

BEE property fund to list on JSE

High flying Delta Property Fund set to take the company to new heights as they prepare to join other listed property operators

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THE JSE-listed property fund sector is set for another black economic empowerment (BEE) boost on the back of plans by a small group of black property investors who have gathered a R2.1bn investment portfolio, Delta Property Fund, and are preparing to list in two weeks time.

Delta is brought to the market by a group largely known for its high-flying property management venture, Motseng Property Services. The group includes Sandile Nomvete, who serves as CEO of Delta, veteran businessman JB Magwaza, Ipeleng Mkhari, Bruce Zungu and Jabu Mriga. While operating Motseng, they have been quietly riding the state-driven BEE wave in the commercial property sector.

Delta comes to join three other highly empowered property funds who have entered the JSE in the past two years. These include Rebohis Property Fund, Dipula Income Fund and Vunani Property Investment Fund.

These players have, to a large extent, been propelled by the affirmative action procurement policies in the administering state property affairs and largely under the direction of the Department of Public Works.

That is not to say the management of state property affairs has delivered excellent empowerment results, but the emergence of the funds, which are finding their way onto the JSE, earns the



SKY'S THE LIMIT: Delta Property Fund has been quietly riding the state-driven BEE wave in the commercial property sector. PICTURE: GALLO IMAGES

public works department some points. For that reason, Delta executive member, Zungu, is at the centre of a new lobby group representing the apparently un-met hopes of black property players within the department's affairs.

Delta is bringing to the JSE a portfolio with overwhelming bias on the

department's leasing power and the general public sector.

"This is an exciting time for the company, especially considering the hard work and effort that went into building Delta into a specialist in government and SARS-tenanted properties," Nomvete said.

"We are proud to be making our debut on the JSE and welcome all unit holders. Our vision is to continue growing and diversifying our portfolio through our strong acquisition pipeline and competent and experienced management team."

While bringing the portfolio onto the JSE will dilute Delta's BEE ownership credentials, the group is still counting on a 100% black owned asset management company, MPI Asset Management, to manage the listed property portfolio. The company is styled as a third-party manager.

The group said it was well-positioned to continue taking advantage of public sector opportunities due to its "niche position as a 100% black-managed property fund by strategically identifying and securing government-tenanted properties".

The group also said it was also well positioned to leverage BEE credentials to acquire yield-enhancing properties from other property companies or investors who are looking to obtain accreditation in terms of the recently gazetted Property Sector Code. The charter awards established and historically white companies for disposing of property to BEE entities.

Delta will debut the JSE through a private placement of about 119 million linked units at R8.20 per linked unit and will raise about R980m.

The group said it would use the proceeds of the listing to fund a portion of

the portfolio and reduce overall gearing levels.

"The remainder of the cost of capital will be financed through bank debt, resulting in a loan-to-value ratio of approximately 40%."

Delta's portfolio is made up of 20 properties with a total lettable area of 203261m² and features 92% office space and an 8% retail component.

Prominent properties in the portfolio include the Forum building in Pretoria, which houses the national Department of Public Works and has a lease extending to 2020. There is also the PwC Polokwane building, which is a 1951m² building and has a lease with PricewaterhouseCoopers extending to 2016.

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QUICK FACTS

- » The Forum in Pretoria
- » The PwC Polokwane building
- » The NPA Cape Town building
- » 110 Hamilton building in Pretoria
- » SARS Kimberley building,
- » The Cooper House building in Bloemfontein
- » Tivoli building in Klerksdorp
- » SARS Springs building
- » Liberty Towers in Durban