

Investec builds stake in Sydney

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Investec Australia Property Fund (IAPF) has bought its first office property in Sydney as part of a major capital roll-out to grow its portfolio and attract investors...



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The group said yesterday it hoped the property, situated in a fast-growing decentralised node, would attract tenants seeking lower rentals than those found in the city's central business district (CBD).

The A38.9m (R361.8m) office building brings the value of the fund's total portfolio to A328m (R3bn). IAPF listed in October 2013 with only eight office and industrial buildings worth less than A150m (R1.395bn).

The fund represents the first foray by investment banking group Investec into the Australian property market, and has met its promises of growing its portfolio steadily. However, the fund's shares have remained generally flat since listing.

IAPF is a rand hedge counter that aims to provide South African shareholders with returns that rival the returns achieved by funds based in SA.

It listed at R10.99 in 2013 and closed at R10.85 yesterday.

The fund has faced a large amount of competition, especially from Asian investment funds. Nevertheless, CEO Graeme Katz yesterday said the Sydney office acquisition was part of a capital roll-out that would benefit shareholders in the long term.

The rights issue

"The acquisition is the sixth property acquired by the fund since the rights issue in October 2014, resulting in a total of A156m being deployed, which will result in the fund being 25% geared post this transaction," said Katz.

"Investors should start to see the benefit of the deployment of the rights issue capital and increased gearing in the fund in the 2016 financial year," he said.

The 11,610m² building is in the Norwest Business Park, in Baulkham Hills, and is 36km from Sydney's CBD.

Katz said he expected the property to benefit from construction of the North West Rail Link, due for completion in 2018.

"The area is one of Sydney's growing decentralised office nodes, along with Parramatta and Rhodes, which offers tenants office accommodation at much more affordable rates than in the Sydney CBD."

Source: Business Day

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