Covid-19: Tenant retention remains competitive at 96% - Redefine

While Redefine Properties saw a 32% fall in its distributable income per share for the six months ended 29 February 2020 to 33.46 cents from 49.19 cents in the prior comparable period, its local portfolio held up well, wi the tenant retention ratio at 96%.

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CEO Andrew Konig says given the unprecedented and evolving market conditions, property fundamentals, domestically ar globally, are going to be challenged for the rest of 2020 and beyond. A "tale of two halves" for the 2020 financial year can therefore be expected.

"We are making decisions and adapting to new rules in an environment where the knowns are outweighed by evolving unknowns. So, while we cannot provide distribution guidance yet due to this evolving, fluid and dynamic situation, we also see this as a unique opportunity to change the way we do things to drive our business forward and to position ourselves tc add stakeholder value," says Konig.

MARKETS & INVESTMENT

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4 May 2020

'Manage for liquidity and sustainability'

Financial director Leon Kok says the current environment demanded that Redefine adopt a "manage for liquidity and sustainability and not for profit" attitude. This means Redefine had to be extraordinarily prudent in terms of its approach to revenue recognition and how it manages its balance sheet.

"Historically we relied on underlying dividend income streams which were forthcoming mainly from our international investments. However, due to the massive crosswinds, conventional thinking has had to be pushed aside," explains Kok.

In addition, the constrained local economic conditions and lack of catalysts for meaningful recovery, necessitated the impairment of goodwill and intangible assets totalling R5.6bn. “The upshot of this is that our net asset value now only represents tangible assets and this impairment has no impact on the loan-to-value ratio,” says Kok.

While Redefine can comfortably meet its solvency and liquidity obligations, it was resolved to defer the decision on the dividend declaration for the six months ended 29 February 2020 until the release of results for the year ended 31 August 2020, expected on November 2, 2020.


RETAIL & HOSPITALITY PROPERTY

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28 Apr 2020

'Adapt quickly and profitably'

Konig says it is too early to call what the future holds from an outlook point of view but Redefine intends to use this crisis a an opportunity to match future initiatives to expected changed consumer behaviour.

“We will look at each of our properties to position them slightly differently to provide a relevant offering which differentiates us from the rest. How we work, play and live will change and we want to revisit our business model to ensure we adapt quickly and profitably,” explains Konig.

There are some positive signs emerging as a phased period to exit the lockdown begins this month.

“We are pleased with the progress in negotiations with tenants to secure rental income while alleviating pressure for those who are really battling. Generous discounts, for instance, have been given to struggling SMMEs. While the payment of rat and taxes remains a sticking point with large clothing retailers, the spirit of *ubuntu* continues to shine through by all player the property sector. We will get through this crisis if we all work together, adapt to changed circumstances and look forward,” concludes Konig.