

German property group planning to list on JSE

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24 Mar 2014

BERLIN, GERMANY: The property listing boom of 2011-2013 may well have made way for a period of consolidation but new listings have not dried up completely, with German property player Sirius Real Estate looking to make its debut on the JSE later this year.



(Image extracted from the Sirius Real Estate website)

Sirius, which owns a portfolio of office and industrial properties in Germany worth €428m (R6.4bn), is listed on the London Stock Exchange's Alternative Investment Market (AIM).

Sirius CEO Andrew Coombs told Business Day on a visit to South Africa this month that management will debate a dual listing on the JSE at the next board meeting, in May.

Sirius already has a sizable South African shareholding, with 30% of the stock owned by the Luxembourg-listed Karoo fund. The latter is backed by JSE-listed developer Attacq and AltX-listed MAS Real Estate.

A number of South African specialist asset managers including ClucasGray, Corocap, Flagship, Bateleur, Anchor and Laurium also own stakes in Sirius. "A JSE listing makes sense as it will serve as a launch pad for the company's next growth phase," Coombs said.

His visit was aimed at introducing Sirius to more local fund managers. Its portfolio of 30 business parks is spread over 21 towns and cities in Germany. While half of the company's income is secured by long-term leases with large corporations such as Siemens, Daimler and GKN Aerospace, Sirius is increasing its focus on so-called mixed-use flexible workspaces for small and medium-sized enterprise (SME) tenants.

Coombs said Germany's SME sector was a lucrative niche as it was experiencing rapid growth. "There's high demand for flexible commercial and industrial spaces that can be refurbished for the specific needs of smaller tenants that typically require less than 500m². Yet few German landlords are interested in renting out spaces smaller than 1,000m²."

Though the Sirius share price took a 70% knock in 2009-10 because of debt restructuring problems and friction among former shareholders, the stock has recovered strongly over the past year after successful debt and capital raisings.

Coombs said management was securing a €115m credit facility with German lenders Berlin Hyp and Deutsche Pfandbriefbank, which he believed should lead to further rerating of the stock.

The deal is expected to be concluded this month. Management planned to grow the portfolio aggressively with a strengthened balance sheet, and an asset value target of €1bn within five years.

ClucasGray fund manager Brendon Hubbard said South African investors who owned Sirius shares had done "spectacularly well", with a 12-month rand return of 117%.

"Karoo and management have done a magnificent job of cleaning up the capital structure and refinancing debt, internalising the onerous external management structure and selling off noncore assets."

Hubbard said a JSE listing would be well received considering Attacq and MAS's cross-shareholding in Sirius and "massive" investor demand for these shares.

He said a JSE listing was likely to be concurrent with Sirius moving from the AIM to the main board of the London Stock Exchange.

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