

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 FROM A RELATED PARTY AND UPDATE ON PREVIOUSLY ANNOUNCED ACQUISITION

1. INTRODUCTION

Shareholders are advised that Transcend has concluded a legal agreement (“**Sale Agreement**”) to acquire a stabilised and fully-let rental enterprise comprising 60 sectional title units, being Sections No. 148 – 207 (inclusive) ST273/2015 (148) to (207) in the scheme known as Vanguard Residential Village 3, located at 29 Jade Street, off Klipfontein Road, Heideveld, Cape Town (“**Vanguard**” or the “**Property**”) from SAWHF SA Rental 4 Trust (“**Seller**”) for an aggregate purchase consideration of R33 300 000 (“**Purchase Price**”) (“**the Transaction**”). The acquisition of the Property will increase Transcend’s exposure to the rental market in the Western Cape.

2. RATIONALE FOR THE TRANSACTION

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

The Transaction is therefore 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 LEGAL 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 trustees of the Seller;
- the Seller obtaining the approval of the bondholder of the sale and transfer of the property;
- 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 investigation by Transcend with regard to the Property; and
- confirmation by counsel that the Transaction does not constitute a notifiable transaction in terms of the Competition Act, 89 of 1998, as amended.

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 1 July 2018 (the “**transfer date**”).

3.3. The Purchase Price is payable by Transcend to the Sellers 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 60 two bedroomed, one bathroom residential units of 44m² each located at 29 Jade Street, off Klipfontein Road, Heideveld, Cape Town. The effective acquisition yield is 9.84%, based on the Purchase Price of R33 300 000 and budgeted average gross rental income of R6 045 per unit per month

Property name	Geographical location	Sector	Gross Lettable Area (m ²)	Weighted average gross rental income per square metre (monthly)	Total consideration payable
Vanguard Residential Village 3	29 Jade Street, off Klipfontein Road, Heideveld, Cape Town	Residential	2 640m ²	R137.38/m ² [psm]	R33 300 000

The Property was valued at R33 300 000 as at 31 December 2017 by Real Insight Proprietary Limited, a registered professional valuer in terms of the Property Valuers Profession Act, No.47 of 2000.

5. FINANCIAL INFORMATION

Set out below is the forecast for the Transaction (“the forecast”) for the 6 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 1 July 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 6 months ending 31 December 2018 ZAR	Forecast for the year ending 31 December 2019 ZAR
Rental revenue (including straight-line adjustment)	2 089 152	4 282 762
Net property income/net operating profit	1 601 832	3 358 631
Less: finance costs	(1 546 785)	(3 093 570)
Net operating profit after tax	55 047	265 061
Profit available for distribution	55 047	265 061

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

1. Funding structure:
 - a. The total deal purchase price will be funded by debt with a property specific facility at a rate of JIBAR plus a margin of 215bps, and an access facility at the prime rate as determined from time to time. There will be no new issue of shares.
2. Rental revenue comprises individual leases signed on a month to month basis.
3. All contracted rental agreements are assumed to be valid and enforceable.

4. Rental escalations have been forecast as an average of 5% per annum and have been applied for the period 1 January 2019.
5. Bad debts have been provided for at a rate of 4% of total rental income.
6. Operating costs escalations have been forecast in line with rental escalations at 5% per annum.
7. There are no straight-line adjustments required to be made to profit.

6. RELATED PARTY TRANSACTION

The Transaction constitutes a related party transaction for Transcend, due to the fact that SAWHF SA Rental 4 Trust is a subsidiary of SAWHF PVE (SA), a material shareholder of the company. However, in terms of the JSE Listings Requirements with regard to companies listed on AltX, the Transaction does not require the approval of Transcend shareholders.

7. UPDATE ON PREVIOUSLY ANNOUNCED ACQUISITION

Shareholders are referred to the announcement released on SENS on 3 April 2018 with regard to the conclusion of an agreement to acquire a rental enterprise comprising 76 sectional title units in a scheme known as Silverleaf, located at Erf 2151 Silverton Township, City of Tshwane (the “**Silverleaf Property**”). Although it was anticipated that the Silverleaf Property would transfer on or around 30 April 2018, due to a delay in the finalisation of a town-planning amendment, the transfer has not yet been effected. The company will release a further announcement once transfer of the Silverleaf Property has been concluded.

12 June 2018

Designated advisor

The logo for JAVACAPITAL, featuring the word "JAVACAPITAL" in a sans-serif font. A blue horizontal line is drawn across the letters "A", "V", and "A" in "JAVACAPITAL".