Brandeaux's £850m student fund offers investors exit ...

■ Fund manager to launch new share class with 'more suitable redemption terms'

BY NICK DUXBURY

BRANDEAUX IS PROVIDING AN innovative exit route for private investors in its £850m student accommodation fund, which was closed for redemptions in December.

Property Week has learnt that the private investor fund manager will offer investors a new share class that will enable them to take out their money.

Investors will be able to switch their existing shares into the new class, which has a more manageable, 60-day redemptions period.

Brandeaux said the new share class would have more 'suitable redemption terms' to match the market conditions that would allow better control of liquidity.

Roger Boyland, CEO at Brandeaux, said: 'We had a seven-day redemption period, which meant that, in theory, on an £800m fund, we could have £800m of redemptions one day to be redeemed the next day – which is a nonsense.

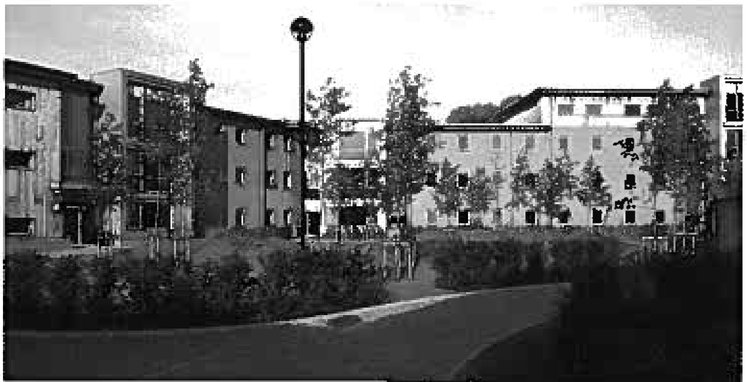
'We will be introducing an investment period and redemption terms, and invite the existing shareholders to switch into the new share class. They will then afford themselves the governance of the new redemption terms and we will be able to control the liquidity.

'The incentive to switch is to create the opportunity for redemptions. We are still working with our lawyers to clarify the details, but I think that most of our investors will switch over.'

The fund comprises £676m of equity and £200m of debt. It has 15,000 beds in residences in 18 university towns and cities across the UK and a 100% occupancy level.

Last year it produced a return of 10.71% and forecasts three-year returns of 33.95% and five-year returns of 57.25%.

These returns are based on 6.8% yearly rent increases and a fixed 6% income yield, calculated by Lambert Smith Hampton based on a cashflow basis.



↑ Free for all: fund portfolio includes Liberty Lodge at Liberty Park in Bedford

... as Coral sets up £100m student fund

CORAL PORTFOLIO IS SETTING up an ungeared £100m fund of funds for private investors to invest in student accommodation.

The open-ended offshore Coral Student Portfolio fund is to be launched 1 March and is looking to take advantage of the resilient performance of existing student accommodation funds.

The Luxembourg-based fund manager has hired Strutt & Parker Real Estate Financial Services (SPREFS) as investment adviser to the fund, which will target SIPPs (self-invested personal pensions) investors.

It is targeting returns of 8%-10% a year based on steady rental increases of around 6% and SPREFS says it hopes to invest in five of 20 student accommodation funds.

The fund will be managed by ex-Brandeaux colleagues John Kennedy, Robert MacDonnell and Lawrence Frampton. They will charge an annual management fee of 1.5%.

Coral believes the student accommodation sector is resistant to the economic downturn and the drop in values that has hit the rest of the property market.

John Kennedy, co-fund manager at Coral, said: 'Student numbers are increasing, bad debts are low and occupancy rates are high.

'The volatility of the markets creates the ideal opportunity for this fund and we have been able to formulate a liquidity strategy to meet this immediate market environment.

'Student accommodation is also an investment that is easily understood by the general public. It's a supply-and-demand story and immediately relevant to most people through their own personal experience.'

Philip Ingman, managing director at SPREFS, said: 'In these market conditions, it is common for university and college admissions to increase, largely due to shrinking employment opportunities. Where there is demand, there is value, and we are confident that this fund will remain steady and dependable in volatile times.

'We believe that this fund will be able to offer investors returns without the volatility associated with the stock markets.'

Ingman said the fund had already raised 'quite a bit' and the liquidity strategy means that the fund will hold 20% of the fund in cash.

↑ Last year was tough for the auctions market. How will 2009 be? PropertyWeek.com meets experts from the leading auction houses, such as auctioneers Peter Cunliffe at Jones Lang LaSalle (top) and Savills' Simon Parkes (above), to hear their predictions.
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