Rebosis looks cheap at the price

Buying opportunities among the JSE's 30-odd property listings are diminishing as buyers continue to push the sector into what many believe is over-priced territory.

But Rebosis Property Fund still looks relatively cheap, despite the fact that the stock has regularly appeared on fund managers' stock-picking lists since lawyer turned developer Sisa Ngebulana listed Rebosis in May 2011. It was the first black-managed property fund to list on the JSE.

Though the share price rallied nearly 7% over the past three weeks, the counter is still trading at a forward yield of 8,3%. That offers a sizeable discount to the sector's 6,7%.

The yield gap is particularly attractive because Rebosis offers exposure to large shopping centres like Hemingways Mall in East London, one of SA's 20 largest at around 74,000m²

Ngebulana scored in 2007 he won the rights to build East London's first regional mall, beating three of SA's big property groups, Zenprop, Atterbury and Investec Property.

Rebosis' other shopping centres are Mdantsane City, close to East London, Bloedstreet Mall and the recently acquired Sunnypark shopping centre, both in Pretoria. Rebosis also offers exposure to the lucrative government-tenanted office space.

Macquarie First South Securities property analyst Leon Allison says Rebosis' share price performance has probably been held back for a number of reasons including the potential overhang of stock as a result of a number of equity-raising exercises over the past 18 months, its relatively short track record as a listed entity, low liquidity and uncertainty about its growth prospects.

Focus on retail malls

While these concerns are understandable, Allison notes that they are probably overstated. He says there are only two other listed property funds that currently have more direct exposure to regional retail assets than Rebosis: Hyprop Investments and Fountainhead Property Trust

In addition, Rebosis has one of the longest lease profiles (on a par with Hyprop) among SA listed property stocks at 4,1 years against a sector average of 3,2 years. Allison says its retail leases are backed by strong covenants, comprising 80%-plus national retailers, which reduces vacancy risk and should underpin a steadily growing income profile.

"Yet Rebosis is priced notably cheaper than SA Corporate Real Estate Fund, which has one of the sector's weaker retail portfolios," he said.

Rebosis is also the most empowered fund, with the most representative board, according to the 13 listed property stocks Macquarie analyses. Allison says investors still have to recognise the fundamental value offered by the fund.

Ngebulana, meanwhile, seems to be on track to deliver on his promise to grow the fund's assets to R10bn by 2016. The value of the portfolio, R3,6bn when it listed in 2011, has already swelled to R6,4bn (including recent acquisitions not yet transferred such as the R1bn Nthwese office portfolio of five mostly government-tenanted buildings).

Ngebulana says future growth will come partly from access to the R5,3bn development pipeline of the Billion Group, which he founded 14 years ago. Current projects include three new regional shopping centres: Forest Hill in Centurion, Bay West City in Port Elizabeth and Mthatha Mall.

Ngebulana says once Rebosis acquires stakes in these centres, the fund's exposure to retail will be more than 65%. His strategy is to invest in shopping centres that cater to both the emerging and more traditional consumer retail markets.

Says Ngebulana: "Consumers are affected differently by macroeconomic factors such as interest rate hikes, so owning malls that cater to various income groups balances the fund nicely."

He says Rebosis won't need to come to the market again soon to raise money for new acquisitions, following the recent successful R650m rights offer.

Source: *Financial Mail* via I-Net Bridge