

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" or "the Company")



SPEAR
REIT LIMITED

SMALL RELATED PARTY DISPOSAL ANNOUNCEMENT – UPPER EAST SIDE SECTIONAL TITLE RETAIL UNITS

1. INTRODUCTION

- 1.1. As previously announced and reported, the Company, through its wholly-owned subsidiary Spear Holdco (Pty) Ltd ("**Seller**"), disposed of 100% of the issued share capital and claims held by it in Upper East Side Hotel (Pty) Ltd ("**UES Hotel**"), which is the owner and operator of the DoubleTree by Hilton Hotel in Cape Town and the associated commercial assets linked thereto, comprising of various sectional title units and exclusive use areas in the Upper East Side Sectional Title Scheme ("**Scheme**").
- 1.2. As part of the above disposal, which was effective on 1 February 2022, the Seller retained certain sectional title units and exclusive use area parking bays in the Scheme, previously owned by UES Hotel, which were transferred and registered into the name of the Seller.
- 1.3. Shareholders are advised that on 12 July 2024 ("**Signature Date**"), the Seller entered into a sale of letting enterprise agreement ("**Agreement**") with UES Hotel ("**Purchaser**") which is beneficially owned by Easy Shoes (Pty) Ltd ("**Easy Shoes**"), Cloudberry Investments 18 (Pty) Ltd ("**Cloudberry**"), the Riekie-Raai Beleggings Trust, the Selza Trust, the African Children's Trust, the JGL Trust and Leonard Samuel Sank, in terms of which Agreement, the Seller will dispose of the property comprising:
- 1.3.1. Sections No. 27, 43, 44, 46, 47, 63, 122, 123, 124, 125, 126, 127, 128 and 129 in the Scheme, more fully described on Sectional Plan Numbers SS334/2008, SS226/2012 and SS165/2014.
- 1.3.2. an undivided share in the common property of the Scheme apportioned to the said sections; and
- 1.3.3. the right to 15 exclusive use area parking bays in the Scheme,
- (collectively, the "**Property**"), and the rental enterprise conducted by the Seller on the Property ("**Rental Enterprise**"), as a going concern ("**Disposal**"), for a disposal consideration of R11 800 000 ("**Disposal Consideration**").

2. RATIONALE FOR THE DISPOSAL AND APPLICATION OF THE DISPOSAL CONSIDERATION

- 2.1. The Disposal of the Property, which is considered non-core to the Spear portfolio, aligns with Spear's strategy of prudently recycling capital into longer dated income producing investment opportunities with higher value thresholds within the Western Cape.
- 2.2. The Disposal Consideration will be aggregated with cash-on-hand to be redeployed into the acquisition of real estate assets within the industrial and convenience retail sub-sectors which have minimum asset values of R100 million or more, on a per asset basis, in line with Spear's capital allocation and investment strategy.
- 2.3. The Disposal Consideration is payable by the Purchaser on the Transfer Date (as defined below) and will be secured by a bank guarantee prior thereto.

3. CONDITIONS PRECEDENT AND EFFECTIVE DATE OF THE DISPOSAL

- 3.1. The Disposal is not subject to the fulfilment of any outstanding conditions precedent and is effective and unconditional at the date of this announcement.
- 3.2. 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 during the month of October 2024.

4. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

- 4.1. Save as set out in paragraph 4.2 below, the Agreement contains no warranties by the Seller in respect of the Rental Enterprise or the Property, in favour of the Purchaser, and the Disposal is made on a "*voetstoots*" basis.
- 4.2. The Agreement includes a rental guarantee by the Seller to the Purchaser in terms of which the Seller guarantees the following:
- 4.2.1. a monthly rental income of R120 (excluding VAT) per square metre, escalating at 7% per annum (with the first escalation taking effect on 1 November 2024) in respect of Sections 46 and 63 of the Property, which is consistent with the proportionate rental income received by the Seller in respect of such Sections in terms of one existing lease agreement which guarantee is given from the Transfer Date until the expiry of the aforementioned lease agreement; and
- 4.2.2. a monthly rental income of R800 (excluding VAT) per parking bay for each of the 15 parking bays forming part of the Property, which guarantee is given for a period of 12 months from the Transfer Date.

5. THE PROPERTY

A description and details of the Property, as at the Signature Date, are set out below:

Property Description	Geographical Location	Sector	Gross Lettable Area (m ²)	Weighted Average Net Rental / m ²
Various sectional title units and exclusive use area parking bays in the Upper East Side Sectional Title Scheme	Woodstock, Cape Town	Retail	734	R159.34

Further 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
10.00%	7.43%	1.5	0.00%

Notes:

- a) In addition to the Disposal Consideration, the costs associated with the Disposal are estimated at R250 000. No agents' commission is payable in respect of the Disposal.
- b) The Disposal Consideration payable in respect of the Rental 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.

6. FINANCIAL INFORMATION

- 6.1. As at 29 February 2024, being the date of the last published audited consolidated annual financial statements of Spear for the financial year ended 29 February 2024, the value of the net assets attributable to the Rental Enterprise, was R9 532 506.
- 6.2. The profit after tax attributable to the Rental Enterprise for the financial year ended 29 February 2024, was R454 676, based on the last published audited consolidated annual financial statements of Spear for the financial year ended 29 February 2024, which were prepared in terms of IFRS.

7. CLASSIFICATION OF THE DISPOSAL

- 7.1. In terms of the JSE Listings Requirements, Easy Shoes and Cloudberry, which are beneficial owners of the Purchaser, are “related parties” of the Company by virtue of the fact that Easy Shoes is an associate of Mike Flax and Cloudberry is an associate of Abubaker Varachhia. Both Mike Naftali and Abubaker Varachhia are non-executive directors of the Company.
- 7.2. As the Disposal Consideration is more than 0.25% but less than 5% of the Company’s market capitalisation as at the Signature Date, the Disposal constitutes a small related party transaction in terms of the JSE Listings Requirements. Accordingly, the opinion of an independent professional expert (“**Independent Expert**”) is required on the fairness of the Disposal in terms of paragraph 10.7(b) of the JSE Listings Requirements.
- 7.3. The directors of the Company have appointed PSG Capital (Pty) Ltd as the Independent Expert to compile the required fairness opinion on the Disposal (“**Fairness Opinion**”). The Independent Expert has considered the terms of the Disposal and is of the opinion that the terms of the Disposal are fair insofar as Spear shareholders are concerned. Accordingly, no shareholder approval is required in terms of the Listings Requirements.
- 7.4. A copy of the Fairness Opinion is available for inspection at the Company’s registered office for a period of 28 days from the date of this announcement.

Cape Town
12 July 2024

Sponsor
PSG Capital

