Equites pays lavish dividend

By Alistair Anderson

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Equites Property Fund, which is focused on high-end logistics assets, delivered double-digit growth in dividends for the six months to August, making it one of the top-performing listed real estate groups.

Angel Shack, Waterfall City

The company achieved a 12.02% increase in half-year dividends to August, one of the few double-digit income providers in 2017. It was also included in the FTSE/JSE South African Property Index (Sapy) for the first time.

Equites CEO Andrea Taverna-Turisan said the company, which has a market capitalisation of about R8.5bn, was well positioned as a specialist industrial fund and was only facing meaningful competition from one other listed group, the R63bn Fortress Income Fund.

"Our base portfolio is very strong and is spitting out good money. Our cost of capital is very attractive and we are effectively only competing with one group that owns similar assets and attracts similar tenants - Fortress Income Fund, which is also listed," he said.

"We are able to have a crack at many major developments, especially while economic growth is weak and private industrial property groups have less liquidity and face challenges. Right now we are happy to compete with a solid operator like Fortress. We win some deals and we lose some deals to them," he said.

Equites declared a half-year distribution of 60.98c per share, which was at the upper end of its guidance of 10% to 12%. Equites is the only specialist logistics property fund listed on the JSE.

Since listing in 2014, it has increased its portfolio of industrial and mainly logistics assets in SA and the UK from R1bn to R6.8bn. It is one of the top-performing real estate investment trusts (Reits) listed on the JSE, when measured by its annualised return of 28% over the past three years.

The company diversified into the UK by focusing on premium logistics distribution centres in key nodes, built to institutional specifications and let to investment-grade tenants on longdated upward-only leases.

Equites completed three acquisitions of logistics assets, which make up 15.6% of the total portfolio by rentable area. It concluded a further agreement to acquire a distribution centre in Coventry for £41m.

The UK shift is low risk and will feed off e-retail demand, according to commentators.

"Equites has been a star performer. The company has produced a total return of 39% compared with 10% for the Sapy index for the year to date. It's a focused specialist fund " benefiting from the demand for modern logistics facilities as a consequence of e-retailing, which is expected to continue growing in SA and the UK where Equites operates," said Len van Niekerk, senior property analyst at Nedbank CIB.

Fayyaz Mottiar, head of listed property at Absa Asset Management, forecast that Equites would achieve at least 10% growth in dividends for the next five years.

Garreth Elston, of Golden Section Capital, said Equites was one of the best-managed Reits in SA. "The company's expansion in the UK has been done in a prudent manner and they have acquired very solid assets. The South African portfolio is performing well and we see ongoing demand for the company's assets and developments."

Source: Business Day