BIZCOMMUNITY

Consolidation opportunities among listed property funds 'have been lost'

By Alistair Anderson

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Some fund managers believe that listed real estate groups may have missed the opportunity for acquisitions and mergers in SA to create larger and more liquid funds.

Consolidation among South African-invested listed property companies has all but stopped in 2017, given weak economic growth, worries about the ANC's leadership conference and a volatile economy.

The slew of mergers and acquisitions that took place in 2014 has dried up as companies struggle to agree on pricing for deals. In the previous three years, several new property companies listed on the JSE, many of them sized between R700m and R3bn.

Institutional investors argued that many of these were illiquid and not sizeable enough to warrant investment.

Old Mutual Investment Group listed property manager Evan Robins said smaller listed property players could have attracted investment locally had they merged over the past three years. But he conceded that economic and political uncertainty had made them wary of doing so.

The likes of diversified property group Arrowhead Properties said in 2016 that it had ambitions to make sizeable acquisitions in 2017.

The group had been a successful consolidator on the JSE for a number of years, but found it difficult to make plays for smaller funds, CEO Mark Kaplan said. It was difficult to price property deals because of the persistent uncertainty in the economic environment, he said.

On Wednesday, 25 October, the FTSE/ JSE SA listed property index lost 1.56% following Finance Minister Malusi Gigaba's medium-term budget policy statement.

Robins said domestic property consolidation had been delayed. Even though some local property companies had not taken up domestic opportunities and instead spread their operations abroad, there were still opportunities locally.

"Opportunities remain. The focus of most management teams has been diversifying offshore so there has been limited interest or appetite to increase domestic exposure," he said.

Meago Asset Management executive director Jay Padayatchi said the domestic listed property sector had been under such severe pressure because of a volatile rand and a weak economy that many possible mergers and acquisitions had been shelved.

Source: Business Day