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Rubicon to buy \$1.8bn loan book

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Trusts

RUBICON America Trust will buy a \$US1.4 billion (\$1.8 billion) mezzanine debt loan book in a bid to bolster shareholder returns.

In a first for the Australian listed property trust (LPT) sector, the group will use the high-yielding loans — for which it will pay \$US119.5 million — to lift the group's distributions by a targeted 6 per cent.

Rubicon America Trust executive chairman Gordon Fell said the loan book, which was expected to deliver returns of between 15 and 20 per cent, was owned by two parties controlled by the responsible entity for the Rubicon

America Trust. Mr Fell said that, following the acquisition, which was dependent on shareholder approval, Rubicon America Trust would continue to expand the loan book. Each additional \$US100 million in mezzanine loans would drive distribution growth by 5 to 10 per cent.

"In our view this would propel Rubicon America Trust's distribution growth to among the highest in the LPT sector," he said.

The portfolio, called Rubicon Finance America, consists of 32 loans over 94 US properties and would be purchased by the trust with a mixture of short-term and long-term US debt.

The loans were to a range of listed and unlisted property groups over

commercial, retail, industrial and "multi-family" residential assets.

Mr Fell said unlike most mezzanine debt issued in Australia, the Rubicon mezzanine debt was second-ranking debt held over mature assets, rather than riskier development projects.

Mezzanine debt is used by borrowers to bridge the gap between the money they can contribute themselves, the money they can borrow from senior debt providers — such as banks — and the total cost of the asset.

Mezzanine debt is riskier than senior debt because any losses are taken from mezzanine debt providers before senior lenders.

The group is considering incorporating similar models in its Rubicon Europe and Rubicon Japan trusts.