

# SA REIT sector to focus on improved governance in 2019

According to Wynand Smit, real estate analyst at Anchor Stockbrokers, "The performance of SA REITs in the coming year will be influenced by improving levels of confidence in the listed property sector."



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The sector's positive performance prospects signal double-digit growth in returns to investors, which should be around the sector's historical annualised 10-year total return of 14%. Smit notes that improved confidence levels "will depend on the steps taken by individual companies but, more importantly, steps taken by all stakeholders and relevant industry bodies such as the SA REIT Association."

Since its inception in 2013, when REIT legislation was introduced in South Africa, the SA REIT Association (SA REIT) has prioritised driving transparent, clear and comparable financial reporting for the sector.

## Best Practice Recommendations

SA REIT is currently updating its Best Practice Recommendations (BPR), which it first published in 2016. The SA REIT BPR was driven by the sector as most of the metrics that REITs are measured by aren't strictly governed by IFRS. So, the BPR is intended to reduce divergence in reporting implementation among sector counters.

The association has resolved to revise its BPR with an even more vigorous focus on consistency and transparency in the financial reporting of REITs. The updated BPR will reflect new accounting and regulatory issues, address issues raised by asset managers and integrate changes proposed by key industry stakeholders.

Smit points out that there is a big focus on sustainable earnings in the sector, saying, "Investors have voiced their preference for clean, sustainable earnings." Naturally, transparent reporting ensures that a REIT's sources of income are clearly stated. SA REIT expects to share its progress with the market in this regard early in 2019.

Andrea Taverna-Turisan, SA REIT marketing committee chairman, says, "The time is right to take the next step and issue more robust guidance for REITs. Our members want investors and stakeholders to be confident in the consistency of reporting from the sector. Overall, the REIT sector has established a track record of transparency and trust, and we want to reinforce this in the market. We are putting the sector on the best footing for best practice as it enters 2019."

## 'REITs a good investment in 2019'

Catalyst Fund Managers expects 2019 to stand out from the past year because of the big focus on improving governance in the sector.

Mvula Seroto of Catalyst goes as far as saying improved corporate governance will make REITs a good investment in 2019. He adds, "The sector is still impacted by the allegations against Resilient and affiliated companies. They currently make up roughly 27% of the SA Listed Property Index. A positive outcome from the pending Financial Sector Conduct Authority (FSCA) investigation into the Resilient group of companies would be welcomed."

Besides an improved focus on governance in the sector and its positive performance outlook in 2019, factors that market commentators believe will make SA REITs appealing investments in the year ahead include the sector's historically high yields and the good value to be found in the share prices of many REITs.

The SA REIT Association represents South Africa's R330bn-listed REIT sector.



SA REIT marketing committee chairman Andrea Taverna-Turisan

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