

Delta to boost investor base

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Delta Property Fund, which focuses on renting offices to the state, plans to grow significantly in 2017 as it looks to broaden its investor base.



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The largely black-owned company is planning to raise as much as R5bn worth of capital through a shares issue to a new empowerment consortium, nearly doubling its market capitalisation, which sits at R6bn.

CEO Sandile Nomvete said Redefine Properties had already agreed to sell its 22.8% interest in Delta, which is worth about R1.4bn, to the new broad-based black economic empowerment, women-led consortium in a deal that had been approved by Delta's board.

The consortium would then invest up to a further R5bn, but would need 75% Delta board approval. This meant the consortium could invest a total of about R6.4bn in 2017 and become the majority shareholder in Delta. More details about the second transaction would follow soon.

Delta grew its dividend 7.1% in the year to February, results released on Monday showed.

The group declared a dividend of 97.24c per share upon the release of its financial results for the year to February, which

was in line with its income growth forecast, despite challenging operating conditions.

"These results are a testimony of our ongoing efforts to focus on our strategy of longterm investment in quality, rental income-generating properties in strategic nodes attractive to sovereign entities and other tenants requiring empowered landlords," said Nomvete.

"The successful conclusion of ongoing corporate action will allow us to renew debt at favourable rates and lower our gearing to significantly below 40%," he said.

Delta's loan-to-value improved to 41.5% from 47.2% mainly as a result of the acquisition of a R1.3bn portfolio from Redefine Properties which was settled through the issue of shares. The Redefine portfolio was acquired in 2015 but only transferred between April 2016 and August 2016.

During the year, Delta had refinanced debt worth R1.2bn.

Metope Investment Managers CEO and portfolio manager Liliane Barnard said Delta's results were in line with expectations and management guidance of between 7% and 7.5%. She said Delta had made a concerted effort to improve its balance sheet, with its gearing having been reduced.

"We expect there to be pressure on distributions going forward as the short-dated debt facilities will require refinancing, which is likely to be at higher rates than the current weighted average of 9.2%," she said.

"Adding to this is the much anticipated DPW [Department of Public Works] leasing policy framework, which we expect will result in a reduction of leased rent-per-square-metre rates, but with a longer lease length and a more secure income stream."

Source: Business Day

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