

Tower plans to list on JSE in July

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Tower Property Fund intends to list on the JSE under the new real estate investment trust (Reit) structure next month, joining 12 other property groups which have listed since 2011.



While the fund's initial portfolio has a strong bias towards offices, which has generally struggled with high vacancies and poor rental growth, Tower now plans to increase the retail component of its portfolio.

The fund's property portfolio comprises 27 properties worth R1.65bn including the Cape Quarter complex in Green Point, Cape Town, as well as a green office complex in Grayston Drive, Sandton.

Tower is being launched by Spire Property Group and partners, and has an experienced management team, which Tower said had a strong commitment to "greening" initiatives aimed at reducing occupancy costs.

The management team comprises Spire's Marc Edwards, Bruce Kerswill and Keith Craddock, as well as partners Johan Malherbe and Bruce Rogerson, who are former founding members of Mettle Property Group.

Spire manages a portfolio worth about R4bn for private clients and successfully listed Paramount Property Fund - which it grew to R3.5bn before it was sold to Growthpoint Properties in 2006.

Diversified portfolio

Tower's diversified property portfolio comprised 30% retail assets and 70% offices and operates primarily in Gauteng and the Western Cape.

The fund's largest asset is Cape Quarter, a trendy mixed-use development with blue-chip offices and unconventional retail stores in Cape Town. Tower said it believed the property had excellent growth potential.

A portion of the fund's portfolio comprises decentralised office properties where the management team believes it can add value.

Tower's chief executive Marc Edwards said on Tuesday (18 June) that "decentralised offices provide convenient locations, particularly for smaller local tenants who are looking to be close to home so as to avoid congestion and toll road taxes. They provide diversified income streams and potentially higher rentals.

"We will look to increase the percentage of retail to 50%, targeting mainly convenience centres, which we believe have excellent prospects as there is an emerging trend of customers seeking local face-to-face services," he said.

He said the theme of "greening" would strongly underpin the fund. According to Tower, recent global research had shown that green buildings outperformed normal buildings significantly - achieving on average rental premiums of 6%, capital value improvement of 12%, and a reduction of 30% in operating costs.

Greening focus

Bruce Kerswill, an executive director of Tower who is also chairman of the Green Building Council of SA, said that Tower's portfolio grows the company will seek to buy other green-rated buildings. "We recognise that stock is limited and will therefore focus our efforts on greening the existing buildings in our portfolio over time," he added.

"The initial focus will be on reducing energy consumption, which, with the rapidly rising cost of electricity, will have significant benefits for tenants. Tower will focus initially on no- or low-cost energy efficiency measures to reduce consumption and occupancy costs," Kerswill said.

At listing, Tower will be one of the smaller companies in the real estate sector of the JSE, an aspect which Edwards believes is an advantage.

"Being smaller, we are able to add significant value through active management and the selection of assets with potential, which larger funds aren't able to do because of their size.

"We believe that Tower is going to grow rapidly - we have a big contact network and are already looking at a R1.2bn "pipeline" of high-quality assets to buy in the next 18 months," Kerswill said.

With its targeted mid-July listing, Tower is hoping to be the first new listing on the JSE under the new Reit structure.

Source: Business Day via I-Net Bridge

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