



PHP win for Assura is a victory for long-term investors



Following the announcement that PHP defeated KKR and Stonepeak in the takeover battle for NHS landlord Assura, Matthew Norris, manager of the TM Gravis UK Listed Property Fund, comments on the result:

“We’ve been supportive of the PHP bid from the word go, and for long-term shareholders in Assura, the result this week was a win. More than 60% of shareholder tendered their shares in favour of PHP’s merger.

“As an active manager of UK REITs and custodian of investor’s hard-earned savings, it was our job to engage with the Boards in order to maximise investment returns from the deal.

“While UK REITs are currently still trading at a discount to net asset value, the easy assumption is that any bid above the prevailing share price is a good deal. But in our view, this doesn’t take into consideration that years – sometimes decades – have been spent developing top quality portfolios. What we want to avoid is prospective buyers getting “10 years of work in a day” as one fortunate CEO buyer recently acknowledged.

“If buyers want to pay us what we think a company is worth, brilliant. If not, then we’re not just going to roll over.”

Victory for long-term investors

While the deal still needs to be vetted by the Competition and Markets Authority – a process that could take up to nine months – Matthew believes the deal is another sign of a possible turning point for the sector.

“The result was a victory for long-term investors and a boost for the UK market”, he said. “I believe we may be at an inflection point for the sector. Investors are waking up to the opportunity that private equity houses have been cognisant of for some time. We are likely past peak yields for next generation properties benefitting from strong socio-economic mega trends, and rental growth remains robust for many property types. Now does not seem to be a sensible time to be selling quality businesses at discounted prices.

“Looking ahead, another deal on the table that has received competing offers is Warehouse REIT. Investors are faced with a similar decision: a cash offer from private equity which risks crystallising value at what may be a cyclical low, or Tritax Big Box’s proposal that keeps open the opportunity for long-term upside.”



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Disclosure

Gravis is an investor in Assura and Primary Health Properties.

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