

'Reconstructive surgery' at Redefine Properties is over, says CEO

By [Nqobile Dlodla](#)

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Redefine Properties has completed a round of major asset disposals aimed at propping up its balance sheet and will now focus on growing its portfolio, its CEO said on Monday, 7 November, after it reported a 16% jump in full-year earnings.



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Commercial real estate, especially retail and office space, has been among the sectors worst hit by the Covid-19 pandemic in South Africa. With debt levels rising and income falling, some companies were forced to sell non-core assets and withhold dividends.

Centurion mall owner Redefine had even before the pandemic embarked on an asset disposal programme under which it has sold from around late 2019 around R28bn worth of assets to date.

That includes R9.4bn worth of non-core assets in the last financial year to 31 August, chief financial officer Ntobeko Nyawo told reporters.

"The hard work is largely done. The later disposals (of non-core assets) will continue... but I think that the reconstructive surgery is over. It's now about finessing and refinement more than it is wholesale disposals," CEO Andrew Konig said at the same press briefing.



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LTV ratio

The disposals resulted in Redefine's loan-to-value (LTV) ratio - which measures a property fund's debt relative to the value of its assets - falling by 2.2 percentage points to 40.2%, bringing it into line with the target range of 38% to 41%.

"Our loan-to-value ratio is finally where we want it to be. It's taken us three years," Konig said.

Redefine's headline earnings per share rose to 83.80 cents, from 72.27 cents a year earlier. Its distributable income per share, the primary measure of underlying financial performance in the listed property sector, inched up by 1.4% to 53.71 cents.

The company, which owns office, retail and industrial properties valued at R 88.9bn, said its active South African portfolio vacancy rate decreased to 6.7% from 7.1% last year as vacancies in retail and industrial were down. The office vacancy rate rose to 14.4% from 12.9%.

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