

Tower Property Fund seeks a rerating

Tower Property Fund could receive a rerating this year and raise capital as the junior property stock looks to stabilise its Croatian portfolio and complete developments in Cape Town.



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CEO Marc Edwards, who was speaking after the release of financial results for the six months to November, said the company was in its best position in a year, having navigated a barrage of challenges here and abroad.

The company, which owns a R5.1bn portfolio across SA and Croatia, increased its distribution to shareholders 6% to 40.7c per share in a challenging but slowly improving operating environment in the six months to November, said Edwards.

As much as 70% of Tower's assets by value are in SA and 30% in Croatia. In SA, the properties are split by value: Gauteng 29%; the Western Cape 31%; and KwaZulu-Natal 10%.

The total distribution for the reporting period was R138m.

"Last year, we retained 96% of the tenants across our portfolio amid weak economic conditions. We have implemented a number of short-term initiatives, which should positively affect the returns and strengthen the financial position of the company," the CEO said.

These included the ring-fencing of Tower's Croatian properties into a subsidiary called Tower International, raising additional external equity capital to fund Tower International and the completion of the Piazza and Napier street developments at Cape Quarter in Cape Town.

These projects would create a substantial cash injection into Tower and strengthen the company's financial position.

"Once we have completed these projects, I believe Tower will be rerated and we will be able to raise substantial capital. We need to grow our market cap but not for the sake of growth.

"The growth needs to be sustainable. There is appetite for us to acquire properties in exchange for shares in Tower which will help us achieve this," said Edwards.

Bridge Fund Managers investment analyst Richard Henwood said Tower's results showed the company was meeting its objectives. "The Tower Property Fund management team have performed admirably in a tough economic environment, both in SA and Croatia," said Henwood.

Tower had held talks with Agrokor, the parent group of its main retail tenant in Croatia, Konzum. Agrokor went into administration last year and struggled to make rent.

"In Croatia, the team successfully negotiated with - Agrokor to ensure the tenant remains committed to paying contracted rentals. The team has also secured an agreement with Spar Hrvatska, which helps secure current rentals and future cash flows from their Croatian retail assets for the next three years," said Henwood.

Source: Business Day

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