

PRESS RELEASE

Spear REIT Limited delivers double digit growth despite tough economic environment

“Spear’s has delivered distribution growth of 10,09% in a very tough economic environment. In a less than optimal operating environment the strong performance of the core portfolio is testament to its high-quality nature and reinforces management’s strategy of being regional focused and close to its assets” – CEO Quintin Rossi

Financial highlights for the full year ended 28 February 2019:

- Final dividend declared of 86,42 cents per share
- TNAV per share increased by 4,7% during the period to R 12,12 per share
- 22% increase in asset value
- Portfolio fair value R 3.81 billion (R3,1bn FY2018)
- Loan to value 39%
- Portfolio occupancy 98%
- Fixed debt ratio 65%
- Positive rental reversions of 8% for the full year

Cape Town, 15 May 2019: Spear REIT Limited (SEA:SJ), the only regionally specialised Real Estate Investment Trust (REIT) listed on the JSE, reported its annual financial results today, posting double-digit earnings growth amidst a dampened economic environment for the South African listed real estate sector. In terms of the headwinds experienced during the year impacting factors during the period under review were; the restrictive visa regulations implemented, the Western Cape water crisis which limited the demand within the region, listeriosis from a health and safety perspective and the lack of commercial expansion by local companies remaining a challenge.

However, Spear’s management team, led by a strong suite of strategists, continued within the tough setting and utilised its unique industry knowledge and acquired skill of the region, to implement a workable solution to the challenges faced in the region in which it operates, through a tenant centric approach, a diverse mix of assets and hands-on asset management focus, which proved imperative in yielding the impressive results.

Commenting on the full year results, Spear REIT Ltd CEO Quintin Rossi says: “This set of results is reflective of Spear REIT’s uncompromised high quality and reinforces management’s strategy of being regional focused and close to its assets, to ensure the organisation is able to deliver speedy solutions to changes in the market and to construct bespoke solutions for our tenants whether they are contracting or expanding in their space requirements. The latest set of results were achieved despite a downturn in the hospitality sector during the period. The Spear portfolio at year end consists of 30 properties with a gross lettable area (GLA) of 402 652 units (up by 24.18% compared to FY2018)”.

The average property value has increased to R127 million compared to the previous reporting period of R94 million. Management has endeavoured to actively grow Spears market capitalisation and asset value over the year with a market capitalisation year on year increase of 25.07% to R 1,98bn and asset value with a year on year increase of 21.62% to R 3,81bn. During the year there was a 14.35% increase in issued shares closing off the financial year with 188 888 709 (FY2018:165 190 689) shares in issue.

“The core portfolio of Spear remains defensive in nature underpinned by strong lease covenants and high-quality tenants. Management is confident given the diversified mix of assets, tenant profiles and its own hands-on asset management approach, that Spear will deliver on its guidance for the 2020 financial year. Spear remains focused on its Western Cape only strategy, allowing for it to be first to take advantage of portfolio & earnings enhancing opportunities.”

Spear began the financial period with an opening vacancy of 6 334m² and with 91 359m² expiring during the year. Management has successfully renewed and re-let 96 560m² at a positive reversion of 8,03%

Highlights per asset type: <https://spearprop.co.za/ir2018/>

- **Industrial**- Performance remains healthy & strong with continuous demand for Spears rental opportunities by prospective tenants across the industrial portfolio. The industrial portfolio (207 354m²) occupancy was at 99% at year end.
- **Commercial**- The commercial portfolio (109 667m²) occupancy was at 98% at year end, with management sighting some trends that may have a negative impact in this sector in the coming year.

- Retail- During the reporting period 48% (16,772m²) of retail GLA (34 648m²) was occupied by national retail tenants. The retail portfolio (34 648m²) occupancy was at 96% at year end.
- Residential- Spears residential portfolio for the reporting period continued to perform to the satisfaction of management with 100% occupancy rates. Currently only 2% of GLA is exposed to the residential sector however management has stated its intention to increase Spear's residential holdings closer to 15% of GLA & 12% of portfolio value in the medium term
- Hospitality- The hospitality sector over the reporting period has continued to operate under extremely tough trading conditions. Although occupancies have shown better recovery signs, the biggest challenge will remain in recovering lost rate strength experienced during the downturn. The hospitality portfolio (28 153m²) occupancy was at 95% at year end.

Rossi says that Spear will remain an attractive Western Cape focused pure property investment business with a well-diversified, defensive and stable core property portfolio. "Management remains confident that demand for its high-quality rental properties across the various sectors within the Western Cape will continue given its tenant centric approach and hands-on asset management skills.

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About Spear REIT Ltd:

Spear REIT Limited listed on the Johannesburg Stock Exchange (SE) on 11 November 2016.

Its main business is investing in high-quality income-generating real estate across all sectors within the Western Cape, predominantly in the Cape Town region.

The company conducts its business directly and through a number of subsidiaries, collectively referred to as the group. The group's property and asset management functions are internally and directly managed by the Spear executive management team.

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