

## **EQUITES PROPERTY FUND LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 2013/080877/06)  
JSE share code: EQU ISIN: ZAE000188843  
(Approved as a REIT by the JSE)  
("Equites")



## **ATTACQ LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 1997/000543/06)  
JSE share code: ATT ISIN: ZAE000177218  
("Attacq")



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# **EQUITES / ATTACQ JOINT VENTURE AND ACQUISITION OF AN INTEREST IN A PORTFOLIO OF PROPERTIES**

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## **1. INTRODUCTION**

Shareholders are advised that Equites and Attacq (through its wholly owned subsidiary Attacq Waterfall Investment Company Proprietary Limited ("AWIC")) ("the Attacq group") have agreed to establish a joint venture in respect of a portfolio of industrial properties at Waterfall ("portfolio") with effect from 1 July 2016 (the "transaction").

To give effect to the joint venture, Equites will subscribe for an 80% shareholding in an SPV that owns the portfolio, for a subscription consideration of R291.2 million payable on the date of transfer of the portfolio into the SPV. The Attacq group will hold the remaining 20%.

## **2. RATIONALE FOR ATTACQ**

The joint venture forges a strategic partnership between Equites and Attacq for the purpose of jointly pursuing opportunities in the industrial property sector in and outside of South Africa. The parties will be able to pursue and unlock certain greenfield developments around South Africa which is consistent with the Attacq group's value proposition of developing properties as part of its strategy of being a capital growth fund to earn development profits. Furthermore, Equites as a specialized industrial property fund has industrial property development skills and established relationships with industrial lessees which can provide further development opportunities for Waterfall's vast industrial node.

While this portfolio represents the majority of the Attacq group's current completed industrial properties, the remaining industrial developable bulk in Waterfall as well as a number industrial properties which are currently under construction and are due for completion shortly, will restore the group's exposure to this property sector.

The transaction allows the Attacq group to continue to share in the upside of this high quality industrial portfolio through the joint venture and providing the required property management services, whilst releasing some capital which will be redeployed in higher yielding development and investment opportunities that are available to the Attacq group.

### 3. RATIONALE FOR EQUITES

The SPV is being constituted as a joint venture initially in respect of the portfolio, but with a view to growing an industrial portfolio of properties to be held by the SPV. This joint venture should provide Equites with opportunities to benefit from the development pipeline of the Attacq group.

The transaction is consistent with Equites' growth and investment strategy of building a high quality industrial portfolio that promotes capital growth and increasing income returns in the medium to long term.

The property fundamentals of the buildings are impeccable. Each of the 8 buildings comprise modern new logistics facilities located in Waterfall's Logistics Precinct and Distribution Campus, which is an upcoming sought after logistics node. The tenants of 7 of the 8 buildings are categorised as A-grade, being major franchisees forming part of international groups. The weighted average lease expiry profile of the buildings is 8.4 years. The portfolio will therefore add to the quality, defensiveness and income predictability of Equites.

### 4. DETAILS OF THE PROPERTY PORTFOLIO

The portfolio is valued at R728 million and has an acquisition yield of c.8% on the first year's estimated income. The weighted average rental per square metre of the portfolio is R89.85. The rentable area of the individual buildings are set out below:

No	Property name	Rentable area (m <sup>2</sup> )
1.	Angel Shack	4 666
2.	Westcon	8 087
3.	Drager	5 090
4.	Cummins*	10 504
5.	Covidien	11 082
6.	Hilti	3 951
7.	Stryker	3 220
8.	Servest	6 767

\*50% acquired

### 5. CONDITIONS PRECEDENT

5.1. The transaction is subject to the following conditions precedent:

- 5.1.1. the conclusion and fulfilment of conditions to all the relevant agreements including a property management agreement between the SPV and Attacq or one of its subsidiaries;
- 5.1.2. Equites confirming that it is satisfied with the results of the due diligence investigation;
- 5.1.3. the shareholders of the SPV having passed resolutions in accordance with section (41)(3) of the Companies Act authorising the issue and allotment of the shares;
- 5.1.4. the funders having provided such consents or approvals, in writing, as may be required for the release of the existing mortgage bonds and the assumption of the assumed debt;
- 5.1.5. the approval of the Competition Authorities; and
- 5.1.6. full implementation of the agreement pursuant to which the SPV will acquire the portfolio.

- 5.2. Upon completion of the implementation of the transaction, the SPV will become a subsidiary of Equites and confirmation is hereby given in terms of paragraph 9.16 of the JSE Listings Requirements that Equites will ensure that none of the provisions in the memorandum of incorporation, or such similar document, of the SPV will frustrate Equites in any way from compliance with, nor relieve it from, its obligations in terms of the JSE Listings Requirements.

## 6. VALUATION FOR EQUITES

The directors of Equites are satisfied that the value attributed to the portfolio is in line with the subscription consideration being paid by Equites. The directors of Equites 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.

## 7. CATEGORISATION

- 7.1. The transaction is a category 2 transaction for Equites in terms of the JSE Listings Requirements and accordingly does not require approval by Equites shareholders.
- 7.2. This transaction is not categorisable for Attacq in terms of the JSE Listings Requirements and accordingly does not require approval by Attacq shareholders. For Attacq, this announcement is voluntary and for information purposes only.

20 May 2016

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**Corporate advisor and sponsor to Equites and Attacq**



**Legal advisor to Equites**



**Legal advisor to Attacq**

