

Investec to buy back its head office for R2.2bn

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In a surprise move, Investec Bank will buy back its Sandton head office from SA's largest listed real estate group, Growthpoint Properties, for R2.2bn.



Image source: wbho.co.za

The office, which lies in the heart of SA's richest business district, is set to be upgraded to stand out among other corporate headquarters.

Investec is best placed to ensure the upgrade is done optimally, says chief financial officer Nishlan Samujh.

"Having been a long-term tenant, we want to be an owner-operator of this iconic office. We have plans to spend capital to make certain changes and believe we understand how to go about it cost effectively, so that we can enhance what it offers for our staff and clients," said Samujh.

Investec originally sold the property, known as 100 Grayston Drive and Merchant Place Parkade, to Growthpoint Properties in November 2003, along with its Cape Town headquarters, for R975m.

Growthpoint was disappointed to let go of Investec as a tenant in Sandton, where it owns various offices already.

"This is a big asset for us. While the sale is part of a larger disposal process, it's still the loss of an excellent tenant for us," said Growthpoint MD Estienne de Klerk.

"We are a large presence in Sandton already and this was a part of it. However, the funds could be used elsewhere in Sandton as we look to strengthen our balance sheet."

While Investec does not traditionally own property nor rent it out, the Investec group does have property businesses within it. These include Investec Property, which specialises in developments, land conversion, private equity and listed property fund management, as well as the real estate investment trusts Investec Property Fund and Investec Australia Property Fund.

Including the sale of Investec Bank's head office, Growthpoint would have sold about R3.2bn worth of properties in the past few months. The two other large sales were that of Hatfield Plaza and Turbine Hall.

De Klerk said Growthpoint was also in talks to sell a R6.5bn property portfolio in the coming weeks. The property fund has been trying to free up some capital as it looks to expand its international presence.

"We want our international business to account for 30% of earnings before interest and tax. Currently about 20% does."

Growthpoint owns R4.9bn, or 29%, of London Stock Exchange AIM-listed Globalworth Real Estate Investments. This investment has returned £13.7m (R200m) in distributions in 2017.

At the end of February, Growthpoint Properties reported financial results for the six months to December, wherein it posted distribution growth of 6.5% per share, matching its guidance, and growing its asset base to R127.7bn. Similar dividend growth was expected for the full year to June 2018.

Source: Business Day

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