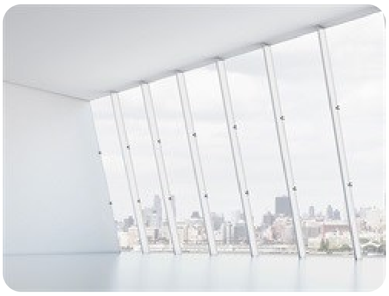
Growthpoint could feel property pinch

Growthpoint could feel property pinch, while Rextru will be relieved that the income statement for the first six months is once again draped in fashionable black...

By Dave Marrs 11 Mar 2015



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Property companies with large exposure to office space are set to come under more pressure. There are concerns that economic growth will not be strong enough this year to give a proper lift to the market. Even Growthpoint Properties, which owns mostly top-grade offices, could have problems.

"Though we like the quality of the portfolio, we are wary of the large office exposure, which will continue to come under pressure. We believe some of the other counters offer better growth for now," financial services group Imara SP Reid said a recent research report on Growthpoint's results.

Growthpoint, the biggest SAbased listed property company, released figures for the six months to December. The company has grown rapidly since listing more than a decade ago. But it is likely to struggle to grow domestically, and with many property funds holding onto their retail assets it may have to consider buying office properties struggling with high vacancy

Growthpoint's office vacancies are at 8.4%, well below the national vacancy level of 11.1%. It recently acquired the entire portfolio of the Tiber Group, which includes offices tenanted by large companies such as Nestlé, PPC, AngloGold Ashanti, Norton Rose Fulbright, Merrill Lynch, Barclays and Absa Capital. But it has not been left with many office portfolios to buy SA.

After enduring a prolonged grilling from disgruntled shareholders at an annual general meeting last year, directors at small clothing retailer Rex Trueform (Rextru) will be relieved that the income statement for the first six months is once again drap in fashionable black.

After several shabby years shareholders will be heartened to see a trading statement sketching in rather smart earnings of 60c a share. But they will be delving deeply into the full accounts, due for release later today, as it seems Rextru has dragged some of its strong balance sheet through the income statement. Let it be noted, though, that cashing in on the strong balance sheet is not all bad - especially given shareholder calls to unlock value and intimations that directors have been overly conservative in the retail growth strategy.

The revised trading statement revealed that a chunk of the earnings stems from the sale of a property. Headline earnings came in at 15.9c a share, which seems to suggest Rextru's Queenspark chain, though much improved, is still struggling in increasingly competitive fashion retailing environment. What may be telling is whether Rextru decides to hike the dividend the financial year-end or whether directors feel it is more prudent to shore up the balance sheet to ensure Queenspark trades through the tough environment.

Source: Business Day

ABOUT THE AUTHOR

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