and is situated in Shongweni, forming part of the Westown Development.
- 2.2. Westown, which is over 100 hectares in extent, is the first development phase of the Shongweni Urban Development, a proclaimed Catalytic Project by the eThekweni Municipality supported by the KwaZulu-Natal Department of Economic Development, Tourism & Environmental Affairs, and National Government which forms part of a larger 2 000 hectare development.
- 2.3. The Property is adjacent to Westown Square which comprises of 50 000 square meters of retail. The construction of Westown Square and associated bulk infrastructure commenced in 2022 and is expected to be completed in early 2025. Further information on Westown can be found at <https://westown.co.za>.
- 2.4. The Westown Development will consist of a hospital (a license has been granted); hotels; warehousing as well as logistics, business parks and schools.

3. RATIONALE FOR THE TRANSACTION

- 3.1. Balwin has been negotiating with the Seller since 2022 to acquire the Property and has managed to agree a "pay-as-you-register" model meaning that a contracted amount per apartment is paid to the Seller on the registration of each apartment (refer 4.1). Balwin will acquire the development rights on the property once all infrastructure has been installed by the Seller and it is fully serviced. Accordingly, there is no initial capital expenditure required from Balwin in the form of either land or infrastructure costs. The acquisition of the Property is aligned with Balwin's strategic objectives to expand into new and growing residential nodes in major metropolitan areas and will leverage off the existing and established knowledge base of operating within KwaZulu-Natal.

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- 3.2. The Property offers a compelling offer for clients seeking affordable living opportunities in a tranquil environment with rich natural surroundings. It is enveloped by vast open spaces that include hiking, trail running and mountain bike routes with beaches a mere 45 minutes' drive away.
- 3.3. The Property is zoned and will be serviced for immediate construction of 1 260 residential apartments. The development will form part of Balwin's "Classic Brand" targeting first time homeowners, young families, professionals and retirees. The proposed Site Development Plan has been designed using a 4-storey walk-upblock.
- 3.4. Balwin believes that the acquisition of the Property will assist it to achieve its goal of expanding within the KwaZulu-Natal region for the following reasons –
 - Easy access to the N3 highway (link to Durban City)
 - Close proximity to educational facilities, hospitals, office parks and shopping malls
 - Superior outdoor lifestyle offerings and country living
 - Shongweni is considered to be an affluent area with an LSM 8 -10 catchment area.
 - A population growth rate of 6.5% per annum and 59% over the past nine years
 - The predominant age of residents within the catchment area ranges from 30 and 39 years
 - Strong demand and little new supply of sectional title developments in the area
 - Between 2018 and 2023, there have been 3 267 sectional title sales in the greater area with 931 sales in 2022 at a rate of 78 sales per month.

4. **PURCHASE CONSIDERATION PAYABLE TO THE SELLER**

- 4.1. The total consideration payable by Balwin to the Seller in terms of the Agreement is R133,700,000.00 (excluding VAT) ("**Purchase Consideration**"), which is to be paid by Balwin as follows –
 - 4.1.1. per apartment type as and when End-User leases are registered in the name Balwin clients:
 - 4.1.1.1. R120,000.00 for each 3 bedroom apartment;
 - 4.1.1.2. R110,000.00 for each 2 bedroom apartment;
 - 4.1.1.3. R100,000.00 for each 1 bedroom apartment.
- 4.2. The total purchase price payable to the Seller must be settled by no later than 6 years after construction commencing (i.e. 2031). Balwin is obligated to commence construction by no later than June 2025 provided that the Seller has fulfilled its obligations timeously. Based on a projected sales rate of 25 sales per month, the construction period is estimated at 49 months or 4 years which means the group has approximately 2 years leeway to account for changes in market conditions.
- 4.3. There will be no escalation on the purchase price. Over the six-year long-stop period, this can be quantified as an approximate R12 million saving.

5. INITIAL RESIDENTIAL LEASE CONSIDERATION

- 5.1. In addition to the Purchase Consideration payable to the Seller, an amount of 3% per apartment calculated on the selling price of the apartment is payable to Ntshongweni Urban Core Property Company No. 1 (Pty) Ltd (the “**Landowner**”). Balwin and the Seller have agreed to share this amount equally. Accordingly, an amount equal to 1.5% of the selling price of each apartment will be paid by Balwin to the Landowner as and when leases are registered in the name of our clients.
- 5.2. Based on current forecasts, the total amount payable by Balwin to the Landowner will be approximately R27,000,000.00.

6. VALUE OF THE NET ASSETS AND PROFITS ATTRIBUTABLE TO THE NET ASSETS

The value of the development rights to be acquired is R133,700,000.00 (excluding VAT and excluding the lease consideration fee per clause 5). The development rights will not generate profits in isolation as the land will be developed into sectional title residential apartments and profits will be attributed to the sale of the respective apartments.

7. CONDITIONS PRECEDENT TO THE TRANSACTION

The Seller must install all the required bulk services and register the Certificate of Registered Title in respect of the Property, making it a fully serviced separate subdivision by 31 March 2025.

8. EFFECTIVE DATE OF THE TRANSACTION

In terms of the Agreement, the effective date of the Transaction will be the date that all conditions precedents are fulfilled or waived.

9. JSE CATEGORISATION

The Transaction is categorised as a category 2 transaction in terms of paragraph 9.5(a) of the JSE Listings Requirements and accordingly no shareholder approval is required.

Johannesburg
24 May 2024

Sponsor and corporate advisor
Investec Bank Limited

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