

Newcore hits the acquisition trail after new fund launch

■ Alternatives specialist snaps up garden centre and care home in Oxfordshire for new £50m fund

BY GUY MONTAGUE-JONES

Newcore Capital Management has launched a £50m fund and made its first acquisitions for the new vehicle, which include a garden centre and a care home.

Newcore Strategic Situations III will invest in a range of alternative sectors and look to add value through planning, refurbishment and development.

The fund, which is targeting an internal rate of return of 14% to 16%, will also acquire real-estate-backed operating businesses. Hugo Llewelyn, who founded Newcore in 2011 having been head of investment at Protego Real Estate Investors, said one of the advantages of this strategy was that "there's less competition and your competition is not looking at the property side".

Two of the first deals for the new fund fall into this category. In the biggest of the deals, Newcore has acquired Yarnton Nurseries near Oxford for £10.3m, reflecting an EBITDA multiple of about 10x.

Llewelyn said the garden centre would benefit from new housing in the area and increased investment to grow the business. In addition, the



In full bloom: Yarnton Nurseries near Oxford has been acquired for £10m

12-acre site it occupies could be used more efficiently, he added, potentially freeing up space for alternative uses.

The second of the deals is for a 76-bed care home called Manor House near Bicester, Oxfordshire. Bought for £3.3m, Newcore plans to turn the home around by investing a further £1.5m and bringing in a new operating partner, PH Care Group.

Newcore has also acquired a

storage yard at Worcester Park, near Sutton, for the new fund that has planning consent for a garden centre.

Llewelyn said Newcore had benefited from reduced demand for riskier assets since the Brexit vote as well as high demand for long-income property. "The hairy assets we like buying have got cheaper and what we're looking to sell has attracted keener prices," he said.

Recent disposals by Newcore include a 72,000 sq ft industrial unit at Parkhouse Interchange in Newcastle-under-Lyme, Staffordshire, which the fund manager sold to Watford Borough Council for £5.3m, having bought it vacant in 2012 for £1.9m, refurbished it and secured Saint-Gobain as a tenant on a 20-year lease.

As well as investing the remaining proceeds from Newcore's third fund, which has investment firepower of £50m, the firm is also starting conversations with investors about a fourth fund.

It will look to raise a larger fund by targeting institutional investors as well as family offices. Llewelyn said demand from institutions was picking up following a lull in the wake of the EU referendum.

"The next level of investors behind prime income seekers are seeing more value if they take a little bit more risk," Llewelyn said.

Newcore's first fund delivered a total unleveraged return of 15% in 2016 and 20% a year since its launch in June 2013. In its first full year in 2016, the firm's second fund delivered an unleveraged return of 18%.

L&G demonstrates 'impressive speed' in financing Olympia deal

Legal & General has completed its first acquisition financing deal to support the £296m purchase of Olympia London Exhibition Centre (pictured) by a consortium led by Deutsche Finance International and Yoo Capital.

The debt deal brings L&G's total property lending from its LGIM Real Assets business to more than £2bn.

Insurers such as L&G have tended to focus on providing long-term fixed-rate financing deals. However, the Olympia

deal is arranged over a term of only five years.

"Representing our first acquisition finance deal, this debt facility demonstrates our ability to continue to move into areas that the market might not traditionally expect to see us in," said Ashley Goldblatt, head of commercial lending at LGIM Real Assets. "Continuing to prove our platform's ability to understand and back alternative asset classes, in this case we worked through a complex arrangement

to support a time-sensitive off-market transaction."

Lloyd Lee, Yoo Capital's manager partner, said L&G had put the deal together with "impressive speed".

Since launching its debt platform in 2012, L&G has been involved in several high-profile financing deals. For example, in 2015 it provided a £220m, 10-year loan secured against a portfolio of nine private hospitals as part of the £900m refinancing of Secure Income REIT.

