

## Tower Property Fund grows its distributable earnings

Tower Property Fund grew its distributable earnings by 61% to R221m in the year to May, as the fund's offshore acquisition strategy in Eastern Europe gained momentum and the value of the portfolio increased to over R5bn.

By [Alistair Anderson](#) 5 Aug 2016



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The Cape-based real estate investment trust which released its results for the year to end-May on Thursday made a total distribution of 92c per share, in line with its earnings growth forecast.

Tower's first international acquisition was in August 2015, when it purchased 15 floors of the premium grade VMD KVART office property in Zagreb, Croatia, for R320m (€23.7m). Shortly after the end of May this year Tower completed its largest acquisition since listing in June 2013 with the purchase of a portfolio of four retail stores and shopping centres in Zagreb and Dubrovnik in Croatia for R1.1bn (€66.4m).

These properties are anchored by Konzum, the largest supermarket chain in Croatia. Tower raised R740m on through a book-build to partially fund the new properties. This R1.1bn acquisition increased Tower's portfolio to 50 properties with a value of R5.1bn, with SA representing 69% by value and Croatia 31%.

"The recent Croatian acquisition could prove transformative as it aligns the group with Konzum's owners Agrokor, which is the largest company in the Adriatic region. However, this is not the end game for Tower; we believe there is a strong growth pipeline in Croatia," said Tower's CEO, Marc Edwards.

Tower's retail sector exposure has grown to 50%, achieving the fund's listing target. Edwards said Tower's offshore exposure would diversify risk and serve as a hedge against the volatility of the rand. "In the 10 months since we acquired our first Croatian property, its value has increased by R130m, owing mainly to currency weakness."

Tower bought three properties totalling R408m in SA during the financial year. These were the Links Hill Shopping Centre in Waterfall, KwaZulu-Natal, for R217m; Evagold Shopping Centre in Evaton, Gauteng, for R110m; and 15 Wellington Road, a mixed use retail and office property in Gauteng for R81m.

Non-core properties were being sold to strengthen the group's balance sheet. The property at 73 Hertzog Boulevard in Cape Town was sold for R111m while another five properties are earmarked for sale, and are expected to raise a total of R200m.

Edwards said he planned to develop residential apartments in the Cape Quarter which would be sold over time, given the high demand for residential property in the area.

Chief investment officer at Grindrod Asset Management, Ian Anderson, said Tower's future was positive and that the company held a lot of value for investors.

"We continue to like Tower a lot. Having spent some time with management in Croatia, we are very comfortable with their offshore strategy, which is not something I say very often in the SA listed property market. Both these results and the prospects for financial year 2017 were in line with our expectations," he said.

"The current one-year forward yield on Tower is 12.5% and the company is trading at a 20% discount to net asset value. Like many of the smaller listed property companies in SA that are not constituents of the SA Listed Property index, it is overlooked by many institutional investors and for that reason, continues to offer exceptional value for investors," he said.

*Source: BDpro*

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