

Pack closes in on Fortress's top spot

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6 Feb 2018

The days of Fortress dominating its rivals may be coming to an end as the company's dividend growth tapers off.



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The largest owner of logistics assets in South African listed property grew its B-share dividend 14.61% in the six months to December, in line with forecasts, but its guidance for the 2019 financial year was only 11%.

Fortress released financial results for the half-year to December on Friday, declaring a dividend of 71.20c per share, up from 67.96c per share.

The share price was exceptionally volatile on Friday having been down as much as 19% in the morning. By late afternoon, it was up 5.6% but it ended the day 6.19% down.

Bridge Fund Managers chief investment officer Ian Anderson said the market had expected dividend growth of about 17% for the 2019 financial year and close to 20% for 2020.

"Investors have become accustomed to Fortress achieving dividend growth that was often double that of other real estate investment trusts.

"Now, 11% is close to what some of its peers have forecast and I don't think a 50% or 60% premium to net asset value can be justified for Fortress anymore," he said.

Fortress CEO Mark Stevens said he was happy that the domestic and offshore businesses had both performed well despite SA's weak economy, as well as increasing competition in east European real estate.

At the end of December, Fortress's direct property portfolio comprised 311 properties.

With respect to its logistics portfolio, phase one of Louwardia Logistics Park was successfully let to We Buy Cars. Phase two was nearing completion and the 34,025m² facility was let to Worldwide Automotive Group, which would take occupation in April at a projected yield of 9.5%.

Construction of its first warehouse at Clairwood Logistics Park had begun and the 24,977m² facility was expected to be completed by September.

Fortress has had a long-term plan to make Clairwood the best distribution and warehousing park in Durban.

Stevens said Fortress aimed to own "1-million square metres of the best industrial assets in SA" within three years.

"Since the merger with Capital Property Fund, we have positioned ourselves to be the best logistics and modern industrial property owner in Africa with many properties having long leases and set escalations.

"This is why we have been selling all of our office assets," Stevens said.

Fortress's offshore portfolio included shares in Greenbay Properties and Nepi Rockcastle.

Fayyaz Mottiar, of Absa Asset Management, said that Fortress remained a "highly attractive stock" and that its market capitalisation growth from R1.8bn at listing in 2009 to nearly R50bn today was "astounding".

Source: Business Day

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