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Aengus Properties expands to meet growing residential demand

Aengus Property Holdings has more than quadrupled its number of inner city residential units to over 3 000, following rapid organic growth, plus the recent acquisition of the Softstone and Dunwell portfolios in a joint venture deal with listed property loan stock ApexHi Properties Ltd.

Through its wholly-owned subsidiary, Aengus Property Management, Aengus now manages over 30 buildings in Johannesburg's CBD and surrounding city suburbs and, with the takeover of the Softstone team, has boosted its staff complement to over 200 to handle the expanded portfolio.

Aengus has also just launched its own in-house bond origination division to enhance its unique turnkey service to property investors and tenants.

Richard Rubin, MD of Aengus Property Holdings says their expansion has been fuelled by insatiable demand for quality inner city residential rentals. This has been married to an investor market wanting to purchase into these revenue streams. "The rental market appears bottomless. Any new stock is snapped up, usually pre-launch and all our completed loft developments have been 10 times oversubscribed, which shows how potent the need for affordable rentals actually is."

The latest acquisitions in and around Braamfontein, Parktown, Berea and Hillbrow represent a departure from the norm for both Aengus and ApexHi. ApexHi has ventured into the residential market for the first time with the purchase of the Softstone and Dunwell portfolios whilst Aengus will upgrade, market, lease and manage the buildings. Profits will be shared amongst the two parties.

ApexHi CEO Gerald Leissner said the deal was good news for shareholders. "Although residential property comprises less than 1% of our R9bn portfolio and most of the units have been developed as part of the joint venture with Aengus, we believe a move into the residential arena is a natural extension of our business," he said. "The demand is certainly there for quality accommodation that is managed professionally, which can be very profitable. The joint venture will also retain a portion of the refurbished properties for investment purposes and share the monthly income."

Says Rubin, "In the past, we've converted existing commercial and office blocks into loft apartments, such as Braamfontein Lofts Lofts@66, Tribeca Lofts, Berea Lofts (in Durban), and most recently, Fashion Lofts. Now, for the first time, we will be renovating existing residential blocks to our standards as well as selling entire schemes as sectional title."

Rubin is particularly excited by the prospect of some of the sectional title developments falling within the Government-defined threshold of affordable housing. "In the past many of our schemes have been snapped up by investors. Now we will be able to appeal to the owner-occupier market with apartments in some of our new developments to be sold for a maximum of R250 000," he said. "What's more, one of the leading banks has already

expressed interest in covering all the mortgages for the entire scheme, which is fantastic news for first-time homeowners.”

At least three sectional title schemes in the Berea area comprising about 300 apartments of between 30 and 80m² each will be released to market within the next few months. Aengus is currently in consultation with existing tenants with regards to building upgrades, the status of leases etc. However, Rubin says turnaround time will be quick as many of the buildings are existing residential blocks and in a very good state.

An added benefit to new investors was Aengus’ new in-house bond origination division, headed by finance expert, Mark Kaplan. Rubin said while the new division would be a revenue stream, the main motivation behind its establishment was to give clients a seamless service from marketing through mortgage origination, transfer and then ongoing property management.

He said Aengus had established a reputation for providing stylish and affordable inner city accommodation, and investors and tenants were attracted by the total value proposition. “Our buildings have all been upgraded to our exacting standards, and offer a contemporary lifestyle with top-notch safety and security, ongoing maintenance and professional building administration. We love being in the city and having a role to play in bringing it back to life.

He believes part of their success lies with their attitude. “We don’t see downtown Joburg as a big hole. Nor do we see it as an opportunity for a fast buck. We’re in this for the long haul and are committed to the sustainable upgrading of key areas. We’ve seen how individual property upgrades tend to have a ripple effect on their surroundings.

“One such area is Braamfontein, where we started out with the revamp of the old Biccard House into the hugely successful Braamfontein Lofts – and where some of our newest developments will be. Private sector organisations, including ApexHi, have invested over R500m to upgrade infrastructure and services in the area, and the improvements are tangible,” Rubin said.

Leissner is confident that there will also be tangible improvements to ApexHi’s bottom-line as a result of its partnership with Aengus. “The deal structure makes sense to us. Aengus has the skills to convert or upgrade both commercial and existing residential property into desirable living spaces, as well as the ability and resources to professionally manage those properties. Disposals of units will generate profits for ApexHi over time,” he said.