

UK expansion helps double Rebosis growth

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Rebosis Property Fund has grown assets under management by a hefty 50% to R11.8bn in the six months to February, thanks to a push into the UK property market.



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Most of the growth came from the counter's entry into the UK retail property market through AltX-listed New Frontier Properties. Rebosis owns a 67.5% stake in New Frontier, valued at about R2.6bn, which delivered a total return of 22.7% in the interim period.

New Frontier has acquired three shopping centres, valued at £291m in the UK since it entered that market about a year ago. The centres, all between 30,000m² and 40,000m² in area, are located in Blackpool, Burton-on-Trent and Middlesbrough.

Rebosis was listed in mid-2013 by lawyer-turned-developer Sisa Ngebulana to become the JSE's first substantially black-owned and managed property fund. The fund owns Hemingways Mall and Mdantsane City in East London, Sunnypark shopping centre in Pretoria, and a sizeable government-tenanted office portfolio.

Management declared on Thursday dividend growth of 8.26% for the interim period, in line with forecasts and the sector average.

While Rebosis has underperformed the South African listed property sector in terms of share price growth in the past 18 months, it appears investors approve of the company's UK expansion strategy, given the 15% share price recovery year to date.

However, Rebosis is still trading at a forward yield exceeding 10%, which represents a large discount to the sector average of about 7.2%.

On Thursday, Ngebulana ascribed the counter's relatively lower market rating to, among others, lingering scepticism towards the fund's 44% exposure to offices including a 59% stake in office-focused Ascension Properties, of which a big chunk is let to government tenants. Ngebulana said the market did not seem fully to appreciate that Rebosis had built good relationships with the government over many years.

As a result, the fund's government-tenanted office portfolio posed a low risk in terms of bad debt and rental arrears provisions, he said.

"In fact, we have never had problems with late or nonpayment by government tenants," he said.

Ngebulana said the intention was nevertheless to bulk up Rebosis's exposure to the retail sector to hike the retail weighting from 55% to 80% of assets.

Rebosis has first right of refusal to new shopping centres developed by Ngebulana's Billion Group, which includes the recently opened Baywest Mall in Port Elizabeth, at 90,000m² one of the largest malls built in SA since the mid-2000s, and Forest Hill (76,000m²) in Centurion.

Meago Asset Managers director Jay Padayatchi said Thursday's results reflected a solid performance from the company's underlying assets. "Vacancies have improved considerably in the interim period, with the office subsector showing the most significant improvement. At 1.7%, the office vacancy has to be among the lowest in the sector."

Padayatchi said while Rebosis's shopping centres had seen an uptick in vacancies, trading densities (turnover per square metre) recorded impressive growth, at an average of 15% across the portfolio, which was well above the market average.

"Rebosis is well-priced at current levels of around R11.20, while the rand-hedge component through New Frontier provides an attractive underpin for future earnings."

Source: Business Day

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