

Hyprop hard at work to regain past glory

By [Alistair Anderson](#)

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Hyprop Investments has taken steps to regain its status as one of the most reliable dividend-paying and capital growth-generating listed real estate investments in 2018, having managed tenant churn over the past few months.



Delta City Belgrade

The high-end shopping mall owner has filled the space vacated by Stuttafords, which folded in 2017. Its plans to list its east European portfolio are also gaining momentum.

CEO Pieter Prinsloo said the real estate investment trust (Reit) could be primed for a turnaround after a tough 2017.

The stock's total return including dividends was only 5.92% for 2017. This was while the listed property sector's return was 16.18%. The Hyprop share price fell 1.58% in 2017, having recovered towards the end of the year after dropping nearly 20% by the middle of October. Cyril Ramaphosa's ANC presidency victory did result in most property stock prices climbing in December.

Property analysts said the pressure on Hyprop's share price reflected tough trading conditions in SA's retail market in 2017 and included a lack of consumer confidence.

"The company's share price also came under pressure last year on concerns over the impact of the upcoming listing of its

south-eastern European assets," said Naeem Tilly of Catalyst Fund Managers.

Hyprop has been a market darling for some years, regularly delivering double-digit distribution growth from its impressive portfolio of malls that include The Mall of Rosebank, Clearwater Mall, Canal Walk, Somerset Mall, The Glen and Hyde Park Corner.

The demise of Stuttafords, after 159 years of trading in SA also meant Hyprop lost one of its long-standing tenants at the end of July 2017. Since then Hyprop managed within mere months to eliminate nearly all of the vacancies left by the group. Tilly said Hyprop's management had tackled the space vacated by Stuttafords in various ways at each shopping centre.

"At Canal Walk, the entire 4,628m² has been let to H&M and began trading in November 2017. At the Rosebank Mall, the Stuttafords space has been let to various tenants. The front-facing shopfronts would be occupied by line stores, while the back has been let to Standard Bank, which relocated from Cradock Heights," he said.

Fabiani and Le Creuset also filled old Stuttafords space in the Rosebank Mall. Edgars gave back 1,000m², which was used in this reconfiguration. "This was a joint decision as Edgars were concerned with the amount of space it occupied and the performance of the store," said Tilly.

At Clearwater Mall about 2,003m² was taken up by Mr Price and Mr Price Sport. Mr Price relocated and its existing store was let to Toys R Us. Mr Price Sport was new to the centre. Prinsloo said overall rental levels achieved on new leases were in line with Stuttafords rentals and that his team had worked effectively in a short space of time.

"We worked very hard to fill the space left by Stuttafords quickly," he said. Subdividing the space in Rosebank made it easier to lease. River Island also exited SA, but Edcon replaced that with other brands.

"It's pleasing that vacated stores have been replaced by good tenants relatively quickly across our portfolio."

Prinsloo said Hyprop's plans to list its eastern European assets separately were on track.

As much as 10% of Hyprop's assets are exposed to south-eastern Europe, through a co-investment with PDI Investment in UK-based Hystead. Peter Clark, a portfolio manager at Investec Asset Management, sounded a cautionary tone, saying South African investors were yet to experience a bear market in eastern Europe. He said Hystead had only recently made the acquisitions in the region and it would take time to assess their quality.

Source: Business Day

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