

# Frugal dividends for property funds

By [Alistair Anderson](#)

5 May 2017

Redefine International is unlikely to be the only listed real estate group to pay smaller dividends relative to previous years in the current results season.



© seewhatmitchsee – [123RF.com](#)

The company chose to hold back some cash for future acquisitions, taking a conservative stance in a risky and competitive environment.

Last week, the UK-based, western Europe-focused company declared a dividend of 1.3p a share for the half-year to February, down 20% from 1.625p for the six months to February a year before.

"I don't think we will be the only property fund to put measures in place to be cautious in the current market," said CE Mike Watters.

"We are currently seeing certainty return to the UK market as the Brexit process is rolled out."

Redefine International is purposefully paying out less of its income as dividends to serve its European investors.

"Overall, we see dividend growth moderating over the coming year. However, it still remains ahead of inflation and a

dependable component of return for the asset class," said Investec Asset Management portfolio manager Peter Clark.

While some property companies invested offshore may purposefully cut payouts, others could see the relative growth in their income payouts ease in this results season because of difficult environments and a slowdown in deal making.

"The slower growth is a representation of more challenging conditions in the direct market and less other financial levers that can be pulled," said Clark.

These levers included reducing interest costs, offshore investment and currency depreciation and accretive mergers and acquisitions.

Stanlib's head of listed property funds, Keillen Ndlovu, said his team was forecasting distribution growth of 7.5% over the next year for the sector.

Distribution growth was slowing, partly as a result of a stronger rand and a slowing South African economy, he said.

*Source: Business Day*

For more, visit: <https://www.bizcommunity.com>