

Corporate & Commercial – case study

F&C Reit seals £600m Dawnay Day buy

■ AREA Property Partners joins team for one of downturn's biggest deals

BY JENNIFER RIGBY

F&C REIT ASSET MANAGEMENT AND AREA Property Partners – formerly Apollo Real Estate Advisors – have exchanged contracts to buy collapsed company Dawnay Day's UK property portfolio for more than £600m.

The purchase is one of the most significant transactions since the downturn hit.

The buyers exchanged contracts on Friday last week with administrator BDO Day Hayward to buy the 211 properties at the original price agreed in December.

The main creditor, Norwich Union, has agreed to continue to provide between £50m and £60m of debt to F&C Reit through a new loan agreement, which experts have suggested could provide a "textbook" deal framework for lenders looking to avoid large-scale property losses and make big transactions feasible.

The deal is set to complete by 25 March. The loan-to-value ratio is not expected to exceed around 80%.

It is thought that F&C Reit is

keen to use this template for more deals with lenders over the next year, when it believes there will be buying opportunities.

F&C Reit, which is acting for its main investor, Talaga Overseas, said the purchase was exactly the sort of opportunity it was looking to capitalise on, following the merger of fund manager F&C Asset Management and Leo Noel's Reit Asset Management.

It has set up a joint investment vehicle to complete the sale with the Apollo European Real Estate Fund III, managed by AREA Property Partners.

Properties such as the Austin Reed store on London's Regent Street are among the 3.4km sq, 70% retail portfolio, which also includes assets in locations from Canterbury to Southampton.

The three companies that owned the properties – Straight Investments, Insiziprotit and Dawnay Day Properties – were placed into administration when parent company Dawnay Day collapsed in July last year.

F&C REIT executive chairman

Niël said: "The merger between F&C Asset Management and Reit Asset Management in 2008 brought together F&C's fund management expertise with REIT's entrepreneurial approach and strong investment track record producing enhanced and significant synergies to be able to target opportunities such as the acquisition of the Dawnay Day property portfolio."

"We have created immediate value through this transaction by extending our property asset management, adding the portfolio of 211 properties."

DIT, which advised the administrator and structured the sale, received 31 bids for the transaction.

Investors were attracted because the vendor provided the debt for the portfolio, which made the purchase more palatable for investors in a debt-strapped market.

Nick Criticos, chief executive of F&C Reit, said: "Our skills and ambition secured the deal, which, looking back on 2008, is one of the biggest property transactions carried out for some time."

£600m disposal

F&C Reit Asset Management and Area Property Partners, the private equity real estate fund manager, have completed the £600m acquisition from Aviva of the 211 properties formerly owned by Dawnay Day, writes Daniel Thomas.

Norwich Union, an Aviva subsidiary, appointed administrators for Dawnay Day, the property and financial services group, as its biggest creditor last year and has been trying to sell the properties.

The deal is one of the largest struck since the property market downturn began in 2007 and is the first significant example of investors taking advantage of forced sales by banks that have taken action against former borrowers.

F&C Reit Asset Management

Objectives: F&C REIT is a newly created fund management vehicle with £8.5 bn assets under management in the UK, Ireland, India, Sweden and Germany. Our objective is to increase awareness within property, investment and pension sectors of the newly created company and enhance its profile as a leading investment firm.

Strategy: As a company consisting of well known property individuals from institutional and entrepreneurial backgrounds, we have identified key sector and market commentators to be positioned as opinion formers thereby leveraging F&C REIT as a market leader with the resources, personnel and history to make it one of the leading property investment ventures today.

Results: We have embarked on a series of one to one briefing sessions with key, senior personnel from trade and national publications as well as courting a new generation of reporters with a series of breakfast briefings to establish and promulgate relationship with relevant sector reporters. By strategically targeting features and supplements in leading industry titles, we aim to create awareness, familiarity and favourability amongst the press with the F&C REIT name.

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