

PROPERTY DEVELOPMENT - 1

Adding Liquidity

Old Mutual to list R12bn property fund as investors seek liquidity

DENNIS NDABA | CONTRIBUTING EDITOR

The South African property investment unit of Africa's largest insurance group, Old Mutual, will list a property fund, valued at about R12-billion, on the JSE next year.

Old Mutual Investment Group Property Investments (OMIGPI) indicated that the fund, currently called the Triangle Real Estate Core Fund, would be the third-largest fund by value to be listed on the JSE's property sector. Scheduled to be listed in mid-2011, the fund would trail Growthpoint Properties, valued at about R24-billion, and Redefine, which had a market capitalisation of R21-billion.

The listing was being pursued owing to the increased demand among local and international investors for liquidity, which had made unlisted assets less attractive than listed ones, notwithstanding share price volatility.

OMIGPI MD **Ben Kodisang** told a media

briefing that property remained a valuable asset class that contributed to the diversification of a balanced fund, generated reliable growing income streams to match pensioner payments and provided capital growth opportunities.

The Property Listed sector was trading at 11,8% premium to net asset value at the end of July 2010.

The fund will comprise a mix of 40 prime retail, industrial and office properties, but is focused primarily on the retail sector.

The company expects the listed fund, which will be structured as a property loan stock, to be very attractive to investors with its characteristics of large, dominant, top-quality properties with blue-chip national tenants, exceptional income stability, and a history of outperforming in the unlisted property sector, besides others.

"We conducted a market survey, in

December 2009, which indicated that there is an appetite for a listed fund larger than R5-billion," said Kodisang.

The portfolio of the fund will include some of South Africa's largest shopping centres, such as the Gateway Theatre of Shopping, in Durban, Pretoria's Menlyn shopping centre, Cavendish Square, in Cape Town, Riverside, in Nelspruit, and Vincent Park, in East London, which will give the fund a retail focus, with 68% exposure to that sector.

Apart from retail, the fund offers 13% exposure to the office sector and 9% to the industrial sector, with the remaining 10% made up of cash and working capital.

He added that the fund would remain focused on the retail sector for the long term, but will invest in large, high-quality assets diversified by geography, property type, tenancy mix and property size.

As a fund manager, OMIGPI aims to maintain greater income stability from diversification, while reducing the concentration of properties.

"We would also look to introduce borrowing cautiously in order to enhance returns, as the fund is currently ungeared, while actively managing the portfolio to improve returns and expand the fund's value over time."

ENGINEERING NEWS COUPON ON PAGE 74 E0203672