MAMMON

Landlord with the Midas touch

John Ritblat

by Lindsay Vincent

THE Monday that precedes the annual crowd of the Budget is traditionally a day when merciously naughty can shed guilt about postponing decisions.

After all, they know not what the morrow may bring. And especially this year, which proved a Budget swan-song for John Major's ex-boy-friend.

But 16 March last was not such a day for John Ritblat, head of British Land and a man widely reckoned to be one of the shrewdest rent collectors — or property developers, if you prefer — in the business. This is a view that Ritblat would heartily applaud. Modesty does not figure highly on his make-up.

Anyway, on Budget eve, Ritblat's secretary handed him the final text of a letter that he and close associates had been agonising over. It was a hint for money, and started "Dear George." Many transatlantic telephone calls followed.

"Dear George" came up trumps. Not many. Last Wednesday, George Soros, the modern Midas, formally agreed to place £250 million into a new property fund with British Land, a sum which Ritblat's company will match.

The reaction of the heedless children who mock the rights was predictable: property shares shot up. Mainland property dealers preferred to find in greater heart than they had for ages. And, since property is the bane of the financial system, bankers felt that some of the forced sales they were supplying should now be viewed in the light of this new dawn.

But this new dawn is nothing of the sort. Soros, a man whose the world knows made $1.5 billion last September on a one-way bet against sterling remaining in the European exchange rate mechanism, is merely playing the oldest investment card in the book. It is known as the counter-cyclical strategy. Or, buy in gloom, sell in boom. Soros has pinpoint this game to similar effect recently by buying a stake in Newmont Mining, America's largest gold producer, from fellow gambler Sir James Goldsmith.

Ritblat, who fell in a heap in the property crash of the 1970s but cleverly escaped buried in the rubble, is a man of similar counter-cyclical persuasion.

In the late 1980s, Ritblat was a heavy seller of properties, rightly sensing that the bankers' funds would end in tears. Lessons of the 1970s also led him to call a halt to new developments, and when others had run out of money and nerve, Ritblat stepped into the deceased market and, during the past four years, spent almost £1 billion.

Right now, Ritblat can also afford to gloat. Some recent additions to the portfolio were bought on yields of 11 per cent. Even in today's market, they could now be sold at a 6 per cent yield. Half British Land's tenants are from the public sector or companies within the FT—SE 100 Index. Nearly 90 per cent of existing leases mature by the end of the century, and are on index-linked yields, which ignore the outside market. Rent reviews and rising income is a combination that makes a rent collector blissful.

Indeed, so blissful that, on Friday, Ritblat took off for an early weekend. "My Whitsun was ruined by this deal," he says, declining to be interviewed. Ritblat is daft at doing this. Like property tycoons of old, communications to shareholders are largely limited to official statements, conversations with institutional investors, another matter.

Ritblat is not, by nature, a shy person, since he is highly visible on the moneyed circuit, patronises art, sits the London Business School and so on. He is highly popular at grand parties, where he prefers champagne to be served in silver goblets.

But Ritblat is certainly controversial within his industry. Some think him the snake in the property grass. These are generally people he has bested. Others, particularly property financiers, think he is the best thing since the late Sir Charles Clore. What is not in doubt is Ritblat's emergence over the top of the property pile.

Ritblat's general reluctance to communicate through the media could be a reflection of criticism earned in the past.

In 1989, for instance, he attempted to restructure British Land in a way which would have given him and his family a large shareholding in the company. The institutions thought the proposals out of order and told him to forget it. In 1988, the Department of Trade and Industry appointed inspectors to investigate whether Ritblat was guilty of 'insider trading' following share deals with the late Robert Holman à Court. Ritblat was cleared.

The joint venture with Soros has the hallmark of the born trader. Ritblat and other key executives at British Land — which could include his two sons — will benefit from a 10-year side-deal, if all goes well. Essentially, when the joint company is wound up in 10 years' time, a trust comprising these as yet unidentified personnel will be able to buy 4 million shares at around £3 a share.

The institutions may say this is too strong. Ahead of the meeting to approve the Soros deal, British Land says the incentive was the idea of Soros himself. 'Mike', it is explained, is buying 11 million shares for £30 million in British Land, as well as pumping £250 million into the joint venture. It is said Soros wants to ensure that British Land is not neglected to the detriment of the joint venture. Hence the trust fund and 4 million shares. Does you have it.

Ritblat, 57, was educated at Dulwich College and entered the property game as an estate agent in London's West End. General Ritblat was (and still is) the name and within four years the firm had moved towards throughout London than Healey & Baker.

"Ritblat has always been one large ahead of the market," recalls a veteran dealer. "In his early days, he would offer a freehold at what might have been a steep price. Then, when this was turned down, he would offer the under a long lease and sell the freehold to an investor. He would get a double deal out of a single."

Eventually, Ritblat, who also collects real honey from his beekeeping activities, became friendly with the late Sir Max Joseph, the man who remains the daddy of all property dealers. Joseph, who knew a bad from 100 pacas, had the confidence to merge one of his property companies into British Land.

Ritblat holds only a minority shareholding in British Land, but his wealth is prodigious. For one thing, there is General Ritblat. Further, Ritblat was long an active shareholder and art collector. Sadly, one trapping of Ritblat's riches led to the death of his first wife in 1979, who fell from an exercise jet as it came into land near Watford.

While Ritblat is on first-name terms with Soros, the two are apparently not bosom buddies. The deal is explained as a union of minds and money over property matters, and the word from British Land is that their deals will be 'big hits' rather than little forays. With borrowings, the joint company could spend up to £1 billion.

One quip that Ritblat likes as an explanation of his property vision goes as follows: "The optimist sees the doughnut, but the pessimist sees the hole."

'The optimist sees the doughnut, but the pessimist sees the hole.'/Photograph by Sue Adler