

TAPPING IN TO THE TAPPED OUT - THE BUSINESS OF DEBT

# Forbes

AFRICA

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**INSIDE:**

HATE AND HOPE-  
THE BLACK  
TRAILBLAZERS  
IN BIG TIME  
FOOTBALL

RIP: KETUMILE  
MASIRE AND RAY  
PHIRI

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JOSEPH AGYEPONG SIAW ON TURNING  
WASTE INTO WEALTH

AN **ABN** COMPANY

South Africa ZAR 46,50 (incl. VAT) | Kenya KES 510 | Nigeria NGN 1,000 | Ghana GHC 10 | Angola AOA 830  
Ethiopia ETB 100 | Tanzania TZS 11,000 | Tunisia TND 10 | Uganda UGX 16,000 | Zimbabwe USD 5 | Mauritius  
MUR 100 | Botswana BWP 55 | Namibia NAD 75 | Liberia USD 5 | Mozambique MTL 770 | Rwanda RWF 4,000



# Africrest Properties Continues On A Significant Growth Path

## Their Secret: Allowing Tenants To Have Part Ownership In Their Property

Despite the challenging local commercial property environment, Africrest Properties continues on its successful acquisition trail, sourcing high yielding commercial property assets, and maintaining strong returns for its shareholders and tenant partners.

When asked the secret to their success, Justin Blend of Africrest explains, "We continuously seek to innovate and differentiate ourselves in a property a market that is often seen as mundane and well established. Besides for buying properties that we can redevelop or better manage, one of our key success drivers has evolved from the recognition that good quality tenants are essential to our success. We are therefore prepared to share both the income and capital profits that our buildings generate with our tenants. We do this by making our tenants our partners in the ownership of the building, using our Tenant Partnership Model. Tenants can receive up to 30% ownership in the building and do not need to put any cash into the investment. The tenant only needs to sign a long-term lease at a market related rental. Africrest will even fund the moving costs and tenant fit out.

Justin Blend says, "over the years we have seen how many tenants want to have ownership in their property but prefer to put free cashflow back into their growing business which will often grow at a faster rate than property- our model gives the tenant the best of both worlds." Recently, Sorbet (the beauty retail chain) concluded a Tenant Partnership deal with Africrest and relocated their head office to an ideal property sourced by Africrest. Ian Fuhr Sorbet's CEO commented, "Working with Africrest has been a fruitful and seamless experience. We were attracted by the Tenant Partnership Model which has allowed Sorbet to continue growing our business without constraining our capital while, at the same time, enjoying the benefits of having partial ownership in our property".

Nick Katsapas, a partner in Africrest says, "the partnership model enables our tenants to focus on what they do best- running their business. We, as property specialists focus on our core competences being sourcing good quality investment properties, raising institutional capital, as well as day-to-day property management activities such as repairs, upgrades, rates and taxes objections, security management, financial and tax reporting and the continuous pursuit of new technologies- Africrest was one of the first companies to place solar on the majority of their buildings."

Many owner occupiers will look for a property that is ideal from an operational point of view, but not necessarily a sound property investment. This is where Africrest makes an extremely valuable contribution. Through Africrest's thorough understanding of area cycles, town planning dynamics and complete grasp of property fundamentals, together with strong underlying long term leases, the Tenant Partnership Model unlocks significant value and enhanced yields.

The Tenant Partnership Model works best for office and industrial properties. Recently Africrest signed a partnership deal with a tenant who was already occupying their industrial building and had an option to purchase their building. Africrest put in all the funding for the deal, the tenant now has significant ownership in their building and as the deal was rich enough, the tenant's rental was also reduced by over 10%. "It was an absolute no brainer for the tenant" comments Greg Blend of Africrest.

A testament to Africrests' tenants being very happy in their buildings is that Africrest's vacancy rates are amongst the lowest in the industry, currently sitting at under 2%. The market average is +-10%. Reasons for this performance are that Africrest has in house property managers and each manager looks after +-45 tenants, most competitors have one property manager to take care of approximately 200 to 300 tenants. Africrest takes pride in their well-managed buildings and encourage all potential tenants, before signing a lease, to speak to existing tenants to get a reference on how Africrest manage their buildings.

After conducting an extensive due diligence on Africrest, Futuregrowth Asset Management extended a sizeable debt facility to the company to finance future acquisitions. Paul Semple, portfolio manager at Futuregrowth, explains that "the Africrest directors have a long and successful track record across the property spectrum. We approved our first facility after a nine month extensive due diligence. Since then, the company's success has driven our investment decision to grow our funding relationship with Africrest."

Africrest have concluded several deals using their Tenant Partnership Model and have many more deals in the pipeline. Africrest are confident that this method of the tenant owning a piece of the pie will continue to flourish in the future.

