

# Tower grows in Croatia

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Cape-based Tower Property Fund is planning to ring-fence its growing Croatian portfolio into a new investment vehicle, CEO Marc Edwards says, with the company having had "a transformative 2016".



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Tower released results for the six months to November on Tuesday, 31 January, highlighting it had acquired a R1bn retail property portfolio in the country, increasing the fund's total portfolio value to more than R5bn. The exposure to Croatia made up 28% of the portfolio by value.

Edwards said Croatia was growing steadily from a low base after a recession that ended in 2015 and GDP growth of 2.5% was forecast for 2017.

"The risk on our Croatian properties is low as we have secured long-term head leases from the sellers. We are planning to ring-fence our Croatian portfolio into a new investment vehicle to provide greater opportunity for growth in this exciting region," he said.

It would be beneficial "to hold the Croatian and future offshore assets in a different structure".

"Trying to raise funds in SA for projects in Croatia, at Croatian yields, can be difficult. We could move the assets into a

separate company," he said.

Distributable earnings for the period increased to R130m.

Following the board's decision to no longer distribute oneoff earnings to shareholders as dividends, Tower's distribution per share declined by 15% to 38.4c per share. The number of shares in issue increased 42%.

Edwards described 2016 as "a watershed year. Our assetmanagement company was internalised in line with market best practice and the company took the prudent decision to distribute only its core earnings to shareholders, being tenant rental, less expenses and interest."

Bridge Fund Managers chief investment officer Ian Anderson said Tower could grow distributions about 10% per annum off the lower base it would create in the 2017 financial year.

"The initial yield, plus double-digit growth in distributions over the medium term makes Tower one of the most attractively priced listed property companies in SA."

*Source: Business Day*

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