

SPEAR REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2015/407237/06)

Share Code: SEA

ISIN: ZAE000228995

LEI: 378900F76170CCB33C50

Approved as a REIT by the JSE

("Spear")



SPEAR
REIT LIMITED

CATEGORY 2 DISPOSAL ANNOUNCEMENT – 100 FAIRWAYS, N1 CITY

1. INTRODUCTION

Shareholders are advised that on 20 June 2024 ("**Signature Date**"), Spear entered into a sale of rental enterprise agreement ("**Agreement**") with The City of Cape Town ("**Purchaser**"), in terms of which Agreement, Spear will dispose of the property known as Erf 23427 Parow, City of Cape Town, situated at 100 Fairway Close, Parow Golf Course, Cape Town, with all improvements thereon ("**Property**"), and the rental enterprise conducted by Spear on the Property ("**Rental Enterprise**"), as a going concern ("**Disposal**"), for a disposal consideration of R160 000 000 ("**Disposal Consideration**").

2. RATIONALE FOR THE DISPOSAL

The disposal of the Property, which forms part of Spear's commercial office portfolio, is aligned with management's capital recycling strategy, to dispose of assets that have matured within the portfolio and to create more optimal sectoral exposure balance within the core portfolio post the implementation of the Emira Western Cape portfolio acquisition.

3. APPLICATION OF THE DISPOSAL CONSIDERATION

The Disposal Consideration will be utilised to settle portions of existing Spear portfolio variable debt facilities to align with Spear's loan to value ratio ("**LTV**") strategy post the implementation of the Emira Western Cape portfolio acquisition.

Spear has no debt drawn against the Property and the full Disposal Consideration will be utilised to reduce group LTV. Spear's fixed debt ratio post implementation of the Disposal will increase to *circa* 75% of the group's total debt being hedged, in line with management's strategy of hedging between 65% and 75% of Spear's portfolio debt at any given time.

The application of the Disposal Consideration will reduce Spear's LTV to between 23% and 23.50% prior to the implementation of the Emira Western Cape portfolio acquisition. Spear's strategic LTV band is set at between 38% and 43%, with management's strategic intent to operate at 39%, on a normalised basis going forward.

4. CONDITION PRECEDENT

4.1. The Agreement is subject to the fulfilment of the condition precedent ("**Condition Precedent**") that the Disposal is unconditionally approved by the applicable competition authorities in terms of the Competition Act, No. 89 of 1998, or conditionally approved on conditions which are acceptable to the parties.

4.2. The Condition Precedent must be fulfilled by not later than 120 days after the Signature Date, which date may be extended by the parties in writing.

5. EFFECTIVE DATE OF THE DISPOSAL

The effective date of the Disposal will be the date of registration of transfer of the Property into the name of the Purchaser (“**Transfer Date**”), which is anticipated as being on or about 1 December 2024.

6. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

- 6.1. The Purchaser currently leases a portion of the Property and will continue to do so in terms of the current lease agreement with Spear, until the Transfer Date. In addition, the Purchaser will take occupation of 7,825 m², of vacant portions in the Property inclusive all associated parking bays and storerooms linked to the vacant portions, from the Signature Date, at an agreed occupational rental.
- 6.2. Negotiations are currently ongoing with a third party for the lease of the remaining vacant portions of the Property (of approximately 918 m²). Should the proposed lease agreement between Spear and the third party in respect of those remaining vacant portions of the Property not be finalised by 30 August 2024, the Purchaser shall take occupation of such remaining vacant portions of the Property from 1 September 2024 at an agreed occupational rental.
- 6.3. The Agreement contains representations and warranties by Spear, in respect of the Letting Enterprise and the Property, in favour of the Purchaser which are standard for a transaction of this nature.
- 6.4. Subject to such warranties, the Letting Enterprise and the Property are sold “voetstoots”.

7. THE PROPERTY

Details of the Property are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m²)	Weighted Average Gross Rental / m²
100 Fairway Close, Parow Golf Course, Cape Town	Parow, Western Cape	Office	11,664	R156.79

Details regarding the Property, as at the Signature Date, are set out below:

Disposal Yield Attributable to Shareholders	Weighted Average Escalation	Weighted Average Lease Duration (years)	Vacancy % by Gross Lettable Area
9.80%	7.00%	0.75	7.87%

Notes:

- a) In addition to the Disposal Consideration, the costs associated with the Disposal are estimated at R1,000,000. No agents' commission is payable in respect of the Disposal.
- b) The Disposal Consideration payable in respect of the Letting Enterprise (which includes the Property), is considered to be its fair market value, as determined by the directors of Spear. The directors of Spear are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000.

8. FINANCIAL INFORMATION

- 8.1. As at 29 February 2024, being the date of the last published audited consolidated annual financial statements of Spear, the value of the net assets attributable to Letting Enterprise, was R160 000 000.
- 8.2. The profit after tax attributable to the Letting Enterprise for the financial year ended 29 February 2024, was R13 422 044, based on the last published audited consolidated annual financial statement of Spear, which were prepared in terms of IFRS.

9. CLASSIFICATION OF THE DISPOSAL

The Disposal Consideration represents more than 5% but less than 30% of Spear's market capitalisation as at the Signature Date and accordingly the Disposal constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

Cape Town
21 June 2024

Sponsor
PSG Capital



Legal Adviser
ENSAfrica

