Property listings on the move

By Joan Muller

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The sell-off in property stocks over the past four months has made it less attractive for unlisted real estate companies and developers to bring their shopping centres, offices and warehouses to the JSE. Since May prices have dropped around 13% and yields have risen from an average 6,2% to 7%.

In addition, analysts have in recent months warned that the market is suffering from private placement "fatigue" after a number of big-ticket capital raisings in the first half of this year.

So the question is whether there will be enough investor demand to support the JSE listing of leading SA property developer Atterbury's R12,5bn investment and acquisition fund, Attacq, which is expected to come to market in October.

It appears there will be. While many have become wary of new listings - Attacq will be the 14th property counter to make its JSE debut over the past three years - fund managers say they are happy to sell out of existing stocks to support new listings, provided these offer enough differentiation from their competitors. And Attacq certainly ticks a number of boxes in this regard.

First, it is one of the biggest property funds to list on the JSE. Attacq's initial market capitalisation is expected to be R8,5bn, while very few new listings have ever come to the market at more than R2bn.

Capital growth focus

It is also a pure capital growth play. Unlike most existing property stocks, Attacq will not pay out any dividends in the first few years after listing, as its focus will be on reinvesting in new developments. Attacq also differentiates itself through the established track record of its management and the quality of its assets.

The Atterbury group, founded by chartered accountant Louis van der Watt and IT entrepreneur Francois van Niekerk in Pretoria 19 years ago, is widely regarded as one of SA's most astute developers, with a particular flair for creating landmark shopping centres - such as Clearwater Mall in Roodepoort and Woodlands Boulevard in Pretoria (now owned by Hyprop Investments).

Atterbury was also one of the early funds to move further into Africa. It completed its first regional mall in Mauritius two years ago and is involved in shopping centre developments in Ghana, Namibia and Zambia. It was also one of the first SA property companies to expand its asset base into Europe.

Assets widespread

Attacq's assets include 80% of the total 1,73m m² of development rights at the 311ha mixed-use Waterfall City between Woodmead and Midrand, north of Johannesburg, and a portfolio of prime retail and office buildings. The latter include Brooklyn Mall (25%) in Pretoria, mixed-use development Lynnwood Bridge (also in Pretoria), Garden Route Mall in George (80%), Eikestad Mall in Stellenbosch and Mooirivier Mall in Potchefstroom.

The fund also has exposure to the Bagatelle Mall of Mauritius and a 32,5% stake in Atterbury Africa, which owns malls and land in Ghana, Namibia and Zambia as well as a 23,9% stake in AltX-listed MAS Real Estate, an offshore property fund focused on Germany, Switzerland and the UK.

Attacq's chief executive Morne Wilken says the fund, in its previous unlisted guise as Atterbury Investment Holdings, has delivered an average compound return of 20,62% to shareholders since inception eight years ago. The fund has traded over the counter with a shareholder base of 570.

Future growth

Wilken says much of Attacq's future capital growth lies in the unlocking Waterfall's development potential over the next 10 to 15 years. The group recently broke ground on the premises of the R3bn Mall of Africa, which will anchor Waterfall City.

The 116000m² mall, only slightly smaller than Eastgate, east of Johannesburg, is scheduled for completion in April 2016. Wilken says the central business district of Waterfall City will, on completion, be roughly four times the size of Melrose Arch.

He says Attacq's long-term investment strategy is to have a 70% exposure by value to SA property, 20% to the rest of Africa and 10% in offshore assets.

Management plans to raise only R800m through a private placement with select investors prior to the listing.

Java Capital director Andrew Brooking, who is managing Attacq's book-build, says the placement is likely to be offered at R15 a share with a minimum requirement of 5,000 shares per investor. Brooking is confident that there will be more than enough demand for Attacq's scrip, given the relatively small size of the placement and the quality offering that Attacq is bringing to the market.

Macquarie Securities property analyst Leon Allison says some fund managers may be less keen to have exposure to Attacq because the stock doesn't offer an income yield.

However, Allison believes demand will be underpinned by the differentiation and track record Attacq brings to the sector as well as its potential to deliver above-market capital growth over time.

Alternative Real Estate fund manager Maurice Shapiro believes it is a plus that Attacq will not be exposed to volatility in bond yields to the same extent as income-paying property stocks.

"Given the relatively small capital raising prior to listing," Shapiro says, "Plenty of capital will probably be chasing the stock initially, but that there will be few sellers. So I won't be surprised if the share price rockets by between 50% and 60% within the first three to six months after listing," he added.

Source: Financial Mail via I-Net Bridge