

Hyprop goes mall shopping in Cape Town

The hefty R2,3bn price tag and 6.7% yield commanded by Somerset Mall, the rather dowdy-looking shopping centre alongside Cape Town's N2 freeway en route to the winelands, sets a new benchmark for retail property prices in SA.



The JSE's biggest shopping centre owner, Hyprop Investments, will acquire the 66,317m² mall from Sycom Property Fund in a share swap arrangement, allowing Hyprop to exit its 34% stake in Sycom.

The R2,3bn deal represents a value of R34,682/m² or a 6.7% yield (annual net rent as a percentage of purchase price), which Avior Research property analyst Naeem Tilly says positions the mall as one of SA's priciest retail assets.

Growthpoint Properties and the Public Investment Corp bought the V&A Waterfront, arguably the jewel in SA's real estate crown, two years ago at a yield of 7.25%.

In real estate transactions, yield is a key indicator used to determine value.

Somerset Mall is owned jointly by Sycom and AECI Pension Fund. The latter has offered to sell its 50% stake to Sycom for R1,15bn, paving the way for Hyprop to buy 100% of the mall.

Hyprop's chief executive Pieter Prinsloo concedes Somerset Mall is no bargain but says the way the deal was structured didn't leave room for negotiation. "The price was determined by what AECI wanted for its 50% stake and we had to match that," he said.

However, Prinsloo believes purchase yields of 7% and less for regional shopping centres that dominate their catchment areas are becoming commonplace as opportunities to buy these assets become increasingly scarce. He refers to the yield that Redefine Properties and Vukile Property Fund recently paid for the East Rand Mall.

Though Hyprop hasn't acquired Somerset Mall cheaply, the market is no doubt relieved that Hyprop is finally exiting its cross-holding in Sycom. Analysts generally favour direct control of physical properties over indirect investments in other listed stocks.

Besides, Prinsloo is bound to extract value at Somerset Mall over time. The unassuming quantity surveyor is highly regarded for his ability to make money for Hyprop shareholders through clever re-development and re-tenanting exercises.

Somerset Mall will become Hyprop's third-largest asset in value after Canal Walk in Cape Town and Clearwater Mall in Roodepoort.

Source: *Financial Mail* via I-Net Bridge

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