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# Turnover up 18% as Far East delivers business growth, with expansion in Korea and Macau Asia fuels Savills' 30% profit rise

Jonathan Russell

Savills recorded a bumper year in 2005, with a 30% rise in underlying profit fuelled by strong growth in its Asia and UK commercial arms.

The Far East business now generates 30% of its £374m worldwide turnover, and 20% of its £57m underlying pretax profit.

Chief executive Aubrey Adams said: "The opportunities are there in Asia. It will be easier to make bigger moves than it will be in Europe."

Adams predicted that Asia would soon be supplying 30% of company profit. During the year Savills acquired new businesses in Korea and opened an office in Macau, and Adams said it would look at opportunities in Kuala Lumpur and Vietnam.

Other growth areas included fund management business Cordea Savills, which has nearly £2bn of assets under management. Adams said the group was working on three new funds in Italy and one in Germany. Total assets under management could rise to £3bn by the end of the year.

The agency paid out £85m in bonuses in 2005, with four



Adams: "The opportunities are there in Asia. It will be easier to make big moves"

directors picking up more than £1m. These are believed to be Simon Hope, John Rigg and James Crawford in the UK; and

Randall Hall, chief executive of the China business.

Total bonuses were up 25% on last year, while total staff costs rose 19%.

Adams said: "The bonuses are basically a profit share. With profits going up you would expect bonuses to go up."

Underlying revenue for the year to 31 December grew 18% to £374m, while underlying basic earnings per share jumped 21% to 66.5p. The company proposed a final dividend of 16p, up 28%.

Oriel analyst Mark Young said: "Savills appears to be seeing good growth across all its major operations. Notably, the UK commercial investment market has never been stronger, and with Savills again taking market share we anticipate 2006 being another record year in this area."

## New partnerships in Turkey and UK

Savills is continuing to build its international networks with a new link-up in Turkey and talks for acquisitions in the UK.

The agency, which has been courting a number of London retail agencies since CB Richard Ellis's £28m purchase of Dalgleish, is in discussions with niche retail agency Blair Kirkman. It had previously looked at Douglas Stevens and had approached Lunson.

Mitchell and Churston Heard. Savills declined to comment.

It has also announced an association with Kuzey-Bati, one of Turkey's top six property advisers. The Istanbul-based practice has 14 staff and handles investment, valuation and leasing work across the whole of Turkey and the eastern Mediterranean in both the commercial and residential sectors. Its clients include CGI, Difa and Pepsi.

## Refinancing helps boost Mucklow profits by 11%

Mucklow has announced an 11% rise in interim underlying profits to £7.2m, thanks mainly to a near £2m saving on financing costs.

The company said the environment was not easy for reinvestment and it had consequently reduced its gearing, net of cash, to almost zero as it sold properties.

Chairman Rupert Mucklow said: "We have been making the most of a strong investment market by offloading property."



Mucklow: "We have been making the most of a strong market by offloading property"

We have been losing income through this; however, most of the sales have been completed.

"We would like to gear up again. We are very aggressively looking for opportunities, be they developments or investment opportunities with angles. But it is very fierce and sometimes out of our league."

The company announced a decrease in gross rental income over the six months to 31 December, from £8.6m to £7.1m, in line with disposals. It said it had not seen much rental growth over the period. Occupancy was static at 93%.

Portfolio value was up 7.4% to £244m. Mucklow said the company was looking for new investments and had a 10-acre site "in solicitors' hands".

## TCS looks for investment alternatives

Town Centre Securities is to refocus its investment strategy after being priced out of the traditional investment market.

The Leeds-based investment and development company said that it would look to build up stakes in non-traditional companies that had property assets, with a view to working together with them to unlock the assets' value.

Announcing slight increases in profit before tax and revenue for the six months to December 2005, chief executive Edward Ziff said: "On our traditional investment market, it is a little disappointing. We are effectively priced out of the market."

However, Ziff said the company would be re-entering the car park market, looking to build total spaces to around 3,000 by the end of the year. He said the company was also

in talks with companies such as McKay Securities and Braime, in which it holds a significant shareholding – 5% in McKay and 17% in Braime.

"We are in discussions to see how, mutually, we can unlock value," he said.

Without a revaluation, there was hardly any change in net assets, £204m, or total property assets, £365m.

However, Ziff said that despite the £50,000 cost of half-yearly revaluation, the company would look at it in response to shareholder pressure.

Gross revenue for the half-year was up slightly at £11.9m (from £11.7m for the same period in 2004), thanks to higher rents. Underlying profit before tax rose from £4.1m to £4.5m.

The company also bought back £2.9m of shares over the six-month period.