

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")



SALE OF LAND AND DEVELOPMENT OF DISTRIBUTION CENTRES FOR ARROW CAPITAL PARTNERS IN HOYLAND, BARNESLEY, ENGLAND

1. INTRODUCTION

Shareholders are advised that Equites Newlands Group Limited ("**ENGL**"), of which Equites owns 60% and Newlands Property Developments LLP ("**Newlands**") the remaining 40%, has concluded the following agreements:

- Agreement of sale of land, in terms of which ENGL will sell undeveloped land at Plots 2a & 2b, J36 M1, Hoyland Common, Barnsley ("**the Property**") to Promontoria Logistics UK 7 Limited ("**Promontoria**"), for a purchase consideration of £17 017 000 (ZAR348 848 500); and
- Development funding agreement, in terms of which ENGL is appointed by Promontoria to develop two distribution centres for Promontoria, which developments will be funded up to practical completion by ENGL. The total development cost to Promontoria, inclusive of development profits, will be £33 720 500 (ZAR691 270 250), which amount will be paid to ENGL following practical completion of the developments.

together the ("**transaction**").

The total funding commitment to Equites in respect of the development of the two distribution centres is approximately £24 million (ZAR492 million). The expected profit attributable to Equites is c.£6.0 million (ZAR123 million), equating to a 25% return on invested capital.

2. RATIONALE

Equites' offshore strategy is to build scale in the top-end of the United Kingdom ("**UK**") logistics market through its partnership with Newlands. This partnership affords Equites the opportunity to unlock world-class distribution facilities in the UK at a discount to open market value values.

The potential pipeline of development opportunities is estimated to be c. £800 million (ZAR16.4 billion) over the next three to five years, on a cost basis. As part of its strategy, ENGL will also undertake turnkey developments in the UK for third parties, i.e., "build-to-sell" developments.

The key reasons supporting turnkey developments, including this transaction, are as follows:

- **Source of capital.** Equites is currently exploring various alternatives to fund its attractive pipeline of development opportunities in the UK. Equites will not distribute capital profits on turnkey developments but will use the proceeds as part of the equity required for new projects. From a tax perspective, the profits are deemed to be capital in nature and non-distribution will not result in any tax leakage in South Africa.
- **Crystallise development profits.** Crystallising development profits will unlock a portion of ENGL's value creation on a cash basis.
- **Contribute to net asset value ("**NAV**") growth.** The transaction will contribute to NAV per share growth in the next financial year ("**FY23**") upon completion of the developments.

- **Further opportunities.** ENGL is currently developing a world-class distribution facility for Hermes on the plot adjacent to the Property, which will be retained as a long-term investment. Equites is planning to allocate further capital to new opportunities within the Newlands venture, which will diversify the portfolio across various schemes and locations in the UK, creating an impeccable UK logistics portfolio.
- **Strong counterparty.** The purchaser, Promontoria, forms part of the Strategic Industrial Real Estate Group (“SIRE”), which is a joint venture operated by Arrow Capital Partners (“Arrow Capital”) and funded by Cerberus Global Investments (“Cerberus”). Arrow Capital is a global private real estate company that invests in equity and debt opportunities. Arrow Capital is positioned in the market as both an investor and an operator and focus on attractive investment opportunities in Europe and Asia-Pacific. In Europe, Arrow Capital has been involved in more than €3 billion of acquisitions across Germany, UK, France, Poland, Netherlands, Czech Republic, Finland and Sweden. Cerberus is a global leader in alternative investing with approximately \$53 billion in assets across credit, private equity, and real estate platforms. Since inception in 1993, Cerberus’s real estate division has invested approximately \$29 billion of equity in more than 575 transactions around the world. SIRE primarily invests in high-quality, low-risk assets (core plus), betting on the continued growth in the e-commerce market. The venture invests in Spain, Germany, United Kingdom, Italy and the Benelux countries. SIRE intends to invest in individual properties worth between €5 million and €100 million. The current platform has assets to the value of €3 billion.

3. DETAILS OF THE PROPERTY

The total net site area is 9.84 hectares (24.31 acres) of undeveloped land, inclusive of the 0.3 ha (0.74 acres) access road and pumping station area. ENGL will develop and fund two distribution centres with a combined extent of 451,000 sq. ft (41,899 sq. m), on the Property which will be owned by Promontoria. It is estimated that the development will be completed during the third quarter in 2022.

Property name	Geographical location	Sector	GLA (sq. ft. /sq. m)	Site area (excluding access road and pumping station area)
Plot 2a	Hoyland Common, Barnsley, England	Logistics	265,000 sq. ft. (24,619 sq. m)	5.07ha (12.53 acre)
Plot 2b	Hoyland Common, Barnsley, England	Logistics	186,000 sq. ft. (17,280 sq. m)	4.47ha (11.05 acre)
Total			451,000 sq. ft. (41,899 sq. m)	9.54ha (23.57 acre)

4. TERMS OF THE TRANSACTION

SALE OF LAND AGREEMENT

Promontoria will acquire the freehold interest in the Property for £17 017 000 (ZAR 348 848 500), which amount will be payable to ENGL ten business days after the fulfilment of all conditions precedent.

The transaction is subject to the fulfilment of the following conditions precedent:

- Planning consent for the development of the two distribution centres;
- The acquisition by ENGL of adjacent land, 2.7 hectares (6.67 acres) in extent, for the purposes of the attenuation scheme,

by no later than 1 April 2022, failing which the transaction will fail. It is expected that all the conditions will be met by the first quarter of 2022.

Promontoria has paid a deposit in the amount of £850 850 (ZAR17 442 425), which equates to five percent of the purchase consideration.

DEVELOPMENT FUNDING AGREEMENT

ENGL has been appointed by Promontoria to develop two distribution centres for Promontoria on the Property with a combined extent of 451,000 sq ft (41,899 sq m) at an estimated cost of £33 720 500 million (ZAR691 270 250) ("**total development cost**").

The development of the two distribution centres will commence after the transfer of the Property from ENGL to Promontoria and all costs associated with the development and related infrastructure will be funded by ENGL.

ENGL is to procure that the works in respect of the two distribution centres and associated infrastructure are carried out in accordance with the approved plans specification, the relevant building/works contract, all applicable statutory consents and requirements and in accordance with the agreed construction phase plan.

Promontoria will repay ENGL the total development costs 10 business days after satisfaction of the last of the closing conditions, the most important of which is the issuing of the certificate of practical completion for the distribution centres and associated infrastructure works. Any dispute about the satisfaction of the closing conditions may be referred for determination by a specialist. It is estimated that the development will be completed during the third quarter of 2022.

ENGL will be funding the development of the two distribution centres and related infrastructure against security of a first ranking legal charge (mortgage) over the Property, including with all buildings, fixtures, fittings and fixed plant and machinery on the Property and the benefit of any covenants for title given or entered into by any predecessor in title of Promontoria.

The legal charge secures payment by Promontoria of the total development costs as well as any interest and/or professional/enforcement costs incurred in respect of such sums incurred pursuant to the legal charge.

Promontoria has not yet secured tenants for the two distribution centres, and they are therefore being built speculatively. The payment of the total development costs by Promontoria to ENGL is in no way dependent on the distribution centres being tenanted.

ENGL has undertaken to use reasonable endeavours to assist Promontoria in obtaining tenants for the two distribution centres. In consideration for their efforts, and as an additional incentive, if a distribution centre is pre-let prior to the date of practical completion, Promontoria will pay ENGL the sum of 15% of the annual headline rent for the first year (not taking account of any rent-free period) within 15 business days of the unit being let.

If a distribution centre is let within 6 months after the date of practical completion, Promontoria will pay ENGL 10% of the annual headline rent for the first year (not taking account of any rent-free period) within 15 business days of the unit being let.

5. VALUATION

The Property will be carried at the purchase consideration, which the directors of Equites are satisfied will approximate its fair value at the date of transfer. The directors of the Company 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. CONCLUSION

Equites' attributable share of development profits is expected to be c. £6.0 million (c. ZAR 123 million), which will not be included in the calculation of distributable earnings nor distributed by Equites, supporting NAV per share growth in FY23.

7. CATEGORISATION

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

12 August 2021

Corporate advisor and sponsor to Equites

JAVACAPITAL

Debt sponsor

