

MONEY & INVESTING

CAPITAL & COUNTIES PROPERTIES

Steaming ahead

Any lingering doubts about the merits of unbundling Liberty International has probably been dispelled by London-focused Capital & Counties Properties' spectacular 50% share price rally over the past year.

A number of SA fund managers bailed out of the counter when dual-listed Liberty International was first split into two entities — Capital & Counties and retail property arm Capital Shopping Centres

Cape-based Catalyst Fund Managers analyst Jamie Boyes says Capital & Counties remains an attractive rand hedge buy, even at current historically high price levels. He notes that central London is one of the few destinations that have retained its lustre as a global real estate hot spot despite the global downturn.

"Capital & Counties is a good defensive play that offers exposure to a strong global market that remains attractive to tenants, investors and financiers alike."

Boyes believes management, under CE Ian Haworth, will continue to extract value at Covent Garden. Management has already made impressive strides to reinvent the area, from a rather rundown hub for backpackers to a trendy eat, shop and play destination.

Boyes says new retailers and restaurants continue to open in the precinct on the back of an active asset management and leasing strategy, creating potential for strong rental growth over the next two or three years.

Another major driver of future profits is the proposed redevelopment of Earls Court, which consists of one of the biggest tracts of vacant land in central London. The transformation of a large site in Seagrave Road is also in the pipeline. In December, management sold a 50% stake in it for £65.6m to the Kwok family, major shareholders in Hong Kong Stock Exchange-listed Sun Hung Kai Properties.

Anton de Goede, property analyst at Coronation Fund Managers, says the Kwok deal values the site at £17.5m/acre, up from a £15m/acre valuation in June 2011. He believes sim-

ilar land value upside should also be unlocked at Earls Court once planning approval has been granted, possibly by the second or third quarter of 2012, around the time of the mayoral elections or the London Olympics.

"Though most of the potentially positive news regarding the likely approval for the redevelopment of Earls Court is already in the share price, there should be continued momentum once the approval is actually achieved."

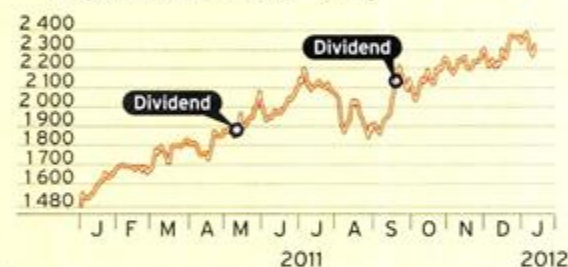
De Goede notes that management is also making encouraging headway in its negotiations to achieve options on the land parcels adjacent to Earls Court not owned by Capital & Counties. These should be resolved by the end of 2012.

Moreover, recent proposals to adjust the status of companies with inward listings on the JSE could bring increased demand for the stock over the coming months, as institutional investors will be allowed to trade shares freely in inward-listed companies once they are reclassified as local stocks. Until now, SA institutional investors have had to use their foreign allowance for shares in inward-listed companies such as Capital & Counties.

Joan Muller

BUILDING VALUE

Capco share price (c) - daily



Dividend of 10 994c paid on May 19 2011
Dividend of 5 7845c paid on September 20 2011

SOURCE: FNET BRIDGE

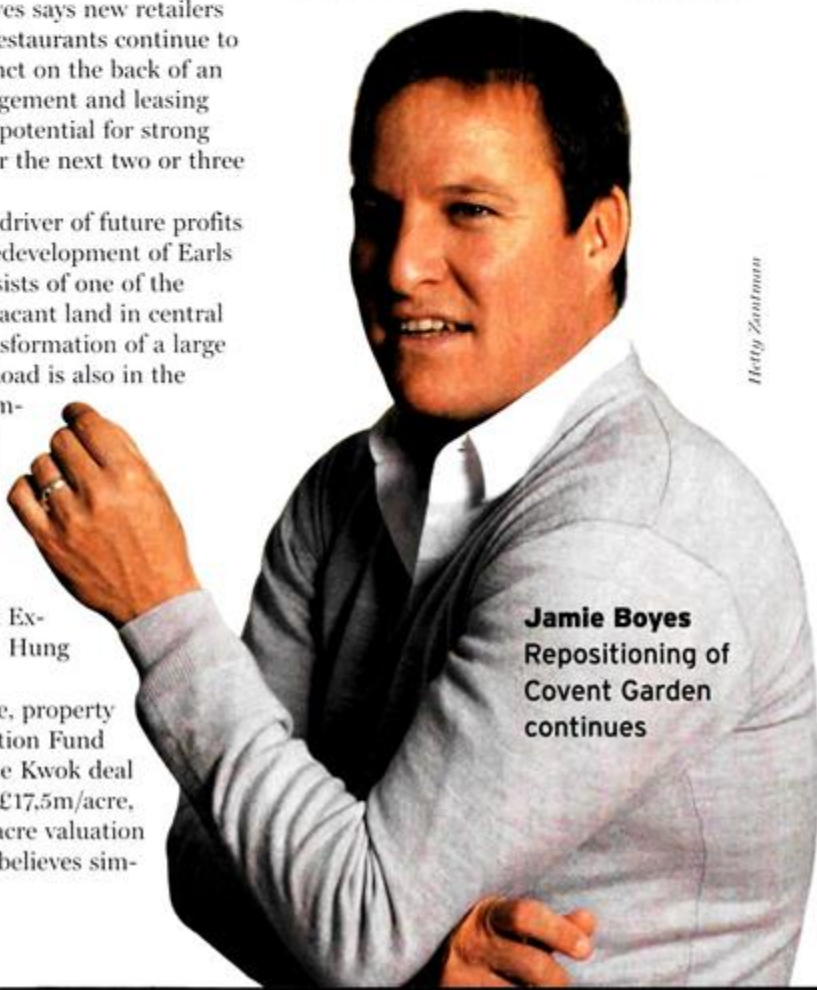
— about 18 months ago.

Capital & Counties was regarded by the JSE as an inward listing, causing exchange control implications for institutional investors. Many initially also believed it was unnecessary to list the London portfolio as a separate entity.

As a result, Capital & Counties' SA shareholding dropped from 46% to around 20% in the first few months following the demerger. At the time, SA investors clearly favoured Liberty International's much larger and more established retail portfolio housed in Capital Shopping Centres.

But Capital & Counties, whose £1.5bn (R18,5bn) portfolio includes iconic mixed-use precinct Covent Garden, large tracts of development land at Earls Court & Olympia and a stake in a portfolio of West End offices, has proved to be the more profitable bet.

Capital & Counties was trading at around R23 on the JSE last week, up 50% over 12 months. Analysts believe there's further potential for share price growth over the next 12-24 months.



Hetty Zantman

Jamie Boyes
Repositioning of
Covent Garden
continues