

Property group lowers target for UK fund

AIB Private Banking and Tony Kilduff, an entrepreneur, have been forced to lower targets for their latest UK property fund following lukewarm interest from investors.

The fourth fund in the Belfry property stable had been projected to raise equity of £50m (£14.5m) but having raised only £20m so far, the promoters have had to extend the deadline and would now settle for £30m.

John Rockett, the fund's manager, said £20m had already been raised and had set a target date of September 24 to complete the £30m in equity it was seeking.

He conceded that the promoters had been forced to extend the closing date and cited August as the worst month he could remember for financial transactions.

"Everybody seems to be away," he said.

Rockett also indicated would-be investors were expressing caution about the UK market after Britain raised

Des Crowley

interest rates for the fourth time this year from 3.75% in January to 4.75%. There are also signs that Irish money is moving to continental Europe where potential returns are higher.

Rockett has been moving to counter concerns among investors that rental yields will not compensate for spiralling interest rates and a slowdown in growth of asset values.

He believes the top of the current cycle is near and that the particular portfolio of properties in Belfry IV would more than make up for the increased cost of borrowing.

The promoters are in the final stages of due diligence for a £120m portfolio of British property that will make up the latest Belfry fund. Rockett said it would comprise a neat, single portfolio with many short leases that could be renewed on a continuing basis.

It would be "actively" man-

aged with an eye to demanding built-in rent reviews for those properties with longer leases and upgrades to improve values. The dynamic nature of the portfolio meant its components could be sold quickly and empty buildings would be kept to a minimum. "The property has one owner and it is mixed retail and office with very little industrial," he said.

The third Belfry fund raised equity of £28m, which was leveraged to borrow £100m from various banks. So far, properties worth £91.8m have been purchased.

The company's directors also include Sean Henneberry, the former Gresham and Masstock, chairman, and Robin Fell, a property entrepreneur.

Cheval Properties, which is controlled by Kilduff, is the corporate property manager of the Belfry funds which comprise more than £150m in UK retail property.

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