

L2D concerned about retail group Edcon restructuring on future distributions

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LISTED Liberty Two Degrees (L2D) has reported that uncertainty surrounding the restructuring of retail group Edcon had made it difficult to accurately determine distributions and valuations in the near term.

L2D, whose retail property portfolio includes Sandton City and Melrose Arch and owns a 100 percent South African property portfolio valued at R10.15 billion at end-December, uses distribution a share as a relevant meas-

ure of financial performance.

Chief executive Amelia Beattie said yesterday that the uncertainty and challenging economic conditions in South Africa meant that their guidance for the 2019 full-year distribution was for growth of zero percent to 2 percent.

The group declared a distribution a share of 60 cents for the year to December, which was in line with its guidance to the market, after including the transaction costs related to its restructuring and conversion effective from November 1 last year to a corporate Reit.

The conversion coincided with the acquisition of a further R1.2bn of the co-owned Liberty Property Portfolio becoming effective. Beattie said the restructuring transaction was successfully implemented and aligned L2D's structure to the market while providing a platform for future growth.

She added that L2D's conservative gearing levels offered the capacity for acquisitions to enhance returns but the current cost of debt may have a dilutionary impact on future distributions.

Beattie said the quality of the L2D's portfolio drove positive growth in the

reporting period despite a difficult trading environment in South Africa.

She said demand for retail space in the portfolio was strong, with reduced vacancies, and was supported by an improved tenant mix in the space previously occupied by Stuttafords. L2D reported net property income of R589.1 million for the year to December, compared to the restated R429.1m in the previous year after taking into account the additional assets acquired and asset management income.

Leases covering 49 472m² were renewed compared to 67 631m² in

the previous year at an overall reversion rate of 2.3 percent compared to 2.7 percent in the previous year.

A further 52 557m² in new tenant lease agreements were concluded across the portfolio compared with 41 078m² in the previous year. The portfolio vacancy rate decreased during the year to 3.4 percent from 6.4 percent. Arrears increased to 5.2 percent.

Beattie said this marginal increase in arrears was mainly as a result of the difficult economic environment.

L2D shares closed 2.05 percent lower at R7.15 on the JSE yesterday.