

Stable Poland attracts SA property funds

Poland is fast becoming in vogue among JSE-listed property stocks looking for exposure to euro-denominated income streams.



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The Pivotal Fund, developer Abland's capital growth spin-off, is the latest among a bevy of South African property funds investing in shopping centres and office blocks in eastern and central Europe.

Pivotal has announced plans to invest R502m (€30m) to become a co-investor with Redefine Properties in a portfolio of 18 retail and office properties in Poland. The €1.2bn portfolio is indirectly owned by Polish developer Echo Prime Properties, in which Redefine acquired a 75% interest in March.

Other local real estate funds that are exposed to Poland are Resilient REIT and Fortress Income Fund through stakes in rand-hedge sister fund Rockcastle. MAS Real Estate, in which Attacq owns a majority share, also announced last month its intention to enter Poland.

Analysts say Poland's allure is its stable macroeconomic backdrop before and after the global credit crises. It still achieved GDP growth of 2% in the immediate aftermath of the crises and is expected to expand by 3.4% this year.

Poland also offers relative value, given initial acquisition yields of around 5.5%-7.5% versus sub 4.5% elsewhere in

Western Europe.

Considering that deals can be funded offshore at interest rates well below these yields, Polish acquisitions will boost earnings of South African property funds from day one. But analysts have also warned this positive leverage effect will be short-lived.

Source: Business Day

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