BIZCOMMUNITY

Executives show faith in Accelerate

By Alistair Anderson

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Accelerate Property Fund's executives are backing themselves to turn the Fourways precinct-focused group around.

Chief operating officer Andrew Costa spent R9.98m on 1,865,306 shares on Friday, 14 July, at R5.3488 a share. Director of treasury John Paterson made an identical purchase.

Accelerate has disappointed a number of investors recently, with its share price falling 19.66% so far this year.

The release in June of a poor set of financial results for the year to March placed pressure on the share price. In the results release, the company said it was forecasting flat distribution growth for the financial year to March 2018.

The South African listed property index has gained 2.29% in the year to date.

"Distribution growth is expected to be flat for the year ending March 31 2018, mainly due to the expected negative income effects of the Fourways Mall redevelopment, anticipated rental assistance and tenant installations that will be required," the group said.

For the year to March 2019 the negative income effects of the development were expected to continue, which "coupled with the dilutive effect of the equalisation at completion of the development, will result in flat to marginal growth".

For the year to March 2020, distribution growth would normalise to historical levels.

The company grew its dividend 7.3% in the year to March, which was comparable to peer funds but not near double digits. Costa said at the time dividend growth would be flat for the next couple of years.

"We will need to digest various development costs over the next couple of years, after which our dividends will gain momentum again," he said.

Accelerate's local focus has been on developing the Gauteng suburb of Fourways into a business and lifestyle node that can compete with Waterfall, Sandton and Rosebank. This suburb houses the group's flagship asset, Fourways Mall.

Costa said Accelerate's Fourways assets, including the shopping mall and other buildings, would extend to 200,000m^2 by the end of 2018.

The mall is worth R2.6bn and is being doubled in size from 90,000m^2 to 170,000m^2 with a new food court anchored by a Bounce exercise store. It will be one of the largest shopping centres in Africa.

Accelerate's eastern European expansion has also struggled to gain traction.

Late in 2016, the company launched Accelerate Europe, a central and eastern European arm. It bought nine retail warehouses across Austria and Slovakia in a deal worth R1.24bn.

According to the property fund's mandate, a maximum of 25% of Accelerate's business can be offshore.

The head of listed property at Absa Asset Management, Fayyaz Mottiar, said Accelerate Europe had been disappointing.

"Their offshore assets have not impressed so far. Accelerate has been a disappointing business overall for a while," Mottiar said.

Accelerate's share price closed at R5.64 on Tuesday.

It listed at R4.94 on December 12 2013, meaning it has gained 14% over about three-and-a-half years.

Source: BDpro