Hyprop's interim distribution up 9.5%

Specialist shopping centre real estate investment trust (Reit) Hyprop Investments reported a distribution of 231c a unit, up by 9.5% increase for the six months to December.

Canal Walk, like other shopping centres in Hyprop's portfolio continued to perform well in the first six months of financial year. Image: Wiki Images

The group said revenue rose from R1.12bn to R1.17bn during the period and total property assets rose to from R22.5bn to R25bn.

The group's property portfolio includes 12 prime shopping centres in South Africa, exposure to malls in the rest of Africa through Atterbury Africa, a joint venture with Attacq Limited and African Land Investments. Atterbury Africa has a 47% interest in Accra Mall (19,000m²) in Accra, Ghana while African Land owns Manda Hill Shopping Centre (43,400m²) in Lusaka, Zambia.

The group said net asset value per combined unit increased by 4.9% to R71.80, primarily due to an increase in the independent valuation of the investment property portfolio.

Excluding the recently purchased Somerset Mall, distributable earnings from the regional and super-regional malls increased by 9.6%, benefiting in part from extensions at Canal Walk and The Glen.

The group said the value centres showed muted growth of 3.5%, while distributable earnings from offices were maintained.

Muted growth

Distributable earnings from development property (Rosebank Mall) decreased by R15.6m compared with the previous period, which was in line with budget.

Distributable earnings from listed property securities decreased because of the exchange of 81.5m Sycom units for Somerset Mall, from October last year.

Total arrears, excluding Rosebank Mall but including Somerset Mall, at end December were R17.4m compared with R17.1m at end June last year. The corresponding allowance for doubtful debts was R5m compared with R6.7m at the end of June.

Hyprop said demand from retailers at regional shopping malls remained strong, with vacancies of less than 1%.

Retail vacancies across the portfolio dropped from 2.1% to 1.2%, driven by new lettings at the value centres - CapeGate Lifestyle, Willowbridge and Stoneridge - albeit at lower rentals. Office vacancies increased slightly from 8.1% to 8.2%.

Overall, the portfolio was 98.2% let at end December.

Hyprop said it was well-positioned to withstand the effect of the challenging economic environment and the investment strategy into sub-Saharan Africa (excluding South Africa) was enhanced with the acquisition of African Land.

The group said it would continue to invest in large, quality shopping centres, improve the tenant quality across the portfolio and dispose of non-core assets, subject to market conditions.

Taking into account the expected benefit from African Land for the rest of the financial year and strong net income growth from the existing portfolio, Hyprop expected distribution growth of between 8.5% and 10.5% for the full year to June.

This was an slightly higher than the forecast of between 6.5% and 8.5% made in June last year.