

British Land strength reflected in its shares

Chairman and managing director of The British Land Co, John Ritblat, is widely regarded as the most skilful entrepreneur operating in today's property market. He is head and shoulders above most of his competitors, but despite the fact that he is the superior dealer in the sector, the stockmarket has in the past failed to take him seriously, and British Land's share price has until recently stubbornly failed to reflect the strength of the company.

For much of 1985 the shares appeared to be stuck below 80p despite obvious indications that the company was moving sharply ahead. The recent strength of the property sector has seen the group's share price move over the 100p level and is currently 113p, a new high, a price which compares with a low of 72p for 1983.

In December, 1983, British Land ranked sixth in the sector in terms of total property assets and eighth in terms of equity assets, yet it was only eleventh when measured by market capitalisation. At that time its shares were standing at a discount to assets of 39.1 per cent compared with a sector average of some 26.3 per cent.

Many brokers have said in the past that it was lack of dividend growth which held back the company's performance on the stockmarket, others pointed to the high level of short term debt, currently around £54m. Some analysts are also concerned that a high proportion of its portfolio is in a single building, Plantation House, London EC3. This vast office complex accounts for about one third of total property assets of the company.

It may be any or all three of these factors which have contributed to British Land's poor share price performance but I believe that there is another more fundamental reason and that is the lack of any real communication from the chairman about corporate policy.

As all who know him will confirm, Mr Ritblat is talkative enough when he had something he wants to put over or of which he is particularly pleased, but when it comes to outlining his policy for the coming months he is rarely communicative.

How can investors, or even closely attentive property analysts, understand a company which one day enters a joint venture with Comfort Hotels to build hotels, joins with former Slater Walker man, Brian Banks, by taking a 50 per cent stake in a new investment management company, Guildhall Investment Management, and then, a few days later acquires a 15 per cent stake in Dares Estates? But the company says there are commercial reasons for it.

Yet this is how Mr Ritblat has always

operated, and far from being "seat of the pants" stuff every deal is carefully analysed and no significant move is made until Mr Ritblat is entirely satisfied that it is in the best interests of shareholders.

Of course not all acquisitions turn out to be runaway successes. For example, its purchase of UK Property Co did not really live up to expectations, since the profits growth achieved in a window manufacturing subsidiary Beclawat, has been more than offset by property writedowns in the modern industrial property interests acquired, which included some 1.4m sq ft of factories and warehousing near Manchester.

In sharp contrast the group's acquisition of the Corn Exchange company in 1980 for £11m has produced some valuable capital growth. That company, with its important site in the City near Plantation House, has increased in value in terms of assets by almost £6m since it was bought.

But it is in the United States where British Land is making most progress. In November 1982, it completed the purchase of 90 Broad Street, a 330,000 sq ft office building in downtown Manhattan. The deal had been arranged in March that year at a price of \$27.5m, that was the very bottom of the New York market. Rents at that time were around \$15 per sq ft in the building but by the end of 1982 the company was obtaining rents of \$28 per sq ft, and during 1983 rents in New York's financial district have been rising fast. There are substantial reversions during 1984 and in 1985.

In his annual statement in July 1983 Mr Ritblat told shareholders that British Land had bought more shares in Growth Realty taking its stake up to 36 per cent, with warrants and conversion rights the stake could be lifted to 75 per cent of the equity.

Since then, in October 1983, Growth Realty Co has changed its name to British Land of America and it is expected that the British parent will exercise its warrants and conversions and acquire further shares in the company to the 75 per cent level. It is able to do this at the original subscription price.

Under management guidance from British Land the Growth Realty Co turned around from a loss of some \$1m (£689,500) for the quarter to September 30, 1982, to profits of \$506,864 (£347,150) for the corresponding quarter of 1983.

This return to profits was achieved by selling four apartment complexes of 1,340 units and 100,000 sq ft of offices. In addition the mortgage portfolio of Realty Growth was reorganised to maximise income and to achieve accelerated repayment wherever possible.

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John Ritblat, British Land chairman, is regarded as a skilful entrepreneur (top). The company bought 90 Broad Street in downtown Manhattan in 1982 for about \$27.5m. The office building totals 330,000 sq ft (above).