

Vukile acquires portfolio of retail properties in Spain

By  Danette Breitenbach

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Vukile Property Fund (Vukile) has fulfilled the promise it made to the market that it would diversify when it announced earlier this week that it had acquired a portfolio of retail properties in Spain.

“This is the holistic strategy we spoke about at our results presentation and previously we said we would execute an international portfolio,” says Laurence Rapp, Vukile CEO.



Kinepolis Retail Park

The deal gives Vukile a solid foothold into the Spanish property market. Spain, explains Rapp, has demonstrated a strong recovery in the micro- and macro-economic levels, in property specifically.

Spain set for growth

Spain is forecast to grow at 2.2% this year - more than the 1.5% growth forecast for the Eurozone. Unemployment has dropped and is set to drop further, while consumer confidence is up, with replacement buying replacing the culture of austerity.

Car sales are up and that bodes well, while tourism has shown record numbers. The major ratings agencies agree that the country is on the rise. “This is an exciting market for us to enter and I believe that we have chosen well.”



La Hazienda

In line with this, retail property indicators are also showing a positive trend. “In addition, ecommerce in Spain is behind the rest of Europe and so it is not an immediate threat, as it is in the UK. Therefore, we believe the retail parks purchase is a good one. They are also well positioned. Free parking as well as the increasing cost of online home delivery mean the click and collect is a better model. All in all, the Spanish retail market is very active,” says Rapp.

The R2.8bn (€193m) deal has given Vukile an international exposure of 21% of total property assets. Its Spanish portfolio is now 11 properties and gives the company immediate scale in the country. Rapp emphasises that the company did not just buy the portfolio. “We bought the portfolio and will give it scale. We also have a strong management team on board with a strong capability on the ground.”

Nine newly built retail parks

The portfolio comprises nine high quality newly built retail parks across the country. They are dominant in the areas they are located in. Rapp describes them as “a very conservative portfolio with predictable cash flows”.

The parks traded across the double-digit recession and tenants have remained stable. Of the tenants, 95% are national brands. The nine retail parks are diversified across Spain. The top 10 tenants generate 73% of the income. Vacancies peaked at 6%.



Retail Park Motril

The same investment philosophy the company subscribes to locally will be carried forward in Spain. The current management company will continue to manage the portfolio for the next six months to ensure a smooth handover. A management team has been hired, but will only start in a few months. This team has 20 years' experience in this market and has worked as a team previously. Omar Khan, from the South African office, will be dedicated to working on the Spanish asset.

Ticking strategic boxes

This will hopefully set us apart says Rapp, adding: "We are building a property business, not just making an acquisition. This deal sets the tone, and is a growth vehicle. We are excited and confident that we will see good deals going forward. We are well positioned in South Africa, the United Kingdom (UK) and Spain, which are our preferred markets and where we want to grow. It ticks all the strategic boxes."

Rapp was very clear that the move is not a negative vote against South Africa; but a pragmatic view to diversify economic streams. "It is not political, but about getting the better returns for our shareholders."

He adds that the driver is finding quality stock, and with retail becoming more mature in South Africa, no-one is selling their assets. "We are still investing in South Africa, but more in our own assets. Currently we are putting money into our own developments and upgrades. However, if we did find the right asset at the right price locally, we would invest," says Rapp.

ABOUT DANETTE BREITENBACH

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