

Equites concludes R1.8 billion development agreement with Hermes in the UK

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Equites Property Fund (“Equites”), through its wholly-owned subsidiary, Equites International Ltd, has concluded an agreement with Hermes Parcelnet Limited (“Hermes”), to develop an £85 million (R1.8 billion) distribution centre in a prime location in the UK.

Hermes, an associate of Hermes Europe GmbH which is based in Germany, specialises in parcel delivery and courier services. It delivers more than 240 million parcels a year on behalf of 40% of the UK’s top 100 retailers, including Next Directory, ASOS, Tesco, John Lewis, Debenhams and Arcadia Group.

The agreement provides that Equites Newlands Group Limited (“ENGL”), a company in which Equites International Ltd owns 60% of the shares with Newlands Property Development LLP (“Newlands”) owning the remaining 40%, will act as the developer of the property.

Upon completion, the modern distribution facility will be wholly-owned by Equites and will be let to Hermes on a 20-year, triple net, fully repairing and insuring lease. The lease will afford Equites with more than R80 million in annual rental income, solidifying Equites’ robust and predictable cash flow profile. The property is in the well-established Hoyland Common in South Yorkshire, which affords excellent road links, and is strategically located immediately adjacent to the J36, M1 road networks providing excellent access to the national motorway network.

The development will also serve as the latest “super-hub” for Hermes and will handle 1.3 million parcels a day, making it the largest of its kind in Europe and could create more than 1,300 jobs. Furthermore, compressed natural gas (CNG) vehicles will be based at the hub and there will be provision for electric cars, which is in line with Equites’ focus on Environmental, Social, and Corporate Governance (ESG) initiatives.

The property is expected to be 31,570 square metres in size and will be situated on an overall land area of 18.5 hectares, which translates into a low site coverage ratio of 16%. The facility will provide the tenant with a newly constructed, high specification, steel portal frame distribution warehouse with 163 dock-level loading doors and four level-access loading doors.

Andrea Taverna-Turisan, the CEO of Equites, commented:

“This development agreement is an exciting opportunity for Equites, as it is the first signed development deal to arise from the company’s strategic partnership with Newlands and is consistent with Equites’ UK investment strategy of curating a high-quality logistics portfolio, which promotes strong total returns in the medium to long term. We are also especially pleased to welcome Hermes as a long-term tenant, which is one of Europe’s largest and most successful parcel delivery businesses.”

For more information please contact:

Laila Razack (Chief Financial Officer)
Tel: +27 21 460 0404; investors@equites.co.za

ABOUT EQUITES

Equites is a South African REIT, with a clear focus on being a market leader in the logistics property market by developing and acquiring A-grade, modern logistics facilities in prime locations in South Africa and the United Kingdom. The company listed on the Johannesburg Stock Exchange (“JSE”) in June 2014, and the value of the portfolio has grown significantly from R1 billion on listing to R16 billion at August 2020. The group is the only listed property entity on the JSE to provide shareholders with pure exposure to prime logistics assets.

