

Investors seek property funds with specialisation

By [Alistair Anderson](#)

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Investors are seeking more exposure to property funds that offer some level of specialisation, says Evan Robins of Old Mutual Investment Group.



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Property groups focused specifically on a single type of property or based in one geographical area tended to have management teams that could draw better returns from their real estate than those that were highly diversified, he said.

Robins said there were only a few exceptions, with opportunities for new listed property vehicles lying more in specialised property types or geographies. Diversified property groups Redefine and Growthpoint were two such exceptions, having experienced exceptional growth in their share prices.

"We like specialisation or focus because we like a management team to have real expertise and a competitive advantage in an area to extract maximum value there.

"We don't want to pay up for a fund that is a jack of all trades, but a master of none," he said.

A number of real estate investment trusts (Reits) have over the past few months begun to narrow their investment focus. Echo Polska Properties (EPP), which invests only in Poland, has chosen to invest only in retail centres in the country. It is

selling its offices aggressively.

"We want to be the best retail landlord in Poland.

"The country is the fastest growing in central and eastern Europe. It is being boosted by people with strengthening purchasing power. Poland is experiencing an economic boom. The middle class that is forming is driving retail - and it makes sense for us to invest solely in shopping centres," said EPP CEO Hadley Dean.

Last week Redefine also indicated it would specialise more in future. It announced it would simplify its international holdings, beginning with selling a chunk of its investment in Australian group Cromwell for R3.7bn. Redefine is invested in SA, the UK and Poland.

Nesi Chetty, a fund manager at MMI Investments, said he expected Poland to be Redefine's main offshore destination as opposed to being invested in too many jurisdictions.

Hyprop Investments, which owns premium shopping centres in SA, is also trying to refocus its offshore strategy by exiting Africa gradually and concentrating on eastern Europe.

Locally, fund managers have been looking at specialised funds such as Stor-Age Properties, which owns storage units; Spear Reit, which invests in Cape Town; and Equites, which owns industrial warehouses.

Metope Investment Managers investment analyst Kelly Hook said specialised funds that lacked competition - such as Stor-Age - offered "defensiveness for fund managers".

Source: Business Day

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