



UK ACQUISITION AND THE LEASE CCTS

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BACKGROUND

1. On 17 March 2017, the Manager, on behalf of Spring REIT, has entered into a share purchase agreement to acquire a portfolio of 84 retail properties in the UK.

2. Completion in early July will be subject to:
 - Financing; and
 - the lease CCTs and the lease CCTs Waiver Application being approved by the independent Unitholders at an EGM to be held on 25 May 2017.

THE ACQUISITION

1. The portfolio: 84 separate commercial properties in the UK, with a total gross internal area of 505,381 sq.ft.
2. Purchase price: £73,500,000 in line with appraised value of £73,566,000
3. Gross rental yield: 6.1% (unleveraged), with only upward rental adjustment every five year
4. Lease terms: 15 years, no break clause
5. Single tenant: Kwik-Fit (GB) Limited
 - 100% owned subsidiary of Itochu Corporation
 - engaged in the servicing of cars and automotive parts and the provision of safety tests on vehicles that are required by the relevant laws of the UK.
 - Kwik-Fit Holdings Limited, a 100% subsidiary of Itochu (rated A- by S&P), guarantees all future rental

SELECTED PROPERTIES

Ayr Maybole Road



Blyth



Chapel Allerton Leeds



Chelmsford



Edinburgh Corstorphine Road



Glenrothes



South Croydon



Middlesbrough



Portsmouth




KEY:

- LARGE RENT
- MEDIUM RENT
- SMALL RENT

TRADING NAME	TOWN	ADDRESS	POSTCODE
Kwik Fit	Chelmsford	103 New London Road	CM2 0PP
Kwik Fit	South Croydon	453 Brighton Road	CR2 6EW
Kwik Fit	Tottenham	32 Monument Way	N17 9NX
Kwik Fit	Bridlington	32-36 St Johns Street	YO16 7JS
Kwik Fit	Chapel Allerton	Leeds, 232 Harrogate Road	LS7 4OD
Kwik Fit	Edinburgh	107/109 Dundee Street	EH11 1AW
Kwik Fit	Croydon	3 Mitcham Road	CR0 3RU
Kwik Fit	Wigan	Wallgate	WN5 0XG
Kwik Fit	Edinburgh	19 Corstorphine Road	EH12 6DD
Kwik Fit	Llandudno	Conway Road	LL30 1DE
Kwik Fit	Altrincham	1-3 Church Street	WA14 4DB
Kwik Fit	Middlesbrough	3 Lansdowne Road	TS4 2LW
Kwik Fit	Plymouth	125-129 Alexandra Road	PL4 7EG
Kwik Fit	Loughborough	24-29 The Rushes	LE11 5BG
Kwik Fit	Truro	Treaswalls Road	TR1 3PY
Central Tyres	Gloucester	Unit 3 Northbrook Road	GL4 3DP
Kwik Fit	Portsmouth	94 East Surrey Street	PO1 1JY
Kwik Fit	Bridgewater	48-54 St John's Street	TA6 5HY
Kwik Fit	Worcester	1 Carden Street, City Walls	WR1 2AX
Kwik Fit	Yoker	2369-2375 Dumbarton Road	G14 0NT
Tyre City	Northwich	Leicester Street	CW9 5LQ
Kwik Fit	Blyth	Cowpen Road	NE24 5TT
Kwik Fit	Stirling	11 Burghmuir Road	FK8 2DY
Kwik Fit	Sunderland	Monk Street	SR6 0BD
Kwik Fit	Motherwell	99a Airbles Road	ML1 2TJ
Kwik Fit	Kilmarnock	32/36 Low Glencairn Street	KA1 4DD
Kwik Fit	Skegness	50 Roman Bank	PE25 2SP
Kwik Fit	Hornchurch	Ardleigh Green Road	RM11 2ST
Kwik Fit	Glasgow	381 Pollokshaws Road	G41 1QZ
Kwik Fit	Sheffield	Townhead Street	S1 1YG
Kwik Fit	Glenrothes	Fullerton Road	KY7 5QR
Kwik Fit	Alloa	Clackmannan Road	FK10 1RR
Kwik Fit	Great Yarmouth	90 North Quay	NR30 1JT
Kwik Fit	Edinburgh	81/91 Dundee Street	EH11 1AW
Kwik Fit	Carmarthen	Pensarn Road	SA31 2BS
Kwik Fit	Preston	Market Street	PR1 2HP
Kwik Fit	Kirkcaldy	182 The Esplanade	KY1 2AQ
Kwik Fit	Rutherglen	273 Main Street	G73 1EE
Kwik Fit	Ayr	22/26 Maybole Road	KA7 2PZ
Kwik Fit	Liverpool	232 Aigburth Road	L17 0BJ
Kwik Fit	Stonehaven	110 Barclay Street	AB39 2AP
Non-Op	Edinburgh	40a Portobello Road	EH8 7EH

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Kwik Fit	Otley	Bondgate	LS21 3AB
Kwik Fit	Thornaby-On-Tees	212 Thornaby Road	TS17 8AA
Kwik Fit	Edinburgh	69b Saughton Road North	EH12 7JB
Kwik Fit	Shipley	58 Briggate	BD17 7BT
Kwik Fit	Oldham	Huddersfield Road	OL1 3HR
Kwik Fit	Ellesmere Port	116 Whitby Road	CH65 0AA
Kwik Fit	Pontypridd	Sardis Road	CF37 1BA
Kwik Fit	Hyde	26-28 Manchester Road	SK14 2BD
Kwik Fit	Lincoln	148-150 Newark Road	LN5 8QJ
Kwik Fit	Coatbridge	320 Main Street	ML5 3RX
Kwik Fit	Goole	Boothferry Road	DN14 6AG
Kwik Fit	Huddersfield	Lockwood Road	HD1 3QU
Kwik Fit	Congleton	46a West Road	CW12 4EU
Kwik Fit	Barrhead	17 Cross Arthurlie Street	G78 1QY
Budget	Ayr	38 Fort Street	KA7 1DE
Central Tyres	Stirling	1 Whitehouse Road	FK7 7SS
Kwik Fit	Keynsham	Ashton Way	BS31 2UF
Kwik Fit	Sheffield	726 City Road	S2 1GJ
Kwik Fit	Leven	The Promenade	KY8 4PJ
Kwik Fit	Oban	Market Street	PA34 4HR
Kwik Fit	Nelson	130 Leeds Road	BB9 9XB
Kwik Fit	Burnley	Caldervale Road	BB11 1BS
Kwik Fit	Helensburgh	3 Charlotte Street	G84 7PH
Winterstoke	Weston-Super-Mare	Winterstoke Road	BS23 3YE
Kwik Fit	Warrington	Priestley Street/Garibaldi Street	WA5 1TE
Kwik Fit	Eltham	727 Sidcup Road	SE9 3AQ
Kwik Fit	Clevedon	119-120 Kenn Road	BS21 6JE
Kwik Fit	Keighley	Worthway	BD21 5ET
Kwik Fit	Thornbury	14 Mead Court	BS35 3UW
Kwik Fit	Southport	8 Ash Street	PR8 6JH
Kwik Fit	Forfar	Queenswell Road	DD8 3JA
Kwik Fit	Castleford	Leeds, 92 Bridge Street	WF10 4LA
Kwik Fit	Raddiffe	Bury Road	M26 2UG
Kwik Fit	Oldham	Middleton Road/Lansdowne Road	OL9 9EG
Kwik Fit	Birmingham	900/902 Coventry Road	B10 0UA
Kwik Fit	Montrose	24 George Street	DD10 8EW
Kwik Fit	Islington	379 Camden Road	N7 0SH
Kwik Fit	Kidderminster	20 Churchfields	DY10 2JL
Kwik Fit	Doncaster	Wheatley Hall Road	DN2 4LP
Tyre City	Lichfield	8-9 Europa Way	WS14 9TZ
Budget	Dumfries	40 Laurieknowe Road	DG2 7DA
Kwik Fit	Bishop Auckland	Cockton Hill Road	DL14 6JN

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Kwik Fit	Bishop Auckland	Cockton Hill Road	DL14 6JN



THE TRANSACTION

1. Acquisition of holding company
2. Purchase Price: £73,500,000 (approximately USD93,345,000), in line with the appraised value.
3. Payment amount: £73,500,000 minus bank loan of approximately £36,100,000 (approximately USD45,800,000); subject to completion adjustment.
4. Source of fund: debt.

LEASE TERMS

1. Term: 15 years remaining on the lease (save for the lease in respect of the property located in Islington).
2. The Lessee has an option to extend for a further term of 15 years.
3. No break clause and early termination requires payment of the rent in full for the remaining term.
4. The aggregate annual rent will be at least £4,513,054.
5. Subsequent reviews will take place in 2022 and 2027 and will be the greater of:
(i) the market rent; or (ii) the then annual rent.

LEASEE AND ITS PARENT

1. Kwik-Fit (GB) Limited – The Leasee
 - established in 1970.
 - operates over 600 fast fit and automotive parts replacement centres in the UK.
 - engaged in the servicing of cars and automotive parts and the provision of safety tests on vehicles that are required by the relevant laws of the UK.
 - has more than 40% of the market share in the UK.

2. Itochu Corporation – the parent
 - Established in 1858.
 - a global trading company listed on the Tokyo Stock Exchange.
 - ranked no. 223 in Fortune Global 500 in 2016.
 - trading business and investments spans across 65 countries
 - Based on their public disclosure, the revenue of Itochu Corporation for the last quarter of 2016 was 3.5 trillion Japanese yen (US\$ 31.1B).
 - currently rated A- by S&P and Baa1 by Moody's.

3. Kwik-Fit Holdings Limited – the guarantor: a subsidiary of Itochu Corporation that guarantees the obligation to pay rent and all other covenants

1. Financial merits: Stable and growing fixed income stream which offers 6.1% (unleveraged) gross yield for a duration of at least 15 years, subject to potential upward revision every five years.

2. Limited exposure to operation risk :
 1. Itochu, rated A- by S&P, through its subsidiary, Kwik-Fit Holdings Limited guarantees all future rental;
 2. Rent review with upside every five year;
 3. Lease termination by the leasee subject to payment for the full term;
 4. Limited operation risk: single tenant, no rent void, lease-ups etc;
 5. All refurbishments and renovations are the tenant's responsibilities; and
 6. Property manager responsible for rent collection and repatriation.

LEASE CCTs

1. The lessee, Kwik-Fit (GB) Limited is an indirect wholly-owned subsidiary of Itochu Corporation.
2. Itochu Corporation is an associated company of Mercuria Investment, which in turn holds 90.2% of the Manager. As such, the transactions under the leases shall constitute connected party transactions under 8.5 of the REIT Code.
3. Despite the lease were entered into 2007, the total rent payable under the Leases during the remaining term (about 15 years) is likely to exceed 5% of the net asset value of Spring REIT. As such the Lease CCTs are subject to Independent Unitholders' approval by way of an Ordinary Resolution pursuant to 8.11 of the REIT Code.
4. The Manager shall also seek Independent Unitholders' approval for the Lease CCTs Waiver Application.