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Entry for: category 5 - business/financial journalist

1) Houses4Homes readies new company for £2B social housing IPO

I broke a story about Houses4Homes' plans to list a new REIT, Operation Rose, on the London AIM with a view of growing the company to as large as £2 billion. The new company will be the U.K.'s first REIT focused purely on social housing. While the U.K. is suffering from an acute housing shortage, there are few quoted companies that focus on residential property. Not only that, but Institutions are particularly interested in getting exposure to the sector, but have found that inroads are hard to find.

This scoop demonstrates the depth of my contact base and my ability to look beyond the usual sources for news. It also shows my understanding of the interplay between institutional investors and housing providers.

 Exclusive

Houses4Homes readies new company for £2B social housing IPO

By Sophia Furber, 20 May 2015 13:55 GMT

British social housing startup Houses4Homes is preparing to list a new REIT, Operation Rose, on the London AIM in the summer with a view of growing the company to as large as £2 billion, Houses4Homes CEO Phil Shanks told SNL.

Operation Rose will target an initial capital raise of £50 million, which it will invest in "extra care" housing for the elderly. The company is going through the process of becoming a registered social landlord, Shanks said.

"We're only looking to raise £50 million in the IPO because that is the amount of money that we can usefully spend right now. But the key thing is that we are creating the listed structure for the second

money raise, which will be very substantial," he said. "We anticipate raising in the region of about £500 million, but this is still subject to verification by our advisory team."

Shanks could not say when the second capital raise might occur.

If launched successfully, Operation Rose would be the U.K.'s first social housing REIT, Shanks said. The U.K. has only one pure residential REIT, Mill Residential REIT Plc, which made its debut on AIM in December 2014.

Houses4Homes, a £20 million company whose investments include specialist accommodation for adults with learning difficulties, was finalizing plans for a listing in 2015, but did a U-turn at the last moment due to concerns about the business model.

"We had got to the point where we were ready to IPO, but existing shareholders in Houses4Homes decided for noncommercial reasons that we shouldn't list that company. That's about the relationship that we have with the tenants, who are all severely disabled. It became appropriate that we shouldn't commoditize stock which housed people that we have a longstanding relationship with," he said.

Another of Shanks' reservations is the feasibility of developing the amount of social housing stock they were promising potential investors within the timeline they had specified at the time of the planned IPO. But he feels that opportunities exist to deploy capital more quickly and efficiently into social housing for elders.

"We feel a good deal more confident about proceeding with Operation Rose," he said. "I've got visibility on a pipeline of about £895 million of extra care assets that can be developed now, but for which there is no funding yet."

Operation Rose will invest in collections of apartments, ranging from 60 to 400 units, with additional facilities such as retail and leisure, and in other cases, community-based care.

Shanks expects that institutions eager to gain exposure to housing will be the main buyers of Operation Rose shares when the company lists.

"This will provide institutional investors a route to safely participating in the housing sector. The housing sector will also benefit from access to new sources of capital."

The business model is "completely equity driven," he said.

Currently, 1.8 million U.K. households are on the waiting list for social housing, according to government figures.

2) South African REITs lead the march into Africa

There are a lot of misconceptions the real estate market in sub-Saharan Africa. Seen as dangerous, unstable and remote, the continent is rarely on the radar of European investors. However, a comb through SNL's in-house data showed that not everyone views Africa this way. South African real estate companies have been leading a march into neighbouring African countries, where they see opportunity rather than a dead end. Conversations with real estate experts and senior level executives in Zambia and South Africa revealed that a growing middle class with increasing disposable income has put commercial retail property in countries such as Zambia, Kenya and Namibia on the map. This article brings a different perspective to an overlooked and lesser-understood group of real estate markets.

 Exclusive

South African REITs lead the march into Africa

By Sophia Furber, 29 April 2015 09:36 GMT

Sub-Saharan Africa has been something of a blind spot for cross-border real estate investment. Seen as risky, unpredictable and underdeveloped, international property investors have, for the most part, stayed away. But a growing number of South African funds and listed companies have a very different perception of the continent. For them, sub-Saharan Africa is not a region of unpredictability and economic distress, but a natural extension of their business activities.

South African investors lead the way

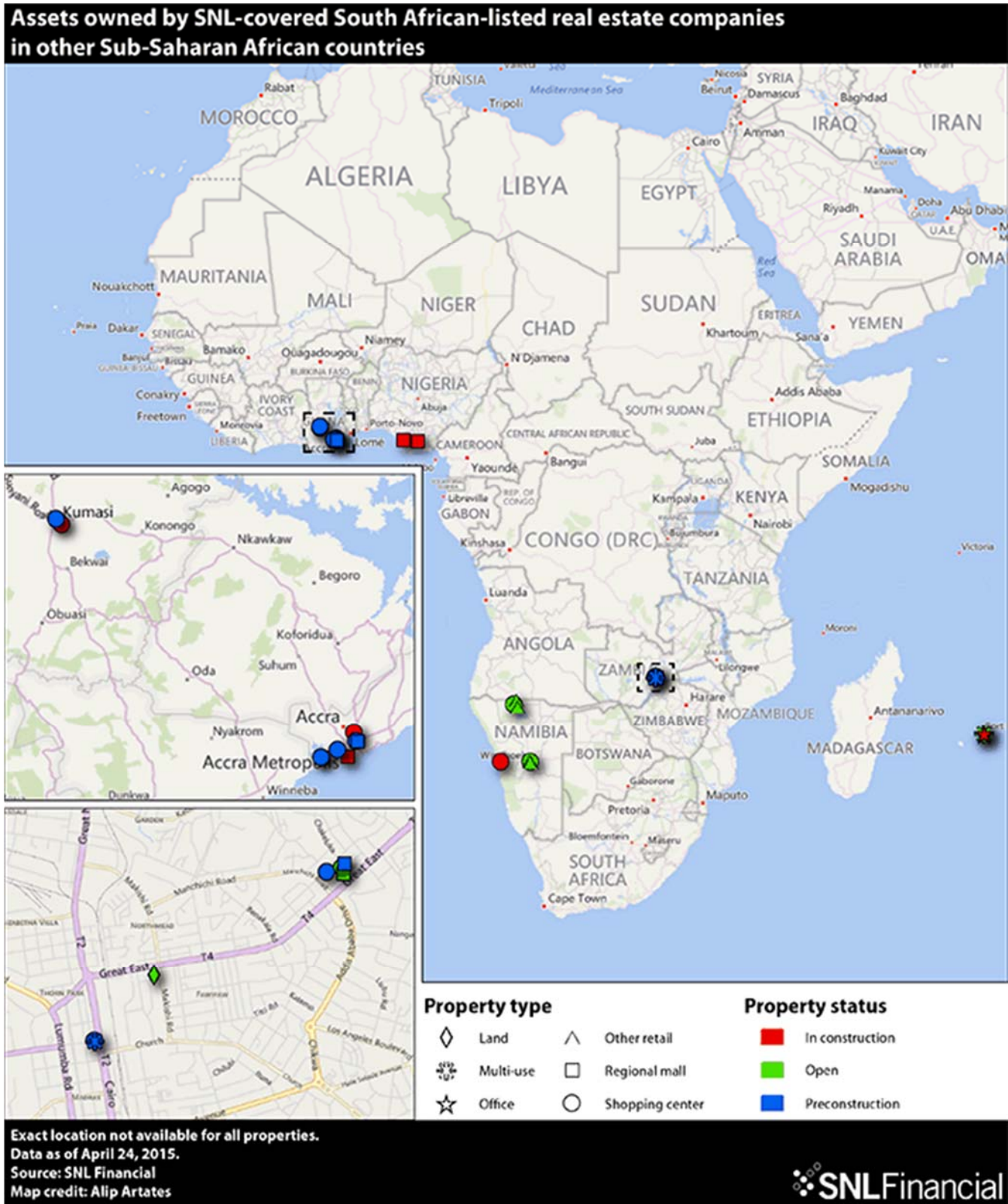
South Africa's REIT market is the eighth-largest in the world, according to the SA REIT Association, whose members manage 230 billion South African rand of commercial property. Many of them are setting their sights on other African markets, Laurence Rapp, chief executive of the Vukile Property Fund Ltd. and chairman of the SA REIT Association, told SNL.

"Many South African real estate players are looking at opportunities to invest in other sub-Saharan countries, primarily in the retail sector. It's a new frontier for real estate," he said.

Vukile Property Fund has an 80-strong portfolio of offices, retail, industrial and alternatives in South Africa, and also has five retail properties in neighboring Namibia, where it has been investing since 2003, according to SNL data.

Vukile Property Fund has no immediate plans to make any further investments outside its home market as it has not found any assets that match its requirements, but a number of its peers are looking closely at opportunities elsewhere in Africa, Rapp said.

So far, four South African-listed companies own properties in other African countries: Attacq Ltd., Hyprop Investments Ltd., Safari Investments and Resilient Property Income Fund Ltd. Between them they have made 30 separate investments, of which 13 are completed, eight are under construction and nine are in the preconstruction phase.



"South African property companies and developers have been increasing their exposure to real estate on the rest of the continent over the last few years," Keillen Ndlovu, head of listed property funds at STANLIB, a South Africa-based asset manager with over 551 billion rand under management, told SNL.

In addition to the REITs, South African-based property companies including Moolman Group, Billion Group, McCormick Properties and Pivotal have either direct or indirect exposure to real estate in other African countries, Ndlovu said.

"There are also a number of private equity real estate outfits such as Actis, RMB Westport, STANLIB and Eris that are either invested in sub-Saharan Africa or are looking to invest in this market," he added.

This was not always the case: South African investors have a history of leapfrogging the rest of Africa in order to invest in Europe, the Middle East and Asia, according to Peter Welborn, head of Africa at Knight Frank.

"South African investors have had a tendency to be inward-looking. It would always amuse me when certain companies ignored the rest of the continent. The head of one company once told me that they will invest in Saudi Arabia and India before entering other African countries," he told SNL. "I laughed, and told them that they were missing an opportunity."

Knight Frank's business plan historically focused on the rest of Africa rather than South Africa (the company did not have a footprint in South Africa until after the end of apartheid in 1994), but it is only relatively recently that they have started to see interest from South African companies in other African markets, he said.

Examples of major South African real estate companies that invest overseas but not elsewhere in Africa are Growthpoint Properties Ltd., which has substantial investments in Australia, and Redefine International Plc which has joint listings on the London and Johannesburg Stock Exchanges and owns German and U.K. retail, commercial and industrials.

Where retailers go, property follows

So what exactly is the opportunity that South African investors have spotted? The answer: retail.

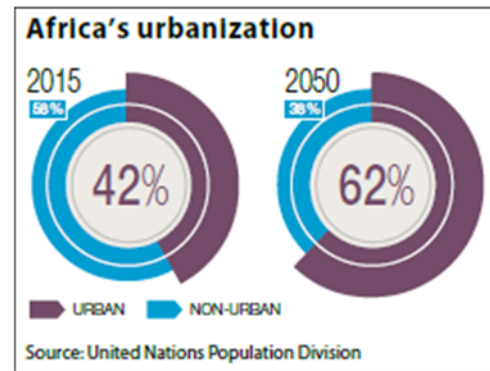
A quick glance at SNL data shows that virtually all of the investment from the listed sector to date has been in the retail sector. Only four projects out of the 30 in SNL's universe are in other property types, and at least one of these includes a retail component.

"The growing pool of South African and international retailers entering sub-Saharan Africa has made retail property a compelling investment in this market," Ndlovu told SNL.

The population of Africa is urbanizing at a break-neck pace, and some 62% will live in cities by 2050, compared with 42% in 2015, according to the United Nations Population Division. The number of consumers is on the rise and could grow to 1.3 billion by 2030 from today's 856 million, according to predictions by Accenture. Poverty is still endemic in much of the continent but is decreasing at a steady rate and expected to fall to 20% by 2020 from less than 30% in 2008 and 40% in 1980, according to Accenture. The projected spending power of Africans is something that will no doubt make retailers

sit up and take notice, too, as it will total \$1 trillion by 2020, according to a 2014 report by consultants A.T. Kearney.

Zambia is one country that has captured the interest of the South African-listed companies. Classified as a lower-middle-income country by the World Bank, and with an economy largely driven by the copper mining industry, Zambia has been targeted by Hyprop and Attacq for investment in shopping malls in recent years. The pair own the Manda Hill Shopping Centre in Lusaka, Zambia, which they bought in 2013 in a joint venture. The 44,000-square-foot shopping center was the first mall to be opened in the country and is still the biggest in sub-Saharan Africa outside South Africa.



To find out more about Zambia's appeal, SNL spoke to Timothy Ware, managing director at Knight Frank's Lusaka office.

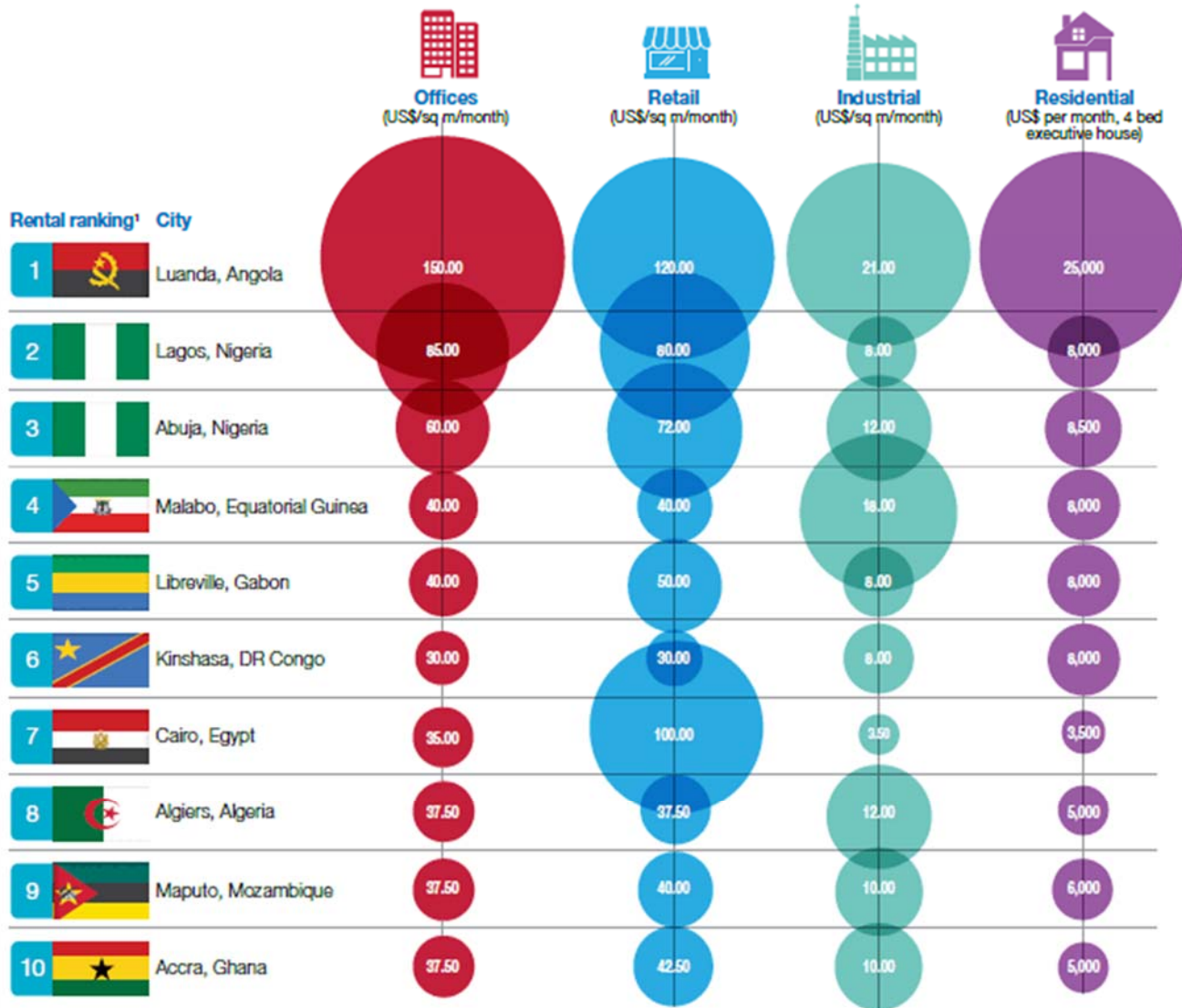
"Retail has grown hugely and quickly since Zambia got its first mall 15 years ago in 2000," he told SNL. "The Zambian consumer wants better choice and better products. But the main driver for real estate is that South African retailers want to expand outside their home market. Brands such as Pick n Pay [a supermarket chain], Pep Stores [a clothing chain] and a range of other fashion retailers are looking for new markets since the South African economy has taken a bit of a dive recently," he said.

The International Monetary Fund predicts that South Africa's economy will grow by just 2.25% to 2.5% in 2015, well below the 3.5% to 4% that it had been predicting in the 2000s, The Financial Times reported. The IMF warned in December 2014 that South Africa needed to tackle structural issues such as electricity shortages and severe transport bottlenecks in order to get its stagnant economy moving again, the publication said.

It is not just Zambia that has experienced the march of South African retailers across the continent; Namibia has been a target, too, and boasts six completed shopping centers owned by listed companies Attacq Ltd. and Vukile Property Fund Ltd., with Swakopmund Waterfront-Platz Am Meer in the coastal city of Swakopmund, Namibia, by Safari Investments RSA Ltd.

"It's a very natural extension for South African companies to invest in Namibian retail. The tenants are very similar to the ones that we have in South Africa," Vukile Property Fund's Rapp told SNL.

Africa prime rent ranking



¹ Ranking based on a weighted aggregate of rents across the four sectors.
Source: Knight Frank Research

Emerging REIT culture

It is still early days for the REIT sector in sub-Saharan Africa, STANLIB's Ndlovu told SNL: "The listed property market in sub-Saharan Africa is still illiquid and in its infancy stage, but there are a number of substantial property groups that are looking to separately list their sub-Saharan African operations," he said. "The introduction of REIT legislation in Kenya and other sub-Saharan African markets in time will aid the growth of the listed property market in sub-Saharan Africa."

STANLIB's fund, which was first marketed to clients in 2012, invests exclusively in stocks of African listed real estate companies, and is the only fund of its kind in the world, Ndlovu said. The fund has exposure to assets in Botswana, Namibia, Zimbabwe, Mozambique, Kenya, Mauritius and Nigeria.

While the listed sector has the potential to grow, the lack of liquidity is still a major consideration, Ilse French, partner at PwC South Africa, told SNL.

"There are really only a few stocks to invest in today. Kenya has introduced REIT legislation, but it has no REITs yet," she said. "The sector will grow, but you will have to take into account liquidity. It's extremely low."

Commercial real estate on the continent of Africa looks very different when seen through the eyes of South African investors instead of North American or European ones. Where South African retailers have gone, real estate investors and developers have followed, a trend that shows no sign of letting up any time soon. While the opportunity for real estate investment in the rest of Africa is potentially huge, the relatively small number of existing REITs means those eyeing the listed market will have to be patient if they want a piece of the African growth story.

As of April 28, US\$1 was equal to 11.84 South African rand.

3) From boom to bust and back, can Irish real estate's stellar performance continue?

Ireland suffered one of the worst real estate crashes ever recorded in 2008/9, but has since experienced a dramatic recovery. A new crop of REITs launched on the Irish Stock Exchange since 2013 have delivered knock-out returns, and values in Dublin have soared. The Irish real estate market has got its swagger back, and the sense of confidence among agents and investors is palpable. Amid the excitement, SNL takes a step back to ask the question of whether the good times can continue, or whether Ireland is sleepwalking into another crash. Conversations with experts in Ireland reminded SNL that the Irish market is notorious for its cyclical nature, and is prone to extreme peaks and troughs. The rapid rise of the listed real estate company has undoubtedly imposed some much-needed discipline on the market, but history demonstrates that what goes up must come down.

This article demonstrates my strong contact base in Ireland and a sophisticated understanding of the drivers that are powering this real estate cycle.

 Exclusive

From boom to bust and back, can Irish real estate's stellar performance continue?

By Sophia Furber, 29 June 2015 09:34 GMT

Looking at the confident debut of the crop of Irish real estate companies that have gone public since 2013, it is hard to believe that the country went through what could be Europe's worst property crash in recent memory just years earlier.

Those who bought shares in the first of these, Green REIT Plc, at the time of its debut will be glad they did so — its stock has risen almost 50% since its July 2013 float, as of June 25. This is largely linked to the stellar performance of the Irish commercial property market in 2014, which gave a total return on investment of 40.1%, according to data from IPD/MSCI, marking the highest return of any market in the index last year.

But can the Irish run of strong performance continue?

The turnaround years

The real estate crash is still fresh in the minds of investors and the Irish general public alike, and a Banking Inquiry to pinpoint the causes of the crash and prosecute the worst offenders for dangerous lending is still rumbling on. In the last cycle, a frenzy of land acquisition and development, often by inexperienced domestic investors, and fueled by high levels of cheap and plentiful debt, was brought to an abrupt halt by the 2008 Irish banking crisis. Total returns on Irish property investment went from 27.2% per year in 2006, at the peak of the so-called Celtic Tiger, to 9.9% in 2007, before plummeting to negative 34.5% in 2008, according to data from IPD.

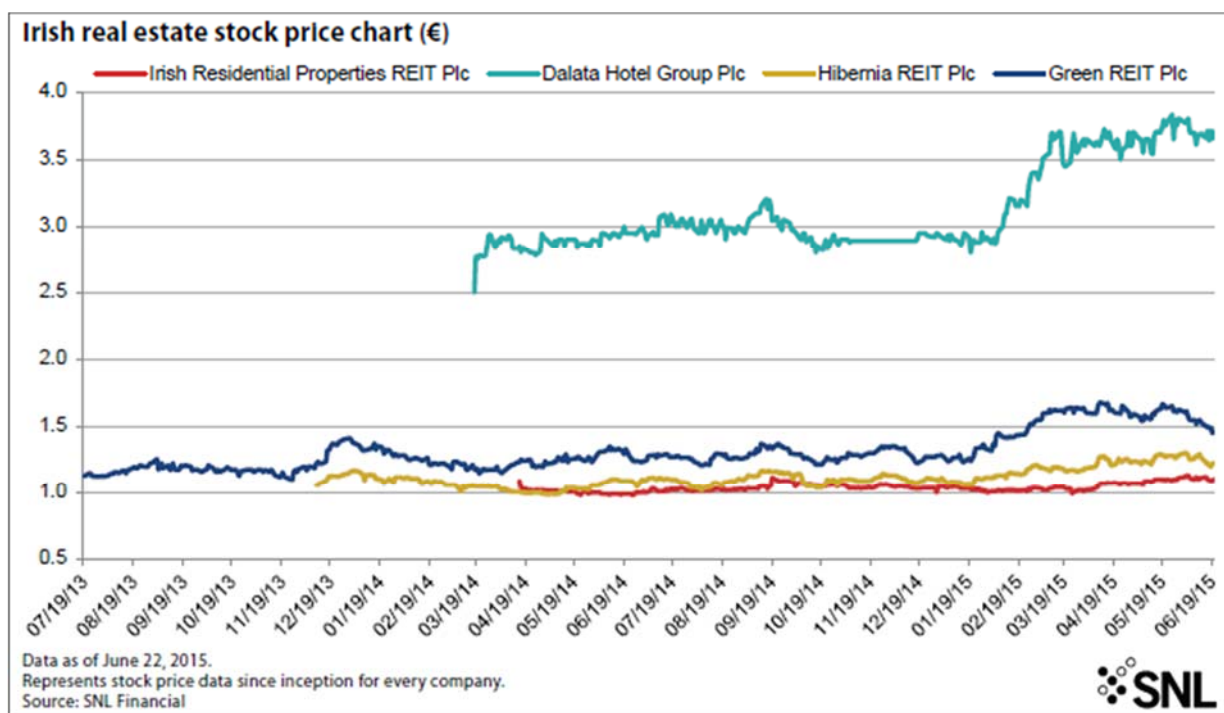
Since then, Ireland's property market has been through a dramatic turnaround. The country set up a bad bank, NAMA, in 2009 to flush out €77 billion of toxic property development loans from decimated banks, while international lenders such as Lloyds Banking Group and Royal Bank of Scotland began parceling up their own distressed property loan books for sale. International private equity giants such as LoneStar, Starwood and Apollo Global Managers quickly came to dominate the Irish commercial property market, often going head-to-head in battles to buy up vast loan books in order to gain access to the underlying property at knockdown prices. This was a radical change in Ireland's commercial real estate landscape, where almost 100% of investment in the years 2001 to 2008 was from domestic buyers — many of them small, independent investors, according to research from CBRE Ireland.

But there has been a new type of player in the Irish market for the past two years, the local, listed real estate company. Ireland enacted REIT legislation in 2013, and quickly saw two Dublin-focused REITs hit the market, Green REIT Plc in July of that year with a €310 million IPO, followed by Hibernia REIT Plc in December 2013 with a €365 million raise. A third REIT followed in 2014 in the form of Irish Residential Properties REIT Plc, with a €200 million raise. Two more real estate companies have listed since then which do not trade as REITs - hotel specialist Dalata Hotel Group Plc which debuted in 2014 with a €265 million raise, and the newest arrival, Cairn Homes Plc, whose €384.9 million IPO in June this year was

the first by an Irish home builder in nearly 20 years.

Irish property stocks have proved to be a hit with the market: Cairn Homes announced June 22 that it exercised an overallotment option to issue another 40 million shares, or 10% of total share capital, after its IPO was oversubscribed. Meanwhile, Hibernia bulked up its war chest by returning to the public markets in October 2014, and successfully raising an additional €286 million in a share placing to build up its Dublin office-focused portfolio.

Green REIT has been the runaway success of the pack in terms of share price growth, but the others have had a respectable showing as well, with Hibernia REIT stock up almost 9% from its December 2013 IPO and Dalata up about 37% from its March 2014 IPO, as of June 25.



Right place, right time

So what has been behind their success? The three REITs have amassed sizable portfolios virtually from a standing start, taking advantage of low prices as the country began to enter recovery. Green REIT has acquired 23 properties since inception, beating competition from heavy-hitters such as Lone Star and Blackstone to acquire trophies such as Central Park, Dublin, from NAMA, which was bought as part of a 50/50 joint venture with Pimco in February 2014. Hibernia REIT has 17 assets spanning offices, residential and industrial, while IRES REIT has risen to become Ireland's largest residential landlord, and has now set its sights on growing its portfolio to 1,600 residential units by 2016.

"Timing has been everything. They've been able to capture really good properties," Ray Crowley, analyst at The Davy Group, told SNL, talking about Green REIT and Hibernia REIT. Companies looking to do a similar portfolio-building exercise from scratch today would find it virtually impossible given price increases and competition for stock, he said.

The other factor that worked in their favor for Green REIT and Hibernia REIT is the shortage of prime Dublin office space.

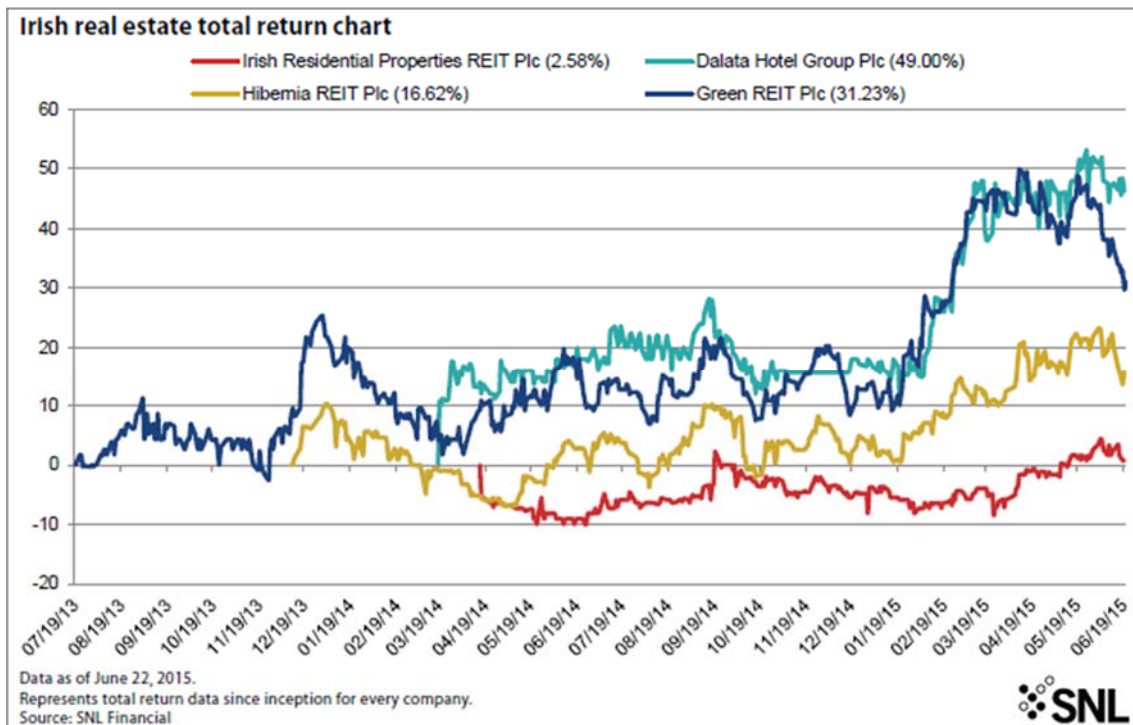
"Vacancy rates in prime Dublin offices are sub 2%. We've almost run out of grade A office space because there's been virtually no new stock built in this cycle," Kevin Nowlan, managing director of Hibernia REIT, told SNL.

Consistent demand from both Irish and international firms, especially U.S.-based firms looking to use Dublin as a European base, means that rents can only go one way in the medium term, he said.

"We've got our rent reviews coming up. Our average rents are in the €30 per square foot range. But now the market is looking closer to €50 per square foot."

It will still be several years before the supply-demand imbalance evens out, leaving those who already own offices in a strong position to capture rent uplifts, Crowley told SNL.

"There's quite a lot of office stock being positioned in the planning process, but not of the developers have funding all have funding yet for their projects. It seems that there's a disconnect between capital, expertise and land availability in Dublin. It will take time for those three elements to align," he said. "This year, next year and the year after will be the key drivers of value for both Hibernia REIT and Green REIT. There's still upside from rental value growth to come through, based on an analysis of current market conditions."



Beware the cycle

Ireland has proved itself to be a highly cyclical real estate market, according to Marie Hunt, head of

research for CBRE Ireland. Official data on the market from IPD only exists from the mid-1970s onward, making it hard to spot patterns over the long term, but one thing is certain — that time series alone has seen several booms and busts, roughly at 10-year intervals, including a steep downturn in 2001 triggered by global factors such as the bursting of the dotcom bubble and the impact of 9/11, she told SNL.

"It is clear from this limited time series that in the period for which data is available, the Irish commercial property market has demonstrated a highly cyclical pattern. Although Irish CRE generated average un-gearred total returns of over 16.4% per annum in the period 1976 to 2006 (proving that commercial real estate is a long-term investment), this annual average return masks high cyclicity," she said in a paper submitted to the Irish Banking Enquiry in June 2015, shared with SNL.

Despite Ireland's tendency for dramatic fluctuations, it does seem that the property industry has learned lessons from the past crash.

For a start, banks are far more disciplined with their lending, Hibernia REIT's Nowlan said.

"In the last cycle, anyone could become a developer. That's changed now, as banks can't lend like that anymore," he said. "Our gearing is very low."

Hibernia REIT's investment strategy limits its loan-to-value ratio to 40%, while Irish REIT legislation requires LTVs to stay below 50%.

CBRE's Hunt agrees that a more restrained attitude to property debt should put the Irish commercial property market on a smoother trajectory:

"You will never see the extent of a downward cycle like the one we've just come through," she told SNL.

Another factor that offers some reassurance to those who fear another real estate bubble is that a noticeable share of real estate total returns in the Irish market derive from rental value growth, not just runaway capital values. Data from IPD/MSCI shows that offices saw rental growth of 6.2% in 2014, for example.

The very presence of the REIT regime and newly listed companies may even help to guard the Irish commercial property against some of the worst excesses of previous cycles, according to Hunt. "It's been very positive for the market, and has led to a real professionalization of the industry," she said.

Investors looking to gain exposure to the Irish property recovery may have missed out on the stratospheric growth of 2014, but it seems that the rental growth story still has a good year or two more to play out.

Irish commercial property total returns, capital value growth and income return - March 2011 to March 2015

All property and sectors

Performance measures

Index returns excluding transactions and developments

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	
Total return																		
Retail	2.4	1.8	1.5	1.2	0.5	-0.1	0.6	0.5	0.9	1.5	2.2	3.3	2.6	4.3	3.7	2.7	2.0	
Office	2.4	2.5	2.1	1.5	1.1	0.9	0.8	1.3	1.4	2.3	3.5	5.8	4.9	5.3	5.1	5.3	3.9	
Industrial	1.8	1.8	2.0	1.6	0.9	0.7	0.6	0.7	1.2	2.3	3.4	5.6	4.8	5.4	5.4	5.7	3.4	
Residential	2.1	3.3	2.3	1.1	1.6	1.9	1.6	5.1	1.6	1.6	2.1	2.3	3.0	2.3	3.7	2.4	2.5	
Other	2.7	2.2	2.3	2.1	1.5	1.2	0.9	0.9	1.2	1.8	2.2	3.3	2.7	3.3	4.2	3.7	2.8	
All property	2.3	2.0	1.8	1.4	0.8	0.4	0.7	0.8	1.1	1.9	2.8	4.4	3.7	4.7	4.4	4.1	2.9	
Income return																		
Retail	1.4	1.4	1.4	1.4	1.5	1.4	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3	
Office	1.5	1.4	1.4	1.3	1.4	1.3	1.4	1.4	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.1	1.1	
Industrial	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.5	1.5	1.4	1.4	
Residential	1.0	0.8	0.8	0.7	0.7	0.8	0.8	0.8	0.9	0.8	0.8	0.9	0.9	0.8	1.2	1.1	1.1	
Other	1.7	1.6	1.6	1.5	1.5	1.5	1.5	1.6	1.6	1.7	1.6	1.6	1.5	1.5	1.5	1.5	1.4	
All property	1.5	1.5	1.5	1.4	1.5	1.4	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.3	1.3	1.2	
Capital growth																		
Retail	1.0	0.4	0.1	-0.3	-0.9	-1.6	-0.8	-0.9	-0.5	0.1	0.7	1.9	1.2	2.9	2.3	1.4	0.7	
Office	1.0	1.0	0.7	0.2	-0.3	-0.4	-0.5	-0.1	0.0	1.0	2.2	4.4	3.6	4.1	3.9	4.2	2.9	
Industrial	0.1	0.1	0.3	0.0	-0.7	-1.0	-1.1	-1.0	-0.5	0.6	1.7	3.9	3.1	3.9	3.9	4.3	2.1	
Residential	1.1	2.5	1.4	0.4	0.9	1.1	0.8	4.3	0.7	0.7	1.3	1.3	2.1	1.5	2.5	1.3	1.4	
Other	1.0	0.5	0.7	0.6	0.0	-0.3	-0.7	-0.7	-0.4	0.1	0.6	1.6	1.2	1.7	2.6	2.2	1.4	
All property	0.8	0.5	0.3	-0.1	-0.7	-1.0	-0.8	-0.7	-0.4	0.4	1.3	2.9	2.2	3.3	3.0	2.8	1.6	
Rental value growth																		
Retail	0.0	-0.1	-0.2	-0.1	0.0	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	0.1	0.1	0.2	0.2	0.0	
Office	0.8	1.1	0.6	0.5	0.2	0.3	0.3	0.5	0.6	0.8	0.6	1.4	1.6	1.7	1.5	2.1	1.8	
Industrial	-0.3	-0.2	-0.1	-0.3	-0.2	-0.1	-0.3	-0.2	-0.1	-0.1	0.2	0.5	0.6	0.5	0.7	0.9	0.8	
Residential	0.4	-1.2	0.6	0.6	0.8	-0.1	-0.4	0.0	-0.2	0.8	2.1	0.3	1.0	0.6	0.7	1.4	0.7	
Other	0.0	-0.3	0.0	0.1	0.0	0.1	0.3	-0.1	-0.1	0.1	-0.1	0.2	0.5	0.1	0.4	0.3	0.3	
All property	0.2	0.2	0.1	0.1	0.0	-0.1	0.0	0.0	0.0	0.2	0.2	0.5	0.7	0.7	0.7	0.9	0.8	

Source: MSC/VPD