Listed property groups show intense activity in deal making

BY JOAN MULLER, MARCH 03 2014, 09:49

THE R250bn listed property sector, one of the JSE's most active in terms of merger, acquisition and listing activity in recent years, saw deal flow surge a whopping 60% last year.

Research by newly established spatial knowledge portal SA Revealed shows the total value of transactions concluded by the JSE's 30-odd property counters last year amounted to R21.627bn, up from R13.446bn in 2012.

Acquisitions by the listed property sector accounted for 21% of all commercial property transactions last year: just more than R100bn worth of office blocks, shopping centres, warehouses/factories and hotels changed hands in South Africa in 2013, said SA Revealed MD Trevor Holmes.

The only other owner segment more active than listed property on the deal-making front was that of private, unlisted commercial property owners who bought properties worth R54.38bn last year, accounting for 54% of total investment. Sandton, South Africa's largest business hub, was the single most active area in terms of sales activity, accounting for 20% of total transaction value last year.

Mr Holmes said government-tenant focused Delta Property Fund, which is pursuing a three-way merger with fellow empowerment funds Rebosis Property Fund and Ascension Properties, was the most aggressive in terms of bulking up its portfolio. Delta's deals, including large office blocks in the Pretoria central business district, accounted for 15% of the listed property sector's investment flow last year.

Rebosis, Redefine Properties, Investec Property Fund, Ascension, Vukile Property Fund, Capital Property Fund, Annuity Properties, Dipula Income Fund and Growthpoint Properties count among the sector's other key deal makers last year.

Keillen Ndlovu, head of listed property funds at Stanlib, confirmed the JSE's real-estate sector had had an eventful 12 months on the corporate action front. His figures show the sector raised R18bn in new equity last year on the back of an acceleration in acquisitions, mergers and new listings, up from R11bn in 2012. Mr Ndlovu said equity raisings had provided strong support for the growth of the sector's market capitalisation in recent years. The latter has ballooned from R150bn to R250bn in the past two years alone.

Though this year is also off to a busy start, with about R1bn in new equity raised by property stocks since January 2, Mr Ndlovu expects the value of capital raised to slow to about R5bn-R7bn in 2014. That was primarily because fewer new listings were expected to debut on the JSE this year. "While there is still room for new listings if they offer investors something different, defensive and compelling, like residential-and hospital-focused funds, we only expect one or maybe two new listings in 2014."

Mr Ndlovu said last year was "extraordinary to say the least" in terms of equity raised. This year should be far less, as the environment is far less conducive for listings. "Yields have moved up, funding costs are increasing, and inflows into property stocks are drying up. " But he said the sector was likely to see a strong uptick in consolidation this year, with mergers and takeovers on the cards.