

Balwin shows payout spurt

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17 May 2017

Balwin Properties, a sectional title unit developer, is on track to continue providing investors with strong dividend growth for some time, having grown its payouts 48% in the year to February, according to CEO Stephen Brookes.



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The group that listed in 2015 has expanded rapidly over the past financial year, with revenue up 30% to R2.7bn and profit after tax rising 18% to R661m.

Its dividend growth looks set to place it among the highest income payers in the listed property sector during this results season.

Stanlib's listed property team have forecast 7.5% dividend growth for the listed property sector in 2017, down from double-digit income returns in previous years.

"We have delivered an excellent performance underpinned by our high-quality, affordable product offering coupled with exceptional project cost management," said Brookes.

"The fact that we operate in diverse locations across high density urban nodes ensures the sustainability of our business and ability to create shareholder value," Brookes said.

The group had focused on developing and selling units but was also looking to create a rental business. Balwin had 13 developments under construction during the period.

In line with its forecast it had sold 2,711 apartments at an average price of R995,000 per unit.

Its units tend to be designed for young professionals and people seeking a "lock-up-and-go" lifestyle.

The group's gross margin remained on target at 37% despite an increase in construction-related costs.

Brookes said Balwin was differentiated from other JSE-listed property companies and real estate investment trusts "as its business strategy is underpinned by generating profits through the development and sale of large-scale residential estates".

These estates averaged in size between 500 and 1,000 units. Two and three-bedroom apartments ranged in size from 45m² to 120m².

Greenstone Crest in Johannesburg East and De Velde, Balwin's first development in the Western Cape, sold out during the period.

Balwin launched six new developments during the financial year, namely Malakite and Amsterdam in Johannesburg, Grove Lane and the Blyde in Pretoria, the Sandown in the Western Cape and the Polo Fields, Balwin's first development in Waterfall.

Brookes said presales at Westlake and The Sandown had reached over 25 and 30 apartments a month respectively.

The Polo Fields, which was launched in February, achieved over 300 presales.

The first phase was expected to be handed over in August.

Post year end, Balwin launched the Whisken in Johannesburg North and Kikuyu, Balwin's first development in Waterfall Fields.

Balwin's share price ended 2.92% higher on Monday, 15 May, but 8.30% down year to date.

Property development companies have been perceived as being riskier than income payers in SA's slow-growing economy. Meago Asset Management executive director Jay Padayatchi said it was difficult to quantify the development risk.

Balwin's policy is to reinvest 70% of its after-tax profit into the business to support development growth, with the remaining 30% of profits distributed to shareholders.

A gross dividend of 31c per share was declared, bringing the total dividend for the year to 42c per share.

Source: Business Day