



**VUKILE**  
PROPERTY FUND  

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NEWS RELEASE FROM VUKILE PROPERTY FUND  
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***Vukile doubles its Spanish retail property investment with acquisition coup***

Vukile Property Fund intends to acquire a controlling shareholding in a company that will own a portfolio of four shopping centres in Spain being acquired by the property company from Unibail-Rodamco-Westfield for EUR460 million (c. R7.2 billion) in a transformative and accretive deal that will boost its offshore exposure to above 40%.

Vukile's lead investment partner in Spain, Lee Morze, has created a separate investment property company (PropCo) to acquire the portfolio. Post the acquisition of the property portfolio by the PropCo controlled by Morze and the introduction of senior debt into the PropCo, Vukile will effect its equity investment into the PropCo. The acquisition is expected to be concluded on 31 July 2018.

Laurence Rapp, CEO of Vukile Property Fund, comments: "Vukile has clearly stated its intention to grow its investment in Spain. We are thrilled to secure this sizeable transaction that is consistent and fully aligned with our strategy. This is an excellent quality portfolio, one of the best we have seen in the market so far. At a yield of 5.9% it is attractive and accretive to Vukile representing a cash-on-cash yield of 8.1% in its first year."

The high-quality, unique portfolio of four leading centres is being acquired from Unibail-Rodamco-Westfield. This transaction is part of the EUR3 billion of disposals to be made by Unibail-Rodamco-Westfield during the next several years as part of its previously announced European asset rotation programme.

While these centres may be smaller assets for the world's premier flagship shopping destinations developer and operator, two of the centres will become Vukile's biggest individual property assets in Spain, being the 43,423sqm El Faro in Badajoz and the 35,220sqm Vallsur in Valladolid.

Vukile's 98% subsidiary Castellana is scheduled to list on the Alternative Equity Market of the Spanish Stock Exchange on 25 July 2018, which listing process precluded it from being party to a deal. Once Castellana is able to transact post its listing, Vukile will introduce the opportunity to Castellana's board to enable it to acquire 100% of the PropCo, and thus the portfolio, at the same price as the initial transaction. This would be done via a share swap making the special purpose vehicle holding the four assets a 100%-held subsidiary of Castellana.

The acquisition will be funded by a combination of EUR257 million in debt provided by European banks to the PropCo, EUR80 million equity investment by a Morze-controlled vehicle a EUR35 million investment by Capricorn Capital and a EUR123 million equity investment by Vukile.

Vukile has secured pre-emptive and other rights in respect of shares held by Morze and Capricorn in PropCo/Castellana (whose shareholding will be subject to agreed lock-in arrangements). The acquisition by Vukile of further equity from Morze and/or Capricorn would be effected at a pre agreed price and terms that would be accretive to Vukile.

For Vukile, the deal fast-tracks its Spanish strategy. It first entered the Spanish retail property market a year ago, in July 2017. “Vukile’s offshore exposure is now 47% of assets, of which 43% are in Spain and 4% in the UK. This acquisition underscores the credibility that Castellana and Vukile have already established in the Spanish market, the strong dealflow they are attracting and the high-calibre of their management,” says Rapp.

For Castellana, if approved, the transaction would significantly strengthen an already strong portfolio, diversifying its tenant and category mix even further. It would increase Castellana’s portfolio from EUR390 million to circa EUR870 million (with an average asset value from EUR27 million to EUR48 million), reduce its portfolio vacancy from 3.3% to 2.7%, grow its lettable area from 197,000sqm to 318,000sqm, increase its exposure to fashion retail from 16% to 26% of rental, and decrease its rental exposure to electronics retailers from 13% to 6%. The acquisition would also take Castellana much closer to its goal of a Spanish main board stock exchange listing.

***The conclusion of the transaction remains subject to Vukile raising equity in the market at pricing and terms acceptable to Vukile.***

#### **THE PORTFOLIO OF ASSETS:**

##### **El Faro, Badajoz**

El Faro is a 43,423sqm shopping centre in the Extremadura province’s capital city of Badajoz, near Spain’s border with Portugal. With very little competition, it is leading in its city and wider region. In addition, it attracts 20% of its shoppers from Portugal. Its wider catchment area includes a population of over 885,000, with the city itself having a population of around 150,000 and growing at 4% each year, which is higher than the national average of 3%. El Faro comprises 91% national tenants, with its major retailers by size including Bricor, Primark and Media Mrkt. It has a low 0.4% vacancy level and has a solid track record of growing footfall and sales. El Faro’s weighted average unexpired lease term to next break is five years.

##### **Bahia Sur, Cadiz**

Bahia Sur is a 24,789sqm shopping centre in Cadiz, one of the oldest cities in Europe with a busy port. Besides the 410,000 strong population that live in its catchment area, 2.5 million tourists visited Cadiz province in 2017. Bahia Sur has 88% national tenant exposure with its biggest stores tenanted by El Corte Ingles, H&M, and Inditex Group. It has a 3.8% vacancy level and attracts good and growing shopper support and sales. Bahia Sur’s weighted average unexpired lease term to next break is 3.8 years.

**Los Arcos, Seville**

Los Arcos is a 17,906sqm shopping centre and the first of its kind in Seville, the capital of Andalusia. Seville is the fourth largest city in Spain with 2 million inhabitants and 3.5 million tourists annually. It is a major economic hub for the country. Los Arcos dominates the east centre of Seville with a population of around 833,000 in its catchment area. Some 89% of its retail space is let to national retailers, with the largest being Kiabi and Inditex Group. The centre has a small 1.1% vacancy and shows upward growth sales and footfall. Its weighted average unexpired lease term to next break is 4.3 years. Opportunities have been identified for hands-on asset management interventions to unlock further value from this asset

**Vallsur, Valladolid**

Vallsur is a 35,220sqm shopping centre in the capital of the Castilla Leon region, Valladolid. Its catchment area includes a population of 373,000. The centre is 92% tenanted by nationals, notably Carrefour, Yelmo, and Inditex Group. Vukile and Castellana, however, have already planned a repositioning and retenancing for the centre, which offers everyday convenience shopping in the residential south of the city. The repositioning will build on the trading success of the centre, which was boosted by the opening of its Carrefour last year. Vallsur has a 2.4% vacancy and a weighted average unexpired lease term to break of 4.1 years.

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Released by:

Vukile Property Fund

Laurence Rapp, CEO

Tel: 011 2881032

[www.vukile.co.za](http://www.vukile.co.za)

For more information or to book an interview kindly contact Anne Lovell on 011 783 0700 or on 083 651 7777 or [Anne@marketingconcepts.co.za](mailto:Anne@marketingconcepts.co.za).