

Hyprop not cheap, but still has its fans

By [Dave Marrs](#)

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Hyprop Investments is a hot stock pick for 2015, according to a number of analysts. Property share prices ran hard last year. The JSE's property index recorded a 26.4% return, while the all share index, bonds and cash returned 10.88%, 10.15% and 5.85% respectively.



Image source: [Hyprop Investments Limited](#)

While listed property is unlikely to get a return above 20% again this year, certain stocks, especially shopping centre owners, are being touted as potential top performers.

One of these is Hyprop, which has a R250bn portfolio including Hyde Park Corner, Clearwater Mall and Rosebank Mall in Gauteng, and Somerset Mall and Canal Walk in Cape Town. It also has exposure to other parts of Africa through stakes in Manda Hill in Lusaka, Zambia, and Accra Mall in Ghana.

Macquarie analyst Leon Allison believes the high trading densities at Hyprop's malls will help it to achieve above-market earnings consistently. He recently upgraded his recommendation on Hyprop from neutral to outperform. While distribution growth is expected to average 10% a year over the next two to three years, analysts are concerned the share may already be fully priced - it was trading at R103 late yesterday.

"Hyprop has the best and least replicable South African portfolio of any listed fund. It is not cheap, of course, and has not become cheaper this year," says Evan Robins, a senior portfolio manager at Old Mutual Investment Group.

Yet broker Imara SP remains bullish, saying Hyprop is a defensive stock with high-end assets. Other analysts agree it could excel in a volatile economy.

"Green" technologies likely to get less attention

While consumers and retailers could emerge among the biggest winners of the oil price slump, it means "green"

technologies are likely to get less attention.

For industries that have the option to produce products such as ethanol, used in biofuels, an oil price of below \$50 a barrel simply means producing ethanol does not make economic sense.

According to consulting and research firm DaMina Advisors, the break-even cost per barrel for Brazil's ethanol producers is \$66.

Local sugar producers such as Illovo and Tongaat-Hulett would probably prefer to see their counterparts in Brazil producing more ethanol and thus reducing sugar supply. With that scenario seemingly off the table for now, the current oil price means excess global sugar supplies are likely to be reduced at a slower rate.

Green fuel projects such as the Industrial Development Corporation's plans to revive the Eastern Cape's sorghum industry are also less attractive now than they were six months ago.

Fortunately, green energy generation from wind farms and solar power sources is not as badly affected by the plummeting oil price.

ABOUT THE AUTHOR

Dave Marrs edits company comment (marrsd@bdfm.co.za)

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