Cautious approach leads to Gemgrow meeting its forecasts

By Alistair Anderson

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JSE-listed Gemgrow Properties remains focused on its core portfolio even as it remains actively pursuing yield enhancing acquisitions.

In its maiden full-year results on Thursday, 16 November, the company declared a dividend of 26.09c per A share and 19c per B share for the quarter ended September. This brings the total dividend for the full year to 101.87c per A share and 73.51c per B share, and is in line with the forecast in the circular posted to shareholders in September 2016.

Alon Kirkel, the chief operating officer of the specialist high-yielding, high-growth real estate investment trust, said the company had to be very cautious and turned down various possible acquisitions in the reporting period.

"Often sellers' prices have been unrealistic. We have looked at deals that would amount to billions, as the economic environment is tough and challenging. We prefer to be extra patient," he said.

"We are pleased to announce meeting our forecast, as per the circular, during this reporting period," said Kirkel. "We have successfully integrated the assets acquired from Vukile and Arrowhead." Gemgrow owns a portfolio of 129 retail, industrial and office properties valued at R4.5bn, located across all provinces.

The portfolio comprises 14% retail, 37% office and 49% industrial assets as measured by gross lettable area. The average value per property as at September 30 2017 was R34.6m.

During the period under review Gemgrow acquired properties to the value of R580m at a yield of 11.85%. The transfer of these properties will be effective in the new financial year.

"Gemgrow is uniquely positioned to consolidate high-yielding assets in the market through yield accretive acquisitions on a fair value basis," said Junaid Limalia, the company's chief financial officer.

Vacancies marginally fell from 7.73% to 7.71%; with retail at 5.77%, industrial at 6.18% and office at 10.51%.

Gemgrow has a low loan-to-value of 20.65%.

"Our forward fixing of all the aforementioned transactions, has resulted in 94% of total debt being fixed from November 15 2017", Kirkel said.

"The dividend growth from our current portfolio, including concluded acquisitions, is expected to be between 7% and 9% on the B share, for the 2018 financial year."

Source: BDpro