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Dipula expect retail property to outperform again in 2014

Retail property is expected to deliver better results to investors in 2014 with offices being the weakest commercial property subsectors this year, according to Dipula Income Fund CEO Izak Petersen.

"The office sector will continue to experience more pressure than other sectors in 2014," says Petersen. "While we've seen a fair amount of leasing in the office sector, most comes from relocating tenants and not new businesses."

He notes that businesses in all sectors will come under pressure from rising costs.

"Sustained economic challenges will make the year difficult. Tenants are likely to come under the most strain from increases in municipal costs and electricity," says Petersen.

Property owners are responding to the pressures their tenants face by finding ways to make their buildings more efficient and drawing on alternative energy and water sources, reducing running costs.

Petersen says the market can expect an active listed property sector in 2014.

"Despite the expected challenges listed property should still deliver a relatively good return compared to other asset classes, so it remains a compelling investment case," says Petersen

"Investments into foreign funds and assets by South African listed property funds, tenant-driven developments, sector consolidation, the trade of private portfolios and transactions between listed and unlisted funds are all likely to features in the sector this year."

A fair amount of new property development will come on stream in 2014, mostly in urban areas. However, Petersen notes there'll be some rural retail development.

"With low levels of investment property stock in the market, and relatively low capital available, listed property companies are expected to consider mergers and acquisitions as a means for growth." says Petersen.

Dipula is a SA REIT (Real Estate Investment Trust) and has one of the highest BEE ratings in the sector. Dipula's asset base comprises a growing portfolio of 181 commercial properties spanning some 577,340sqm of gross lettable area valued at more than R4bn.

Its portfolio is geographically diverse across all of South Africa's provinces, with more than 70% of Dipula's portfolio is concentrated in South Africa's most economically productive province of Gauteng. It inclines towards retail property at more than 50% by rentable area of its portfolio, which also includes office and industrial property assets.

South African retail property has outperformed all other property subsectors in recent years and this has served Dipula well. "Retail should perform well again in 2014. General warehousing should also produce relatively strong performance," says Petersen.

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