Investec Property Fund reports earnings fall after hit to rental income

By Nqobile Dludla

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Investec Property Fund Limited (IPF) on Wednesday, 19 May, reported a 33.8% fall in annual distributable earnings per share due primarily to the impact of Covid-19 and related rental concessions granted to tenants.

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Distributable earnings per share, the primary underlying financial performance measure in the listed property sector, fell to 97.08 cents for the year that ended in March from 146.64 cents.

IPF, which also has operations in Western Europe, declared a final dividend of 47.70 cents a share.

The fund also reduced its ownership in Pan-European Logistics (PEL) and Belgium assets, which resulted in lower accretion from those assets.

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There was also no dividend income from its UK fund and it incurred higher costs linked to refinancing and restructuring that occurred within PEL during the year, it said.

Through portfolio consolidation and debt refinance, IPF's debt levels or loan-to-value ratio (LTV), which measures the ratio of a company's debt and its assets, fell to 38.3% from 47.5%.

Preserving liquidity, lowering LTV ratios

The major focus for IPF and other real estate investment trusts has been on preserving liquidity and lowering LTV ratios as fund managers and analysts tend to prefer LTVs to be between 35% and 40%.

Net asset value per share fell by 8.5%, largely due to a R899m writedown recognised on its South Africa portfolio, the fund said.

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The largest writedown, of R525m representing 9% of carrying value, was recognised within the office sector, reflective of the structural challenges within the sector as people work from home and tenants reconsider their office space.

Net property income in its South African portfolio fell by 21.2%, with office, industrial and retail down 19.2%, 20.4% and 23.8% respectively.

Its bad debt provision rose, as did vacancies, and it offered rental relief of R62m.

Net property income in its Pan-European logistics portfolio rose 1.3%.