

**TRANSCEND RESIDENTIAL PROPERTY
FUND LIMITED**

(Incorporated in the Republic of South Africa)
Registration number 2016/277183/06
JSE Code: TPF ISIN: ZAE000227765
(Approved as a REIT by the JSE)
("Transcend" or "the Company")



TERMS ANNOUNCEMENT IN RESPECT OF THE DISPOSAL OF ACACIA PLACE

1. INTRODUCTION

Transcend is pleased to advise that it has entered into a sale agreement dated 14 September 2018 ("Sale Agreement") and an agreement of occupancy dated 14 September 2018 ("Agreement of Occupancy") with Instratin Properties Proprietary Limited ("Instratin") in respect of the Company's Acacia Place property, located in Duvha, eMalahleni (Witbank), Mpumalanga ("Acacia Place"), in terms of which Transcend will dispose of all 325 units comprising Acacia Place to Instratin, together with the rental enterprise conducted by Transcend in respect of each unit in Acacia Place ("the Transaction").

Transcend's business activities are primarily concerned with acquiring and managing income-generating residential properties, with a specific focus on housing opportunities that are affordable, lifestyle enhancing and located in high-growth urban areas. Prior to the Transaction, Transcend owns a portfolio of 14 properties, comprising 2 532 units, located across South Africa (Gauteng, Mpumalanga and Western Cape).

2. RATIONALE FOR THE TRANSACTION

Acacia Place is an under-performing property, primarily due to the termination and non-renewal of certain bulk leases, with year-to-date vacancy levels of around 42% and has been identified by management as a point of concern in the Company meeting its budgeted targets and forecast guidance for the current financial year.

Management has taken pro-active steps to remedy the current portfolio performance back to a position of consistent dividend growth. The Transaction will assist Transcend in achieving its stated objective by optimising the performance of its current portfolio, in addition to its plans to expand the portfolio with predominantly distribution-enhancing acquisitions.

3. TERMS OF THE TRANSACTION

Instratin will purchase Acacia Place, comprising 325 units, together with the rental enterprise carried on by Transcend in respect of Acacia Place, from Transcend for a cash price of R392 308 per unit, amounting to a total cash price of R127.5 million, the proceeds of which will be used to reduce interest-bearing liabilities until required for new acquisitions.

The Sale Agreement contains warranties and/or guarantees which are normal for a transaction of this nature.

In terms of the Agreement of Occupancy, occupational rent of R3 350 per unit per month will be payable by Instratin to Transcend for the period commencing on 1 October 2018 (subject to the fulfilment of the conditions precedent set out in paragraph 7.1 and 7.2 below), and ending on the earlier of the following:

- a) a period of six calendar months after the 1 October 2018, unless renewed by Transcend in accordance with the Agreement of Occupancy; or
- b) the date of registration of transfer of Acacia Place into the name of Instratin; or
- c) in the event that the conditions precedent set out in paragraph 7.1 and 7.2 below are not fulfilled and/or waived as may be applicable, the first day of the calendar month immediately succeeding such event.

The Agreement of Occupancy contains warranties and/or guarantees which are normal for a transaction of this nature.

4. EFFECTIVE DATE

The effective date of the Transaction shall be the date on which the last condition precedent to the Transaction as provisioned under the Sale Agreement has been fulfilled or where possible, waived.

5. INFORMATION RELATING TO ACACIA PLACE

Information relating to Acacia Place is set out below:

Location:	(a) Acacia Place North; and (b) Acacia Place South, in respect of the land and building or buildings situated at Duvhapark Extension 16 Township Local Authority: Emalahleni Local Municipality
Rentable area (m²):	18 069 m ²
Aggregate weighted average rental (m²):	R89.69 m ²
Third Party Valuation (Dec 17): (Note 1)	Approximately R392 308 per unit, totalling R127 500 000

1. A third-party valuation was performed by Real Insight Proprietary Limited, a registered professional valuer in terms of the Property Valuers Profession Act, No.47 of 2000, dated 31 December 2017. This valuation assumed a vacancy factor of 12.5% and is the carrying value of the property presented in the accounting records of Transcend.

6. VALUE OF THE NET ASSETS AND PROFIT ATTRIBUTABLE TO THE SUBJECT OF THE TRANSACTION

As at 30 June 2018, the value of the total assets that are the subject of the Transaction was R129 991 000 and the profit and total comprehensive income ("profits") attributable to Acacia Place, for the 6 months then ended, was R4 103 000.

The total assets and profits attributable to Acacia Place as disclosed above have been sourced from the unaudited condensed interim financial statements of the Company for the six months ended 30 June 2018.

7. CONDITIONS PRECEDENT IN RESPECT OF THE TRANSACTION

The Transaction remains conditional upon the fulfilment or, where applicable, waiver, of certain conditions precedent, including, *inter alia*:

- 7.1. by no later than 21 September 2018, Instratin depositing R1 million directly into the nominated account of Transcend;
- 7.2. by no later than 28 September 2018:
 - 7.2.1. Transcend having obtained such consents and approvals required in respect of the Transaction, including but not limited to board approval;
 - 7.2.2. Instratin delivering to Transcend a copy of an authorising resolution of its board of directors;
 - 7.2.3. Transcend delivering to Instratin a copy of a resolution of the board of directors of Transcend approving the terms and conditions and authorising the directors of Transcend to enter into the Sale Agreement and the Agreement of Occupancy;
 - 7.2.4. a property management agreement having been signed between Instratin and IHS Property Management Company Proprietary Limited, being the

property manager of Acacia Place, and such agreement becoming unconditional and effective;

- 7.3. by no later than 15 October 2018:
 - 7.3.1. Transcend having obtained the relevant consent from the bond holder;
 - 7.3.2. Instratin having obtained funding;
 - 7.3.3. Transcend having obtained confirmation from counsel that the Transaction is not notifiable to the Competition Authorities in terms of the Competition Act, 89 of 1998; and
- 7.4. within 3 business days after the date of the expiry of the due diligence period (being 15 October 2018), Instratin not having given notice to Transcend stating that it is dissatisfied with the results of the due diligence investigation.

8. CATEGORISATION

Transcend is listed on the Alternative Exchange of the JSE and as such, the Transaction constitutes a category 2 transaction in terms of the JSE Listings Requirements.

Bryanston

17 September 2018

Designated and Corporate Advisor



Questco Corporate Advisory Proprietary Limited