

Fountainhead malls 'prove resilient'

THABANG MOKOPANELE

Property Editor

FOUNTAINHEAD Property Trust, a listed unit trust, yesterday posted a 4% rise in distributions per share to 54,08c for the year to September thanks to its regional malls and major shopping centres proving resilient in the face of difficult economic conditions.

But Fountainhead MD Anton Raubenheimer said the sterling retail performance was dragged down by the trust's weaker office and industry portfolios, due to supply continuing to outweigh demand.

"It seems the retail sector, which was the first to enter the recession, is now the first to come out of it. I guess a reduction in interest rates is helping, but this is negated by the fact that households still have high debt levels," Mr Raubenheimer said.

The office sector is still experiencing more supply than demand and until supply is absorbed the sector will struggle.

"I think the industrial sector is

SHOPPING CENTRES LIFT FOUNTAINHEAD



ANTON RAUBENHEIMER

- JSE-listed Fountainhead posted a 4% increase in distributions thanks to resilience of its regional shopping centres
- The property unit trust's performance was dragged down by weaker office and industrial property portfolios
- MD Anton Raubenheimer says the retail sector appears to be the first to come out of recession
- Reduced interest rates are helping, but households still have high debt
- The office sector is still experiencing more supply than demand

suffering due to the stronger rand, which inhibits exports, but the sector is likely to recover once the global economy fully recovers. But as retail also improves, so will industrial because some stock will have to be stored," Mr Raubenheimer said.

The start of the redevelopment of the Blue Route Mall in Cape Town

has diluted earnings in the short term. The construction work started in April with the demolition of a portion of the existing building and the preparation of the new mall's foundation and parking garage.

The project is on schedule, with an expected completion date of March 2012.

FOUNTAINHEAD

Full Year	2010	2009
Income (Rm)	845,96	785,120
Operating profit (Rm)	625,98	590,116
Net profit (Rm)	549,35	617,025
Headline EPS (c)	55,53	53,66
Distribution PS (c)	54,08	52,00

The restructuring of the Pick n Pay space at the Centurion Mall has also begun, with Fountainhead's share of the estimated cost R45m at an initial yield of 8%.

The restructuring involves reducing the Pick n Pay's area and introducing new stores to the space, including Pick n Pay Clothing, UFO Furnishers and an upgraded Hi-Fi Corporation.

The expected completion date is the middle of next year.

Mr Raubenheimer said the benefits of the redevelopment will accrue in future years.

Vacancies have stabilised, remaining flat at 7% of the portfolio. By value, the vacancies represented 5% of potential rental income, the same as at the half-year mark.

In the retail sector 62% of the vacancies were at The Brighthwater Commons, The Boulders Shopping Centre and at Centurion Mall.

The office sector had a vacancy factor of 12%, primarily at Grayston Ridge, AMR Office Park and The Ambridge, with the sector remaining under pressure.

The industrial sector had a vacancy factor of 10%, but 26% of the total vacant industrial area has been let for future occupation.

The operating margin also remained largely in line with the prior period.

"It is encouraging to see that the operating margin has not materially deteriorated considering the increases in electricity and rates charges. We have achieved this by having strict cost control procedures in place," Mr Raubenheimer said.

Two office blocks were purchased during the year, at a combined cost of R145m.

mokopanele@bdfm.co.za

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