Vukile says high debt costs deterring local investment

By Tannur Anders

30 Nov 2023

South African commercial property group Vukile Property Fund said on Wednesday, 29 November, it had not opted for new investments in the country amid a high cost of debt.

Source: Twitter/@VukilePropFund. Laurence Rapp, chief executive officer of Vukile Property Fund.

South Africa is currently facing its highest interest rates since 2009, with the central bank keeping its main lending rate unchanged at 8.25% for the third meeting in a row last week.

"We are very happy deploying money here. It's a question of whether (the) economics make sense," Vukile's chief executive officer, Laurence Rapp said.

Rapp added that the group, which has operations in South Africa and Spain, is eager to own assets on offer, but that the high cost of financing debt is weighing on further investment in the South African market for the time being.

"At the moment we are finding better deals in Spain because the pricing is more attractive relative to its cost of funding than it is here," Rapp told Reuters on the sidelines of a media presentation after the release of the group's interim results.

The deals currently being evaluated in Spain could provide double-digit euro yields, Rapp said.

Vukile said its half-year or funds from operations rose 5.2% in the six months to 30 September from the same period of the previous year.

The company expects its R400m ($21.63m) BT Ngebs City shopping centre deal in the Eastern Cape Province to close in the first quarter of next year.

Vukile has invested millions in developing solar-power systems for some of its properties in South Africa and said it is evaluating expansions and upgrades to its existing centres.