Capital & Regional looks to dividend growth of 8%

By Alistair Anderson

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UK property owner Capital & Regional's management says it expects to achieve dividend growth of nearly 8% in its financial year to December, as the group benefits from a strengthening consumer.

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The UK-focused community shopping centre real estate investment trust released a trading update in which it said its passing rent was £61.1m at the end of November, up £1.2m, or 2%, compared with the end of June. Passing rent is rent payable at a particular point in time.

The opening of major new stores for German discount supermarket chain Lidl and The Gym Group in Walthamstow, as well as the Travelodge at Wood Green, a district of north London, contributed to the rental improvement.

Strong momentum in letting activity generated in the first half of the year had continued since June 30, the company said. In the five months to November 30, there were 15 new lettings and 18 lease renewals totalling £1.9m in contracted income, at a combined premium to estimated rental value of 7.1%. Total occupancy increased to 96.6% at November 30 from 95.5% at the end of June.

Footfall was flat across its shopping centres in the 21 weeks since the half year, rising 0.2%, but it outperformed the national index, which fell 2.7%.

Management reiterated its guidance for dividend growth for the December 2017 financial year of between 5% and 8%.

"In the short period since joining Capital & Regional in June 2017, the team and I have carried out a detailed review of the business, including the important role that our community shopping centres play in the rapidly evolving retail market place," said recently appointed CEO Lawrence Hutchings.

"A crucial part of this process has been the direct engagement we have undertaken with a wide-ranging group of stakeholders, including members of the local communities that our centres serve, together with in-depth external research," Hutchings said.

Capital & Regional is streamlining its cost structure, which has led the company to target annualised savings of at least £1.8m by 2018.

Source: Business Day