**PRESS RELEASE (PICTURE PROVIDED)**

**Spear navigates Covid-19 headwinds with a 96.9% rental collection rate and positive interim results**

“*Spear has declared an interim distribution of 29.34 cents per share for the 6 months ending 31 August 2020. Operating in one of the most challenging modern-day trading environments Spear has successfully executed on its short term Covid-19 strategic objectives. Income statement consistency has been maintained with strong rental collections during the period of 96.9% of revenue billed. The leasing and property management team have achieved good results on renewals & relets for the period resulting in a 91.2% tenant retention rate. Spear’s regional focus and hands-on asset management approach has remained one of our competitive advantages as managements proximity to its assets & tenants have allowed for speedy engagements and crisis resolution in a mutually acceptable manner. During the interim period the core portfolio has remained resilient underscoring the deep value proposition that the Spear portfolio presents.”– CEO Quintin Rossi*

**Salient details for the FY21 interim period ended 31 August 2020:**

* Interim distribution declared of **29.34** cents per share
* Payout ratio of **80%**
* Collected **96%** of revenue billed for the interim period
* **7.25%** average in force escalation
* Portfolio value **R 4.46 billion**
* **6.54%** increase in asset value
* TNAV per share **R 11.75 per share**
* Average property value **R 138 million**
* Portfolio occupancy **91.2%**
* Average cost of debt **7.56% (69.90% hedged)**

**Cape Town, 30 October 2020:** Spear REIT Limited (SEA:SJ), the only regionally specialised Real Estate Investment Trust (REIT) listed on the JSE, reported its interim financial results today, declaring a 29.34 cents per share distribution based upon an adjusted payout ratio of 80% of its funds from operations, amidst some of the toughest trading conditions in recent years for the South African listed real estate sector.

CEO Quintin Rossi has praised his management team and staff for their unwavering commitment and sacrifices during the interim period that gave Spear the momentum it needed to navigate these very challenging times. Rossi further notes that Spear’s hands-on management philosophy and regional focus has enabled the team to focus 100% of their attention and resources solely on the Western Cape.

Spear’s Western Cape real estate portfolio consists of 32 properties with a GLA of 453 016m2. The average property value has increased to R138 million compared to the previous reporting period of R130million. Spear began the FY21 with 130 000m2 due for renewal or re-let during the year, excellent progress has been made with 101 125m2 finalised during the interim period. Spear’s lease expiry profile remains defensive with a WALE of 28 months.

**Spear’s Covid-19 operating environment**

Spear has successfully adapted to a Covid-19 operating environment. All the necessary and required health & safety measures have been implemented across its business and portfolio to best safeguard staff, tenants and service providers.

Year to date rental collections under the circumstances have been satisfactory and in line with the high road scenario plan set out to the market in May 2020. Spear has reported the following FY2021 year to date rental collection percentages:

Rental collections vs revenue billed = 96.90%

Rental collections vs original budget (set in Dec 2019 and assumes no pandemic) = 86.13%

Management remains optimistic that it can maintain its robust collection momentum for the remainder of FY21 (in the absence of any significant tenant failure) as 100% of Spear’s tenants are legally able to operate from their premises and the lions shares of economic activity has recommenced across South Africa. During the interim period management has provided 192 of its 442 tenants with Covid-19 related relief.

The hospitality portfolio has been most severely impacted YTD as a result of Covid-19, associated lockdowns and travel restrictions. No income has been forecasted from any hospitality assets during FY21 irrespective of low levels of revenue being generated post the

interim period. Spear has further announced that it has accepted a cash offer to dispose of 15 on Orange Hotel in Cape Town for a sum of R 280m. The proposed disposal is subject to a due diligence period & Competition Commission approval. Management has advised that it will exit the remainder of its hospitality assets in an orderly manner over the next 12-24 months. All disposal proceeds will be utilised to settle debt and support managements LTV reduction roadmap to achieve a targeted LTV band of 38% - 43%.

Spear remains sufficiently capitalised with no going concern risks as solvency and liquidity ratio tests remained positive. Regular cashflow analysis is conducted to stress test cashflow on a rolling 12-month basis. This includes a range of scenarios of tenant collections and creditor requirements.

Management’s focus and energy remains on rental preservation and business continuity throughout the pandemic, associated lockdowns and beyond. Spear will not be issuing any distribution guidance for the second half of FY21. Management will provide a trading update and guidance of a final distribution per share in a pre-close presentation prior to year-end.

Rossi concludes that it remains difficult to fully predict the economic outcomes of the pandemic on the Real Estate sector, and on Spear as South Africa navigates its way through the aftermath of the Covid-19 pandemic and the severely negative economic consequences left in its wake. With the exception of a second wave of Covid-19 infections, significant market or tenant failure or another government-imposed lockdown, management is confident that cashflow generation will be maintained and that Spear will continue to operate within its high road scenario set out to the market during its May 2020 presentation.

 **-ENDS-**

**About Spear REIT Ltd:**

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

Its main business is investing in [high-quality income-generating real estate](https://spearprop.co.za/property-portfolio/) 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](https://spearprop.co.za/about/) team.

Quintin Rossi is the Co-founder and CEO of Spear REIT Limited

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