

Lively year expected for property companies

By [Nick Hedley](#)

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After two years of significant listing activity in the South African property sector, industry pundits expect an eventful year in terms of corporate activity among the new listings.



A period of consolidation and acquisitions in 2006 and 2007 was followed by a total of nine new listings during 2011 and last year - and much of the growth within the sector has come from these new listings.

Ian Anderson, chief investment officer at Grindrod Asset Management, said on Tuesday (29 January) that while the sector was likely to see even further listings and "lots of corporate activity" among the smaller groups this year, "it won't necessarily be consolidation - they will continue to acquire portfolios from private buyers".

Consolidation "will only happen once they've run out of opportunities to acquire physical stock" - and it was more likely that the smaller companies would continue to bring high volumes of new property into the market as they "bulk up", Anderson said.

"We've been through this on a number of occasions where we've seen rapid growth in the number of new listings, followed by a period of consolidation."

However, Anderson said "not all the ingredients are there for large-scale consolidation" at the moment.

The larger companies now had fewer opportunities to enhance the quality of their portfolios - which was now their main focus since most groups were no longer externally managed.

Previously, external managers had an incentive to grow the size of the fund as they were paid fees based on the size of the fund they managed.

Anderson said that many of the newer, smaller listings had strong black economic empowerment (BEE) credentials, which meant they were unlikely to be acquired by non-BEE groups as their advantage of having longer government leases with preferential rents "would be eroded".

Two of the JSE's biggest property groups - Growthpoint Properties and Redefine Properties - have been in a bidding war

for the assets of the Fountainhead Property Trust in what Norbert Sasse, Growthpoint's chief executive said last year would be the country's largest ever property acquisition.

Sasse said earlier this month that 2013 would "possibly be quite a lively year in the listed property sector from a merger and acquisition and listing perspective", especially among the smaller companies.

With the low interest rate environment persisting, Sasse said "we may see another few listings in the property sector this year".

He said it was also likely that some of the newly-listed, smaller groups would look to consolidate "and gain critical mass" by merging or taking over companies.

Meanwhile Laurence Rapp, chief executive of property loan stock company Vukile Property Fund, said that a potential decline in the appetite for new listings could lead to increased corporate activity among existing listed companies.

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