

**ACCELERATE PROPERTY FUND LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration Number 2005/015057/06)  
Share code: APF ISIN: ZAE000185815  
("Accelerate")

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**ACQUISITION OF OFFSHORE PROPERTY PORTFOLIO AND WITHDRAWAL OF CAUTIONARY**

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## **1 INTRODUCTION**

Accelerate shareholders ("Shareholders") are referred to the most recent cautionary announcement dated 11 October 2016 in terms of which Shareholders were advised that negotiations relating to the acquisition of an offshore portfolio were ongoing. Accelerate is pleased to announce the conclusion of a pre-agreement with the applicable companies that form part of the Supernova Privatstiftung group ("Vendor") wherein it was agreed that the applicable Accelerate group entity (under incorporation) will enter into binding transaction agreements ("Transaction Agreements") with the Vendor (the timing of which is imminent). In terms of the Transaction Agreements Accelerate will acquire a portfolio of 9 well located retail warehouse properties tenanted by OBI GmbH & Co. Deutschland KG's ("OBI") applicable subsidiaries (6 properties in Austria and 3 in Slovakia) ("Initial Portfolio") for an aggregate acquisition value of €82.1 million ("Purchase Consideration") at a blended acquisition yield of 7.0% based on contractual rentals (the "Transaction").

OBI is the largest specialist do-it-yourself ("DIY") retailer in Central and Eastern Europe ("CEE") with total revenues of over €4 376 million and EBITDA of over €265 million.

## **2 RATIONALE FOR THE TRANSACTION**

In the first quarter of 2016 the Accelerate board of directors approved a plan to invest in CEE by acquiring Euro or Euro linked real estate, based on a defined strategy ("Strategy") that matches Accelerate's focus in South Africa on quality retail and strategic nodes/properties.

The Strategy is underpinned by a defined investment philosophy to develop and acquire single tenant net leased properties that are strategic to blue-chip multinational or large regional tenants in countries that meet defined minimum investment criteria and that are considered core markets to such tenants (specialist focus within an established and defensive asset class and exposure to blue-chip investment grade tenants).

The Initial Portfolio is in line with the execution of the Strategy.

Austria and Slovakia are attractive investment destinations for Accelerate due to a range of positive underlying fundamentals. Austria has one of the highest GDP per capita figures in Europe with above average growth forecasts and low political risk. Slovakia is one of the fastest growing economies in Europe with rising real wage growth, rising disposable income, strong domestic private consumption and strong manufacturing and industrial activity.

### **3 INTRODUCTION TO ACCELERATE EUROPE**

Accelerate has incorporated a Netherlands domiciled subsidiary (“Accelerate Europe”) through which Accelerate will acquire the Initial Portfolio and execute the Strategy. Accelerate Europe has been integrated seamlessly into Accelerate’s existing operating, investment, governance and reporting structure, including the retention of a committed and experienced local management team with significant local knowledge, experience, networks, relationships, deal flow and presence in the region. Management have significant experience in property development, property acquisition, property asset management, tenant relations, finance, treasury, reporting and risk management having concluded in excess of €2.5 billion in property transactions across CEE. This significant experience and local knowledge provides access to networks and off-market acquisition and development opportunities and avoids the setup costs and pitfalls of investing in a new market.

Accelerate will seek to create an independent listing for Accelerate Europe (subject to market conditions) on a recognized stock exchange once the appropriate scale and asset/country diversification is achieved thereby providing Accelerate and Accelerate’s shareholders with an opportunity to realise significant benefit from the further capitalisation rate compression on Accelerate Europe’s future acquisitions and developments.

### **4 KEY TRANSACTION AND FUNDING TERMS**

Subject to the fulfilment of the conditions precedent contemplated below, Accelerate Europe will acquire the Initial Portfolio through the acquisition of 9 special purpose vehicles (“SPVs”) which in turn will hold the properties in question.

The effective date for the Transaction will be the date on which the last of the conditions precedent are fulfilled, expected to be in or about November 2016.

The Purchase Consideration for the 9 SPVs is subject to an appropriate working capital adjustment at closing which is expected to be immaterial.

The Purchase Consideration will be fully settled in cash through a combination of non-recourse euro-denominated debt funding against the Initial Portfolio and an issue of new Accelerate shares by way of a vendor placement, or rights offer or an issue of shares for cash.

The Initial Portfolio generates net operating income of €5.7 million.

### **5 CONDITIONS PRECEDENT**

The Transaction is subject to the fulfilment of, inter alia, the following conditions:

- all regulatory approvals required for the implementation of the Transaction;
- local bank financing being finalised on terms acceptable to Accelerate Europe;
- the successful completion of a final confirmatory due diligence by Accelerate Europe;

- the conclusion of service agreements with the current property manager of the Initial Portfolio; and
- other necessary consents and approvals customary for a Transaction of this nature.

## **6 INFORMATION RELATING TO THE INITIAL PORTFOLIO**

The Initial Portfolio includes 9 big-box DIY retail stores (6 in Austria and 3 in Slovakia) tenanted by OBI, the largest DIY retailer in the CEE with a weighted average lease expiry (“WALE”) of 12.9 years. The portfolio is characterised by coveted locations with good access, exceptional visibility and situated in established retail nodes within a large catchment area or close proximity to retail that is complementary to DIY i.e: shopping centres, food retail, furniture retail, convenience retail etc. Included in the Initial Portfolio is the flagship and largest OBI store in Austria. The flagship store has an independent valuation of €41 million and accounts for 47% of the Initial Portfolio.

Independent valuations have been completed by CBRE which indicate the significant off-market nature of the Transaction as the Initial Portfolio is priced at a 6.7% discount to market value (€5.9 million discount). The simple warehouse construction and loading capabilities provide opportunity for conversion to other value retail / logistics if required.

All leases are guaranteed by OBI with escalations at 75% of Austrian CPI once a threshold of cumulative Austrian CPI of 10% is achieved. For a selection of Austrian stores (see\* in the table below), from 2019 onwards, rentals will be adjusted to 8% of net sales with a floor of 84.3% and a cap of 102.5% of current fixed rent. Per OBI’s guidance, 8% of the current and projected trading figures for these stores would result in an increase of current fixed rent.

The details of the Initial Portfolio including location, gross lettable area (“GLA”), net operating income, purchase price, acquisition yield, remaining lease term, independent CBRE valuation and discount to market value per property are as follows:

Property	Location	GLA (m <sup>2</sup> )	Net operating income (€)	Net operating income per m <sup>2</sup> per month (€)	Purchase price (€'000)	Acquisition yield (%)	Remaining lease term (years)	Independent CBRE valuation (€'000)	Discount to independent valuation (%)
Vienna	Austria	16,357	2,475,645	13	37,783	6.6%	10.6	40,910	7.6%
Mauthausen/ Oberösterreich*	Austria	5,146	518,435	8	6,824	7.6%	14.5	7,210	5.4%
Mürzzuschlag*	Austria	5,822	505,338	7	6,715	7.5%	14.5	7,434	9.7%
Bruck / Mur*	Austria	6,823	462,587	6	6,174	7.5%	14.5	6,584	6.2%
Rosental*	Austria	3,316	252,852	6	3,421	7.4%	14.5	3,688	7.2%
Hallein/ Salzburg*	Austria	3,739	211,583	5	2,702	7.8%	14.5	3,118	13.3%
Nitra	Slovakia	8 687	478,390	5	6,842	7.0%	14.5	7,088	3.5%
Martin	Slovakia	7 950	422,204	4	5,932	7.1%	14.5	6,001	1.1%
Kosice	Slovakia	8,054	406,050	4	5,707	7.1%	14.5	5,920	3.6%
<b>Total</b>		<b>65,894</b>	<b>5,733,084</b>		<b>82,100</b>	<b>7.0%</b>	<b>12.9</b>	<b>87,953</b>	<b>6.7%</b>

## **7 INCENTIVISATION AND ALIGNMENT**

In order to align local management with the interests of shareholders, Accelerate Europe have introduced a long term share incentive scheme which encourages key individuals responsible for Accelerate Europe to “outperform” and to create shareholder value in a “paid for performance” manner. The scheme includes both retention and performance elements with value creation achieved through capitalisation rate compression.

## **8 WARRANTIES**

The Vendor has provided warranties and indemnities to Accelerate that are standard for a transaction of this nature.

## **9 VALUATION**

The board of directors of Accelerate is satisfied that the aggregate value of the Initial Portfolio as shown above is in line with the directors own assessment of the aggregate value of the portfolio and the purchase price being paid by Accelerate.

## **10 CATEGORISATION**

The Initial Portfolio acquisition is classified as a category 2 transaction in terms of the JSE Listings Requirements and, accordingly, is not subject to approval by Accelerate’s shareholders.

## **11 WITHDRAWAL OF CAUTIONARY**

Following the release of this announcement, the cautionary announcements published on the Stock Exchange News Service of the JSE Limited, the most recent being on 11 October 2016, are withdrawn and caution is no longer required to be exercised by shareholders when dealing in their Accelerate shares.

Johannesburg  
24 October 2016

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