

# Resilient offshoots look set to merge

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24 Oct 2016

Two highly rated property companies focused on Eastern Europe appear ready to merge operations into a R85.4bn fund.



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Romanian shopping centre owner New Europe Property investments (Nepi), with a market capitalisation of nearly R51.7bn, and Rockcastle Global Real Estate, which is worth close to R33.7bn, on Thursday, 20 October, published a joint cautionary announcement in which they said they were in talks to explore the possibility of a transaction.

Nepi and Rockcastle have recently invested in markets other than their main focuses including the Czech Republic, and commentators said in August that a merger would benefit each other to find new opportunities. The two companies were launched by professionals from SA's Resilient.

A merger would create a company which was attractive to a wider spread of investors, said Ron Klipin, a money manager at Cratos Capital. "We'd end up with a large, liquid company that would be able to share very strong management teams and realise cost savings. Investors who may not be property specialised may find a company like this with a market cap of about R86bn attractive, as it would be run by good strategists which were promising reliable income returns," said Klipin.

"This could be more attractive than many of the small real estate groups which have listed recently on the JSE that lack the size, expertise and liquidity of such a large player."

A merger was likely to go ahead without much opposition.

"I believe that the broader market and major shareholders would support the merger," Alternative Real Estate Capital Management's Garreth Elston said. "Naturally, it will be incumbent on the parties to structure any potential deal in a manner acceptable to both parties.

"Both companies do trade at quite high premiums to their net asset values and it would be interesting to see how a deal would be structured to extract maximum value."

*Source: Business Day*

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