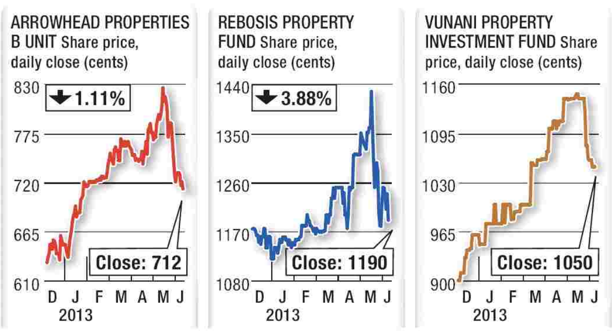
BUSINESS DAY, Companies & Markets
13 Jun 2013, p.11

JSE property firms adding to portfolios

Recent listings have grown their distributions 10% and more

NEW LISTINGS BEAT EXPECTATIONS



Graphic: RUBY-GAY Source: I-NET BRIDGE

NICK HEDLEY
Staff Writer

THE JSE's newest property listings have generally met or exceeded market expectations and most have substantially grown their portfolios, although analysts say opportunities for yield-enhancing deals have grown scarcer.

The wave of new listings has brought with it a number of black economic empowerment funds, which have a strong focus on government tenants.

Property listings since early 2011 include Arrowhead Properties, Rebosis Property Fund, Vunani Property Investment Fund and Delta Property Fund. Others were Dipula Income Fund, Synergy Income Fund, Ascension Properties, Investec Property Fund and Annuity Properties.

There have also been funds with primary listings overseas that have recently obtained secondary listings on the JSE's AltX. These include GoGlobal Properties, Osiris Properties and Rockcastle Global Real Estate Company.

Grindrod Asset Management chief investment officer Ian Anderson said yesterday that delivery on distributional income growth expectations was "the true measure of management's ability — not the share price".

The new listings "have at least met and in most instances exceeded investor expectations in terms of their distribution growth delivery", which was mostly at double-digit rates and "significantly higher than the market".

Many of the new listings have recently reported distribution growth well above 10%, while others are forecasting figures for coming reporting periods to be as high as 20%.

Mr Anderson said the smaller listings partially missed last year's property rally because of their illiquidity and size.

But they had performed well amid the listed property sector's price decline over the past month. This was again partly because of their illiquid nature, but also because they had exceeded or were expected to beat their initial distribution growth forecasts. Combined with higher than average yields, this had "made them relatively more attractive".

A critical component of their portfolio growth had been "the opportunity to do yield-enhancing transactions — which may not be as readily available now", Mr Anderson said.

These new listings had grown rapidly, but they were still "miles off" being a size where their shares were liquid. He said their shares were "fairly tightly held" by a few investors.

These companies were mainly held by specialist property investors who wanted long-term property exposure and intended to hold on to these stocks.

The larger more liquid companies' investor base included more fund managers "who will move in and out of property as they see fit".

Alternative Real Estate fund manager Maurice Shapiro said the sector's new listings had generally performed "in line with expectations". Most investors who subscribed to the shares of companies such as Dipula and Synergy at listing had held them tightly, making the stocks illiquid.

However, after at least one reporting period, and after delivering on growth targets, the companies undertook second capital raisings that improved investor interest.

"Investors like to see that they have done what they promised, (but) given their size, liquidity is still an issue," Mr Shapiro said.

The declining interest rate environment had spurred these companies' growth, and it was likely to become more difficult to maintain fast portfolio growth, which could see some of these companies merging.

Ascension executive director Shaun Rai said the market had become "a lot more competitive", with new listings "hungry to grow their businesses".

Ascension had been fortunate to list when it did and fortunate in "getting to this critical mass in the time frame that we have".

hedleyn@bdfm.co.za

Trading game: page 12