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Aengus Property Holdings strengthens property portfolio in the inner city

In one of the bigger property acquisitions in the inner city to date, investor, and developer Aengus Lifestyle Properties (ALP) has purchased the residential investment portfolio of ApexHi for R232 million. The transaction ideally positions Aengus to take advantage of the huge demand for rental accommodation in downtown Johannesburg.

"In contrast to the property sales market, rentals in the city are booming," says ALP CEO Richard Rubin. "We're still generating returns of more than 13% with rental escalations of 8% up to twice a year."

He says that while successive interest rate hikes have hit suburban property hard, demand for affordable, upmarket rental units in the city continues unabated. Securing corporate head leases remains a cornerstone of the Aengus business model, ensuring a stable tenant base and consistently high returns for investors when the schemes are ultimately sectionalised and sold.

"Young professionals working for large corporates and students at various campuses around the city are still looking to live the Aengus Lifestyle, and those markets relatively unaffected by the credit crunch," says Rubin. "The ApexHi Deal bolsters our current offering, and we are very appreciative of the loan arrangement that we have with the company"

Aengus currently owns approximately 1500 units in apartment blocks in the inner city. In terms of the transaction, Aengus will acquire additional (?) buildings. These include the YMCA building on the corner of Rissik and Smit Streets, Parktown Views and Argyle Precinct which consists of Skyways, Dudley Heights, Argyle Centre and Baker House, as well as Argyll House in Parktown. These are all in close proximity to university campuses making them ideal to house students.

Aengus' contemporary apartments are furnished with mod-cons such as Wi-fi access, plasma screen televisions and are increasingly popular with both local and foreign students studying at the University of Witwatersrand, Johannesburg and other campuses in town. Some buildings in the Aengus portfolio have been 10 times oversubscribed as universities battle to house increasing numbers of students.

"All the buildings are fully let and give us a good foothold in the market," says Rubin. "Over the past five weeks we have concluded more than 750 leases across our portfolio showing demand remains unaffected despite the economic downturn."

The properties are also situated in the heart of the Gautrain commuter belt positioning Aengus for future growth as the Park Station leg of the project is due to open in 2011.

Rubin says Aengus' experience in managing every aspect of its buildings, including excellent security and maintaining 100% rental collections, is one reason why demand for Aengus units remains so strong. "We had been managing the ApexHi buildings over the past few years anyway, but having them on our balance sheet strengthens our portfolio significantly," he says.

For the past eight months, Aengus has put sales of its sectional title units on hold due to unfavourable conditions in the sales markets. However, the company plans to market its refurbished residential units for sale when market conditions improve.

The ApexHi deal will be funded by a three year loan from ApexHi, at a rate of 12,5%, escalating at 8% per annum.