

Steadfast Arrowhead sets sights on double-digit dividend growth

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Arrowhead Properties is likely to reach about double-digit dividend income growth in the next two years, as long as political and economic shocks do not persist in SA.



Image source: www.pixabay.com

This is according to Imraan Suleman the diversified company's chief financial officer.

Arrowhead holds 60% of Indluplace Properties, its JSE-listed residential subsidiary with a market capitalisation of R2.4bn, and 55% of Gemgrow Properties.

Gemgrow is a high-yield, high-growth fund with a market capitalisation of R3.3bn. Arrowhead also owns 19% of Rebosis Property Fund as well as an 11% interest in Dipula Income Fund.

The group managed to grow its dividend per share by 6.01% in the six months to March, in line with market expectations. It declared a dividend of 43.24c per share.

Suleman said the company had managed to perform in a tough market. Revenue rose to R959m, from R743m in the

previous comparable period.

Arrowhead's portfolio of 51 retail, industrial and office properties is valued at R5.6bn, with an average value per property of R111m as at March 31, more than double the average of R49m at the financial year ended September 2016.

The substantial growth in revenue was due to the Gemgrow transaction concluded during the period under review as well as annual escalations to existing leases.

"Acquisition opportunities have been limited due to the current macroeconomic environment," Suleman said. "The economic conditions also impacted the ability to implement acquisitions due to a misalignment of pricing expectations between vendors and acquirers."

Suleman added: "We have, however, found that the gap between vendors and acquirers has recently been narrowing, resulting in funding costs moving in the right direction. This has resulted in a potential acquisition pipeline particularly in Indluplace and Gemgrow."

Lungile Luvuno, property analyst at Old Mutual's MacroSolutions boutique, said Arrowhead had achieved steady results, which were in keeping with expectations, and guided 6%-8% dividend per share growth. However, "the like-for-like growth was slightly disappointing at 3.28%," Luvuno said.

Arrowhead had warned investors that a number of tenants had left its office building at 1 Sturdee Avenue in Rosebank, Johannesburg. It decided to move its head office, along with Gemgrow and Indluplace's, to the building. The company was also set to sign up a new tenant to take up about 6,000m of 1 Sturdee in the next few weeks.

"Arrowhead is well diversified by sector and province, which we are optimistic will work to their advantage. We see drivers for growth," Luvuno said.

Source: BDpro

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