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SECTORS

Shares gather pace

Impressive total returns restore faith in the sector

Listed property's substantial 36% total return for 2012, ahead of the 27% achieved by the JSE all share index (Alsi), prompted some analysts to downgrade their recommendations on the sector for 2013.

Back in January, the general view was that property stocks were looking expensive and any expectation of a repeat of the previous stellar performance would therefore be unrealistic. So total return forecasts for 2013 ranged from a rather pedestrian 8% to 14%.

But over the past few months property share prices have continued to gather pace, suggesting that analysts were perhaps too cautious. Paul Duncan, investment manager of Cape-based Catalyst Fund Managers, says listed property has already achieved a total return of just more than 9% for the first three months of 2013. That compares to 2,48% for general equities (Alsi), 0,91% for bonds and 1,21% for cash over the same time.

Ongoing demand for property scrip has led to a significant widening of the performance gap between listed property and general equities over a longer 12-month period, with listed property now well ahead of the Alsi in the total return stakes for the year to March — 37,28% versus 22,47%. Duncan notes that bonds and cash are trailing behind, with total returns of 14,38% and 5,37% respectively.

Though the continued run in property share prices comes partly as a result of lower bond yields, money flow into property stocks has no doubt also been supported by the ongoing search for income and plenty of excitement on the corporate action front.

Last year, more than R11bn was raised in new equity through various big-ticket mergers, acquisitions and new listings. The latter included Sandile Nomvete's Delta Property Fund, Cape Empowerment Trust's Ascension Properties, Annuity Property Fund and the Resilient group's offshore play Rockcastle.

The number of property companies making their JSE debut since April 2011 now stands at no fewer than 11. The sector's market cap has surged more than 60% over the same time to about R230bn currently.

But not all listed property investors made good money over the past year. In fact, Catalyst figures show that the performance gap between the sector's 34 counters has grown substantially. Duncan notes that Dipula Income Fund (B units) took top honours, with a total return of 102,21%, while Delta managed only 1,22%. But the latter only listed in October last year so it's not really a fair comparison.

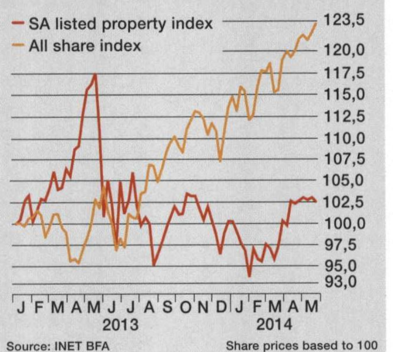
Though offshore property play Redefine International, which has exposure to the UK, Germany and Australian property markets, was the second-worst performer over the year to March, the fund still managed an inflation-beating 11,65% total return. Others at the bottom of the log include another two 2012 listings — Annuity Properties (14,69%) and Cape Empowerment spin-off Ascension Properties (A units at 18,31%).

The five best performers for the year to March (besides Dipula B) are headed by the Resilient group's Romanian-focused property play New Europe Property Investments, with a total return of 88,68%. Investec Property Fund, founded by industry stalwarts Sam Leon and Sam Hackner in 2011, achieved a total return of 66,74%. Hotel niche fund Hospitality Property Fund staged a strong recovery from a very low base. Its A and B units notched up a total return of 60,26% and 67,8% respectively.

In recent months, the share prices of sector heavyweights Growthpoint Properties and Redefine Properties were supported by the ongoing bidding war for Fountainhead Property Trust's R10bn shopping centre portfolio. The proposed takeover of Fountainhead's assets recently ended in a stalemate.

But other big-ticket deals have been concluded successfully, most notably that of

PROPERTY



Source: INET BFA
Share prices based to 100