

Delta Property Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/005129/06)
Share code: DLT
ISIN: ZAE000194049
("Delta" or "the Company")
REIT status approved



DELTA'S ACQUISITION OF REDEFINE PROPERTIES LIMITED'S GOVERNMENT PORTFOLIO FOR R1.255 BILLION WHICH WILL REDUCE DELTA'S GEARING; AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. Introduction

Delta shareholders are referred to the cautionary announcement released on SENS on 5 November 2015 ("Cautionary Announcement") relating to the intended acquisition of Redefine Properties Limited's ("Redefine" or "the Vendor") government portfolio.

Further to the Cautionary Announcement, Delta shareholders are advised that Delta has entered into an agreement with Redefine for the acquisition of 15 property letting enterprises together with their related immovable properties ("the Properties") ("the Acquisition") as detailed in paragraph 4 below.

The effective date of the Acquisition is the later of 1 March 2016, being the anticipated transfer date, or the fulfilment of all conditions precedent ("the Effective Date").

2. Rationale for the Acquisition

The Acquisition is in line with Delta's strategy of actively pursuing yield accretive government tenanted investment opportunities and leveraging its expertise as a sovereign underpinned REIT. Delta has an existing portfolio of assets located in Johannesburg, Pretoria and Durban. The Acquisition provides an opportunity to further enhance Delta's presence in the aforementioned jurisdictions and offers redevelopment and letting opportunities which will lead to further value extraction for Delta shareholders.

The Acquisition supports Delta's strategy of increasing exposure in regions where it has existing asset management and property management representation.

The Properties are leased to national and provincial government tenants. The board of directors of Delta ("the Board") are of the opinion that, following refurbishments and upgrades to the Properties, longer term leases at market related rates can be negotiated. The significant capital expenditure ("CAPEX") budget is expected to enhance the acquisition value of the portfolio.

Furthermore, the Acquisition will be funded entirely by issuance of shares to the Vendor, and is expected to significantly reduce Delta's gearing ratio, which will contribute to enhancing Delta's credit rating.

3. Consideration for the Acquisition

The aggregate net purchase consideration for the Acquisition is R1 255 833 860 (One Billion Two Hundred and Fifty Five Million, Eight Hundred and Thirty Three Thousand, Eight Hundred and Sixty Rand) (the "Purchase Consideration") and excludes the cost of future capital expenditure. Delta intends to spend c.R600 000 000 (Six Hundred Million Rand) in CAPEX relating to refurbishments and tenant installations on the back of longer term lease contracts secured with new or existing tenants. The CAPEX is anticipated to be deployed over a 3 year period.

The Acquisition is yield accretive at 13.27% based on actual income and excludes any existing vacancies in the Properties. This yield excludes the impact of the anticipated CAPEX.

The Purchase Consideration excludes ancillary costs related to the Acquisition in the amount of R11 336 350 (Eleven Million, Three Hundred and Thirty Six Thousand, Three Hundred and Fifty Rand) (“the Acquisition Costs”), which were taken into account when calculating the yield above.

The Purchase Consideration will be wholly settled through the issue of 162 043 079 (One Hundred and Sixty Two Million, Forty Three Thousand and Seventy Nine) Delta shares (the “Consideration Shares”) to the Vendor at an issue price of R7.75000 per share. The Vendor will not be entitled to any distributions which shall accrue to the Consideration Shares relating to periods prior to the Effective Date, and these will be repaid to Delta. Approval of the Board will be required to enable the Vendor to dispose of the Consideration Shares.

4. Details of the Properties

Details of each Property, including inter alia the location, sector, weighted average rental per square meter, the purchase prices as well as the valuations attributed to the Properties, are set out below.

Property name	Location	Sector	GLA m ²	Single or multi tenanted	Weighted average rental per m ² ⁽¹⁾ (ZAR)	Vacancy	Purchase Consideration	Net Income (ZAR)	Value ⁽²⁾ (ZAR)
2 Devonshire Place	Durban, Kwazulu Natal	Office-Government	8 123	Single	76.39	0.61%	39 000 000	5 749 669	39 000 000
17 Harrison Street	Johannesburg, Gauteng	Office-Government	12 379	Single	96.82	0.96%	87 600 000	10 381 801	87 600 000
Commissioner House Bellville	Cape Town, Western Cape	Office-Government	4 019	Single	110.26	0.00%	40 000 000	4 565 895	40 000 000
Domus	Pretoria, Gauteng	Office-Other	5 443	Multi	79.17	16.39%	41 600 000	4 936 699	41 600 000
Hatfield Forum East	Pretoria, Gauteng	Office-Other	6 390	Multi	58.14	15.81%	44 000 000	2 781 511	44 000 000
Hollard House & Parkade	Johannesburg, Gauteng	Office-Government	10 415	Single	72.14	8.90%	72 600 000	9 899 467	72 600 000
Isivuno House	Pretoria, Gauteng	Office-Government	23 694	Single	102.75	0.00%	227 000 000	19 495 682	227 000 000
Kay Street Parking	Johannesburg, Gauteng	Parking	61 bays	Single	812.20	0.00%	-	466 492	-
Nosa	Pretoria, Gauteng	Office-Government	3 770	Single	91.49	0.00%	24 000 000	3 706 517	24 000 000
Pine Parkade	Durban, KwaZulu Natal	Retail / Parking	2 985 m ² and 1430 bays	Multi	141.76	20.36%	71 000 000	8 583 154	71 000 000
Poyntons	Pretoria, Gauteng	Office-Government	73 187	Single	75.92	7.96%	352 000 000	62 319 817	352 000 000
Shell House	Durban, KwaZulu Natal	Office-Government	14 022	Single	99.15	0.00%	90 236 460	13 274 491	90 236 460
Shorburg	Pretoria, Gauteng	Office-Other	15 041	Multi	73.20	8.84%	89 800 000	10 913 850	89 800 000
Standard Bank Nelspruit Branch	Nelspruit, Mpumalanga	Office-Other	2 374	Multi	123.76	0.00%	24 200 000	3 130 904	24 200 000
Treasury House	Pietermaritzburg, KwaZulu Natal	Office-Other	9 764	Multi	89.93	0.89%	52 797 400	7 921 882	52 797 400
			191 668				1 255 833 860	168 127 831	1 255 833 860

Notes:

1. Based on the net rental income, excluding parking and/or recoveries, for the 12 month period from the anticipated date of transfer.
2. No independent valuation has been performed on the Acquisition. The value attributed to the Acquisition of R1 255 833 860 (One Billion Two Hundred and Fifty Five Million, Eight Hundred and Thirty Three Thousand, Eight Hundred and Sixty Rand) was derived at by Delta's asset management company, Delta Property Asset Management Proprietary Limited.
3. Commissioner House Bellville, Hatfield Forum East, Poyntons and Nosa (the "Pre-emptive Properties") are subject to pre-emptive rights with the anchor government tenants
4. Pine Parkade and Treasury House (the "Leasehold Properties") are subject to leasehold agreements with their relevant municipalities

5. Conditions precedent

The Acquisition is subject to, *inter alia*, the fulfilment or waiver of the following suspensive conditions:

- 5.1. Approval by investment committees of both Redefine and Delta;
- 5.2. Formal approval by Delta's board of directors;
- 5.3. The appointment of a Redefine executive director to Delta's board of directors;
- 5.4. Regulatory approvals necessary for a transaction of this nature, including but not limited to, the approval by the Johannesburg Stock Exchange and South African Competition authorities;
- 5.5. In respect of the Pre-Emptive Properties, the pre-emptive rights holders not exercising their pre-emptive rights within the period stipulated in the relevant Pre-Emptive Properties lease agreements;
- 5.6. In respect of the Leasehold Properties, the conclusion of a written deed of cession between the Vendor and owners of the land in respect of the Leasehold Properties, in terms of which it is agreed for the leasehold rights contained within the land leases held by the Vendor to be ceded to Delta.

6. Value of the net assets that are the subject of the Acquisition

The value of the net assets that are the subject of the Acquisition is R1 255 833 860 (One Billion Two Hundred and Fifty Five Million, Eight Hundred and Thirty Three Thousand, Eight Hundred and Sixty Rand).

7. Forecast information on the Properties ("Forecasts")

The Forecasts, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the Directors. The Forecasts have not been reviewed or reported on by the independent reporting accountants.

The Forecasts presented in the tables below have been prepared in accordance with Delta's accounting policies and in compliance with International Financial Reporting Standards.

Summarised Forecast in respect of the Acquisition:

	For the 12 months ended 28-Feb-17	For the 12 months ended 28-Feb-18
Rental income	270,710,365	283,301,481
Straight-line rental income accrual	2,397,445	(41,647)
Total revenue	273,107,810	283,259,835
Net operating profit before finance charges	163,363,165	188,004,883
Net operating profit after finance charges	160,503,343	171,401,529
Net profit after tax	160,503,343	171,401,529
Distributable earnings attributable to shareholders	160,503,343	171,401,529

Notes:

1. The forecast information for the 12 months ending 28 February 2017 has been calculated from the Effective Date.
2. Contracted revenue is based on existing lease agreements and amounts to R139 216 337 for the twelve months ending 29 February 2017 and R51 490 403 for the twelve months ending 28 February 2018.
3. Near-contracted rental revenue is based on legally binding agreements that have expired and that are reasonably expected to be renewed, which expectation takes into consideration the location of the property, the historical occupancy by that tenant and the tenant's profile. Near-contracted revenue amounts to R80 697 485 for the twelve months ending 29 February 2017 and R168 022 880 for the twelve months ending 28 February 2018.
5. Uncontracted revenue in respect of the Acquisition amounts to R9 114 309 for the twelve months ending 29 February 2017 and R19 213 429 for the twelve months ending 28 February 2018.
6. Rental income does not take into account any income attributable to vacant space in the Forecasts.
7. CAPEX of R600 000 000 is assumed to be deployed over 3 years.
8. Net operating profit after finance charges includes asset management fees, property management fees and transaction costs.

8. Categorisation

The Acquisition is categorised as Category 2 transaction in terms of the JSE Limited Listings Requirements and accordingly does not require approval by Delta shareholders.

9. Withdrawal of the Cautionary Announcement

Having regard to the information set out above, the Cautionary Announcement is hereby withdrawn and Delta shareholders are advised that caution is no longer required when dealing in the Company's securities.

03 December 2015

Investment bank and sponsor

Nedbank Corporate and Investment Banking