

## Companies and Deals

# Inside PSG's next big bet

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[Hilton Tarrant](#) / 2 May 2018 00:10 [11 comments](#)



PSG has entered the retirement village sector with its purchase of a stake in retirement estate developer and operator Evergreen Lifestyle. Pictured is Phase 1 of the Noordhoek development.  
Picture: Supplied

A lot was made of PSG's entry into the renewable energy space but one of its biggest initial cash investments to date, made in September, shows where its next big play is. Its PSG Alpha unit, tasked with finding new growth investments, bought a 50% stake in retirement estate developer and operator Evergreen Lifestyle for R675 million.

In presentations to investors, it has made the point that this is a "fragmented market", not dissimilar to the financial advisor space, which it continues to consolidate with its PSG Konsult business. Not only is the retirement space fragmented, the group contests that it is underserved (with many undesirable offerings).

And, this is a large and growing market in South Africa with – by its estimates – 6.8 million retirees by 2030.

Therein exists an “opportunity to establish a leading trusted national retirement brand”. Critically, notes PSG, the retirement purchase decision is based on *trust*. When announcing the transaction last year, PSG Group made the point that “Evergreen Lifestyle’s offering stretches far beyond the stereotypical old-age home with its hospital-like atmosphere and nursing-based approach to care. Instead, their offering is a hospitality-based approach, with resort-style facilities and amenities in all their villages. Evergreen Lifestyle’s fundamental values and unwavering commitment to serve the aged community will remain a key pillar going forward”.

Evergreen Lifestyle, says the group, offers the “opportunity to deploy significant amounts of capital at attractive returns”. The gross asset value of Evergreen “pre-transaction” was R1.8 billion.

The other 50% shareholder, the Amdec Group, has developed a number of flagship projects in the country, including Melrose Arch and The Yacht Club at the V&A Waterfront.

Evergreen sells life rights which, it says, “guarantees the holder a safe and secure home for the rest of their life”. This is not ownership in the true sense of the word, in that transfer duties do not apply (as they would in sectional title or freehold properties). The life right remains an asset in the retiree’s estate, while monthly operating levies do still apply.

Evergreen contends that the Life Right model is far more flexible as a purchaser is able to offer a lower amount than the actual selling price. “The difference between the price and what is actually paid is recovered by the developer when the unit is resold after the passing of the buyer.”

This means that along with profiting off a development pipeline (as well as ensuring that on an ongoing operating basis, estates/’villages’ are profitable), Evergreen could also participate in the increase in the value of the underlying assets over time.

### **Muizenberg extension in progress**



Source: PSG results presentation

Its current portfolio comprises just under 550 units across six “villages” in the Western Cape (Cape Town) and Johannesburg. In the presentation accompanying its annual results to end-February, PSG says that by the end of its next fiscal (February 2019), Evergreen Lifestyle will have 1 074 units (roughly double its current portfolio), at an average value of R2.7 million per unit.

Evergreen Lifestyle development pipeline								
	Complete	Additional						
	Dec-17	Apr-18	Feb-19	Feb-20	Feb-21	Feb-22	Feb-23	
Bergvliet	65		35					100
Muizenburg	218		43					261
Diep River	57							57
Lake Michelle	31			110				141
Broadacres	130		108					238
Noordhoek		46	204	100				350
Val de Vie			137	150	150	163		600
Westbrook				50	200	250	300	800
New dev 1				58	100	100	200	458
New dev 2				40	200	200	200	640
New dev 3				100	200	200	250	750
New dev 4				125	125	125	125	500
	501	46	527	766	975	1 038	1 075	4 895

Source: PSG Group

## Broadacres extension in progress



*Source: PSG results presentation*

Evergreen Lifestyle's stated five-year target is 12 operating villages with 5 000 life right units. These will be in "main metropolitan areas and important development nodes, most likely consisting of Cape Town, Johannesburg, Durban and Port Elizabeth", with a "gross asset value of approximately R13 billion".

PSG has previously disclosed that new villages will be built in Umhlanga (Ridgeside), Port Elizabeth (Westbrook) and the Midlands (Hilton).

The target beyond that is "more than 20 operating villages with 10 000 life right units" and a "gross asset value of more than R25 billion".

But, PSG makes the point that even 10 000 units "still represents an insignificant share of the total opportunity".