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PROPERTY FUND

Vukile expands portfolio in Spain

Alistair Anderson
Property Writer

Vukile Property Fund has gained a foothold in Spain before any other property fund has even dipped its toes in this recovering European economy.

Fund managers had waited patiently for Vukile, which listed in 2004, to create an offshore arm in a meaningful market.

Then, in July 2017, it began to roll out an aggressive investment strategy and now owns assets worth €400m in Europe's sixth-largest economy.

On Thursday, Vukile announced its latest acquisition in the Iberian state – the purchase of Habaneras, its first fully fledged Spanish shopping centre. It is in the coastal city of Torrevieja and has been acquired through Vukile's 98.7%-owned Spanish real estate investment trust subsidiary, Castellana Properties.

Vukile entered the Spanish retail property market in July 2017, announcing it had acquired 11 Spanish retail parks for €193m via Castellana and then went on to complete the acquisition of another two retail parks in December for €70m.

Vukile CEO Laurence Rapp said the Spanish portfolio was worth nearly €400m and that it was supported by a strong in-country management team and operational platform.

While some other South African investors have considered investing in Spain, they have not managed to find suitable partners. Castellana acquired the 24,158m² Habaneras Shopping Centre for €80.6m at a net initial yield of 6.1%. This represents a cash-on-cash yield to Castellana of 8.37% for the 2019 financial year. The transaction was 50% funded with debt, provided by Aareal Bank, and the balance in cash.

Castellana Properties CEO Alfonso Brunet said the shopping centre would enhance earnings. "We are pleased to add the first shopping centre to our portfolio of retail assets in Spain, especially one as compelling as Habaneras Shopping Centre.

"It is a portfolio-enhancing acquisition. The transaction increases the average value of the properties in the portfolio from €19.7m to €23.5m, enhances the perceived quality of the portfolio and adds to the economies of scale in Castellana," he said.

Nesi Chetty, head of property at MMI Investments, said Vukile had timed its investment in Spain well and that this would positively affect growth in distributions in the financial year to March.

andersona@businesslive.co.za