

# Classic case of a deal in reverse

BY RICHARD MILNER

THAT REVERSE deal by British Land with Union Property Holdings certainly disconcerted speculators, who had rushed UPH shares up 3s. to 10s. 4½d. since the New Year only to discover that they had overshot the mark by 20 per cent. It did not disconcert John Ritblat, the 33-year-old estate agent turned property investor slated to become managing director of a combined group with gross assets of some £35 million and considerable development potential not confined to UPH's Classic cinemas on such prime London retail pitches as Baker Street and Chelsea's King's Road. And he has at least three good reasons.

**1** The British Land-Union Property get-together is a straight equity deal involving no "funny money" convertible loan stock to distort the earnings picture later on.

**2** Ritblat and his partner Neville Conrad were associated not only with UPH chairman Maxwell Joseph but also heavyweight institutions like Prudential Assurance, a large old shareholder in British Land which will have a 6½ per cent. stake in the enlarged equity, and Rothschilds, which bought out Oliver Jessel to secure a hefty 10 per cent. interest.

**3** Perhaps most important of all, the £35 million-worth of properties in the combined portfolio are only mortgaged to the tune of £14 to £15 million. This perhaps reflects the conservatism of the present British Land board under solicitor Jack Bridgeland, which was more concerned to preserve the stability of this veteran concern than to exert maximum leverage on profitability. Without going to the edge of the art, Ritblat could easily raise another £8 million or so to plough into acquisitions and development.

To understand what John Ritblat could do to British Land, it is necessary to consider his career and what he has done to Union Property since Joseph bought in Conrad, Ritblat plus assorted properties in July, 1969. He left school in 1952, determined to be a stockbroker but was persuaded by Dudley Samuel (doyen of the profession) to serve an apprenticeship in the estate agency of his

protégé Edward Erdman. After six formative years, Ritblat set up shop in Wigmore Street with Neville Conrad.

With the office redevelopment business still very much on the boom, Conrad, Ritblat were able to make substantial commission profits and at the same time accumulate properties—happily (at that time) offsetting interest payments against surtax. When UPH bought the agency on a £150,000 profit forecast last year, the two partners and their associates chipped in a net £790,000 worth of properties. With around 40 per cent. of the UPH equity (part bought for cash), Conrad then stuck to the agency and Ritblat branched into reorganisation.

Since then UPH has been selling off all residential property, stopped house-building and, Ritblat points out zestfully, "for the first time will maintain profits without dealing." So while UPH clings to the 100-odd cinemas, which has turned out splendidly and produced around



John Ritblat: a keen eye for quiet coups.

£600,000 gross on a book investment of only £3½ million or so with redevelopment to come, Ritblat has transformed the company from an erratically brilliant "dealer" to a keen-eyed "investor" specialising in quiet coups such as the £1.7 million purchase of Knightway House in Soho Square on a 6 per cent. yield but (currently) let at a mere 31s. 6d. per sq. ft.

With such a deal possible after the so-called property heyday, there seems every chance that combined profits could be levered up to around £1.8 million within a year to 18 months—a performance that should satisfy even the upset "bulls" of UPH.