

Rubicon funds loan deal

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Rubicon America Trust is to launch a new real estate finance company to help drive future earnings growth.

Akin to a US commercial mortgage real estate investment trust, the proposed Rubicon Finance America will initially acquire a \$US119.5 million (\$155 million) portfolio of high-yielding mezzanine loans.

Rubicon executive chairman Gordon Fell said the deal would create a new growth engine for Rubicon America Trust (RAT), which would wholly own the new venture.

No equity would be raised to buy the portfolio, which involves 32 individual loans, secured against 94 properties valued at \$US1.38 billion.

Instead, Rubicon would fund the deal through a private placement of US dollar debt.

"We have been providing commercial real estate finance

in the US since early 2004 and see RAT as the natural home for this type of activity as it will drive growth throughout different stages of the real estate cycle," Mr Fell said.

The benefits for RAT unitholders will be immediate.

Rubicon said yesterday investors could anticipate a

"It will create a growth engine for Rubicon America Trust."

6 per cent higher annual distribution of 11.58¢ a unit.

And further growth is expected as Rubicon Finance America's activities are expanded.

"If we can execute our strategy as anticipated, RAT can readily achieve 15 to 20 per cent return on equity on its new investments," Mr Fell said.

"We estimate that each

additional \$US100 million in new commercial loan assets will drive 5 to 10 per cent growth in distributions to unitholders. In our view, this would propel RAT's distribution growth to among the highest in the [listed property trust] sector."

The loan book is being acquired from two related Rubicon companies: one an unlisted fund and the other a vehicle known as Rubicon Capital.

The two entities have focused on what is essentially subordinated debt related to stabilised properties, rather than development assets.

RAT unitholders must still give the deal the green light at a special meeting late next month.

Rubicon's independent directors have unanimously recommended the venture, which has been deemed to be fair and reasonable by independent expert KPMG.