Rebosis on the defensive to ride out storm

By Alistair Anderson

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Retail-focused real estate investment trust Rebosis Property Fund is well positioned to excel in a low-growth economy, says its chief operating officer Andile Mazwai.

Speaking on the sidelines of the function for the release of its financial results for the six months to February, Mazwai said the company had managed to build a defensive portfolio of shopping centres and state-tenanted offices that enabled it to achieve 7% dividend growth.

Rebosis concluded a transaction valued at R5bn, acquiring two large regional malls - Baywest Mall in Port Elizabeth and Forest Hill in Pretoria - and internalised its asset and property management entities.

The group declared a dividend of 60.08c per share for the period that reflected 7.07% dividend growth. This was in line with the 7%-9% guidance expected for the financial year.

Total distributable income increased 32.7% to R389m from R293m. Following various acquisitions, assets under management rose 51% from R11.8bn to R17.9bn.

Rebosis' retail portfolio makes up 62% of its South African assets and consists of six shopping malls.

"We saw strong retail performance despite a depressed retail sales environment.

"This performance was largely led by Baywest Mall, which held the highest trading density growth at 11.6%, and Bloed Street Mall."

Retail vacancies were reduced to 1.5%, Mazwai said.

Rebosis' office portfolio consists of 14 buildings, mainly single-tenanted buildings let to the Department of Public Works that have provided average escalations of 8.2%.

CEO Sisa Ngebulana said Rebosis had taken steps to safeguard itself against risks associated with weak consumer confidence and a sluggish economy.

"We achieved exciting growth in total assets and income during the six-month period. We were also able to hedge 100% of our debt and extend debt maturity profiles to mitigate potential risks that arise as a result of a market downgrade and low economic growth. To have achieved a 38% increase in net property income while reducing overall vacancies to 2.4% bears testament to our defensive office-sovereign underpin and the dominant retail strength in the portfolio, which we believe will continue to perform well in a sluggish economic environment."

Garreth Elston of Golden Section Capital said Rebosis' strong management had put it on a positive track.

"Rebosis has made substantial progress on advancing the business. This set of interim results is a solid indication that the company is on the right track. Having 62.3% of the portfolio in retail assets and 36.6% in government-tenanted offices, plus 100% of its debt fixed does result in a very defensive portfolio that should see the company weather the current economic uncertainty.

"The only area we are a little concerned about is the company's present loan-to-value (LTV) ratio of 41.8% as we believe it is tending towards the higher end, but the company does have several properties up for sale which if concluded should see the LTV ratio come down to a more prudent level," he said.

Source: Business Day