

Growthpoint to acquire Tiber property portfolio for R6,6 billion

Growthpoint Properties and Tiber Group today announced that Growthpoint will acquire the entire Tiber Group portfolio of properties and management business. The R6,6 billion transaction, Growthpoint's largest single acquisition to date, will see it gaining one of the most exclusive property portfolios in South Africa.

The portfolio developed under the vision of the late Francesco Rivera spans 320,000sqm of mainly P- and A-grade office space concentrated in Sandton and its surrounds, including multiple multinational head offices such as Nestlé, PPC, AngloGold Ashanti, Norton Rose, Merrill Lynch, Barclays and Absa Capital. It comprises 28 prime properties and a 50% stake in a further 9 properties. It also incorporates 48,000sqm of undeveloped bulk.

Securing continuity of management and expertise in the transaction, Growthpoint will internalise the asset management and property management business from Tiber Projects, gaining the skills of 55 full-time employees. Growthpoint has also secured an initial three-year strategic agreement with the Tiber Projects executive team of Stephen Scott, Germano Cardoso and Artur Carrazedo.

For Growthpoint, the transaction is a significant boost to its office portfolio and enhances its underlying income streams. The acquisition lengthens Growthpoint's average office lease length and, with a 95% occupancy rate, improves its overall office vacancy levels. It will also make Growthpoint the country's biggest office property owner, with a portfolio of 1,5 million square metres of office space across South Africa, valued at nearly R25 billion.

Norbert Sasse, CEO of Growthpoint Properties says: "A portfolio of this quality and size, centred in arguably the best investment property location in South Africa, is a once-in-a-lifetime opportunity and beneficial for Growthpoint's shareholders. Moreover, Growthpoint will gain the core competencies, skills and long-standing relationships with tenants of the Tiber portfolio, and have access to the executive team who conceptualised, built and managed the properties."

For Tiber, the transaction meets two important goals: creating liquidity for Tiber shareholders and unlocking the next phase of its business which will continue to deliver exceptional property development, investment and management to the South African property sector.

Tiber's Stephen Scott says: "While achieving these goals, we wanted to find an excellent home for our people and our property portfolio, and believe we have done this with Growthpoint. Tiber considered several alternatives and ultimately Growthpoint enabled us to realise an enhanced value for our shareholders and it has the ability to readily access and implement large transactions of this kind."

It isn't only Tiber's shareholders that benefit from the transaction. At a 7.41% property yield on income-producing properties, the deal will also enhance Growthpoint's distribution per share, based on the mix of funding Growthpoint is planning to use to pay for the acquisition which includes the bulk of the cash it raised in May this year, when it issued 90 million shares at R28 per share thereby raising R2.5 billion in new equity

Sasse explains: "The acquisition will become effective when the portfolio transfers, which should be in Q1:2014. But the real benefits will come through in FY2015 when shareholders will enjoy the full 12-month impact of the transaction."

The portfolio holds even more upside potential in undeveloped bulk attached to the acquired properties. As part of the agreement, Growthpoint will enjoy continued access to Tiber Bonvec Construction's development and construction expertise for this bulk and when exploring other development and redevelopment opportunities for its growth pipeline.

Growthpoint will settle the acquisition with a combination of cash and shares. It will issue 93.3 million new Growthpoint shares at R27.00 per share to raise approximately R2.5 billion. The remaining consideration will be paid by accessing the cash resources from Growthpoint's successful capital raise in May 2013 and its existing debt facilities.

Growthpoint is the largest South African REIT and a JSE ALSI Top 40 Index company. Growthpoint owns and manages 393 properties in South Africa, 47 properties in Australia through its investment in GOZ and a 50% interest in the properties at V&A Waterfront, Cape Town.

Tiber Group is one of the most successful, privately-owned property development and construction groups in South Africa. With associate Tiber Bonvec Construction, it has an outstanding reputation for delivering high-quality services across all aspects of building construction and property development, investment and management.

The transaction is conditional on Competition Authorities approval and the adoption of certain resolutions by the respective Sellers.