

Investec Property Fund acquires properties

Investec Property Fund (IPF) has entered an agreement with S Giuricich Holdings Proprietary Limited to acquire portfolio of properties known as the Giuricich Portfolio for R742.8m.

The Giuricich Portfolio consists of 12 retail properties located in Gauteng, Limpopo and Free State.

The effective date of the acquisition is expected to be about mid-October 2012, the company said on Monday, 9 July 2012.

Investec Property Fund said the Giuricich acquisition is consistent with its growth and investment strategy of building a quality portfolio by investing in well-priced, income-producing properties that optimise capital and income returns over the medium and long term for linked unit holders.

The acquisition would enable the fund to achieve critical mass to be competitive and achieve portfolio effect.

The properties in the Giuricich Portfolio are quality assets, situated in prime locations and 95% tenanted by listed national tenants. The portfolio is being acquired at a through yield of 8.3%.

Of the purchase consideration, R208.93m will be settled through the issue of 17 million new Investec Property Fund linked units to Giuricich at a price of R12.29 per linked unit.

The remaining R533.870m will be payable in cash to be funded through a combination of equity and existing debt facilities.

The acquisition is subject to the satisfactory completion of a due diligence investigation, to be performed by the fund on each property within the portfolio, and on approval from the competition authorities.

MegaMark acquisition

The fund has also entered an agreement with Ivory Pewter Trading 18 Proprietary Limited for the acquisition of the MegaMark Mall property located in Kriel, Mpumalanga.

The effective date of the acquisition is expected on or about 1 December 2012.

The purchase consideration for MegaMark Mall amounts to R217.973m, consisting of R183.825m payable on transfer, in respect of the capitalised contractual rental income from the main centre of the development (the core centre).

A further amount of R12.783m may also be paid in respect of leases still to be entered into between the vendor and new tenants in the core centre, provided these tenants are in occupation and paying rent at transfer date.

The purchase consideration will be settled using existing debt facilities. The fund may wish to refinance a portion of the funding with a combination of corporate bond issuance and the issue of new equity if deemed appropriate at the time, it said.

The MegaMark Mall property is the dominant retail facility in Kriel, a city with coal mines and power stations, whose economy is driven by Eskom's coal-based infrastructure expansion plans.

MegaMark Mall is well located off the main road running through Kriel and is dominant against other competitive retail amenities in the area. The centre is 96% let and anchored by Shoprite and Superspar. The property offers a forward yield of 9.02%, which the management of the fund believes offers good value and enhances the fund's retail offering.

Picking up Firs

The fund has also agreed the terms with Investec Property Proprietary Limited for the acquisition of the Firs property in Rosebank, Johannesburg, for R272.13m in cash.

Situated in a sought-after node of Rosebank, the Firs is a mixed-use property with A+ grade offices and a specialised boutique retail level. It is conveniently located close to the Gautrain Rosebank station and adjacent to the Hyatt Regency hotel. The occupancy level of the Firs is 100%.

The directors of the fund believe the investment offers good value and will enhance the earnings and growth prospects of the Fund. The Firs is being acquired at a yield of 8.75%.

The lease with Standard Bank over 4,691.3 square metres of the office space is due to expire on 30 September 2013. Investec Property has undertaken to provide a rental guarantee at market-related rentals for 36 months after expiry of the Standard Bank lease if for any reason the premises are not relet during that period.

A lease agreement is being concluded with a tenant on 989.2 square metres of office space that is vacant, with rental flow from March 2013. Investec Property will provide a rental guarantee on this space at a market-related rent from the effective date until the start of the rental payment on 1 March 2013.

Selling

The fund also announced the disposal of the 373 Pretorius Street Property to Ascension Properties for R155m.

It considers the property a noncore asset. It is an older CBD office building with local government tenants. The sale proceeds would be invested in high-quality investment properties, it said.

Unitholders were advised to exercise caution when dealing in the fund's securities until a full announcement regarding the forecast financial information of the Giuricich portfolio and the pro forma financial effects of the Giuricich acquisition and Firs acquisition is made.

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