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# Demand grows for JSE housing funds

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While housing funds such as Equity Residential count among some of the biggest and most lucrative companies on the New York Stock Exchange, local investors keen to cash in on SA's housing shortage are waiting for a specialist residential portfolio to be listed on the JSE.

Until recently, sister companies Premium Properties and Octodec Investments were the only two of SA's 30-odd property stocks that offered income-chasing investors some exposure to the affordable housing market.

The most recent attempt to list a housing fund on the JSE was by industry veteran Gerald Leissner, CEO of Arrowhead Properties, who was forced to discard his proposed Kwami Residential Fund in late 2010. At the time, he said he had battled to assemble a big-enough portfolio that would offer the size and liquidity to pique the interest of institutional investors.

Progress was made last week with the listing of Freedom Property Fund. Freedom's initial R1.56bn portfolio is industrial-biased but management, under CEO Tyrone Govender, has ambitious plans to develop a R5bn rental housing portfolio over the next few years.

The focus will be on the low- and middle-income markets in mining towns and decentralised areas where demand for affordable rental housing typically outstrips supply.

Existing property counters are following suit. Arrowhead and SA Corporate Real Estate Fund have, in recent months, acquired sizeable rental housing portfolios, marking a shift away from their focus on retail, office and industrial buildings.

Last December, Arrowhead bought a R150m portfolio of student rental flats at the West Rand campus of Australian university Monash.

That followed Arrowhead's acquisition of a R406m inner-city housing portfolio from Jika Properties in October.

SA Corporate announced its first foray into the residential market in April when it bought about 3,300 rental apartments in Johannesburg's inner city from the Affordable Housing Company for R278m.

Emira Property Fund, which has traditionally been overweight in offices, is also starting to eye the housing market.

“There is no doubt that residential property, particularly student letting where there is a huge shortage of supply, now offers better returns than the commercial market where growth is slowing. So, we are looking for the right opportunities,” Emira CEO James Templeton said in a recent interview.

However, industry players say there is bound to be a successful listing of a specialist housing fund on the JSE within the next 12-18 months. “I am aware of a couple of entities that have started to aggregate portfolios,” managing partner at private equity development financier International Housing Solutions (IHS) Rob Wesselo said.

IHS is backing the development of at least 5,000 new student letting apartments. That is in addition to its existing “studentdigz” portfolio, which comprises 2,100 rental units spread between Braamfontein in Johannesburg and Bloemfontein in the Free State.

Figures from the Department of Higher Education and Training show that of SA’s total university student population of about 535,000, fewer than 110,000 (20% of students) can be housed on university campuses.

Mr Wesselo noted that the fundamentals were still very strong in the residential letting market, particularly in the bracket priced below R6,000 a month, as it was one of the few sectors of the broader real estate market where demand outstrips supply.

Stanlib listed property funds head Keillen Ndlovu said the company would welcome more exposure to residential letting.

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