

Rubicon in \$346m Europe loan deal

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Trusts

OFFSHORE property fund manager Rubicon Asset Management continued to diversify into lending yesterday, with its Rubicon Europe Trust saying it would buy a commercial property loan portfolio worth €207 million (\$346 million).

The purchase comes barely four months after Rubicon America Trust acquired a \$1.8 billion mezzanine debt loan book in the US, to boost shareholder returns.

Rubicon Europe Trust acquired five individual subordinate loan assets, secured against 402 underlying properties — worth more than €3.8 billion — located in four European countries.

Rubicon managing director Andrew Fell said Rubicon Japan Trust was expected to similarly launch a real estate finance company, “bolted” to the Japan trust.

He said the European real estate finance business would generate up to 8 per cent earnings growth for the listed trust. “It will be the growth engine of Rubicon Europe Trust,” Dr Fell said.

The acquisition of the high-yielding loans was “the best entry” into the European property market at this point of its cycle, he said. The loans carried a 4.5 per cent margin above the base commercial mortgage rate in Europe and were made on high loan-to-valuation ratios, from 81 to 89 per cent.

Dr Fell said the transaction delivered “improved scale, diversification and income security for the trust”.

Rubicon Europe Trust upgraded its forecast distribution from 9.5c to 10.1c for the 12 months to December 2007. The transaction increased the trust’s market capitalisation by 84 per cent to about \$593 million.

It would cut overall consolidated gearing from 60.3 per cent to 52 per cent and increase balance sheet capacity to \$250 million.

Rubicon requested a trading halt yesterday to raise \$245 million via a placement of 231 million units in the Rubicon Europe Trust, priced at \$1.03 each, a high 9.3 per cent discount to last Friday’s close of \$1.14.

Dr Fell said the rights offer had been well received by institutional investors and would be opened to retail investors next week. Credit Suisse and UBS had been appointed as joint lead managers and had fully underwritten the rights offer and institutional placement.

Last week, in a placement for Rubicon Japan Trust which was oversubscribed four times, Rubicon raised \$241 million for purchase of \$500 million worth of Japanese property.

Meanwhile, Rubicon Europe Trust announced a net profit after tax of \$49.3 million, 158 per cent higher than its PDS forecast of \$19.1 million, in its preliminary result for the year to December 31, 2006.