Dipula Delivers Full Year Results On Forecast

by PropertyWheel

Dipula Income Fund today reported growth of 7.0% in combined A- and B-linked distributions for the year ended 31 August 2013, delivering on its guidance to investors.

Izak Petersen, CEO of Dipula Income Fund

Dipula's final A-linked distributions increased at a preferential 5% while its final B-linked distributions grew by 9.6%.

During the year, Dipula's market capitalisation climbed significantly from R1,8 billion to R2.8 billion.

Izak Petersen, CEO of Dipula, attributes this solid performance to Dipula's strategy which is improving the quality of its growing diversified property portfolio to deliver inflation-beating income growth on a sustainable basis.

"Despite the fact that we expect the operating environment to remain tough in the 2014 financial year, especially for office properties, we're committed to extracting maximum value from our portfolio and improving it with new acquisitions. We expect distribution growth for the 2014 financial year to be between 7% and 8%," says Petersen.

Dipula was listed on the JSE in 2011 and began trading as a REIT (Real Estate Investment Trust) on 1 September 2013. It has one of the highest BEE ratings in the sector. Dipula's asset base comprises a growing portfolio of 176 commercial properties spanning some 550,656sqm of gross lettable area.

Its portfolio is geographically diverse across all of South Africa's provinces, with 74% of Dipula's portfolio is concentrated in South Africa's most economically productive province of Gauteng. It is weighted towards retail property at 53% by rentable area of its portfolio composition, which also includes office and industrial property assets. South African retail property has outperformed all other property subsectors over the recent past and this has served Dipula well.

"We acquired good assets on an income enhancing basis and we are running our portfolio efficiently as shown in the favourable expense-to-income ratio of 20.7%," says Petersen.

He adds: “Our acquisitions for the year totalled more than R1,1 billion at an average yield in excess of 9,8%, which helped increase revenue. Dipula’s distributable income increased by 45.5% while its portfolio grew by 54% from R2.4bn to R3.75bn as a result of acquisitions and capital appreciation on the existing portfolio.”

In line with its strategy Dipula also sold and transferred 13 properties for total value of R27,2 million.

Dipula reported improved portfolio occupancy levels of 90.9%, with vacancies dropping by 13% from 10.4% in the prior year to 9,1% at 31 August 2013. It achieved an impressive 76% tenant retention rate while concluding lease renewals valued over R148 million at a 10% positive rental renewal rate. It also let new space of more than R80 million at weighted average escalation rates of 8.5%. Its tenant quality remained strong with 85% of Dipula’s leases being with A- and B-grade tenants.

The growth and improved quality of its portfolio was supported by Dipula’s robust balance sheet. Dipula raised equity capital of R650 million during the year. It also secured new debt facilities of R430 million during this period. Dipula’s gearing remained at a comfortable 38% with a blended debt funding rate of 7.96% from 8.39% in the prior year.

Petersen says Dipula intends to further diversify its sources of funding in the coming year and will seek a credit rating to access the debt capital markets.

“We have begun initiatives to ensure sustainability through CSI, environmental and BEE initiatives and will intensify our involvements in this regard going forward. We took our first steps in establishing practical and impactful social initiatives. We are also looking into energy-efficiency as way to benefit our financial and environmental performance,” says Petersen. Dipula plans to launch new energy savings and CSI initiatives in 2014.

“We believe our strategy is on track and we will advance it further in 2014,” says Petersen.