



Rubicon Japan in buying spree

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The rapidly growing Rubicon Japan Trust is headed for more than \$1 billion of assets in this half after revealing yesterday it had acquired \$477 million of property.

The trust has beaten a string of players off the mark by unveiling purchases that have more than doubled in size since it listed late last year. While a swag of Japanese property trusts is mooted to float in the Australian market this year, Rubicon believes investors will back only platforms that are growing.

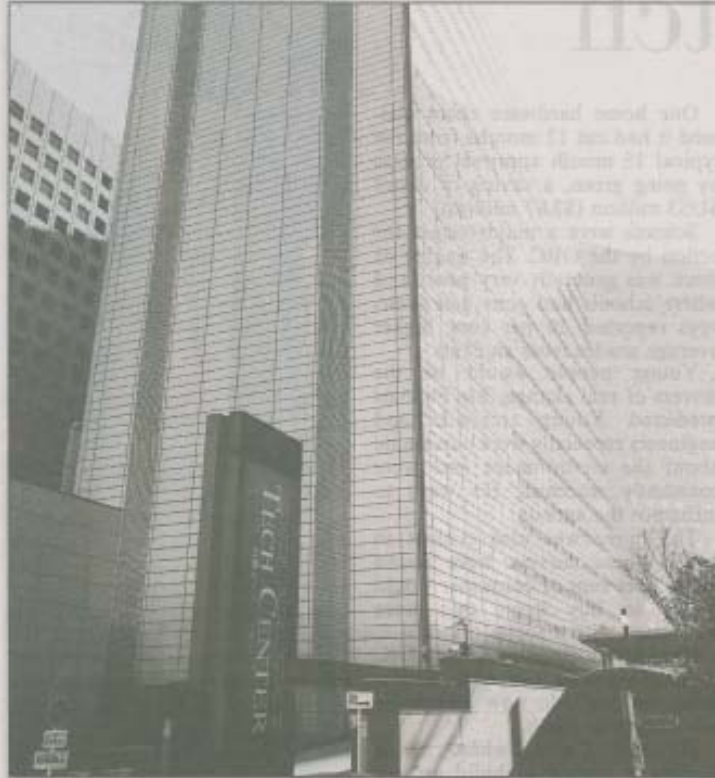
The trust's portfolio hit \$880 million with the latest buys and Rubicon managing director Gordon Fell flagged another \$250 million of property purchases.

"There will be a prize for being an early mover," Dr Fell said.

He said the gap between property yields and the cost of debt in Japan was very attractive and the trust had a healthy pipeline of potential deals.

Rubicon said yesterday it had acquired four properties valued at ¥45 billion (\$477 million) in a series of off-market buys. Three were brokered by Reid Mackay of CB Richard Ellis and the other by Alistair Meadows of DTZ. All up, the portfolio was acquired on a yield of 4.74 per cent and at a 4.6 per cent discount to valuation, Rubicon had an all-in interest cost of about 2.2 per cent.

The portfolio spans 43,612 square metres of net lettable area. The key property is the 20-storey Kawasaki Tech Centre in Tokyo, which was acquired from Singapore's GIC Real Estate. Rubicon beat a host of high-profile players to the purchase.



The Kawasaki Tech Centre in Tokyo, acquired from Singapore's GIC Real Estate.

Rubicon also acquired Norbesa – a new seven-storey retail complex in the centre of Sapporo on Hokkaido, Japan's northern island – and Central Finance, a seven-storey office building in Nagoya. Shin Musashi Plaza, a new retail complex in Kumamoto City in the southern island of Kyushu, rounds out the portfolio.

Dr Fell said that greater Tokyo and office markets were "very strong", while retail markets were "quite strong". Rubicon is also targeting regional areas that are still experiencing population growth.

The transactions will lift the trust's distribution by 9.9 per cent to 9.62c per unit for the 2008 financial year. Rubicon flagged more earn-

KEY POINTS

- The trust has bought four properties off-market for \$477 million.
- Rubicon will issue 232.7 million new units to raise \$241 million.

ings accretive acquisitions as its balance sheet can debt fund up to \$250 million of property buys.

At a 2.5 per cent spread between yields and debt costs, acquisitions of this scale will deliver another 1.5c per unit in distributions. This 16 per cent rise has not been factored into Rubicon's current forecast.

The manager believes it can also capture earnings growth from rising occupancy and higher market rents – especially as its portfolio is under-rented by about 16 per cent.

Rubicon will issue about 232.7 million new units to raise about \$241 million. It will make a 1-for-1 non-renounceable pro-rata rights offer of about 179 million units at \$1.03 per new unit to existing holders. An institutional placement of about 53.7 million units will be undertaken via a book-build.

Credit Suisse and Deutsche Bank are underwriters.

The purchases will more than double the trust's market capitalisation to about \$440 million and will push it towards major property indices. Gearing will rise from 45.1 per cent at float to 48.6 per cent but remains below the target range of 50 per cent to 60 per cent.

Dr Fell said Rubicon was interested in rolling out a business investing in commercial loan assets in Japan.