

TRANSCEND RESIDENTIAL PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

Registration number 2016/277183/06

JSE share code: TPF

ISIN: ZAE000227765

(Approved as a REIT by the JSE)

(“**Transcend**” or the “**company**”)



ACQUISITION OF A RENTAL ENTERPRISE

1. INTRODUCTION

Shareholders are advised that Transcend has concluded a legal agreement (“**Sale Agreement**”) to acquire a rental enterprise comprising 76 sectional title units in the scheme known as Silverleaf located at Erf 2151 Silverton Township, City of Tshwane (“**Silverleaf**” or the “**Property**”) from Defacto Investments 264 Proprietary Limited (“**Seller**”) for an aggregate purchase consideration of R44 500 000 (“**Purchase Price**”) (the “**Transaction**”).

2. RATIONALE FOR THE TRANSACTION

The acquisition of Silverleaf represents an opportunity to grow Transcend’s existing portfolio with a well located, affordable and secure rental property. This will be the first acquisition for the company since listing on the Alternative Exchange of the JSE (“**AltX**”) on 1 December 2016.

The Transaction is consistent with Transcend’s stated growth and investment strategy of acquiring yield-accretive residential properties, with a focus on housing opportunities which are affordable and lifestyle-enhancing, and located in well-situated, high growth urban areas.

3. SALIENT TERMS OF THE SALE AGREEMENT

3.1. The Transaction is subject to the following outstanding conditions precedent:

- the Seller obtaining all necessary consents and approvals as may be required, including but not limited to the approval of the board of directors of the Seller;
- the Seller delivering proof of its registration for VAT;
- Transcend obtaining all necessary consents and approvals as may be required, including but not limited to the approval of the board of directors of Transcend;
- the conclusion of a satisfactory technical, financial and legal due diligence by Transcend with regard to the Property; and
- the execution of binding funding agreements by Transcend.

3.2. The effective date of the Transaction will be the date on which the Property is transferred from the Seller to Transcend, from which date the ownership of the Property (and all risk and benefits in respect of the Property) will pass to Transcend. It is estimated that the effective date will be 30 April 2018 (the “**transfer date**”).

3.3. The Purchase Price is payable by Transcend to the Seller on the transfer date.

3.4. The Seller has provided warranties and indemnities to Transcend that are standard for a transaction of this nature.

4. DETAILS OF THE PROPERTY

The Property consists of 76 two bedroomed residential units located at 649 Krige Street, Silverton, Pretoria. The effective acquisition yield at transfer date is 9.6%, based on the Purchase Price of R44 500 000.

Property name	Geographical location	Sector	Gross Lettable Area (m ²)	Weighted average rental per square metre (monthly)	Purchase Price
Silverleaf	649 Krige Street, Silverton, Pretoria	Residential	5 364m ²	R81.48	R44 500 000

The average rental income per unit is R5 750 per month. At present, the property is fully let.

The Property was valued at R46 800 000 as at 31 December 2017 by Real Insight Proprietary Limited, registered professional valuers in terms of the Property Valuers Profession Act, No.47 of 2000.

5. FINANCIAL INFORMATION

Set out below is the forecast for the Property (the “**forecast**”) for the 8 months ending 31 December 2018 and year ending 31 December 2019 (the “**forecast period**”).

The forecast has been prepared on the assumption that transfer of the Property will be completed, and rental income in terms of the leases received, from 30 April 2018.

The forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the company. The forecast has not been reviewed or reported on by independent reporting accountants.

	Forecast for the 8 months ending 31 December 2018 ZAR	Forecast for the year ending 31 December 2019 ZAR
Rental revenue	3 496 000	5 285 952
Net property income/net operating profit	2 787 583	4 390 444
Less: finance costs	(2 750 100)	(4 125 150)
Net operating profit after tax	37 483	265 294
Profit available for distribution	37 483	265 294

The forecast incorporates the following material assumptions in respect of revenue and expenses:

1. The forecast financial information has been prepared utilising:
 - a. Rent rolls and lease agreements;
 - b. Projected rental escalations; and
 - c. Management’s knowledge and experience in the residential property industry.
2. The Purchase Price will be entirely debt funded at an effective rate of 9.3%, being JIBAR plus a margin of 2.15%.
3. Rental revenue is short-term in nature:
 - a. Rental revenue in respect of the 8 months ending 31 December 2018 comprises contracted rental revenue only, which is supported by legally binding rental agreements, all of which expire on 31 December 2018 and are assumed to be valid and enforceable.
 - b. Rental revenue for the year ending 31 December 2019 comprises uncontracted rental revenue only, which has been calculated as the total potential rental revenue that could be generated if all of the units were tenanted less a vacancy allowance of 4%, which takes into account the anticipated void period prior to a unit being re-tenanted and bad debts. Rental escalations of 5% have been assumed with effect from 1 January 2019.

4. No unforeseen market and economic factors that will affect tenants' ability to meet their commitments in terms of existing lease agreements have been included in the forecasts.
5. No straight-line adjustment is required due to the short-term nature of revenue.
6. Operating costs escalations have been forecast in line with rental escalations at 5% per annum.
7. No fair value adjustments have been provided for.

6. CATEGORISATION

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

3 April 2018

Designated advisor

The logo for Java Capital, featuring the word "JAVA" in a bold, sans-serif font with a blue underline, followed by "CAPITAL" in a lighter, sans-serif font.