

## Listed property sector regains ground

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South Africa's listed property sector surged 8.2% during the week that ended on 28 June 2013, on the back of lower bond yields, a stronger Rand and some quarter-end window dressing.

The increase in prices equated to a 54 basis points reduction in the one year forward yield to 6.6%. The largest, most liquid listed property companies enjoyed the biggest percentage gains, with Redefine Properties (+13.8%) leading the way.

Fountainhead Property Trust (+12.2%), Hyprop Investments (+8.3%) and Growthpoint Properties (+8.2%) also posted impressive gains over the week. As a result of last week's price action, the sector is up 8.8% in 2013, outperforming both the equity (+2.3%) and bond (-1.4) markets.

During the week, a number of companies announced that the JSE Limited had approved their application for Real Estate Investment Trust (REIT) status, including Vividend Income Fund, Vunani Property Investment Fund, Hyprop Investments and Ascension Properties.

Vukile Property Fund announced that 19.73% of linked unitholders had elected to reinvest their distribution, allowing Vukile to effectively raise R66.4m of new equity capital. The participation rate was low, but not unexpected given that the market price of Vukile was substantially below the reinvestment price at the time unitholders were required to make their election.

Synergy Income Fund announced the appointment of Anton Raubenheimer as Financial Director with effect from 1 August 2013. Anton was previously the Managing Director of Fountainhead Property Trust and has spent the last seven years in senior positions within the property sector, most recently as managing director of Retail Africa Asset Management.

Emira Property Fund announced that it has entered into a repurchase programme to repurchase up to R75 million participatory interests during its closed period, which commenced on 1 July 2013 and ends on 20 August 2013 when Emira will release its results.

Vunani Property Investment Fund provided investors with a market update, as well as guidance for the company's 2014 financial year. According to management, distributions are expected to increase by approximately 12% in 2014. This would place Vunani on a clean, one year forward yield of approximately 8.6%, with double-digit annual distribution growth forecast over the next two to three years.

Dipula Income Fund announced that Rural Maintenance (Pty) Ltd, which previously supplied electricity management services to the Dipula Trust, has launched arbitration proceedings against Dipula and is claiming an amount of approximately R50 million. The company said it had obtained legal advice and is satisfied that the claims are unfounded and without merit and, accordingly, there is no need for unitholders to exercise caution when dealing in the company's linked units.

Growthpoint Properties announced that the Growthpoint Staff Incentive Scheme and Growthpoint Management Services had repurchased 16.5 million Growthpoint linked units for an aggregate purchase

consideration of R354.75 million. The average purchase price represents a significant discount to the current ruling price. A total of 8.5 million units were purchased by Growthpoint Management Services. Growthpoint will use these to structure a new staff incentive scheme which aims to incentivise and retain Growthpoint staff over the longer term.

The current one-year forward yield has declined to 6.6% and is now approximately 110 basis points below the yield on a 10-year government bond. This provides little downside protection for investors should bond yields start rising again. However, there is a number of listed property companies trading on one-year forward yields in excess of the 10-year government bond yield, suggesting there is still selective value in the sector. Short-term price volatility is likely to persist until there is more clarity from the US Federal Reserve on how they intend to exit the stimulus programmes introduced since the credit crisis.

**Top 5 performers for the week ended 28 June 2013**

Redefine	13.77%
Fountainhead	12.20%
SA Corporate	11.30%
Emira	11.23%
Hyprop	8.33%

*Source: Grindrod Asset Management*

**Bottom 5 performers for the week ended 28 June 2013**

NEPI	-1.63%
Delta Prop	-1.69%
Annuity	-3.28%
Hospitality B	-5.45%
Synergy B	-8.54%

*Source: Grindrod Asset Management*