

# Mall mogul sees much life after Edcon collapse

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Liberty Two Degrees (L2D), part owner of Sandton City, Melrose Arch and Eastgate, says it will survive if the turnaround plan for national retailer Edcon fails.

CEO Amelia Beattie said on Monday at the release of financial results for the year to December that while L2D hoped Edcon would manage to overcome its funding problems and return to profitability, L2D could survive without it as a tenant.

"While we want Edcon to continue to trade in SA, employing South Africans and serving SA customers, our malls have survived things like this before ... Stuttafords closed down but our malls continued to meet or better our expectations."

Beattie said 5.3% of the total gross lettable area of L2D's property portfolio was let to Edcon. This would fall by nearly a fifth to 4.3% as Edcon had pinpointed certain stores that it intended to decrease in size or close. This meant that 27,726m<sup>2</sup> of L2D's 523,135m<sup>2</sup> of retail space was exposed to Edcon, which would fall to about 22,495m<sup>2</sup> by the end of the year.

Edcon is in talks with the Public Investment Corporation as it looks to borrow R1.8bn to keep afloat. This would be a large chunk of the R3bn it needs to survive for the next three years, CEO Grant Pattison told journalists earlier this month.

Beattie said Edcon's space could easily be let again and at higher rental rates.

"We had some of the lowest vacancies at our malls compared with those owned by our peers. Our Sandton City vacancy is nearly 0%. We showed that we can get tenants into our malls when we filled the space vacated by Stuttafords. This is even if we cut up an Edcon store and then let it to three tenants," she said.

L2D's dividend per share grew 1.3% in the reporting period from 59.22c to 60c, which Beattie said was in line with its guidance. Its portfolio's total vacancy fell from 6.4% at the end of December 2017 to 3.4%.

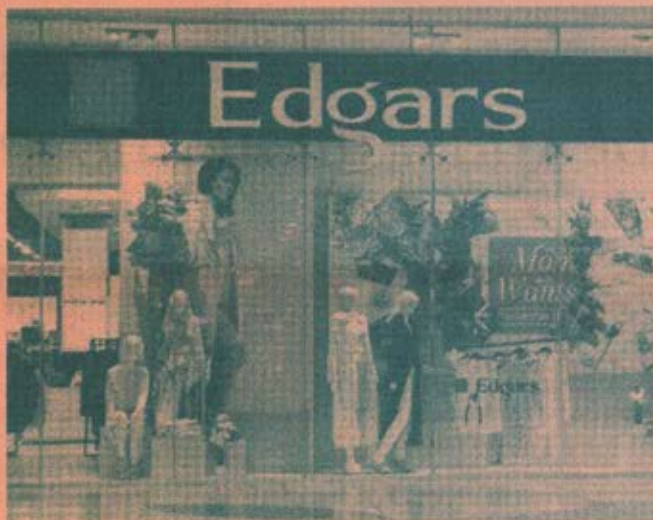
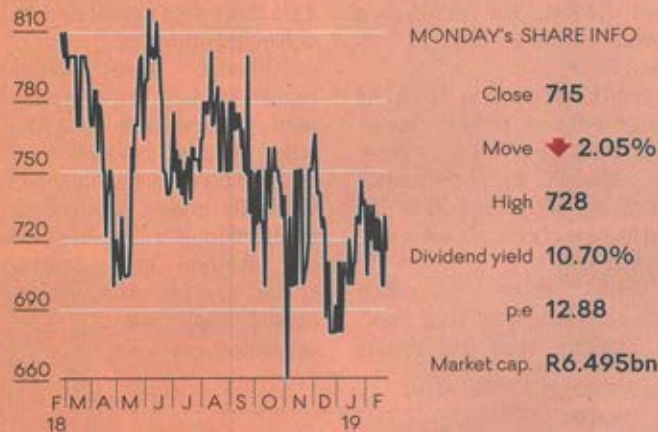
L2D's property portfolio was valued at R10.14bn at the end of the reporting period, up 16.4% or R1.43bn, compared with the comparable reporting period. She said L2D's portfolio was trading well and had recorded year-on-year trading density growth of 2.9% in 2018 compared with -3.6% on December 31 2017.

This performance was dri-

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## GROUP WILL MANAGE EDCON REDUCTION

LIBERTY TWO DEGREES  
Share price, daily close (cents)



Graphic: DOROTHY KGOSI Picture: FINANCIAL MAIL/FREDDY MAVUNDA Source: IRESS

ven by an improvement in annual trading densities of 3.9% and 2.9% at Sandton City and Eastgate malls.

L2D expected its dividend to grow around 2% in the 2019 financial year.

Evan Robins, listed property manager of Old Mutual Investment's MacroSolutions boutique said L2D's results were in line with expectations given that SA's economy had struggled to

grow in 2018 and that retail sales were under pressure across SA.

"There was little bad in the results. Some operational metrics improved. The guidance on short-term dividend growth is dull with virtually no growth expected. This may disappoint some but was not below our expectations. These are not easy times and results must be viewed in that context," he said.

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