



**MAS Real Estate Inc.**  
Registered in the British Virgin Islands  
Registration number 1750199  
SEDOL (EMTF): B96VLJ5  
SEDOL (JSE): B96TSD2  
JSE share code: MSP  
ISIN: VGG5884M1041  
LEI code: 213800T1TZPGQ7HS4Q13  
("MAS" or "the Company")

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## ACQUISITION OF INVESTMENT PROPERTY IN GERMANY

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### INTRODUCTION

Shareholders are advised that MAS, through a wholly owned subsidiary, Flensburg Limited (the "**purchaser**"), has entered into a sale and purchase agreement (the "**SPA**") to acquire a shopping centre located in Flensburg, Germany, from Commerzbank Aktiengesellschaft (the "**acquisition**"). This is one of the assets previously disclosed as part of the acquisition pipeline and is in line with the group's investment strategy of expanding the German portfolio through the selective acquisition of good quality assets where there is potential to unlock further value.

### SALIENT TERMS OF THE ACQUISITION

The purchase price for the acquisition is EUR 62.55 million ("**purchase price**") of which EUR 750,000 will be retained until the lease area of the new tenant Netto is handed over in accordance with the terms of the lease agreement. The acquisition and associated costs will be funded using circa EUR 25 million of cash with the balance from third party mortgage debt finance, which will be drawn down on completion.

The purchase price is to be settled in cash and is payable once the following outstanding conditions to the SPA have been fulfilled:

- satisfactory completion by the Seller, at its own cost, of various repair works at the property;
- confirmation that the relevant local authorities have waived their pre-emption rights; and
- completion of various other procedures of an administrative nature, and normal for this type of transaction.

Completion of the acquisition is expected to take place no later than 31 January 2019. The SPA contains warranties that are typical of a transaction of this nature.

Built in 2006, the shopping centre, known as "Flensburg Galerie", is located in the inner city of Flensburg and is the only shopping centre with direct access to the highly frequented and prime shopping street "Holm". The independent city of Flensburg is in Schleswig-Holstein in the North of Germany, adjacent to the Danish border. With 88,000 inhabitants, Flensburg is an important economic and regional centre both within Schleswig-Holstein and across the border to Denmark. The catchment area within a 45-minute drive is approximately 500,000.

The shopping centre comprises 83 units with a total lettable area of approximately 25,540 square metres. Tenants include a wide range of retailers, including REWE, Muller, KULT and Saturn. The opening of a Netto supermarket in early 2019 will drive further footfall to the centre. In addition, the centre benefits from its own underground parking with 250 spaces and is one of the main car parks for the city centre.

The current passing rent is EUR 4.09 million per annum, at a weighted average rental of EUR 15.10 per square metre excluding the car park, plus additional income of approximately EUR 402 414 (year to 31 December 2017) from revenue-based leases. The current vacancy is 14%. The annual net operating income of the property is EUR 3.68 million after the deduction of non-recoverables relating to the vacant space and contractual clauses, as per unaudited management accounts prepared in terms of IFRS for the 12 month period ended 31 December 2017, the quality of which the Company is satisfied with.

### INVESTMENT RATIONALE

The acquisition represents a unique opportunity for MAS to leverage its asset management platform and grow the rental income of the shopping centre from current levels, with the plans to let the vacant space core to the investment case together with the restructuring of various leases. The asset is in a well-established and strong retail location and, with its anchor tenants, provides significant opportunities for future growth by actively reducing its vacancy. There is also scope for some reconfiguration in the medium term. The Company expects the acquisition to deliver an initial return on equity in excess of 10% after gearing which will drive the Company's direct investment return.

The vendor is Commerzbank, which has been responsible since May 2017 as a run-off company for the disposal of the assets of the German fund "CS EUROREAL". The fund, which has been selling assets since May 2012, will be finally wound up in 2019.

The purchase price reflects the fair value attributed to Flensburg Galerie as determined by the directors of MAS. The directors of MAS are not independent or registered as professional valuers or professional associate valuers in terms of the South African Property Valuers Profession Act 2000 or otherwise.

#### **CATEGORISATION OF THE TRANSACTION**

The acquisition is classified as a Category 2 transaction in terms of the JSE Listings Requirements and as such is not subject to shareholder approval.

MAS is listed on the Main Board of the JSE and is listed and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.

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8 November 2018

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