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Texton still looking for prime industrial assets

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LISTED property fund Texton is continuing to explore opportunities to increase its exposure to prime industrial assets in South Africa and reduce its office exposure.

However, Texton chief executive Nosiphiwo Balfour said yesterday that they recognised that from an acquisition perspective high-yield assets in the industrial sector were limited. She said that Texton had continued the disposal of small assets below the R50 million threshold, which were management intensive.

Texton owns a portfolio of R5.4 billion of assets with retail, office and industrial exposure located in South Africa and the UK. By value, 59.9 percent of Texton's portfolio is in South Africa and 40.1 percent in the UK.

Balfour said cost rationalisation and portfolio enhancing acquisitions, which would diversify the fund in terms of both sector and geography, was a key focus in the six months to December.

However, Balfour confirmed there were not any acquisitions in the reporting period.

Balfour said Texton continued to maintain a defensive office portfolio, which had performed admirably considering the oversupply and vacancies currently experienced in major property nodes. She said Texton's industrial portfolio had performed in line with budget other than the vacancy at Hermanstad Industrial Park in Pretoria, while its retail portfolio had remained robust with tenant waiting lists at Woodmead Commercial Park.

Texton's vacancy rate increased to 7 percent in December from 4.9 percent in June last year, which was attributable to increased vacancies in the South African portfolio where vacancies increased to 8.3 percent from 5.4 percent. Vacancies in the UK portfolio declined to 3.2 percent from 3.5 percent.

Balfour said a highlight of the reporting period was the renewal of the Department of Public Works lease at the Foretrust Building in Cape Town, which was Texton's largest South African asset by value. She said the renewal of 24 000m² was "a significant win", given the challenge of general market conditions and the department's backlog in attending to expired leases.

However, Balfour confirmed Texton was also reassessing its options for this property in the medium to long term to potentially allow for a mixed use development given the prime location of the site.

She said industrial property had remained an outperformer in both investment and occupier markets in the UK and Texton remained keen buyers of logistics and warehousing properties located in good nodes. Texton concluded 14 new leases for a total of 2 489m² between July and December and renewed 32 existing leases for 43 154m².

This significantly improved the fund's lease expiry profile since June last year when it reported that 42 percent of leases by revenue expired in its 2018 financial year, which had now reduced to 14.3 percent.

Texton yesterday declared an unchanged dividend a share of 47.95 cents for the six months to December.

Net property income improved by 2 percent to R212.4m from R208.2m.

Net asset value a share dropped by 8.8 percent to 891.49c from 977.54c.

Shares in Texton rose 2.38 percent yesterday on the JSE to close at R6.45.