Accelerate takes development hit

By Alistair Anderson

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Accelerate Property Fund's share price plunged 7.69% to R6 on Wednesday, 14 June, after the group said its income growth was expected to be flat for two years, owing to costs related to its multibillion-rand Fourways shopping centre expansion.

Accelerate's focus has been on developing the Gauteng suburb of Fourways into a business and lifestyle node that can compete with Sandton and the growing Waterfall precinct.

Chief operating officer Andrew Costa said after the release of the company's financial results for the year to March that his company's Fourways assets, including the shopping mall and other buildings, would be 200,000m^2 by the end of next year.

The major part of the node is the R2.6bn Fourways Mall, which is being doubled in size from 90,000m^2 to 170,000m^2 Accelerate's Fourways Precinct assets including the mall, account for 175,563m^2 of size.

Accelerate grew its dividend payout 7.3% in the year to March, but Costa said dividend growth would be flat for the next couple of years. "We will need to digest various development costs over the next couple of years after which our dividends will gain momentum again," he said.

Evan Robins, listed-property manager of Old Mutual Investment Group's MacroSolutions boutique, said Accelerate's results were "the biggest disappointment of the results season". "They are expecting little dividend growth over the next two years, when the market and ourselves were expecting market-related distribution growth. The results attribute this guidance to short-term costs that will need to be incurred for the long-term benefit of the massive Fourways redevelopment."

The company has expanded aggressively since listing on 12 December 2013 with a property portfolio of R5.5bn at a share price of R4.88 per share with a retail focus and a differentiating nodal strategy.

Source: Business Day