

SENS ANNOUNCEMENT

19 April 2021

Irongate Group (JSE: IAP)

Comprising Irongate Property Fund I (IPF I, ARSN 162 067 736) and Irongate Property Fund II (ARSN 644 081 309), established in Australia and registered with ASIC as managed investment schemes

Operated by Irongate Funds Management Limited (ACN 071 514 246; AFSL 290 909) (**Responsible Entity**)

IPF I is registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No.45 of 2002

ISIN: AU0000046005

(IAP or the Fund)

Voluntary Announcement – Acquisition of Brisbane Industrial Properties

Acquisitions

Securityholders are advised that IAP¹ has entered into agreements to acquire:

- an industrial facility to be constructed at 57 – 83 Mudgee Street, Kingston QLD (**Kingston Property**); and
- an industrial facility to be constructed at Lot 24, Dunhill Crescent, Morningside QLD (**Morningside Property**).

Kingston Property

The Kingston Property is being acquired on a fund-through basis. IAP has entered into:

- a nomination agreement with Tom Howard Group Pty Limited (**Kingston Developer**) under which the Kingston Developer will nominate IAP for the purposes of exercising a call option to acquire the Kingston Property from the current owner, KAT Properties Pty Ltd (**Kingston Owner**), pursuant to a contract for sale of land; and
- a development agreement with the Kingston Developer under which the Kingston Developer will undertake the development of the Kingston Property on behalf of IAP.

The effective date of the acquisition of the Kingston Property is the settlement date under the contract for sale of land which is anticipated to occur in mid-May 2021.

Morningside Property

The Morningside Property is being acquired on a fund-through basis. IAP has entered into:

- a nomination agreement with Trigroup Alliance Pty Limited (**Morningside Developer**) under which the Morningside Developer will nominate IAP for the purposes of exercising a call option to acquire the Morningside Property from the current owner, Dunhill Properties Pty Ltd (**Morningside Owner**), pursuant to a contract for sale of land; and

¹ Through wholly-owned sub trusts.

- a development agreement with the Morningside Developer under which the Morningside Developer will undertake the development of the Morningside Property on behalf of IAP.

The effective date of the acquisition of the Morningside Property is the settlement date under the contract for sale of land which, subject to certain conditions, is anticipated to occur in mid-May 2021.

Purchase Consideration

Kingston Property

The total purchase consideration for the Kingston Property is \$14,320,000 which represents an initial yield of 5.73% (5.67% post all transaction costs). The purchase consideration comprises an initial payment of \$3,050,000 for the land with the balance to be progressively paid until completion of construction, which is anticipated to occur in December 2021. IAP will earn a coupon of 5.73% on the land payment and the amounts progressively paid. The purchase consideration and all transaction costs will be funded through IAP's existing syndicated debt facility.

Morningside Property

The total purchase consideration for the Morningside Property is \$5,932,000 which represents an initial yield of 6.02% (5.96% post all transaction costs). The purchase consideration comprises an initial payment of \$1,252,000 for the land with the balance to be progressively paid until completion of construction, which is anticipated to occur in November 2021. IAP will earn a coupon of 6.02% on the land payment and the amounts progressively paid. The purchase consideration and all transaction costs will be funded through IAP's existing syndicated debt facility.

Rationale for the Acquisitions

The acquisitions are consistent with IAP's strategy of acquiring good quality industrial properties with strong tenant covenants and long lease terms and increase IAP's exposure to the strongly performing industrial sector. IAP believes the Brisbane industrial market currently represents relative value, and the acquisitions complement IAP's recent Brisbane industrial acquisitions in Brendale (completed in January 2021) and Pinkenba (completed in March 2021).

Kingston Property

The acquisition represents an attractive investment for IAP for the following reasons:

- The Kingston Property comprises two brand new, high quality generic warehouse and distribution facilities due for completion in December 2021
- The Kingston Property is leased to:
 - Construction Sciences Pty Ltd (2,270m²) for 10 years from completion of construction with fixed annual escalations of 2.5%
 - Waco Kwikform Limited (3,250m²) for 8 years from completion of construction with fixed annual escalations of 3.0%
- Depreciation benefits from new construction with no near-term capital expenditure
- Attractive acquisition yield of 5.73%

- Fund-through structure is stamp duty efficient, saving approximately 26 basis points
- IAP will earn a coupon of 5.73% on the initial payment to the Kingston Owner under the contract for sale of land and the amounts progressively paid to the Kingston Developer under the development agreement from the effective date until commencement of the lease to the tenant (anticipated to be in December 2021)
- The acquisition is accretive to IAP

Morningside Property

The acquisition represents an attractive investment for IAP for the following reasons:

- The Morningside Property comprises a brand new, high quality generic distribution warehouse and office accommodation due for completion in November 2021
- The Morningside Property is leased to 3M Australia Pty Limited, ultimately owned by US-based conglomerate 3M Company (NYSE:MMM) and will be used as 3M's Queensland head office and last mile distribution facility
- The lease term is 10 years from completion of construction with fixed annual escalations of 3.0%
- Depreciation benefits from new construction with no near-term capital expenditure
- Attractive acquisition yield of 6.02%
- Fund-through structure is stamp duty efficient, saving approximately 27 basis points
- IAP will earn a coupon of 6.02% on the initial payment to the Morningside Owner under the contract for sale of land and the amounts progressively paid to the Morningside Developer under the development agreement from the effective date until commencement of the lease to the tenant (anticipated to be in November 2021)
- The acquisition is accretive to IAP

Specific Information Relating to the Properties

Kingston Property

| | |
|-------------------------|----------------------------------|
| Registered description | Lots 20 and 21 on SP 110645 |
| Title | Freehold |
| Sector | Industrial |
| Location | 30 kms south of the Brisbane CBD |
| Year built | 2021 |
| Site area | 21,027m ² |
| Gross lettable area | 5,520m ² |
| Rent per m ² | AUD 149/m ² |
| Vacancy | 0% |

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Morningside Property

| | |
|-------------------------|---|
| Registered description | Proposed Lot 24 to be reconfigured from Lot 18 on SP 309259 |
| Title | Freehold |
| Sector | Industrial |
| Location | 6 kms east of the Brisbane CBD |
| Year built | 2021 |
| Site area | 2,041m ² |
| Gross lettable area | 1,016m ² |
| Rent per m ² | AUD 351/m ² |
| Vacancy | 0% |

Categorisation

The acquisitions are not categorised transactions in terms of the JSE Listings Requirements. This announcement is voluntary and for information purposes only.

Johannesburg

Investment Bank and Sponsor
Investec Bank Limited