

Redefine expands in Poland

By [Alistair Anderson](#)

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Redefine Properties, the blue chip, JSE-listed diversified real estate investment trust (Reit), has advanced its geographic diversification strategy by buying a strategic 25% stake in a €1bn retail portfolio of 28 assets across Poland, said CEO Andrew Konig on Wednesday, 6 December.



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Konig was providing details about a deal that had been alluded to a few weeks ago. At the time he was unable to elaborate on the acquisition due to European regulations and a specific lease on one of the malls.

This is Redefine's second major investment in Poland, having first entered the market early in 2016. Redefine bought its stake in the 28 assets through a consortium. Redefine acquired a 25% stake, while its two partners Pimco and Oaktree Capital Management each acquired 37.5%.

Konig said that Poland offered a strong investment case and that the latest deal was a coup for Redefine.

"There are solid fundamentals in place in this market driven by very strong retail sales growth of 8% and inflation of about 1%. So the macro environment is very solid as employment levels are high and consumers have low levels of household debt," he said.

Key locations in the portfolio stretch from Warsaw to growing regions across the country such as Krakow and Zabrze.

The 28 retail properties consist of nine mid-market shopping centres, which are anchored by Auchan Group hypermarkets; four smaller hypermarket-anchored big-box retail centres; 12 stand-alone hypermarkets with small line-shop retail components; and three DIY stores.

France's Auchan is one of the world's principal distribution groups with a popular presence in a growth market like Poland, according to Konig.

Pimco and Oaktree Capital Management, each holding 37.5% of the consortium, teamed up with Redefine to purchase the properties from a partnership of investors managed by Apollo-Rida.

Redefine's executive chairman, Marc Wainer, said the deal presented Redefine with an opportunity for above-market returns and value-add opportunities. Redefine anticipated a pretax return on equity in the region of 15%. "I am excited about the growth potential beyond the initial investment horizon," Wainer said.

Redefine's equity contribution of €58m will be funded from completed local asset sales, so it will not need to raise additional capital.

As a part of the deal, the consortium will onward sell 12 of the 28 properties to Echo Polska Properties (EPP), a company of which Redefine owns 39.6%, in three annual tranches.

Wynand Smit, of Anchor Stockbrokers, said the deal would improve the quality of EPP's portfolio and thereby help its shareholder, Redefine.

"We prefer retail over office properties in Poland in the medium term," he said.

Source: Business Day

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