

GOVERNMENT TENANTS

Tardy lease renewals by state hampers Delta's ability to plan

Alistair Anderson

Delta Property Fund, which drew nearly 80% of its revenue from government tenants in the six months to August, says state tardiness in renewing leases is making it difficult to operate.

Many state entities had been renting offices from Delta and other property owners on very short lease terms, which had created uncertainty.

CEO Sandile Nomvete said it was difficult for Delta to raise debt and spend capital on projects because it could not give banks consistent information.

"It's hard to provide accurate cash-flow projections when we don't have certainty over the income we expect to receive.

"Right now many state entities are signing leases which last a few months. It would make our lives much easier if they

could sign leases with terms of five to 10 years. Ironically, they would actually pay lower rentals if they committed to longer terms," he said.

Nomvete said the department of public works had committed to renewing all the leases it had with the largest 25 landlords in SA, which included Delta, by the end of 2018.

The company declared an interim dividend of 39.40c per

share for the six months to August, down 15.1% on the same period last year.

"It was a very challenging past six months, mainly as a result of the continued protraction in the bulk lease renewal programme," Nomvete said.

"Subsequently, we have received indication from the department of public works that they are working with the user departments to approve the

largest landlords' submissions and they remain confident that most of these will be done by the end of the year. This includes Delta's 59 leases for 227,550m²," he said.

Net property income fell 8.8%, mainly because of a once-off R30m provision raised against a gross lettable area dispute on its Forum office building in Pretoria. Delta argues that when it bought the building, the

contract it signed said it was larger than it actually is. Delta expects its dividend growth for the full year to February 2019 to be between -2% and -6%.

Momentum head of property Nesi Chetty said 2019 "is a big year for Delta to work on those big leases coming up for renewal. They are focusing all their efforts on local property and have not made any acquisitions, which is the right thing to do."