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Major Financial Boost for Inner City Housing Development

In what is believed to be one the biggest private equity deal within the affordable housing sector, property finance company International Housing Solutions (IHS) has invested in excess of R230 million in Aengus Lifestyle Properties, a subsidiary of Aengus Property Holdings. The Aengus Group is renowned for the upgrading and development of affordable but stylish homes in South Africa's inner cities.

The investment takes the form of an equity facility, providing IHS with a 26% share in Aengus Lifestyle Properties, and allowing Aengus to raise additional debt finance for the acquisition and refurbishment of a further 2500 units over the next 12 months.

"This will bring a number of new units to the market, spanning student as well as conventionally tenanted loft apartments", says CEO of Aengus, Richard Rubin. The units are situated in inner city Johannesburg - including the CBD, Braamfontein, Parktown and Hillbrow - where there exists an acute shortage of good quality rental stock. The funding provided by IHS will be used to acquire further stock in the inner city Johannesburg area, and possibly further projects in inner city Durban.

Phia van der Spuy, IHS Business Development Director in SA, says that the investment in Aengus represents the largest investment in affordable housing by IHS to date. It follows recent large-scale investments by the IHS Workforce Housing Fund in the conversion of the Greaterman's building in downtown Johannesburg into residential units, the Carnival City housing development on the East Rand and the multi-billion Rand integrated property development at Fleurhof in the western Johannesburg area.

"We were attracted by the quality of Aengus' refurbishments and the standard of their property management. The sheer size of Aengus' Projects and the opportunity to bring to the market so many new good quality units during this period of decreasing interest rates, is really exciting", she said.

Van der Spuy notes that IHS operates on an equity basis rather than on interest based income, meaning that the company does not charge interest on its investment but instead shares in the profits of the project. With banks increasing their lending criteria and decreasing their loans to value of the project it is often extremely difficult to obtain sufficient debt finance, the equity that IHS provides allows banks to mitigate their risk and thereby allowing developers to grow their businesses and manage their own capital more efficiently.

Explaining the specifics of the Aengus deal, Sam Mkorosi, Acquisitions Director for IHS South Africa, says "The facility allows the Aengus group to grow their portfolio in

a cash-flow efficient manner, while delivering profitable returns for our Fund. It is expected that the facility will allow Aengus to raise debt finance for the purchase of new buildings and the refurbishment of new units to be made available for rent," he says.

Aengus Lifestyle Properties CEO, Richard Rubin, confirmed that the facility would allow his company to significantly expand the pool of affordable units available for rent in the inner cities of Johannesburg and Durban.

"Our goal has always been to restore life to these inner city areas, and we believe that our existing projects have set the benchmark for affordable housing in areas previously characterized by limited supply and poor quality. The IHS facility allows us to offer a large number of additional items to tenants, who largely comprise students and corporate staff typically earning between R10 000 to R15 000," he noted.

IHS successfully launched its R1,7 billion South Africa Workforce Housing Fund late last year in order to meet the growing demand for affordable housing in the country. According to Van der Spuy, the company's preferred method is to partner with existing developers and to efficiently structure financial deals based on the individual requirements of the developer.

"Aengus' track record in the development and management of affordable housing since their establishment in 2004 has been impeccable, and we are delighted to be able to partner with them in regenerating inner city areas while helping to relieve the acute shortage of affordable homes in the country," she concluded.