Texton proceeds with rationalisation sales

Roy Cokayne

LISTED property fund Texton has made progress with the rationalisation of its South African property portfolio through the disposal of non-core assets.

Texton disposed of four property assets for R141.2 million that provided a total of 29 096m² of predominantly office space in the six months to December and acquired two properties in the UK for a total of R286.6m.

Chief executive Nic Morris yesterday said portfolio rationalisation was still "front of mind" and management had made solid progress in disposing of the non-core portfolio.

Properties sold by Texton in the reporting period were Vodacom Park/Linger Longer for R49.3m, Perseus Park for R60.7m, Murrayfield Forum for R6.7m and Standard Bank Randburg office building for R24.5m.

It acquired the 5 360m² office building known as Mowbray House in Nottingham in England for R173.8m and the 7 912m² Heapham Road industrial building in Gainsborough, also in England, for R112.8m.

But Morris said low economic growth associated with the current South African environment, coupled with economic uncertainty in the UK regarding Brexit, would continue to create challenges for Texton in both investment jurisdictions.

"While the company is well positioned to grow off its rebased core earnings, continued pressure on tenants, particularly in the office sector, will have to be closely monitored and efficiently managed," he said.

Office properties comprise 74.4 percent of Texton's South African portfolio by revenue and 60.8 percent by gross lettable area.

R141.2m

The value of four non-core property assets Texton has disposed of

However, Morris said Texton's core property portfolio was performing well and vacancies had materially reduced since the company's financial year-end.

Vacancies by gross lettable area dropped to 6.2 percent from 9 percent at end-June. The value of Texton's portfolio declined by 2.5 percent to R5.63 billion from R5.77bn in June.

Morris said current rand strength had impacted on Texton's UK earnings, but hedging instruments had been entered into to protect the company's income against downside risk associated with economic volatility.

Texton reported a 7 percent growth in dividends a share on core earnings, excluding any once-off items, to 47.95 cents in the six months to December from 44.83c in the previous corresponding period. But the actual dividend a share for the period declined 6.9 percent to 47.95c from 51.52c, which included a once off non-recurring foreign exchange gain of R23.9m or 6.69c a share.

Morris said the growth in dividends on core earnings was achieved from the solid performance of Texton's core South African portfolio.

He said the gain made on the realisation of the cross currency interest rate swop and proceeds from property disposals had been reinvested into the business, reducing Texton's loan-to-value to 34.5 percent.