Rosebank Mall renovation hurts Hyprop's profits

By Alistair Anderson

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The cost of renovating the Mall of Rosebank contributed to Hyprop Investment's profit falling in the year to June, but the real estate investment trust (Reit) nevertheless raised its distribution 11.3% to R4.72.

Hyprop's Pieter Prinsloo says the renovation of the Mall of Rosebank had a direct impact on the investment trust's performance this year. Image: [[http://www.sacommercialpropnews.co.za SAcommercialProp News

"Rosebank Mall's distributable earnings fell R16.1m, in line with the budget," Hyprop said.

The additions to the mall were expected to bring returns in the next financial period, but the construction had cost money in the reporting period, Chief Executive Pieter Prinsloo said at the Reit's results presentation.

Hyprop's net asset value per unit rose 11.1% to R76 during the reporting period. Consumer spending has slowed this year but Hyprop has maintained strong earnings.

"Despite some pressure on consumers, trading densities have been high. I believe middle- to upper-income shoppers have shown resilience and been careful with their spending," Prinsloo said.

Stanlib's Head of Listed Property Funds, Keillen Ndlovu, said: "These are impressive results. The distribution growth has come out better than the market expected and the outlook of 10% to 12% growth is positive.

Outlook consistent and strong

"We love Hyprop. Hyprop is one stock to buy, keep in the bottom drawer and enjoy distributions from some of the best shopping centres in the country while participating in the rest-of-Africa growth story.

"It is trading at a forward yield of about 6% compared with the market average of 7.3%," he said.

Over the year, distributable earnings from regional, large regional and super-regional malls, excluding Somerset Mall which was bought in October last year, were up 9.5%, with average growth of 11% from The Glen, Clearwater Mall and Woodlands Boulevard.

Prinsloo said property expenses were well controlled with a cost:income ratio of 34.4% at these malls. Looking at Hyprop's African plans, he said the continent excluding SA was responsible for just less than 10% of earnings. Within three years, this could double to 20%.

During the year, Hyprop received dividends of R4.8m and R30.3m from its investments in Atterbury Africa and African Land, respectively. Hyprop further advanced its African strategy with the restructure of African Land, in terms of which Hyprop, through Hyprop Investment Mauritius, would hold 50% in the Manda Hill mall, African Land's only asset. Atterbury Africa would hold the balance. Following this restructuring, Hyprop's effective interest in Manda Hill would be 68.75%, down from 87%.

Prinsloo said Hyprop's total cost:income ratio rose to 37.3% from 35.1% at the end of last June due to a reduction in income from listed investments following Hyprop's disposal of the Sycom Property Fund stake, and consolidation of fund management costs of the 87% African Land acquisition.

Source: Business Day via I-Net Bridge