

Arrowhead's 'positive' quarterly results

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JSE-listed Arrowhead Properties, which has indicated that it is eyeing opportunities in the residential sector for the first time, said it had posted a "very positive" performance in the quarter ended June.



With distributable income up 14.02% on the same quarter last year, the company reported a cash interest distribution of 15c per A-linked unit and 13.54c per B-linked unit for the quarter.

Chief financial officer Imraan Suleman said the result was driven by a good performance of the underlying portfolio, coupled with the acquisitions that were made in the last quarter of last year. Suleman said Arrowhead A-linked unit-holders were likely to participate in the company's distribution growth sooner than expected.

Arrowhead's capital structure involves A- and B-linked units.

The A units earn either the first 15c of distributions per quarter, or the greater of the first 15c per quarter or 50% of the distributable income for the quarter. This means any combined quarterly distribution of more than 30c will see A unit-holders earning more than 15c per A-linked unit.

"People had a longer timeline envisaged for the 'A' to participate in the growth - we believe that it is coming sooner than people had expected," Suleman said.

Residential investment

Last month, Arrowhead stated in a cautionary announcement that it was in discussions to buy a R500m residential property portfolio.

South African listed property is regarded as being under-invested in the residential sector compared with other markets.

According to Stanlib data, JSE property counters have only 1% residential exposure by value, compared with 11% in developed markets and 15% in emerging markets.

Residential property exposure on the JSE is mainly represented by two related companies, Octodec Investments and Premium Properties.

"Since that cautionary announcement went out, we have had lots of people who have been contacting us with potential residential acquisitions that we can look at," Suleman said.

"The pipeline is actually looking very strong and we are very positive about it," he said, adding that the company believed there was huge opportunity for growth of its residential sector.

Chief operating officer Mark Kaplan said while Arrowhead had not yet actively pursued any other residential opportunities, the opportunity could open up a place in the market where there's not much competition.

While most listed property companies have chosen not to participate in the management-intensive residential sector, Stanlib head of listed property funds Keillen Ndlovu has said there is scope for further investments in the sector given the strong demand for quality residential accommodation.

Source: Business Day via I-Net Bridge

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