

Liberty's L2D joins JSE board

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Liberty Two Degrees (L2D) joined the JSE main board on Tuesday, 13 December, to much fanfare, having raised about R4bn, but there are concerns that Melrose Arch and some smaller assets may weaken the fund's performance.



L2D is the first real estate investment trust listed by the Liberty Group.

Its assets comprise portions of the Liberty Group's R30bn property portfolio, including those of its largest, most iconic properties. Sandton City, Eastgate, Nelson Mandela Square and Melrose Arch have been included as well as Promenade Mall, the Standard Bank Centre, the Botshabelo Mall in Bloemfontein, Umhlanga Office Park and Century City Office Park.

There has been some criticism about these inclusions, as some fund managers feel the addition of Melrose Arch, which has had an underperforming retail component, as well as some other smaller assets, may weaken L2D.

"I have heard lots of bad things about the retail there [Melrose Arch], especially with respect to the large Edgars, which has struggled. Melrose is not really a retail node and has to rely on other components," Evan Robins, of Old Mutual Investment Group, said.

Meago Asset Management's executive director, Jay Padayatchi, recently said Melrose Arch's retail component had

underperformed because it needed large food and clothing anchors as opposed to an overly strong focus on specialised high-end stores.

Melrose Arch's developer, Amdec, said the precinct was originally designed to have an emphasis on office and hotel assets. "We are expanding retail and residential offerings which complement the existing offering," Amdec CEO James Wilson said. With respect to the office sector, research by Jones Lang La Salle has shown that Melrose Arch is no longer pulling the highest office rental rates.

In terms of the average gross rental per square metre for premium-grade office buildings, Rosebank was receiving R237/m², Sandton R207/m², Illovo R203/m² and Melrose Arch R193/m².

Stanlib's head of listed property funds, Keillen Ndlovu, said L2D offered diversification, and provided more than just exposure to the premium Sandton City and Eastgate malls.

Source: Business Day

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