

# Vukile buys five of Encha's buildings

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Listed property loan stock company Vukile Property Fund said on Tuesday (12 March) its agreement with Encha Properties is "one of the most significant Black Economic Empowerment (BEE) initiatives to date".



Vukile said it would acquire a portfolio of five investment-grade, predominantly government-tenanted properties from Encha for about R1.4bn.

After the transaction, Encha will own a R600m stake in Vukile - representing a holding of about 7.5% in the company's enlarged unit capital. "For purposes of the Property Sector Charter, this will represent a holding of about 25% in Vukile, after adjusting for mandated investments," Vukile said.

The properties in the portfolio comprise Navarre Wachthuis, the Koedoe Arcade and De Bruyn Park in Pretoria as well as the Pretoria Momentum building and the Bloemfontein Fedsure building.

A "sub-portfolio" would be established within Vukile to house the new properties as well as any other government-tenanted properties that Vukile may own or acquire. Encha would be appointed as the property and asset manager of the new sub-portfolio.

In addition, Encha's chief executive and current president of South African Property Owners Association Sedise Moseneke would join the board of Vukile, the company said.

## Transformation

As well as having executive responsibility for driving Vukile's overall transformation strategy, Moseneke "will oversee the government-tenanted portfolio and will work together with Vukile chief executive Laurence Rapp in growing the fund in line with the company's strategy of building a large diversified property fund".

Rapp said Vukile believed the deal "has tremendous benefits for the company in that it allows it to implement a sustainable transformation transaction that is done in a commercially viable manner, will enhance earnings and create long-term alignment between our stakeholders".

"We are delighted to be partnering with Encha which has significant experience and a solid track record in managing a successful government-tenanted portfolio. I welcome Sedise to our management team and look forward to working with him," Rapp said.

The purchase price comprises a cash payment of about R800m, "which will be used by Encha to repay bank debt and amounts due to other third parties", Vukile said.

The remaining R600m would be funded by issuing Vukile units to Encha for an initial amount of R470m and is expected to increase by a further R130m in December when certain lease extensions are concluded.

A special purpose vehicle had also been created within Encha to assist it in acquiring more Vukile units and to ensure that Vukile's empowerment credentials were not diluted through future rights offers or issues of shares, Vukile said.

The acquisition is expected to be effective from July, once a number of conditions precedent have been fulfilled.

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