# Fairvest distribution surpasses forecast

By Alistair Anderson

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Fairvest, which specialises in shopping centres near taxi ranks and in rural areas, has added four properties to its mix in the year to June, in a bid to substantially grow its property portfolio.

The listed property company, which beat its own market guidance with a 30% increase in its distributions to 13.72c per linked unit for the year to June, said yesterday, 8 September 2014, it was focusing on adding value to its existing portfolio, as well as buying attractive properties.

CEO Darren Wilder said: "We are pleased with the progress we made in the past year with extracting value from the current property portfolio and the addition of four attractive properties to sustain value creation in future."

Fairvest, which has a market capitalisation of about R739m, owns and manages a portfolio of 32 properties, with 125,520m² worth of lettable area valued at R1.1bn.

The group's strategy is to build a retail-focused property fund with properties in non-metropolitan shopping centres. It invests in centres in high-growth nodes close to commuter nodes.

Fairvest's vacancies fell from 9% to 7% during the period under review, despite a 24.8% increase in the lettable area of the portfolio.

Wilder said the group would sell one of its vacant properties. This would further reduce vacancies to 4.6% of the portfolio.

Rental activity was positive, with a 7.8% escalation achieved on renewals and tenant retention for the year of 81.7%.

The interest bearing debt to asset ratio was low at 20.1%, with targeted gearing levels of 35% to 40%.

Wilder said this provided ample flexibility to take advantage of attractive acquisition opportunities.

At the end of June, 46.2% of the debt was fixed, with the intention of increasing this percentage to 70% through careful acquisitions.

Wilder said strong fundamentals meant Fairvest would perform well in the next financial year. "The group's specific focus provides unique access to the underdeveloped and high-growth, lower LSM (living standards measure) consumer market. A portfolio of highgrade national and regional anchor tenants, strong tenant retention and healthy renewal escalations bode well for the consistent creation of value for Fairvest unitholders."

He said investors had enjoyed an attractive annualised return of 18.9% since Fairvest's recapitalisation in December 2012 and that it was confident that distribution growth of between 9% and 10% would be achieved in the 2015 financial year.

Old Mutual Investment Group portfolio manager Evan Robins said Fairvest's market capitalisation was small and that a property counter needed to have a minimum R2bn market capitalisation to obtain the attention of institutional investors.

"It's not a steadfast rule but as the sector consolidates, the property counters have to get bigger to attract large investors," he said.

Source: Business Day