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Fountainhead lifts interim distributions by 9% despite economic slump

Roy Cokayne

FOUNTAINHEAD, the listed property company heavily weighted towards retail space, increased its distributions to unitholders by 9 percent to 25.7c a unit in the six months to March despite the slowdown in the economy and decline in consumer spending.

Managing director Anton Raubenheimer said last week that the distribution growth was a strong performance, considering the economic climate and the fact that it had obtained 70 percent of its income from retail property in its R7.43 billion portfolio.

"Considering how retail has performed in the last six to eight months, it's a good result. The reason we're getting this result is that we have got some big shopping centres in major metropolitan nodes," he said.

Fountainhead has forecast a slight decline in distribution growth to 8 percent for the full year to September.

Raubenheimer attributed this to a belief that "things won't get easier for a while.

"It will take a while for interest rate cuts to filter into the system and South Africans are concerned about the security of their jobs and that will impact on spending," he said.

Fountainhead has 66 properties, of which 14 are retail, 20 commercial and 30 industrial. It also has two specialised properties: a hospital and hotel.

The portfolio is primarily located in metropolitan areas, with 75 percent by contractual value in Gauteng.

Its major retail properties are The Boulders, Brightwater Commons, Kenilworth Centre and Benmore Gardens. It also owns 75 percent of Centurion Mall, with the remaining 25 percent owned by Attuned.

In the six months to March, Fountainhead improved vacancies from 5 percent to 4 percent by value. Raubenheimer attributed the decline in vacancies to "a lot of deals done a long time ago that have come through".

Fountainhead's gearing is at 11 percent, which he said was close to the lowest in the listed property sector.

Income in the period grew by 15 percent year on year to R387.8 million. Contractual rental income increased by 12.5 percent to R375.4m.

Operating profit improved by 16 percent to R295.7m and expenses declined by 10 percent to R16.8m, but net finance costs rose by 65 percent to R27.3m.