Growthpoint distribution up 7.2% to 149c

By Nick Hedley

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Listed property company Growthpoint Properties on Wednesday (28 August) reported 7.2% distribution growth to 149c per share for the year to June.

The company said this growth exceeded the forecast of about 6.1% released at the financial results presentation earlier this year.

The growth in the unit price from R23 in June last year to R26.39 in June this year gave investors capital growth of 14.7%. The distribution of 149c per share accounts for an income yield of 6.5%, providing a total return of 21.2% for the year.

"Apart from normal escalations in the South African property portfolio's revenue, the increase in distributions was further enhanced by the investment in Growthpoint Properties Australia, where a weaker rand against the Australian dollar was in Growthpoint's favour," the company said.

Distributions per unit from Growthpoint Properties Australia grew by 10.2% in rand terms on a like-for-like basis.

Growthpoint's portfolio comprises 393 directly-owned properties in SA valued at R39.1bn, as well as a 65.8% interest in Growthpoint Properties Australia, which owns 44 properties in Australia valued at R15.1bn, and a 50% interest in the V&A Waterfront with Growthpoint's share of the properties valued at R5.6bn.

During the year, R1.5bn of capital was raised through the distribution reinvestment plan, while R2.5bn of capital was raised through new equity issues.

Growthpoint's average vacancy level rose slightly from 3.3% at the end of 2012 to 3.6% at the end of 2013.

The company said should current economic conditions prevail, growth in distribution per share for the year ending June 2014 is expected to be similar to that achieved this year.

Fountainhead negotiations cease

In a separate development, Growthpoint confirmed that it has abandoned its fight to acquire Fountainhead Property Trust's portfolio, which is valued at more than R10bn.

With acquisition opportunities few and far between in the listed property sector, Fountainhead's sizeable portfolio, which included a number of quality assets, had been targeted by the JSE's two biggest South African property companies - Growthpoint and Redefine Properties.

Growthpoint said that the prospective transaction was no longer being pursued and the company as no plans to involve the regulators.

Growthpoint and Redefine - which owns Fountainhead's management company - were entangled in a bidding war for Fountainhead's retail-dominated portfolio until Redefine withdrew its offer in March and Growthpoint withdrew in May after a decision by Fountainhead board's independent committee to cease negotiations.

Growthpoint referred a number of claims to the Financial Services Board and the JSE, including that Redefine be precluded from voting its shares in a unitholder vote. Growthpoint had sought a ruling in its favour which would have allowed it to reopen negotiations to acquire the trust's assets.

Redefine withdrew its offer in March and instead acquired a 46% stake in Fountainhead, citing negative effects on its ability to run Fountainhead's business due to delays and uncertainty, and in line with its intentions to acquire a "meaningful stake" if it did not acquire the assets.

Redefine's stake would have made it difficult for Growthpoint to win a unit-holder vote to secure the assets, which subsequently led the Fountainhead board's independent committee to terminate its engagement with Growthpoint.

Following an investigation into Growthpoint's allegations, the JSE said in June it had found no breaches by Redefine of the JSE listings requirements.