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Redefine Properties to expand its offshore property platform

Redefine Properties is to expand its offshore property platform with the acquisition of a strategic 25% stake in a one billion euro retail portfolio of 28 quality established and well located assets in Poland.

Redefine is co-investing with Pimco and Oaktree Capital Management who will each have 37.5% of the portfolio which is being acquired. Key locations in the portfolio stretch from Warsaw to growing regions across the country like Krakow and Silesia.

Redefine were also strategic partners with Pimco and Oaktree in the acquisition of the initial EPP portfolio prior to its listing on the JSE a year ago.

The 28 retail properties comprise a shopping center portfolio of nine leading mid-market hypermarket anchored shopping centres with total gross leasable area of 383,000 sqm, the Power Park portfolio of four smaller hypermarket anchored big-box retail centres of 114,000 sqm and a Hypermarket portfolio of 12 hypermarkets with small line shop retail components comprising 181,000 sqm and a DIY portfolio of three standalone DIY stores of 26,000 sqm. The pricing details have been agreed not be disclosed at this stage, however, Redefine anticipates a yield of circa 7.7% and return on equity in the region of 15% pre-tax and it will fund its equity contribution from the recycling of local capital.

"Geographic expansion is a key element to our risk diversification strategy and we are really excited to further strengthen our strategic partnership with Pimco and Oaktree. This portfolio benefits from strong retail fundamentals and together with value-add opportunities, presents Redefine with an opportunity for above market returns", says Redefine CEO, Andrew Konig.

There are a number of value add opportunities in the portfolio including the redevelopment/extension of approximately 60,000 sqm.

Redefine Executive Chairman Marc Wainer is excited about the growth potential beyond the initial investment horizon. "Whilst this deal transaction is accretive to our earnings over a 3-5 year period from both an income and trading point of view, it also ushers in long term stable growth via our shareholding in EPP".

The portfolio was initially developed between 2004 and 2005.

As the portfolio could only be acquired in its entirety, agreement was reached between the consortium and EPP that EPP would acquire the 12 premium assets that met their investment criteria in three annual tranches with the first tranche to be acquired as part of the initial acquisition. The consortium will remain the owners of the Hypermarket Portfolio, as well as the DIY Portfolio.

Redefine remains confident of the outlook for Poland's retail sector which continues to be buoyed by stellar sales.

"There are many solid fundamentals in place in this market, driven by strong retail sales growth of 8% and inflation of approximately 1%. So the macro environment is very solid as unemployment levels are now below 5% and consumers have low levels of household debt," says Konig.

"Quality offshore acquisitions and an astute investor driven strategy continue to assist us to sustain value and drive growth for all our stakeholders despite tough conditions at home," says Wainer.

He is also delighted at the strengthening of the relationship between Pimco, Oaktree and Redefine.

The entire transaction is subject to sensitive negotiations, which are anticipated to be concluded in the first half of 2018.