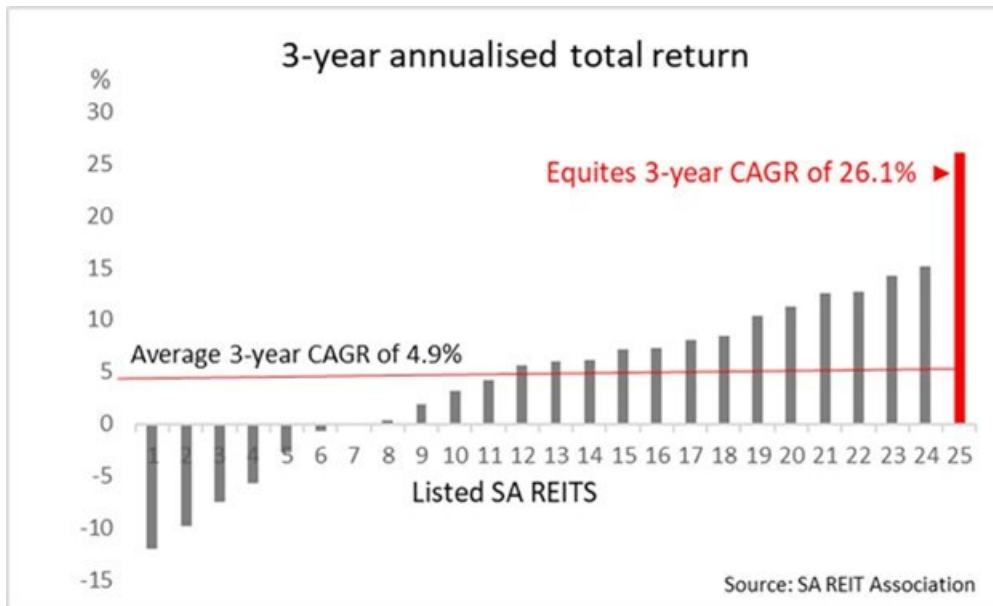


Equites ends year strong with continued focus on logistics sector

By  Sindy Peters

15 May 2018

JSE-listed Equites Property Fund recently announced its annual results for the year ended 28 February 2018, revealing growth in distribution per share of 12.2% to 123.86 cents, as well as a 30% growth in the fair value of its property portfolio from R6.2bn to R8.1bn.



According to Equites CEO Andrea Taverna-Turisan, the REIT's strong performance is due to the quality of assets in its portfolio, made up of 99% industrial properties, following the disposal of three commercial properties during the current year.

Commenting on its success within the logistics sub-sector, Taverna-Turisan points to the advent of central distribution becoming key to the success of major retailers over the last 20 years, as well as the accelerating impact of e-commerce, particularly in international markets, and its impact on how goods are moved and delivered to the consumer.

All down to efficiency

"Ultimately, everything comes down to efficiency," says Taverna-Turisan. "As a user, you want to get goods from A to B in the quickest possible time, with as little error as possible because errors cost money. What you're finding, and it's a trend, is that as organisations get put under pressure in terms of the margins that they are allowed to make in the logistics sector, they need to bring efficiencies to the bear."

"Historically, an operator might have had four or five different warehouses in different areas, one could have been semi-decent, one not so good. Ultimately, what we're finding is a lot of these organisations are now looking to consolidate to one state-of-the-art facility that can feed them sustainably, or put them in a position to get the best possible pricing to their customers for the foreseeable future," he explains.

Positive market outlook

Despite uncertainty in the South African market, the group remained insulated from many of the shocks to the economy

due to its continued focus on strong property fundamentals, says Taverna-Turisan, which resulted in no tenant defaults across the portfolio and very low vacancies at year end.



Andrea Taverna-Turisan, CEO, Equites Property Fund

Political developments in SA over the last few months have had a positive knock-on effect on market confidence, with Equites since receiving several requests for proposals from some of the larger logistics and retail organisations in the country, however, Taverna-Turisan notes that it may be too early to judge.

"What we'd like to see is, by August-September this year, some of these corporates will need to be signing on the dotted line and if not, then effectively it was all hot air," he says.

Equites expects to achieve between 10-12% distribution growth per share over the next financial year should stable macro-economic conditions prevail.

ABOUT SINDY PETERS

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