

Delta rises above investor trepidation

By [Alistair Anderson](#)

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Despite some investors' negative perceptions about having a sovereign-underpinned landlord, Delta Property Fund said it remained focused on owning and being the best manager of state-tenanted assets in SA.



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The group increased its distributions 7.1% in the six months to August and sold some of its underperforming non-government tenanted assets.

"These results are indicative of our ongoing focus on doing the basics right. During the reporting period, we successfully reduced Delta's loan-to-value ratio to 41% from 47.2% at year-end; we settled or refinanced R832m of debt and managed to renew leases to the extent of almost 60,000m²," said CEO Sandile Nomvete.

The results were well-received by the market, with Delta's share price closing 2.29% higher on Thursday, 27 October.

Grindrod Asset Management chief investment officer Ian Anderson said Delta had beaten expectations. "We were very happy with the Delta results, which were slightly ahead of our expectations and certainly don't warrant the company trading on a forward yield in excess of 13.5%. The company has reduced gearing through selling non-core properties," Anderson said.

"Like-for-like net property income growth of 5.1% is extremely commendable, given the weak fundamentals in the [South African] office market and highlights Delta's more defensive qualities relative to other office landlords," he said.

Some institutions have disliked Delta's preference for government tenants, who are seen to pay too slowly and to be unwilling to agree to market rentals. The negative market perception had left Delta trading at a large discount to net asset value.

Delta's property portfolio as at the end of August was valued at R11.4bn including non-current assets held for sale, and consists of 115 properties.

The company also has a 23.9% holding, valued at R459m, in Mara Delta Property Holdings, which brings the overall investment portfolio to R11.8bn.

Source: Business Day

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